Book Summary/Review: Leadership

This article is based on the following book:
Leadership
by Rudy Guiliani

Leadership in Business
Oceans of ink have been spent on the topic of leadership in business. Retired CEOs, MBA Professors and various elder statesmen all have their views on the topic. Every management getaway has its hour or two devoted to leadership. Nobody disputes its importance in business: like motherhood, everyone is for it. But actually isolating the characteristics of great leaders is not easy. At the top level, leaders are a difficult bunch to classify. They do not exhibit the same traits - the spectacularly successful are, by definition, unusual. Trying to group them together is a forced and artificial process. It simply isn't right to say "leaders are charismatic" or "leaders are focused", because there are plenty of great leaders who are neither.

Neat definitions don't work. As part of our ongoing work on leadership in business we recently reviewed former New York Mayor Rudy Giuliani's book on the topic1. Giuliani was not only an inspirational figure to New Yorkers after September 11, but also one of the most skilled public administrators of the 20th century. His achievements in the city are well known, with unprecedented improvements in crime rates, living standards, and prosperity during his tenure. Before entering politics he also had extensive experience in the legal profession and as an administrator.

In our view, Giuliani's book is the most important addition to leadership thinking in recent years. We think his ideas are of practical relevance to all business leaders, and have decided to devote this issue of Worth Noting to them.

Everyone's Accountable, All the Time
Giuliani had a two-word sign on his desk, which said simply: **I'M RESPONSIBLE**. He argues that leaders need to accept the blame if things go wrong - and expect similar standards all the way down the chain.

In the book, the former mayor discusses at length the accountability systems he put in place to focus the minds of police and bureaucrats on crime. He describes the importance of ensuring that staff members bought into their new responsibilities. Staff who were not willing to accept their new responsibilities suffered clear consequences: "Anyone above the rank of captain could be demoted: not only a knock to morale, but to the pension". Giuliani was prepared to use tough tactics to get what he wanted from staff: "A (non-performing) police officer who lived in Westchester might find himself stationed in Staten Island."

Giuliani instituted a remarkable accountability system for police command areas, which won the 1996 Harvard Innovation in Government Award.

Every week, one of the eight command areas would have to stand in front of the leaders of the other command areas and the senior police and city management and defend their performance in that week. Questions such as "why are car thefts up ten percent in your area this week when they are down by twenty percent citywide" were the norm. Entire management teams were required at the meetings, meaning that a problem could not be explained away by saying "I need to check with Bob" - Bob was standing right there. Good performance was also noted in this forum, not only areas needing improvement. Because of the realtime crime reporting systems that were in place, managers were required to answer to what was happening in their business right now - not last quarter or last month. The visibility of the reporting systems meant that managers could not provide their own spin on how

things were going: performance was there for all to see in black and white. The issue was how to improve.

This technique, in our view, would be worth adopting in many corporations. The key is to ensure the meeting does not degenerate into office politics or point scoring. An objective system is required to ensure accurate and consistent data, and the data must be available on a daily basis. Once the group buys into the validity of the data (ie the right things are being measured) and the accuracy of the measurement process, there is no room for dispute. The focus of the meeting can only turn to substantive issues. Managers who don't buy into the process will attract justified skepticism.

Underpromise and Overdeliver
"A leader must manage not only results but expectations."

Plenty of CEOs of ASX-listed companies could learn from this advice. The constant battle between CEOs and analysts to determine real underlying earnings numbers takes on an almost comic nature at times. Some CEOs are too bullish in their projections and are severely punished by the market when the numbers don't match expectations. Another, larger group, tries too hard to manage expectations down, to the point where analysts lose confidence in the projections and boost the numbers. A third group gets it right: projections which are conservative so as to allow room for surprises, but not so conservative as to lose credibility with the market.

Giuliani argues that a key way to manage expectations is to "avoid mentioning what you've done until you've actually accomplished something". Press releases trumpeting Initiative X are a sign of weakness if Initiative X doesn't actually have any runs on the board. Such statements create little real PR value and can have serious negative consequences if they are not delivered upon. Market credibility and staff morale are just two areas that can take a hit if grand initiatives are announced but not executed. For Giuliani, the answer is simple: announce initiatives once you know they are working.

Underpromising is also highly effective in focusing the internal team. Giuliani uses the example of the annual budgeting process in New York. He would generally project that revenues in the coming year would fall by 1-2%. The strategy allowed Giuliani to "forcefully argue against unnecessary expenditures and maintain a frugal culture, even during flush times." And if revenues were stronger than expected, the City held onto a handy surplus.

Develop and Communicate Strong Beliefs
Giuliani hits on one of the greatest sources of leadership power: belief. Most people, he argues, do not develop strong beliefs during their working life. Constrained by the day-to-day realities of office politics, pragmatism and fear, people do things "because that's the way they're done", not because that is the way they should be done. Giuliani asserts that "those who look to you for answers … have a right to know how you see the world."

