



The Essence of Leadership

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"Now what you are thunders, for I cannot hear what you say." That happens to be a quotation from Emerson that simply says it's actions, it's tactics, it's strategy, it's implementation, it's inspection, it's recognition, and it's commitment that gets things done in this world of ours, not just people talking about doing some things.

And that's one of the reasons I think the book *In Search of Excellence* was so successful in America. It hit a nerve—not from the point of view that it told you and I anything new—but I think it confirmed that which we already understood. And that is attention to detail, doing things right the first time, being part of a people-caring organization, and above all being market-driven and customer-oriented, which happen to be the factors that separate one organization from another and many times individuals in relationships to others.

Let me describe the difference between selling and marketing.

First of all, selling is the art of persuasion. That's the ability of you or me through our own personal attributes that whatever we have to say, we can convince somebody on the basis of those

characteristics. You can teach people how to sell.

But marketing is a more-encompassing term. Marketing is the process by which an organization relates itself creatively, productively, and profitably to its environment. That means you'd better understand the customer, you'd better speak in a language that's familiar to him, you'd better be able to put together a cost-justified solution, and above all you'd better be able to give value.

Selling tries to get the customer to want what you have, and marketing tries to have what the customer wants.

There's a fundamental difference between that set of words.

That means every member of an organization, no matter where they are—finance, administration, direct selling—they exist for one singular purpose and that's to try to satisfy that particular customer.

I've seen organizations in my 34 years with IBM fall by the wayside because they lose their perspective of why they are in business.

Everyone in business can probably cite Parkinson's Old Law. Well, I'm going to give you Rodgers' New Law. It says an organization, once it reaches a certain size, can exist for an indefinite period of time talking solely to itself before it dies. That means that business failed to perceive who was paying the bills,

They developed some inward culture, spending time talking to themselves rather than talking to the people who are really important. I've also said marketing was trying to understand the environment. If you can't articulate those factors or forces of change that might have significant effect, then change controls you rather than the other way around.

If there's any one thing I learned in 34 years with IBM, it's that change is always with us and that change can be very psychological. Now, to the fearful individual change is threatening because they think things are going to get worse. To the hopeful, change is encouraging because they think things are going to get better. But to the person who has a belief in himself or herself, then change is a stimulus because that person still believes that in this world of ours one person can make a difference.

The adage still holds that there are three types of people in this world those who make things happen, those who watch things happen, and those who say, "what happened?"

No one wants to be in the latter category. And if there's any organization that's undergoing change, it's your industry and your company.

New regulations, new competitors, new delivery system—I had a banker say to me the other day, "things are moving so fast and around me, it takes nerves of steel just to be neurotic."

It's when you don't see change occurring that you should start to worry.

Now if marketing is made up of all these things, what are the major forces of



change into the 1990s? The first is what I call changing values and the emphasis on the quality of life. You can't pick up a newspaper or magazine where you don't see, "More is less" or "Less is more". It's getting fashionable to challenge the Work Ethic, once again. But, what I see happening is that people today of all ages are saying they want to give a fair day's work for a fair day's pay, they don't want to sacrifice family, and they want to be involved in socially responsible activities.

And on that point, you and I have a civic rent to pay within our lifetime. We just have to decide what that civic rent is. My "give-back" has been lecturing on college campuses. I teach at eight universities each year, and then I take one week under the auspices of the Woodrow Wilson Foundation and teach at a small liberal arts school where they don't know what the word business means.

There's no one I run into anywhere in the world, no customer large or small, that want to be told "how" anymore. Nor do the people you call on. But people do demand to know why. They want to understand the rationale of why things are the way they are.

For example in marketing IBM, when we're questioned on price or terms and conditions, if the response is "that's policy", or "that's the way it's always been", then marketing is on the mad to becoming a dinosaur. People want to go home at night, look in the mirror, and say today I did something worthwhile.

How people perceive their job or their work habits affects productivity, pension plans, and everything else that goes on within an organization. Also, I have seen us leaving the Me Generation into what I've entitled the Be Generation. You can be anything you want to be depending upon your own skills and your own capabilities. Today people might be unhappy with what they see around them, but they're willing to work within the system.

So I bring this up because it's a thought process that people are going through today. And if you're not in tune with that thinking, then whatever you're going to offer isn't going to be in line with offering a customer solution.

