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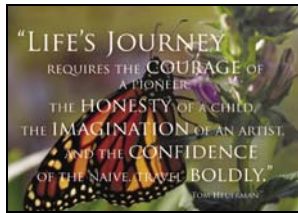
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LEADERSHIP FOR SUSTAINABILITY

A recent speech prepared for a leadership conference:

Do you ever feel confused about leadership and change?

My good friend, the late and Santa Claus look-a-like, **Bob Terry**, author of *For Whites Only*, *Authentic Leadership*, and *Seven Zones for Leadership*, once said to me when we discussed leadership and organizational transformation: "Sometimes I don't have a clue about how organizations change."

I chuckled when Bob said that because he was the deepest thinker I've ever known when it comes to leadership.

If Bob can admit to confusion at times, then so can I. And, as someone said, "If you aren't confused in these chaotic times, then you aren't thinking straight."

With that caveat, I want to tell you about the leadership experience that changed my life in ways I'd never have imagined—an experience of human potential more exciting than anything I did as a Secret Service agent who protected a president in the White House and chased counterfeiters on the streets of Chicago or as a photographer who took photos of lions in Africa and whales in the Pacific.

Then I'd like to make the argument that if you want your organization to make a lot of money and to endure longer than the length of a career, then you would be wise to create an engaged workforce.

First the story...

End A Life—Begin A Life

A Few Bad Apples

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From 1990-94 I was honored to lead a 4,500 employee business unit at the Star Tribune newspaper in Minneapolis, Minnesota through dramatic change. This story ages daily but the lessons apply today and the distance in time allows perspective to reflect on what we did right.

Actually, as it turned out, what I did well was to free up people, energy, and potential—after that I was mostly swept along by a surge of creative energy.

Within 15 months of its inception this work became a nationally recognized success story. Business guru Tom Peters wrote about our work (**see articles about the change effort**), people from a variety of industries visited to observe our self-managed work teams, and we were invited to speak about self-managed teams, partnership with organized labor, and culture change at conferences around the country.

We were recognized as leaders in our company, our corporation, and our industry. Our corporate CEO, after a presentation by some of our front-line employees, stood up in front of 75 managers and, with a tear in his eye, said: “People ask what living our values looks like. You just saw it.” He later said our leadership had changed the company forever and that our work had created a new strategy for the newspaper. I brought two consultants in from across the country to assess our work. They reported that they had never seen so much change occur in such a short period of time.

With a total lack of humility, this change effort remains the best I have seen.

This experience opened my eyes and my heart to the vast untapped human potential in our organizations and institutions and taught me new ways to lead people to accomplish bold objectives. **Authentic engagement was the key to our success.**

At the beginning of the change process, our goals were to resolve the issues that led to a Teamster Union organizing effort in part of the business unit and to save \$2 million in the next two years. We developed a vision for this organization and added these objectives:

--To improve employee quality of work life in alignment with our vision. We believed we would change the organization by developing people.

--To improve customer satisfaction.

--To become a more creative and faster moving organization, and

--To increase revenue and reduce expenses. This result, we believed, would come naturally if we did the first three objectives well.

Fifteen months later the results were:

--\$5-8 million saved from a \$37 million expense budget: we saved most of the company's goal of \$10 million before the rest of the company even began.

--70% reduction in first-line supervision (all voluntary).

--15% reduction in staff (all voluntary).

--50%-75% improvement in all, already excellent, customer service measures.

--The union organizing effort went away, and

--No union grievances in over 5 years.

We did more with less and improved morale through engagement.

To achieve these results we moved toward a vision that emphasized value driven leadership, empowerment, and involvement.

We:

--Established 30 self-managed work teams. Self-managed teams are not an end-all in themselves; they are just one tool available to a leader—a tool that fit our mature and experienced workforce. Teams connect people with one another, force good teams to learn the emotional skills needed in a great team, and allow team members to be responsible for the work they do.

--Created a skill-based pay system for 140 customer service representatives.

