

# Chapter 13: Great Leaders Create Environments that Unlock Potential and Lift the Human Spirit\*

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\*Appeared in the book *What Managers Say, What Employees Hear:  
Connecting with Your Front Line (So They'll Connect with Customers)*

The following is an excerpt from the book *What Managers Say, What Employees Hear: Connecting with Your Front Line (so They'll Connect with Customers)* to be published by Greenwood-Praeger in March 2006. The book is edited by Regina Fazio Maruca, former senior editor of *Harvard Business Review*, and includes chapters written by Harvard Business School professors Jay Lorsch, Monica Higgins, Kasturi Rangan, Jeffrey Rayport, and Robert Galford, as well as Ed Lawler III of USC, Joe Pine of Strategic Horizons, Sam Hill of Helios Consulting, Paul Nunes of Accenture, and Michael Lee Stallard, Carolyn Dewing-Hommes and Jason Pankau of E Pluribus Partners.

## About the Authors

The co-authors are founding partners of Greenwich, Connecticut-based E Pluribus Partners, a firm that specializes in helping leaders create engaging environments in the workplace. Michael, the firm's president, first became interested in the topic of engaging people who work directly with customers when he was chief marketing officer for operating businesses at Morgan Stanley and Charles Schwab Corporation. As an expert on consumer behavior and services marketing, it was important for him to understand what engaged and energized people on the front lines who are the most important element of the client experience in service businesses. This led to a wide-ranging, multi-year study of employee engagement with his partners Carolyn Dewing-Hommes (a former Citicorp executive with experience working on employee engagement), and Jason Pankau (an executive coach and ordained minister). The co-authors' forthcoming book will expand upon the material presented in this chapter.

More information on E Pluribus Partners can be found at [www.epluribuspartners.com](http://www.epluribuspartners.com) or by calling their offices at (203)422-6511.

In 490 B.C., Darius, king of the Persian Empire, sent 26,000 soldiers to conquer the city-state of Athens.<sup>1</sup> Although Athens was insignificant in size compared to the vast Persian Empire, the Athenians decided to fight rather than surrender their way of life. Their decision looked like suicide. The Athenian citizen-soldiers were out-armed and outnumbered nearly three-to-one. What's more, the Persians were a war machine; the Athenians were a comparatively peaceful people.

Yet on the plain of Marathon, Greece, the Athenian citizen-soldiers pulled off one of the greatest upsets of all time. They defeated a Persian army that hadn't lost a battle in decades. What led them to victory? Probably a whole host of factors. But the Father of History, Herodotus, and the Greek playwright Aeschylus, both writing about the battle, identified the Athenians' love of freedom as one of the reasons they were motivated to defeat the Persians.

Unlike the Athenians, all Persians beneath King Darius were viewed as his servants. Darius made the decisions and everyone else followed them. In

*The environment people live and/or work in is key to achieving and sustaining peak performance.*

contrast, Athenian citizens felt a sense of personal value, they shared a common vision for a free society, and they had a voice in the decision-making process of their city-state. They knew Athenian life was better than life under Darius and they were willing to die if necessary in order to live in the environment that they favored.

A decade after the Persian defeat in the battle of Marathon, Darius' son, King Xerxes, sent more than a hundred thousand soldiers in 1,207 ships back to Athens to attack them in what became known as the Battle of Salamis. Although the Athenians and some of their fellow city-states likely had a tenth of the soldiers and less than one-third of the ships that Persia had, the Greeks prevailed again. After the defeat, Xerxes sent an offer of peace to the Athenians. Their reply: *never!*

The Athenian victories against the Persians provide an important lesson for leaders: *the environment people live and/or work in is key to achieving and sustaining their peak performance.* It's true whether you lead a nation, a business, or a basketball team. And creating an engaging work environment is as necessary today as it was in ancient Athens.

