



[Share this Page](#) | [Subscribe](#) | [Contact Us](#)
[Links](#) | [Site Map](#) | [Home](#)

Mission: To strengthen the leadership of the social sector

[Articles, Books, Resources](#) | [Collaboration](#) | [Self-Assessment](#) | [Thought Leaders Forum](#)
[Innovation Award](#) | [Conferences](#) | [Hesselbein Fellows](#) | [About Us](#) | [Join Us](#)

[Leader to Leader](#) | [Full Text Article List](#) | [Subscribe](#)

The Leadership Advantage by Warren Bennis

copyright and
permissions

Leader to Leader, No. 12 Spring 1999

NEVER has the subject of leadership been of greater interest to managers, or to management writers. Richard Donkins, writing in *The Financial Times*, describes "a fixation bordering on obsession [with] the qualities needed for corporate leadership." It is, he adds, a "contagious" obsession, spreading in scope and intensity throughout our society, and suggesting that Americans have lost their way.

If it is an obsession, it is a useful one for any organization concerned about the future -- but I understand the source of the frustration Donkins and others display. For all the ink it gets in scholarly, business, and popular journals, leadership remains an elusive concept.

However, whether or not leadership is well understood, its impact on the bottom line is dramatic, according to a study by Andersen Consulting's Institute for Strategic Change: the stock price of companies perceived as being well led grew 900 percent over a 10-year period, compared to just 74 percent growth in companies perceived to lack good leadership. And *Fortune*, in its 1998 round up of America's most admired companies, identifies the common denominator of exemplary organizations. "The truth is that no one factor makes a company admirable," wrote Thomas Stewart, "but if you were forced to pick the one that makes the most difference, you'd pick leadership. In Warren Buffet's phrase, 'People are voting for the artist and not the painting.'"



Thought Leaders Forum:
[Warren Bennis](#)

Warren Bennis is distinguished professor of business administration and founding chairman of the Leadership Institute at the University of Southern California's Marshall School of Business. He has advised four U.S. presidents and more than 150 CEOs and is author or coauthor of more than 20 books on leadership, change, and management, including *Organizing Genius* and his most recent, *Co-Leaders*. (3/99)

[More on Warren Bennis](#)



This article appears as "The Leadership Advantage" (Chapter 2) in *On Mission and Leadership*. [Read more.](#)

Order from
[Amazon.com](#).

From **Leader to Leader, No. 12 Spring 1999**



- [Table of Contents](#)
- [From the Editors](#)
- [Resources](#)

Generating Intellectual Capital

[Additional resources for this article](#)

MY own observations of organizations and leadership lead me to two conclusions about what it will take to survive in the tumultuous years ahead:

The key to future competitive advantage will be the organization's capacity to create the social architecture capable of generating intellectual capital. And leadership is the key to realizing the full potential of intellectual capital.

Percy Barnevik, former chairman of ABB and one of Europe's most celebrated business leaders, says that "organizations ensure that [people] use only 5 to 10 percent of their abilities at work. Outside of work they engage the other 90 to 95 percent." The challenge for leaders, he adds, is "to learn how to recognize and employ that untapped ability." His assessment is supported by data on both sides of the Atlantic. Nearly two-thirds of companies surveyed by Kepner-Tregoe say they don't use more than half their employees' brainpower. And employees themselves are even less optimistic; only 16 percent said they use more than half their talents at work, according to a recent UK survey.

On the other hand, huge benefits accrue to organizations that, as Barnevik urges, learn to employ their collective brainpower, know-how, ideas, and innovation. A recent study of 3,200 U.S. companies, conducted by Robert Zemsky and Susan Shaman of the University of Pennsylvania, showed that a 10 percent increase in spending for workforce training and development leads to an 8.5 percent increase in productivity; a similar increase in capital expenditures leads to just a 3.8 percent increase in productivity.