--Worked in partnership with organized labor in the part of the business unit already organized.

--Redesigned 140 customer service positions around

customer groups that resulted in “1-stop shopping” for internal and external customers and reduced job descriptions from 25-12.

--Developed a major training effort in group process skills, leadership development, quality, and diversity and most of all,

--Committed to value driven leadership that emphasized respect, personal responsibility, accountability, and achievement.

This change process was a time of incredible energy, great creativity, close relationships, and astounding achievement. **People who talked and thought together made our success possible.**

With the advantage of hindsight, here are the things I think we did best in this change effort:

--We took the time to struggle with our vision and our values and the things we would do. At first we didn't know how to talk about such things. We struggled and worked through our confusion and, as a result, were committed to what we came up with. The lesson: in a living system each reality is unique and each organization and leadership group has to struggle to find their own path. You cannot simply import what someone else did and mechanically implement it—to try invites failure. **You must go through the learning process to get to the result.**

--We invited people, including a union in another part of the business unit, to join us and be involved. I still remember the union leader who almost fell off his restaurant chair when I told him we wanted to let the employees schedule their own days and hours—a change I opposed bitterly for years. In addition, the front-line people restructured their jobs, created the skill-based pay system, and designed their teams. Consultants provided facilitation and methodology along with experience. **We learned that people support what they help create.**

--We learned about change and transition and the emotional aspect of change. We tried to manage the emotional process. We actually talked about feelings: loss, fear, anger, excitement, and aliveness. That was scary. Many change efforts fail because of the avoidance of emotions.

--People cared about people. One story represents many: Our teams had to be tested on their group process skills. If

they passed, they got a team bonus to use to do something together. One team went to the horse races, another went fishing. A team rented a limo and made dinner reservations at a fancy restaurant. They were excited. A few days before their big night out, a team member's brother died in California. He couldn't afford to go to the funeral. They team gave up their night out and bought their team-member an airline ticket. This team cared and had a big impact on the rest of the company.

--We apologized when we made a mistake or slipped backwards under stress—me more than anyone. I remember when a group of supervisors worked on a new vision for their department and invited me to a presentation. I got mad. Creating vision was my job. I was a jerk. A few days later I went back and ate crow. That meant a lot to the people and to me. When we admit our humanity, we built mutual trust, which means: "When I screw up, you know I didn't do it on purpose."

--Our leadership team **met weekly** for dinner and to catch up with our activities as we were busy. Often our dinners lasted 4-5 hours. Our consultant attended and listened. She challenged us when she felt our discussion of solutions to problems was not consistent with our values. The instant feedback helped us internalize our values and vision.

--We told people **the truth**, we told them what we knew when we knew it, we shared information openly, and we had few secrets. Teams managed their own budgets. **I learned that when, in our paternalistic organizations, we treat people like adults they tend to respond in kind.**

--We celebrated our successes and put our front-line people in front of people like the publisher, CEO, and corporate board of directors so they could share their experiences and so senior executives could "feel" the change effort instead of reading about it in memos or hearing about the changes from managers themselves far removed from the action.

--We made learning an integral part of every employee's job. Each person was on a **learning team**. Each team selected a topic to learn about that had direct impact on performance: budget, customer service, information technology, etc. The team might read a book together, make a site visit, hire a consultant, or invite a speaker. They would learn something together. Then they had to do something with the knowledge to improve operations. At the end of each six-month period they reported to the leadership about what they had learned and what they had done with their new

knowledge.

--Every employee had goals (team and personal) and accountability was high. Supervisors who could not lead in this new way were moved to other jobs, people who would not live our values were disciplined, and some were fired.

-Most of all, we made a big inner shift and began to see our co-workers as human beings just like us, not as union enemies or cogs in the machine. **We came to realize that relationships are primary.**

--The best advice I can give: talk, talk, and talk more about things that matter to your organization.

This experience had a profound impact on me.