The second change that's going on is the rising tide of education. What do I mean by that? What I don't mean is that there's 10,100,000 students on our college campuses. I'm talking about a style of management. If I were to look at your organization, it's probably a vertical structure. But how do you really get things done? You get things done by in-

ter-relating with each other. Therefore, we're moving now in the Eighties into what I call the horizontal concept of management where you will deal with people

on the basis of what they know rather than where they sit in a hierarchical structure of a business.

They call this the world of knowledge seekers. To me, it's nothing more than when I had a problem at IBM, I went to where I could get the most accurate answer and the most timely response. What did I care where that person was in the management structure?

It is a reflection of a person's intellect and capability and your respect for that individual. You need to understand there are a whole variety of different decision-makers in a business. You have to find out which of those has the greatest leverage. That's why the term "end-user marketing" is so critical at IBM. It should be in your vocabulary as well.

A third point I think that's driving change in personal values and also change in management style is productivity. For 34 years it was tattooed on my forehead, but unfortunately it is one of the most misunderstood words in the English language. Now, what do most people think about when they hear word productivity?

Working longer, working harder, and under increased pressure. But that's not what it is.

You go to the dictionary, and it says "producing abundantly" If you're a fan of C. Jackson Grayson, and he used to be dean of the business school at SMU and now the head of the American Productivity Center, he says it's output over input. If you like Peter Drucker and his teachings and readings, he says it's the first test of management.

Now, I'm going to offer the best definition of productivity. It happens to be an anonymous one, and I have yet to find anyone who can tell me where it came from and pretty soon I'm going to take full credit. Productivity is the untapped potential generated by the creative interchange of new ideas, new technology and good people who are skillful and consistently managed.

There have been all kinds of dissertations about Japan and what they've been able to do. They've copied everything we've learned from a management point of view. Now we're back to copying from Japan the things we already gave them.

Making people feel important and by

giving people something meaningful to do-a very specific set of targets and objectives-you can reach any level of penetration of a market.

Those three factors must be clearly articulated under a clear concept of what is marketing and examine the effect they will have upon your business.

To put into perspective what history can do and how one becomes market-driven, let me take a period of time, 1947, and look at the top 100 companies in that time frame and then look at where those companies are today.

Would you be amazed to know only 60 remain? If we were to go two decades earlier than 1947, would you be surprised to learn only 40 are here today? If you really want to learn from history, go back to the turn-of-the-century and take the top 25 corporations in America and ask where are they today You'd find only two remain and one of those because it merged with six others. Three are totally gone, and I mean really gone. You cannot find them. They have dropped from the scene. The rest are still functioning but nowhere near any position of preeminence.

So people say how can one organization with the same or similar set of products or services succeed and somebody else fail?

To those that succeed some say well, they had a charismatic leader, . . . they put more money back into R & D or education and training. . . they stayed on top of competition-they were light on their feet.

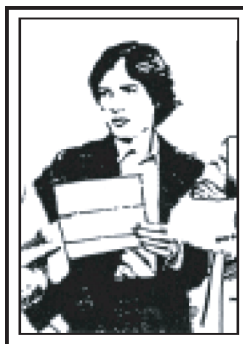
To those that fail, some would say they turned inward, they lost their resolve, they became apathetic and thought the world owed them a living.

But, the real difference between success and failure is how well an organization develops the talents and energies of

its people regardless of the positions that they hold. Look at any company that's weathered the test of time, and you'll find they owe their resiliency and success to having a set of principles and beliefs that became visible to the people inside the organization and more importantly became visible through words and actions to those people who interlaced with those companies.

Such is the basis for being market-driven. What's the magic?

The first belief and principle is nothing more than respect for the individual. What do I mean by respect for the individual? Well, it ranges all the way from asking yourself, how much time is spent in training your switchboard operators who have to handle perhaps irate phone calls? How much time is spent in training from a culture point of view or



common courtesy your receptionist who might also be the first contact?

Respect for the individual includes the assurance that worker will be given an honest and straightforward appraisal of their performance. The most distasteful thing any of us has to do is to sit down and tell someone they're not producing.

Respect for the individual includes the training program you have in effect to build professionalism from the selling side or any other aspect. How much time is spent in continuing education programs?

Respect for the individual runs the gamut from the most mundane to the most sophisticated, but you put your money where your mouth happens to be.