It is an observation that accords with common sense. If we think of the inspirational leaders we have known and worked with, they are generally people who know what they believe in. One of the few characteristics common to all leaders is that they have firm views and stick to them: they do not flap in the breeze, moving with the current fashion. It is hard to be lead someone if you do not know where you are leading them to.

Giuliani also emphasises the criticality of communicating beliefs. As he says in the book, a leader *"must bring people aboard, excite them about his vision, and earn their support. They in turn will inspire those around them, and soon everyone will be focusing on the same goal; the effort will come from within, which always results in more forceful advocacy than if someone is just going through the motions to please their boss."* (Our italics)

We can't add much to that most insightful comment. Suffice to say that to lead, you need to believe in

something, and have the capacity to make others see the value of your position.

Organise Around a Purpose
This is one of the most interesting ideas in the book, and a theme which runs throughout its 400 pages. It is worth discussing in some detail.

Giuliani argues that most organisations are structured in such a way that they do not actually focus on a valid purpose. He argues that most organisations start off well, but over time lose focus on their real reason for existence.

An example he gives in the book is the New York Education Department. Like most public sector education systems, the Teachers' Unions exercised an extremely large amount of power. Decisions about the allocation of funding, where to open certain schools, how to promote teachers, and so on, were made based on bureaucratic convenience and the views of the unions. The underlying purpose for which the Department was supposed to exist - educating children - was not at the centre of the decision making process.

Similar examples exist in every substantial business - distribution of merchandise is one. The underlying purpose of a distribution process should be to get as much product to customers as possible, as cheaply and efficiently as possible. A sales channel strategy should drive the distribution process: if sales to convenience stores is the strategy, the distribution arm should support that strategy. But how often does the reverse apply? How often do companies sell to where they have distribution capabilities, rather than selling to the most advantageous markets and building the distribution capacity to support it? Many producers of Fast Moving Consumer Goods sell to major supermarkets but not to the smaller stores which encompass the "route trade".

The route trade market is large and margins are stronger than in supermarkets, so on the face of it this market should be incorporated in a prudent sales strategy. But scores of companies don't focus on this area, largely because they lack the distribution capacity to get the product onto the shelves. Rather than being a means to an end, distribution capacity becomes a determinant of strategy. The company's sales strategy is not organised around the right purpose.

Giuliani talks about the importance of *"aligning system with purpose"*. He provides the example of the relative obscurity of the Budget Director within the New York structure before he took office. The Budget Director - the person who controlled annual expenditures of $US40B - reported to one of the many Deputy Mayors. When large decisions were made at management meetings, the Budget Director wasn't present. Consequently, financial constraints weren't high on the agenda. Giuliani elevated the Budget Director to report directly to him and participate in the daily senior management meetings.

In our example above, the distribution function should be entirely subordinate to the sales strategy. But in most organisations, distribution actually sits in the more functional area of logistics / operations. Logistics and operations have no purpose other than to fulfill the business' goals, but in many companies become large centres of power unto themselves.

Funerals Mandatory
Giuliani devotes an entire chapter of the book to the importance of attending funerals and other difficult events in the lives of staff and colleagues. His argument is that "funerals are difficult. That's why one's needed, and why it means more when one shows up … When the chips are down - when someone you care about is struggling for answers or burying a loved one - that's when the measure of a leader is taken."

A little corny, perhaps, but true. In difficult situations, weak links break. In all of our business experiences, there are people we know will be around when times are difficult. There are just as many - and probably more - who we know won't contribute in these times. Implicitly, we ascribe a greater value to people who are there at difficult times. We know that there is something to them, that they are made

of substance. We will be much more likely to follow their advice than someone who goes missing when it counts.

Reflect, Then Decide
Giuliani makes an interesting point about decision making: **don't rush.**

"Faced with any important decision, I always envision how each alternative will play out before I make it. During this process, I'm not afraid to change my mind a few times. Many are tempted to decide an issue simply to end the discomfort of indecision. However, the longer you have to make a decision, the more mature and well reasoned that decision should be. "

Simple enough advice. But think about its implications if carried out properly. The point that many people are tempted to simply close off discussion on an issue is a key observation. How often have you chaired a meeting and made a decision on a matter simply to move things along? If employee X is saying the number is 10 and employee Y is saying it is 20, the temptation is always to call it 15 and move on to the next issue. If you could review all of those decisions over the years, how would the outcomes compare to more considered decisions? And what has really been gained by the quick call? Perhaps an odd awkward silence or two has been avoided, but that's all.

Leadership is an elusive quality that marks the difference between good managers and great business builders. As we noted above, it is hard to define, and neat descriptions should be treated with skepticism. We are particularly impressed with Rudy Giuliani's book on the topic because of its practicality, its broad application, and its common sense. In this brief summary we have tried to tease out some the book's key ideas. We highly commend Leadership to any senior manager looking to build upon their skills in this area.