I left the Star Tribune in 1994. I had just had a leadership experience that changed me. I wanted to study and learn more about our experience and the deeper dynamics of leadership and change. I also wanted to study the dark side of organizational life so I could better understand the cruel and mindless forces that destroyed our work after I left.

I completed a Ph.D. in leadership and organizational change in 1997. I focused on discovering a leadership model that worked in a time of fundamental transformation in our world.

Since 1994 I've worked as a consultant, executive coach, life strategies coach, photographer, and writer in Minneapolis, Colorado, and now in Fargo/Moorhead, where I make my home.

I continue to be a student of leadership change, and human development.

From my experiences as a leader, a learner, and a consultant, I know that engaged employees achieve tremendous business results and that absent engaged employees an organization cannot endure for the long term.

The emerging global data confirms this personal experience and this human potential offers itself to all of us.

Sadly, most leaders don't yet realize the power of engagement.

How are organizations doing when it comes to

sustainability and engagement?

Some companies endure for hundreds of years so we know the potential exists for all.

For example DuPont, Hudson Bay Company, W.R. Grace, Kodak, and several Japanese companies. The Stora Company in Sweden manufactures paper, pulp, and chemicals and began as a copper mine 700 years ago.

Sadly, however, the average life-expectancy of a Fortune 500 company pales at 40-50 years.

This statistic cuts across nations and is even worse for smaller start-up companies—40% survive less than 10 years.

The 40-50 year life expectancy of a Fortune 500 company is the worst actual to potential life expectancy of any species on the planet.

In addition, 70% to 90% of change efforts are deemed failures by those who lead them, and

Finally, Gallup reports that 74% of employees are disengaged clockwatchers who cannot wait to go home at night.

And 19% are actively disengaged (less loyal, less productive, more stressed, miss more days) at an estimated cost of \$300 billion in lost time each year.

This massive disengagement is symptomatic of low life expectancy for the organization. We experience low life-expectancy as stress, pettiness, power struggles for control, cynicism, resignation, and the walking dead of our organizations. If this sounds like your company, then your company is dying.

People are our greatest asset? I don't think so. Not in most organizations. And the devaluation of people shows in the lack of sustainable organizations.

I don't know where Gallup makes their determination about engagement, disengagement, and active disengagement, but I know from my leadership and consulting experience that their information is right on target.

I've worked in these organizations since 1994. I know them well.

I remember the employee who said to me, “I don’t get paid enough to care.” Another went to the doctor and hoped he had cancer. He didn’t want to be sick; he just didn’t want to go to work. Still another talented young executive could not get out of bed one morning. He was paralyzed and could not walk. It turned out that he didn’t want to go to his toxic workplace or be around his dysfunctional manager.

While employees bear some responsibility for this disengagement, for the most part it is a leadership issue. We created organizations to be this way: we can change them. I learned that at the Star Tribune.

Employee engagement isn’t the only variable that impacts success, obviously, but leaders can control engagement.

By engagement I do not mean happiness. I want to emphasize that I believe, from my leadership experience, that leaders are not in the happiness business. Being responsible for the happiness of another is paternalistic and impossible.

Leaders imagine better futures and create conditions where employees can choose to be engaged at work, if they want to be.

I’ve seen the walking dead come back to life when invited to participate, to be involved, and when required to be responsible—when treated with basic human respect. They showed me the impact leaders have on people and showed me the vast untapped human potential available to all of us.

The truth: no one in a management team performs their job if their employees are not engaged and that includes supervisors, managers, and executives. As leaders, we need to own this issue of employee disengagement and grab the potential of engaged people.

Arie DeGeus wrote in *The Living Company*: “Companies die because their managers focus on the economic activity of producing goods and services, and they forget that their organizations’ true nature is that of a community of humans.”

People are born to be engaged with the life around them.

Even a small improvement in engagement could have significant financial impact.

Despite the dismal statistics, the benefits of engagement are

beginning to be measured.

Two large studies by Watson Wyatt consulting firm concluded: "If a company's goal is to improve shareholder value, a key priority must be its approach to human capital."