Great leaders throughout history have learned that the environment you establish makes a difference. It helped a 25-year old Queen Elizabeth I in 1558 transform a bankrupt England into one of the most powerful nations on Earth over the course of her four-plus decade reign. It helped General George Washington lead a ragtag, under-equipped colonial army to defeat England, the greatest military power at the time, during the American Revolution. Subsequently, an engaging environment helped the young nation rise within fifty years beginning in 1760, as

historian Gordon Wood stated in his Pulitzer-prize winning book, *The Radicalism of The American Revolution*:

[from] less than two million monarchical subjects...on the very edges of the civilized world...to a giant, almost continent-wide republic of nearly ten million egalitarian-minded bustling citizens who not only had thrust themselves into the vanguard of history but had fundamentally altered their society and their social relationships...Americans had become, almost overnight, the most [free], the most democratic, the most commercially minded, and the most modern people in the world.<sup>2</sup>

More recently, an engaging environment helped to transform a competitive Chicago Bulls team into a basketball dynasty, an unassuming Detroit Piston basketball team into N.B.A. champions and a low-key New England Patriots football team into the N.F.L. champions three of the last four years. It also contributed to stunning turnarounds at Procter and Gamble, Apple Computer and The Xerox Corporation.

No doubt, again, a host of factors were at work in each of these cases. But reduced to their essentials, what can these success stories tell us? That:

**Task Excellence + *Engaging Work Environment* =  
Sustainable Superior Performance**

In their pursuit of positive business results, most organizations today have become masters of “Task Excellence,” i.e. the “hard,” mechanical and analytically-oriented aspects of business implicit in such areas as Six Sigma, benchmarking, and performance measurement metrics. There’s no question that Task Excellence is necessary; it’s just not enough. With Task Excellence alone, success is fleeting. Leaders may get their people to perform well for a period of time, but eventually, without engagement, their energy will dissipate.

Only when leaders motivate people by creating an engaging work environment do they realize the energy, optimism, trust, cooperation, innovation and productivity necessary to produce the *sustainable* peak performance of people. Unfortunately, few organizations have mastered engaging the people who work for them.

We came to this conclusion after completing a multi-year research project to understand what motivates people at work. As part of the project we conducted interviews with employees and employers, reviewed existing research and consulted with experts in psychology, organizational behavior, sociology, and neuroscience. In the end, we concluded that the key to motivating people for long periods of time is to put into place the five elements that create an engaging work environment.

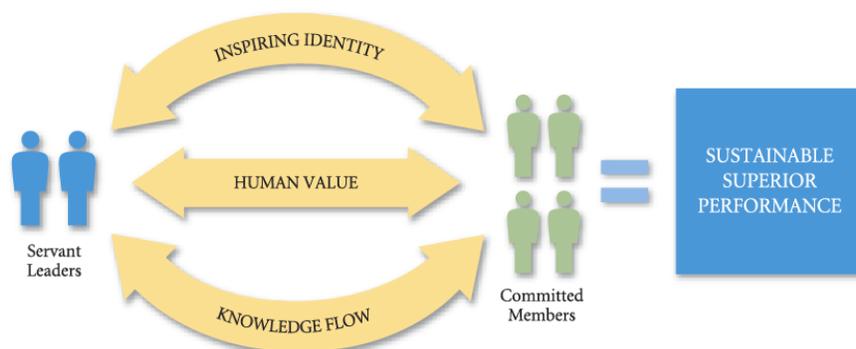
An engaging work environment provides the lubrication, if you will, to make the machinery of Task Excellence and superior performance sustainable. Engagement not only improves employee motivation, it also naturally enhances working relationships and has a positive impact on innovation and productivity. With an engaging work environment leaders discover a new means to improve customer satisfaction and a new source of sustainable competitive advantage.

So what does it take to motivate people and engage them? Money, power and fame have long been the “carrots” of motivation. Certainly, they motivate people. The problem is that in most organizations there’s not enough of each commodity to motivate more than a few top employees and it only motivates them up to a point. When you want to motivate people at all levels of your organization, money, power and fame alone are not viable solutions.