Second, you decide as an organization that you're going to give the best service of any company in the world and you start to measure yourself against other companies in this aspect. Then you establish some very specific measurements and criteria that are related to service. I'll give you one that has worked well for IBM and can do likewise for other companies large and small and that's when a customer complaint comes in by phone or letter, it is mandatory to respond to that complaint within 24 hours by phone, letter, wire, or in person. I didn't say you solved the problem in 24 hours, I said you answered somebody and told them 'I heard you'. Today, when you or I get good service in America, we're surprised by it. It ought to be the other way around.

For example, when I was in Columbus, Ohio, I visited with my good friend David Thomas who is chairman of Wendy's. And his thesis is simply: "I never went to college, but I have more apron time than anyone else." He understands what the customer really wants.

I gave a presentation not long ago to Sam Walton, one of the richest men in America, of Wal-Mart stores. When he started out he had about 20 or so stores. Now he has 851 and visits every one of those stores each year. And his office staff doesn't stay behind. They go with him.

I live in Connecticut where we had McDonald's replacing Howard Johnson's on the Turnpike. Since McDonald's took over, business is up 50 percent, and I'll guarantee you there aren't 50 percent more cars traveling on I-95. One of the reasons is that McDonald's inspects their restrooms every 30 minutes. It's one thing to talk about giving service and it's

another to practice it.

That's what *In Search of Excellence* is talking about. You do one thousand things one percent better every day, not one thing a thousand percent better every day. It's like going to Disneyland and people there are called "guests".

I'm on the board of a major textile cor-

Rogers definition centers on people

We live in a time of paradox, contradiction, turbulence, opportunity, and, above all, change. To the fearful, change is threatening because things seem to be getting worse. To the hopeful, change is encouraging because things are going to be better. To people who believe in themselves, change acts as a stimulus. People who look on life this way might be called "the difference makers"—the people who will help guide our various enterprises through the maze of change we call progress.

A real leader, through his or her actions and words, has the ability to motivate others to their highest level of achievement; and gives them the opportunity and the freedom to do so. Leaders know how to set priorities, anticipate and strategize. They are comfortable seeking advice and energize the atmosphere with their enthusiasm. A successful leader projects a winning attitude and acts with integrity



poration. They don't call their people employees, they call them "associates". It's an attitudinal type of thing.

It is simply going back to respect for what a person is and then giving that person detailed excellence every day, every hour.

The third factor that separates one organization from another is simply you expect excellence from what people do. No one has right of tenure in this world. Every day for 34 years I looked over my shoulder and listened for those footsteps. And some days they were louder than others.

You earn what you get day by day—that doesn't mean you don't respect what a person did five years ago or 10 years ago, but you have to produce on a daily basis.

Those three beliefs produce a purpose. Maybe you ought to think about what is your purpose. I'll tell you what I think it ought to be: create new customers, maintain old customers, and make people want to do business with you. I didn't say love you but respect you and do business with you.

You ask me what products does IBM

sell. The answer is none. We sell solutions to a given set of customer problems.

Now how do you really make philosophical points or beliefs come alive?

Well, you do it by tactics and strategy. And, the first thing is, you'd better have the right set of talent for your organization. At IBM, we wouldn't let personnel lure anyone for marketing. The people who do the hiring are first line managers and that's true in finance, administration, personnel, wherever. If you're going to hold people accountable for results, you'd better give them the freedom to pick their team.

We find education, training, and communications to be of the greatest importance or the area of greatest deficiencies.

Once you give people the right education, you'd better be able to measure them. Revenue is the best measurement there is. Our business is built on repeat business and customer satisfaction.

Then you'd better have some forms of recognition. You want a sizeable difference between those who are just doing the job and those who are performing at the optimal level.

And there'd better be acts of personal leadership. There's a big debate going on in America right now if we have more or less heroes. The real heroes ought to be you and me. One person can change what goes on. I never believed I could change the world,

but I believed I could have an affect on that which I happened to come into contact with.

Let me define under the umbrella of leadership and being market driven what the word leadership means. Leadership is the ability of a single individual through his or her actions to motivate others to higher levels of achievement with the freedom and opportunity to do so.

Leadership is the ability to prioritize. For 34 years, I have lived with minutiae. Do you know how many pounds of paper you have to deal with every year? Five thousand pounds with five percent being worthy of attention, and that may be high. The secret is to be able to sort out all that paperwork and phone calls down to that which is important.

I leave you two words to keep in your vocabulary of progress: desirability and necessity. Somewhere, you have to say: what is truly required.