Such findings explain why General Electric's Jack Welch says he has only three jobs as CEO: selecting the right people, allocating capital resources, and spreading ideas quickly. Welch typically asks the hundreds of GE managers he talks with not only about their ideas but who they've shared their ideas with, and who else has adopted them.

It is no accident that both Welch and Barnevik, two of the world's most accomplished business leaders, see their role in similar terms. In a knowledge economy, leaders cannot command employees to work harder, smarter, or faster. Knowledge workers, if they are earning their pay, know more about their work than the CEO does, and are in great demand. Without leaders who can attract and retain talent, manage knowledge, and unblock people's capacity to adapt and innovate, an organization's future is in jeopardy.



Qualities of a Leader

ALTHOUGH Donkins implies that our search for the qualities of leadership is futile, research points to seven attributes essential to leadership. Taken together they provide a framework for leading knowledge workers:

- *Technical competence*: business literacy and grasp of one's field

- *Conceptual skill*: a facility for abstract or strategic thinking
- *Track record*: a history of achieving results
- *People skills*: an ability to communicate, motivate, and delegate
- *Taste*: an ability to identify and cultivate talent
- *Judgment*: making difficult decisions in a short time frame with imperfect data
- *Character*: the qualities that define who we are

Senior executives seldom lack the first three attributes; rarely do they fail because of technical or conceptual incompetence, nor do they reach high levels of responsibility without having a strong track record. All these skills are important, but in tomorrow's world exemplary leaders will be distinguished by their mastery of the softer side: people skills, taste, judgment, and, above all, character.

Character is the key to leadership, an observation confirmed by most people's personal experience, as it is in my 15 years of work with more than 150 leaders, and in other studies I've encountered. Research at Harvard University indicates that 85 percent of a leader's performance depends on personal character. Likewise, the work of Daniel Goleman makes clear that leadership success or failure is usually due to "qualities of the heart" (see "The Emotional Intelligence of Leaders," Fall 1998). Although character is less quantifiable than other aspects of leadership, there are many ways to take the measure of an individual (see [The Anatomy of Character](#)).



Demands of Followers

POWER in the knowledge economy resides more with knowledge workers than with owners or managers. Serving the needs of those workers is a new leadership imperative. Research shows not only the characteristics of effective leaders but also the expectations that followers have of their leaders. Whether in a corporation, a Scout troop, a public agency, or an entire nation, constituents seek four things: meaning or direction, trust in and from the leader, a sense of hope and optimism, and results. To serve these constituent needs -- and ultimately to unleash an organization's intellectual capital -- leaders can foster four supporting conditions, which in turn can create four respective outcomes.

EXEMPLARY LEADERSHIP

To satisfy followers' needs and achieve positive outcomes, leaders must provide four things.

In Service of Constituent Needs for:

Meaning and direction

Trust

Hope and optimism

Leaders Provide:

Sense of purpose

Authentic relationships

"Hardiness" (confidence that things will work out)

To Help Create:

Goals and objectives

Reliability and consistency

Energy and commitment

Results

Bias toward action, risk, curiosity, and courage

Confidence and creativity

- *Providing purpose.* Effective leaders bring passion, perspective, and significance to the process of defining organizational purpose.

Every effective leader I've known is passionate about what he or she is doing. The time and energy devoted to work demand a commitment and conviction bordering on love. Michael Eisner, chairman of the Walt Disney Company, defines that quality as a strong point of view, or in Hollywood parlance, POV. In his company, he says, it is unfailingly the person with conviction who wins the day. "Around here," adds Eisner, (we're talking about Hollywood, remember), POV is worth at least 80 IQ points."

One starts with passion; perspective is harder to come by -- but is essential in a world of rapid change. For most people in organizations, the question is not only what happens next, but what happens *after* what happens next. As hockey great Wayne Gretzky explains, "It ain't where the puck is, it's where the puck will be." One Fortune 500 CEO puts it differently: "If you're not confused, you don't know what's going on." Because the fog of reality is so pervasive, constituents want not just a vision of where we're heading but also where they've been and where they are now. People want leaders to provide context.