When we speak of creating an engaging environment we are not advocating having employees standing around, holding hands and singing “Kumbayah.” We are not promoting having a wimpy work environment or holding group therapy sessions. We know that you may not like all of the people you work with. That said, it is possible to create a work environment that brings out the best in people and cultivates healthy working relationships. An engaging environment is common sense yet uncommon in practice. In most organizations there is a gap between what exists today and the work environment we all long for. Wise leaders are beginning to see this and do something about it.

In this chapter we will examine each of the five elements of an engaging work environment by looking at stories of how leaders did or didn’t employ each one. We will also provide a few suggestions on how to bring these elements into your work environment. Figure 13.1, below, is a visual representation of the five elements.

THE ENGAGING WORK ENVIRONMENT



*FIGURE 13.1*

## Element #1: Human Value

The first element of an engaging environment is evident in the story of an 18<sup>th</sup> century Prussian Prince, Frederick II.<sup>3</sup> As a young man, Prince Frederick was in an unbearable situation. Residing in the capitol of Berlin, Frederick longed for autonomy and independence but lived under a cruel and autocratic father, Frederick I, the first King of Prussia. The king disapproved of Frederick's more modern ways so he beat and berated him publicly to force his son to comply with his wishes.

When the prince was 18 years old, he and a friend were apprehended trying to escape to England. For his punishment, the king made Frederick watch as his friend was beheaded. Out of these harsh experiences Frederick learned what it felt like to be on the receiving end of a ruler who wielded power to force people to obey him. Unfortunately, at the time, there was nothing young Frederick could do about it. So he patiently waited for his hour to arrive.

*“One of the most masterful... constructive and successful rulers in recent times.”*

In 1740, following the death of his father, Frederick II assumed the Prussian throne. He was determined to lead in a far different way than his father had. Influenced by the writings of John Locke and the Roman orator Cicero, Frederick described himself as “the first servant of the state” and used his power to improve the lives of the Prussian people. He lived in modest accommodations rather than pretend he was some demigod deserving of an enormously extravagant lifestyle like the Bourbon kings of France whose opulence fueled popular outrage and contributed to the French Revolution.

The results of Frederick's rule were extraordinary. Instead of acting like a dictator, Frederick established freedom of the press and a policy of religious toleration. He established individual protections under law by expediting the legal process and abolishing torture. He educated judges, leading the Prussian courts to gain the reputation as being the fairest courts in Europe. He rebuilt towns and roads to connect communities. He promoted education for his people. During the Seven Year War he successfully defended Prussia from French, Russian, and Austrian attacks despite having fewer military resources. Ultimately, he built Prussia into one of the strongest states in Europe.

Historian James McGregor Burns called him “one of the most masterful... constructive and successful rulers in recent times.” Voltaire, the French philosopher, described Frederick as “the Philosopher King.” But it was his people who called him the name by which he will forever be remembered: Frederick the Great. By removing some of the elements in the Prussian environment that devalued people and adding elements that enhanced human value, Frederick helped the Prussian people realize more of their potential.

While Frederick achieved great success early in his reign, later on he began to fail as a leader. His insatiable desire for military conquest, in order to achieve personal fame and meet his dead father's expectations, overcame his desire to help the people. Eventually, the bloody battles Frederick undertook along with sleeplessness and nightmares he had about his father contributed to poor health and his growing sense of hopelessness and despair. As he aged, Frederick's behavior toward others became abusive. Although he had at one time won the devotion of the Prussian people, at the time of his death in 1786 few mourned him.

*During her tenure, the organization was transformed into what Peter Drucker called "the best-managed organization around."*

From 18<sup>th</sup> century Prussia let's go to the mid-1970s where we will look at a leader in a corporate setting who added elements to the environment that enhanced the value of people.