The recently released book: *12: The Elements of Great Managing* by Rod Wagner and James Harder reported on Gallup data that shows, among other things, that engaged employees miss less work, quit less often, steal less from their employers, have fewer accidents (all of these by dramatic percentages), and more engaged organizations outperformed the earnings-per-share of their non-engaged competitors by 18%.

Many other studies show the same. The books in the handout document the financial benefit of engaged people.

Long-term profits come when we lead people well.

A leader does not have to choose between profit and people; the belief that you can only have one or the other is false. Both are possible. We call this leadership.

The leadership challenge of the 21st century is to achieve outstanding and sustainable business results by creating conditions for employee engagement that brings forth the vast untapped human potential in organizations—the competitive advantage of our time.

Can leaders engage employees, renew organizations, and improve their chances for long-term sustainability in a chaotic world? Or are we doomed to go the way of so many other organizations?

The data on sustainability, failed change efforts, and disengaged people show the need for a new model of leadership.

I know from the sustainability success stories, the new data on engagement, my personal leadership experiences, and from observing leaders like Dave Pinder of **Cardinal IG**, Wayne Voorhees and Paul Palmes of **Northern Pipe Products** and John Weeda of Coal Creek Station that leaders can lead change in ways that are sustainable for the long-term of the enterprise.

We have the knowledge on how to lead sustainable organizations—the question before us: "Do we have the courage and commitment?"

I define a sustainable organization as one that endures indefinitely in a continually changing environment or marketplace.

So how do engaged and productive organizations endure?

The first mandate for a sustainable organization: change from thinking of organizations as **machines** to seeing them as living entities—a profound and difficult change for many of us. For some an impossible shift. Such a change requires what Peter Senge in *The Fifth Discipline* called “a moment of metanoia”—a shift of the inner person.

Alcoholics anonymous would call the inner shift a spiritual awakening.

When we make this inner transformation, nothing in our organization will ever look the same again.

If this change of how we think of organizations is unfamiliar to you, some of the books I recommend can help you get a better grasp of the inner transformation required. If we don't “get” this, any change effort we make is doomed to disappoint.

What are the leadership practices of sustainable organizations?

Arie DeGeus found in his research outlined in his book, *The Living Company* that those companies that survived for hundreds of years had several things in common.

His data is consistent with what Jim Collins and Jerry Porras found in their research for their book, *Built to Last*.

The following practices to create great and enduring organizations are time-tested fundamentals.

Leaders of sustainable organizations:

--Continually imagine a better future and rally people to join together to make the vision come true. They have imagination. Leaders focus on vision.

All spiritual traditions and all 12-step programs teach us that change begins with seeing reality with some accuracy. The first step in creating a vision: ruthless honesty about ourselves, our organizations, our products, and our strategies.

Vision is a big goal and a vivid description of what achieving the goal will look like.

Leaders imagine constantly (not just once) and vision evolves continually as we learn and move toward it—always learning.

The leader leads the process; however, if you want employee commitment you must involve the people as they will only support what they help create.

Leaders should spend much time on vision.

--In living companies, a core identity of purpose and values provide stability and continuity. Sustainable organizations have an ideology.

Purpose: The why of the organization—why are we here--beyond making money or being efficient. The purpose of Walt Disney: to make people happy. 3M: to solve unsolved problems innovatively.

Values are the 4-6 principles that guide our behavior as we move toward our vision. The purpose and values remain constant while vision evolves.

So a core function of leaders is to lead the process of purpose and values identification, definition, teaching, and accountability. Former DuPont leader, Richard Knowles, spent 6 hours a day for 5 years teaching vision, values, and purpose to employees.

--Sustainable Organizations will change everything: strategies, operating practices, and products as they learn continually and adapt to their environment; core values and purpose remain constant. Sustainable organizations are flexible.

A constantly changing external world requires a constantly learning and changing organization—and change will only accelerate as we move to the future.

Constant change requires us to get good at change management, personal transformation, and making our ability to change a strategic advantage.