If you're not confused, you don't know what's going on.

Finally, knowledge workers -- the best of whom have significant choice in the place and terms of their employment -- want a sense of significance.

What is the meaning of our work?

What difference or larger contribution does it make to others?

How do we measure success?

And what are the positive outcomes of that success?

By making time for such reflection leaders build support for organizational goals and objectives.

- *Generating and sustaining trust.* Since 1985, 20 percent of the American workforce has been laid off at least once. In a time when the new social contract makes the ties between organizations and their knowledge workers tenuous, trust becomes the emotional glue that can bond people to an organization.

These are the factors that generate trust -- at work or in a partnership, a marriage, or a friendship: competence, constancy, caring, candor, congruity.

What I call congruity -- or authenticity, feeling comfortable with oneself -- is a further reflection of character. It is at the heart of any honest relationship. But congruity goes beyond simply knowing yourself; it is being consistent, presenting the same

face at work as at home.

Candor is perhaps the most important component of trust. When we are truthful about our shortcomings, or acknowledge that we do not have all the answers, we earn the understanding and respect of others.

Exemplary leaders create a climate of candor throughout their organizations. They remove the organizational barriers -- and the fear -- that cause people to keep bad news from the boss.

Exemplary leaders
create a climate of
candor.

They understand that those closest to customers usually have the solutions but can do little unless a climate of candor allows problems to be discussed. Especially during times of change, exemplary leaders share information about what's going on in the organization, the industry, and the world. They treat candor as one measure of personal and organizational performance, which can be gauged through employees' response to such statements as, "My organization encourages people to take the time to communicate openly, even about difficult questions." Or, "There is little fear of speaking openly about important issues."

Without candor there can be no trust. And by building trust, leaders help create the reliability and consistency customers demand.

- *Fostering hope.* Exemplary leaders seem to expect success; they always anticipate positive outcomes. The glass for them is not simply full but brimming.

Hope combines the determination to achieve one's goals with the ability to generate the means to do so. Hopeful people describe themselves with such statements as:

I can think of ways to get out of a jam.

I energetically pursue my goals.

My experience has prepared me well for the future.

There are ways around any problem.

One example of a hopeful leader is Intel Chairman Andrew Grove, who told me 15 years ago that he grew up with a "Nobel complex." He emigrated from Hungary speaking little English, with no money, but his parents imbued in him a sense that he would succeed in whatever he attempted. If he went into science, he told me, he felt he could win the Nobel Prize. That psychological hardiness, the sense that things generally work out well, creates tremendous confidence in oneself and in those around one. And that kind of confidence influences others. It builds energy and commitment, and that in turn influences outcomes. In short, every exemplary leader that I have met has what seems to be an unwarranted degree of optimism -- and that helps generate the energy and commitment necessary to achieve results.

- *Getting results.* As leaders we can provide meaning, build trust, and foster hope, but all of that counts for little unless an organization produces results.

Most leaders coming into a new position or facing a moment of truth are afforded some time and resources to deliver. That is what makes a collective sense of purpose, trust, and hope so important -- they can carry people through what they know will be a difficult time. But these assets will dissipate if leaders do not get results. And of course we deliver results only by taking action.

That does not mean that every action will be successful. But, as Gretzky reminds us, "You miss 100% of the shots you don't take." Exemplary leaders never forget that they must ultimately take their best shots -- and create a climate that tolerates missed shots yet demands that everyone continue to take them. Moving from talk to action is imperative, but, especially in the times we live in, it requires commitment, enterprise, curiosity -- and courage. It requires leadership.

Results-oriented leaders see themselves as catalysts. They expect to achieve a great deal, but know that they can do little without the efforts of others. They bring the zeal, resourcefulness, risk-tolerance -- and discipline -- of the entrepreneur to every effort of the organization. Nothing less will get break through the noise, clutter, and competitive pressure of today's marketplace.