The preeminent management sage Peter Drucker has known some of the greatest leaders of our times in business and government. If he were to name who he thinks was or is a model leader, would he choose President Dwight D. Eisenhower, General George C. Marshall, the legendary Alfred P. Sloan, Jr. of General Motors or one of the many other heads of major companies throughout the world he has come to know over his distinguished career? It's an interesting question, given the reach and influence Drucker has had. Periodically in his interviews and writings you will encounter what may be his highest praise for a person who he once remarked "could manage any company in America."<sup>4</sup> Who is she? *Business Week* featured her on its cover surrounded by... Girl Scouts. Her name is Frances Hesselbein.

Although she had no daughters, Mrs. Hesselbein began her association with the Girl Scouts when she agreed to help with a troop of thirty Girl Scouts in Johnstown, Pennsylvania who had lost their leader. It wasn't long before Frances Hesselbein's experience with Troop 17 developed into a life-long commitment to girl scouting. Years later she would become CEO of the national organization, Girl Scouts of the U.S.A.

Frances Hesselbein's leadership style, in fact it seems her purpose in life, is to bring out the best in the people she meets along life's journey. Her words and actions evoke a high regard for people. Mrs. Hesselbein has written that good leaders have an "appreciation of their colleagues individually and the dignity of the work their colleagues do." Her actions show that she "walks the talk." She approaches communication in an inclusive way, expanding information out in ever-larger circles across the organization. Rather than lecturing she asks insightful questions to draw out relevant issues. In planning and allocating the Girl Scout organization's resources, she introduced a circular management process that involved virtually everyone across the organization. Always caring, she sees the best in people.

With Frances Hesselbein as its leader, the Girl Scout organization thrived. When she assumed the CEO position in 1976, the Girl Scout's membership was falling and the organization was in a state of serious decline. She put sound management practices in place. She developed people. On her watch she built a conference center to train Girl Scout staff. During her 24-year tenure, Girl Scout membership *quadrupled* to nearly three and a half million, diversity more than tripled and the organization was transformed into what Drucker called "the best-managed organization around." Hesselbein accomplished the amazing transformation with an employed staff of 6,000 and 780,000 *volunteers*.

By the time she resigned from the Girl Scouts in 1990, the organization's future was bright. Frances Hesselbein was paid the ultimate complement by Drucker when he recruited her to be the head of The Drucker Foundation (renamed the Leader to Leader Institute) which is dedicated to carrying out their mutual passion for strengthening leadership in the social sector. It should be no surprise that the foundation's influence is rapidly growing worldwide with Hesselbein leading the effort. After all, the extraordinary 95-year old Drucker knows a great leader when he sees one.

In her words and actions, Frances Hesselbein expanded what we describe as Human Value, the first of the five elements in an engaging environment. Frederick the Great and the Prussian people also benefited from Human Value until Frederick became obsessed with power. We define the element of Human Value as follows:

**Human Value** – When everyone in the organization operates with an understanding of the universal nature of people, appreciates the positive, unique contributions of each of their colleagues, and strives to help them achieve their potential.

Human Value means that leaders remove elements in the work environment that devalue people and add elements that increase their value. A work environment where Human Value is present brings out the best in people by affirming them, and giving them hope and a reason to be optimistic about their future. Here are a few practical ways that every leader can increase Human Value in the work environment.

1. ***Make a Human Connection with as Many People as Possible*** Leaders need to acknowledge individuals. That's why emotionally intelligent leaders make it a point to know the names of many people in their organizations. Learning people's personal stories, especially those people with whom you regularly work, also is much appreciated. Try to remember something about the people you lead whether it's their hobby or favorite sports team. For the leader who leads large numbers of people, human connections can be made by simple acts such as meeting them, maintaining eye contact, saying something to them as you pass in the hallway and acknowledging what they say to you.