I've said I would never accept more than five objectives and I've said I would never give more than five. Every time I took a new job at IBM, I'd read the mission statement and I'd throw it away. I

wasn't rebellious, but I could not possibly do every thing that mission statement said. You'd better be able to decide which of those items is the most important. You'll find your decision-making batting average is going to be a lot higher because you're concentrating on your expertise.

When you do that you'd better be prepared because you're not going to be an expert in everything to say, I don't know but I'll get back to you in a prescribed time with the best answer.

Leadership is never separating accountability from responsibility. How many times have you seen a person given the responsibility to fail but never held accountable? Or worse, the person who's

held accountable but never given the chance to make a mistake.

Leadership is also seeking advice. Seeking your advice is the greatest compliment anyone can pay to you. I've been more motivated by someone thinking enough of me to involve me into the problem. And to talk candidly about what are some of the weakeners of an organization.

Leadership is also praising in public and criticizing in private. Why do you do that? Because people will pass good ideas up to you knowing you won't plagiarize that idea that you'll give credit to where credit is due. It's amazing what ideas come up and bubble through as some new approaches to getting a job done.

Leadership is knowing when an extra effort is required. I've never been able to operate at a peak performance level. I've tried to work at 100 percent but what I've tried to concentrate on is finding out when an extra effort really is necessary and be able to reach back and have that capability and know it's there.

There's a French proverb that's helped me- "One can go a long way after one is tired." You need to be able to know this weeks the time for that extra day.



that extra week, whatever it is. All of a sudden you spend that time on it and the problem disappears. But you're selective about it.

Leadership is also maintaining a positive attitude. I've picked people to work beside me who have more enthusiasm than those who might have more gray matter but won't spend any time and a little extra sweat. I remember the anonymous proverb- "Age may wrinkle the face, but lack of enthusiasm will wrinkle your soul." There shouldn't be any problem you think you can't solve.

Strategy is the craft of the warrior. The generals of the world understand that term. You know what your strengths are, your weakness, and what your competition can and cannot do before you plan your attack. Wayne Gretzky says, "Skate to where the puck is going to be, not where it's been." When people put strategy in place, they always have a base plan. That's what you commit yourself and your resources to. And you always have a growth level, something a little bit above that allows you to reach. You're not being measured on that, but that's what you're trying to accomplish. Smart operators also have a contingency plan, a risk plan. Something you can fall back to. Why? It's better to plan it in the calmer moments than in the heat of battle.

Above all, leadership is still quality. Casey Stengel understood it all his life—you hit a home run, and you can take your time running the bases. It's just as easy to do things right the first time, isn't it?

There's one word that I think separates organizations and people from each other. The word is integrity. Where people can count on what you say as well as what you do. That's why this started out with "What you are thunders, for I cannot hear what you say." It is day-by-day practicing of what is right. It is not fly by night or people talking about doing these things. Footballs Vince Lombardi understands he can tell you everything about his plays on the field, but it's in the execution that counts.

The question is can people practice it daily and do it well? Is excellence a way of life within an organization?

There's a statement that says you lose wealth, you've lost nothing; you lose health, you've lost something. But if you lose character or integrity, you've lost ev-



everything. And so integrity is returning phone calls, starting meetings on time. I had a rule at IBM: if there was a meeting at 9 o'clock, and people showed up at 9:01, they didn't come into the meeting. That wasn't being a nasty guy. It just sent the signal of what you stood for.

So my whole thought process is that this is an exciting world, a world of change, a world that requires a market-driven customer orientation by everyone in the business. Everybody sells, no matter where you happen to be.

Then you've got to put together some tactics and strategies and personal acts of day-to-day heroism. And when you do that, you and I can have some fun in the process and we avoid what Eric Fromm describes as the boredom, the anxiety, and the meaninglessness of life that surrounds us. Fromm talks about a person sitting in front of a bad television program and doesn't know he or she is bored.

Fromm tells us the greatest error in life is for a person to have material

wealth as his or her only goal and who cannot understand his or her anxieties but their ulcers speak louder than their minds. A poem that has helped me many times and one that harkens back to entrepreneurship and leadership:

There is an ancient claim
That we win or lose within ourselves.

The shiny trophies on our shelves
can never win tomorrow's game.

Yet you and I know deeper down
There's always chance to win the crown.

When we fail to give our best
We simply haven't met the test.

For who could ask more of a man or woman
for giving all within their span.

Giving all, it seems to me,
is not so far from victory.

So you and I control our fate.
We open up or close the gate
On the road behind or the road ahead."

I wish you the best on the mad ahead.

AJ