To be sure, we are paying unprecedented attention to the subject of leadership. We also are seeing the importance of intellectual capital to strategy, organizational design, leadership development, employee retention, and virtually every business practice that matters. Organizations that don't take such issues seriously, or that fail to make the connection between leadership and the quality of their intellectual capital, will probably not be in the phone book in 2001.

One CEO says, "We are making the topic of leadership an issue we have powerful conversations about. We encourage people to talk about it. We reward coaches. We want people to develop ways of getting feedback." They do so not as an exercise but a way to compete. Exemplary leaders believe they have a responsibility to extend people's growth and to create an environment where people constantly learn. Those are the surest ways to generate intellectual capital and to use that capital to create new value. In the next century, that will be every leader's ultimate task.



The Anatomy of Character

There are many definitions of character, but for exemplary leaders character goes beyond ethical behavior (although that is essential). The word itself comes from the Greek for *engraved or inscribed*. For the leaders I have studied, character has to do with who we are, with how we organize our experience. The great psychologist William James described it as "the particular mental or moral attitude [that makes one feel] most deeply and intensively active and alive ... a voice inside which speaks and says, 'This is the real me.'"

Effective leaders -- and effective people -- know that voice well. They understand that there is no difference between becoming an effective leader and becoming a fully integrated human being.

Many aspects of character -- such as our degree of energy or our cognitive skill -- are probably determined at birth; others are influenced by our family life, our birth order, our relationships with parents, teachers and friends.

Yet character develops throughout life, including work life. Leaders can help others become more aware of their innate capacities. For example, by examining the kinds of decisions they make and don't make, senior executives and those they manage can develop their own character and cultivate new leadership throughout the organization.

For executive leaders, character is framed by drive, competence, and integrity. Most senior executives have the drive and competence necessary to lead. But too often organizations elevate people who lack the moral compass. I call them "destructive achievers." They are seldom evil people, but by using resources for no higher purpose than achievement of their own goals, they often diminish the enterprise. Such leaders seldom last, for the simple reason that without all three ingredients -- drive, competence, and moral compass -- it is difficult to engage others and sustain meaningful results.

[Return to reference](#)

Copyright © 1999 by Warren Bennis. Reprinted with permission from *Leader to Leader*, a publication of the Leader to Leader Institute and Jossey-Bass.

Print citation:

Bennis, Warren "The Leadership Advantage" *Leader to Leader*. 12 (Spring 1999): 18-23.

This article is available on the Leader to Leader Institute Web site, <http://leadertoleader.org/leaderbooks/L2L/spring99/bennis.html>.

Permission to copy:

Send a fax (+1-201-748-6008) or letter to John Wiley & Sons, Inc., Permissions Department, 111 River Street, Hoboken, NJ 07030 USA. Or online at <http://www.wiley.com/about/permissions/>.

Include: (1) The publication title, author(s) or editor(s), and pages you'd like to reprint; (2) Where you will be using the material, in the classroom, as part of a workshop, for a book, etc.; (3) When you will be using the material; (4) The number of copies you wish to make.

To subscribe to *Leader to Leader*:

Call +1-888-378-2537 (or +1-415-433-1740) and mention priority code W02DF or see additional options at

<http://leadertoleader.org/leaderbooks/L2L/subscriptions.html>.

[Leader to Leader](#) | [Full Text Article List](#) | [Subscribe](#)

[Articles, Books, Resources](#) | [Collaboration](#) | [Self-Assessment](#) | [Thought Leaders Forum](#)
[Innovation Award](#) | [Conferences](#) | [Hesselbein Fellows](#) | [About Us](#) | [Join Us](#)

Leader to Leader Institute [[home](#)]

(formerly the Drucker Foundation)

320 Park Ave 3rd Fl

New York, NY 10022 USA

Tel: +1 212-224-1174

Fax: +1 212-224-2508

Email: info@leadertoleader.org

Web: leadertoleader.org

[Share this Page](#) | [Subscribe](#) | [Contact Us](#)
[Links](#) | [Site Map](#) | [Home](#)

[Privacy Statement](#)