2. *Treat and Speak to Employees as Partners* Treat people across the organization's hierarchy as equals. This shows that you value them. While confidence is to be encouraged, arrogance and condescension are not. Patronizing behavior devalues others and poisons the environment. Treat everyone with respect in order to promote an egalitarian atmosphere. For example, choose job titles that reflect equality among all employees, such as the "partners" at Starbucks or "crew members" at Jet Blue Airlines.<sup>5</sup> It's a small but significant gesture to show Human Value.

3. *Get Rid of Leaders Who Are Uncivil to Others* No one should be in a leadership position who regularly treats people in an uncivil way. Make certain leaders know that it is impermissible for anyone (whether directed at an individual or group of people) to yell, scream, curse, intentionally ignore, constantly interrupt, violate someone's personal space, intimidate, belittle, or condescend. This behavior devalues people and thereby reduces trust and cooperation between employees and their leaders.

4. *Help Employees Find the Right Positions* You will reap tremendous benefits if you help people better understand their values, abilities, and temperaments and find positions that fit who they are. A person in the wrong role is likely to feel disengaged. He will be stressed out if he is overly challenged and bored if he is unchallenged. Supervisors or mentors can oftentimes better assess someone's talents than he or she can. The assessment process also opens people's eyes to how different we all are in our unique blend of talents, temperaments, and learning and thinking styles. Assessment tools are available to help individuals do this. Unfortunately, few companies or leaders provide this type of assistance to all their employees.

5. *Decentralize Decision-Making and Eliminate Unnecessary Rules* Allow people to make their own decisions. This shows them you respect their abilities and judgment, and that you value them. Many firms have decentralized decision-making. They've learned from experience that decentralized decision-making improves morale by providing a greater sense of control to lower level employees. Also, eliminate unnecessary rules. Rules are another form of control and excessive rules do more damage than good. Unless a rule is absolutely necessary, get rid of it or make it a guideline.

6. *Recognize the Human Need for Balance* We all have times in life when things outside of work require more of our attention. Often it's the health of a loved one or our own health. Leaders need to balance giving people time off to attend to urgent needs in their personal lives and the need to be fair to other employees who have to do more of the work when one of their colleagues is away. Unless the situation of the employee in need requires privacy, and with the person's permission, communicate to the group why it is necessary to help one of their own.

7. *Inform People, Seek Their Views and Consider Them* Give people input in the decision-making process. This will also help engage them. We'll discuss this in more detail when we look at the element of Knowledge Flow.

Great leaders know the foundation of a successful human enterprise is Human Value. Frederick the Great established greater freedom and opportunity for his people; Frances Hesselbein cared for her people, was positive and encouraging, and sought their opinions and then considered them. Enhancing Human Value in the environment is one reason leaders such as Fredrick the Great and Frances Hesselbein inspired people, won their admiration and brought out their best efforts.

## Element #2: Inspiring Identity

*Thanks in part to his inspiring leadership, the American people survived the Depression and, as part of the Allies, achieved victory in World War II.*

The second element of an engaging environment was employed by the leader who most historians cite as among the best American presidents in history: Franklin Delano Roosevelt (FDR).<sup>6</sup> Thanks in part to his inspiring leadership, the American people survived the Depression and, as part of the Allies, achieved victory in World War II.

One of the key events that helped the Allies prevail was the productivity of American workers. In order to speed up production, FDR made it a priority to visit plants and shipyards and motivate workers. On one such occasion while speaking to 18,000 workers at a Boeing aircraft plant near Seattle, FDR brought along with him Hewitt Wheless, an American pilot whose plane had been shot over the Pacific Ocean and yet was able to fly out of harm's way. When the workers saw the decorated pilot and heard him tell the story of how the B-17 plane built at their plant saved his life, you can bet they swelled up with pride. Welding joints and tightening screws were transformed from mundane tasks into important work to win the war and protect some family's loved one. FDR helped transform the way they thought of themselves from aircraft factory workers to defenders of freedom. He told an inspiring story that instilled a sense of pride and purpose in the hearts and minds of workers on the home front. *And they delivered.* From 1941 until 1945 American aircraft manufacturers responded by out-producing German manufacturers at a rate of nearly three-to-one. During those five years they produced nearly three hundred thousand airplanes!<sup>7</sup>