So a core responsibility of leaders is to learn how change happens and lead people through difficult transitions and deal effectively with resistance.

--Leaders of sustainable organizations embrace diversity: critics, outliers, experiments, failure, points of view, and people. They are inclusive.

A truly diverse workplace honors, accepts, and learns from the differences of each person. Authenticity is a driving motivation.

Authentic differences create conflict. And there is much conflict in a constantly changing organization. Sustainable organizations see conflict as a source of creativity; they surface and engage conflict instead of denying and repressing it as in a mechanistic organization.

Sustainable organizations experiment until they find what works, they learn from failure, and they listen to minority points of view and learn from them.

My most profound teacher from 1990-94 was a stately black woman named **Bettye Granger** who worked as a clerk at the Star Tribune. I would not have met Betty if we had not engaged with the people in the organization.

--Sustainable organizations grow cohesiveness by living the purpose, values, and vision of the organization. Leaders form communities.

Sustainable companies actually live out their purpose and values. Too often values and mission statements exist for public consumption and serve as mere inconveniences internally.

Leaders in sustainable companies hold people accountable for living the values. By doing so they grow a cohesive community.

--Finally, sustainable organizations are fiscally conservative.

Profits are necessary to sustain the enterprise but they not enough; they are an outcome of leading engaged people.

In long-lasting companies researched in *Built To Last* an investment of \$1.00 in them on January 1, 1926 would have grown to \$6,356 by 1994—over 15 times the general market.--15 times by not putting profits first.

Sustainability in a chaotic world is all about leadership.

You cannot do any of these leadership things well without

engaged employees.

In a dynamic community of people, leadership reflects an artist's touch, and the organization itself models the work of art.

Mort Myerson, former chairman and CEO of Perot Systems said, "Everything I thought I knew about leadership is wrong."

Leading in the ways I've touched on requires new talents, new knowledge, new skills, and a new way of viewing the world.

The books I recommended detail many other leadership, managerial, and supervisory practices that align with these core practices of sustainable organizations.

Leading sustainable organizations requires a shift from seeing an organization as a machine to seeing the enterprise as a living, breathing community of people.

Hence Mr. Myerson's quote. He saw the change of mind that was required. He had Peter Senge's "Moment of Metanoia."

The **leader's journey** is a difficult one—often lonely. No quick-fixes work. Leadership today requires great courage. Why do you think so few take this journey and why so few organizations are sustainable?

We may not feel up to the task of such leadership. Owner Charles Howard said in *Sea Biscuit*: "Our horse is too small. Our jockey's too big. Our trainer's too old. And I'm too dumb to know the difference."

I've done my best work when I was too dumb to know what I couldn't do.

Leaders of sustainable organizations achieve great business results and do so by creating conditions that bring forth the best in people.

What can you expect for results?

I tell leaders that if they are committed, they can realize bottom-line expense/revenue results of 10% to 50%, improve morale, and customer service, and have fun in the process. What leader doesn't want that kind of success?

What greater legacy for a leader than a company that endures and:

--is value-driven,
--has a noble purpose,
--makes money, and,
-- renews itself continually by engaging and developing people.

The best leaders care about people and end up making money.

While leadership and change may seem confusing at times, connecting people is straightforward.

In the end it is all about leadership that enables relationships.

RECOMMENDED READING:

BUILT TO LAST BY JAMES C. COLLINS & JERRY I. PORRAS

THE LIVING COMPANY BY ARIE DE GEUS

THE ONE THING YOU NEED TO KNOW BY MARCUS BUCKINGHAM

12: THE ELEMENTS OF GREAT MANAGING BY RODD WAGNER & JAMES K. HARTER, PH.D.

FIRST, BREAK ALL THE RULES BY MARCUS BUCKINGHAM & CURT COFFMAN

FROM GOOD TO GREAT BY JIM COLLINS

SERVANT LEADERSHIP BY ROBERT GREENLEAF

AWAKENING THE LEADER WITHIN BY KEVIN CASHMAN