Decades later, down the West Coast in the San Francisco Bay area, Steve Jobs did something similar to help resurrect the company he had co-founded in his garage back in 1976. After a twelve-year exile from Apple, Jobs initially returned as an advisor in late 1996 then was made interim CEO in 1997.<sup>8</sup> Beginning in January 2000 he assumed the lead as Apple's CEO. Before Jobs' return, Apple's future

looked dismal. Its performance had slipped and it was rumored to be an acquisition target.

*Within a few months of the “Think Different” campaign, employee turnover fell.*

A critical juncture in Apple’s revival occurred in the fall of 1997 when Steve Jobs met with Apple’s advertising agency, Chiat/Day, to consider ideas for a new advertising campaign. The agency presented the “Think Different” concept and Jobs loved it. The ads described not just Apple’s customers but its employees as well. It also described how Steve Jobs liked to think of himself. After giving the ad agency the go-ahead, Jobs worked closely with the agency’s creative people to develop television spots that featured black and white photos of people who changed the world through their creativity: people such as Albert Einstein, Mahatma Gandhi, and Pablo Picasso.

At a gathering with Apple employees, Steve Jobs introduced the campaign. They loved it too. It was bold, visually striking, and, most of all, inspiring. It would tell the world what Apple stood for and, by implication, something about the people who worked there: they are creative, driven to innovate and thereby help change the world. Also contributing to Apple’s identity was the aesthetic appeal of its advertising and product design that communicated that employees of Apple are artists as much as they are engineers.

Within a few months of launching the “Think Different” campaign, Apple began hitting its financial targets as it experienced increased sales of its Macintosh computers. Not surprisingly, employee turnover fell. Today Apple continues to build on the message with its award winning I-Pod advertising. Apple’s cachet, brand, attraction to employees, financial results and future have never looked better.

FDR and Steve Jobs knew that people are more engaged when they are *inspired* and through their inspiration find meaning in their work. The second element in an engaging environment is Inspiring Identity. We define it as follows:

**Inspiring Identity** – When everyone in the organization is united and motivated by a clear understanding of who “we” are as a company, what we stand for, how we are different, where we are going, how we are going to get there, why it is important, and how each of us fits in.<sup>9</sup>

Everyone has a sense of identity. It’s how we think about ourselves and is shaped by where we were born, how we were raised, and by the people and events in our lives that influenced our beliefs and our aspirations. We like to think of identity as an individual’s *story*. Haven’t you been inspired by knowing the stories of others? Haven’t you found that knowing someone’s story gave you insight into her behavior or his viewpoint?

Organizations have stories too. Unfortunately, most leaders miss the importance of this. They fail to impart an Inspiring Identity because, in typical *task* fashion, they compose a mission statement and think they are finished. Not counting the Human Resources department, how many people in your organization are even able to recall the mission statement? An Inspiring Identity, however, is memorable, especially when it is integral to our own identity. To be effective here, it's necessary for leaders to go beyond task thinking and transform the way people think about the organization. When our organization's Inspiring Identity exists in our minds it satisfies the sense of purpose, significance, and pride of association we all crave. It bears repeating that unless you inspire people you have not added this element to the work environment. And absent inspiration, people just show up for duty.

The best way to identify the various aspects of your company's Inspiring Identity is to bring your most innovative, passionate people together and let the ideas flow. Ask them why they are enthusiastic about their jobs. Hear their stories and those stories that inspired them. It helps to bring in creative professionals to assist you. In your sessions, answer these questions: *who are we?*, *what do we stand for?*, *how are we different?*, *where are we going?*, *how are we going to get there?*, *why is it important?*, and *how do people fit in?* Through this process you are likely to find the elements of your Inspiring Identity to build on.

Apple's Think Different ads helped to answer some of the above questions and appealed primarily on an emotional level. (Steve Jobs was so moved by the ads that one magazine reporter noticed tears streaming down his face as he watched them.) FDR showed the aircraft workers the meaning of their work through a true story that resonated deeply on both rational and emotional levels. For the greatest impact on employees, leaders should answer all of the questions.

Furthermore, to reach the hearts and minds of employees, each of whom have a unique blend of learning and thinking styles, leaders should communicate the organization's story on both rational and emotional levels, employing multiple mediums such as emails, memorandums, presentations, voice mails, speeches, training sessions, intranet sites, and employee policies. Everything about an organization -- including brands, advertisements, visual design elements, corporate voice, and hiring practices -- should be consistent with the Inspiring Identity and therefore work together to produce an identity that moves us, just as musicians and instruments work in harmony to produce the music we love.

### **Element #3: Knowledge Flow**

In order to gain perspective on the third element of an engaging environment we must come to understand the root cause of arguably one of the greatest incidents of managerial failure in history. It was committed by England's King George III in the 1770s when his mismanagement resulted in England's loss of the American

colonies.<sup>10</sup> What did he do (or not do) that served to motivate a woefully under-funded and under-trained, ragtag collection of colonial citizen-soldiers to defeat the most powerful military in the world?

*History contains the stories of many leaders whose arrogance and failure to give people a voice in decisions that affected them contributed to their downfall.*

A combination of British condescension and presumptuous behavior toward the colonists ignited their wrath. At the time of the American Revolution many Englishmen looked down upon the colonists. With that prevailing view it is not surprising that the king felt he could throw his considerable weight around. In order to raise money to pay England's debts incurred for the French and Indian War fought to protect the colonies, King George levied taxes on the colonists without their consent or the consent of their representatives. When they protested (remember the Boston Tea Party?) he answered by closing the Boston harbor, cutting off the flow of goods.

Having been devalued and looked down upon, the colonists could not tolerate this dismissive act. They viewed taxation without representation as a violation of their rights as citizens of the British Empire and equated it to being treated like slaves by the English king and Parliament. The result of the king's actions was to provoke the fury of a people who already felt scorned. Thanks to King George, the thirteen separate colonies came together, formed a militia and, with reinforcements from the French and loans from the Dutch, won their independence. The government they created guaranteed a voice for *all* of its citizens (white males at that time) by protecting everyone's freedom of speech, protest and worship.

History contains the stories of many leaders whose arrogance and failure to give people a voice in decisions that affected them contributed to their downfall: Julius Caesar, Napoleon Bonaparte, and Montezuma, to name a few. This lesson from the past seems not to have been lost on a business leader who is a serious student of history, A.G. Lafley, the CEO of Procter & Gamble (P&G).<sup>11</sup>

When Durk Jager resigned as CEO of P&G in June of 2000, his tenure had lasted only 17 months, the shortest in the firm's 165-year history. At that time, P&G's stock had declined 50 percent, it had lost \$320 million in the most recent quarter, half of its brands were losing market share and the firm was struggling with morale problems. P&G is known for its talented brand managers and a quarter of them had left the firm.

A.G. Lafley, a low-profile, thoughtful P&G veteran, was tapped to replace Jager. From the beginning, Lafley's leadership style was a marked contrast to Jager's. Although Jager had questioned the competence of many P&G employees, Lafley immediately assured them that he knew they were capable of restoring the marketing powerhouse to its former greatness. Whereas Jager has been described as gruff and confrontational, Lafley is relentlessly inquisitive in a calm, respectful

manner that builds trust with employees. Although some people may judge Lafley's unassuming personality as lacking the determined will of a great leader, they would be mistaken. Beneath Lafley's quietly confident manner resides an individual who has repeatedly demonstrated a steadfast determination to lead P&G back to greatness. To restore P&G's financial health he cut \$2 billion in costs and eliminated 9,600 jobs.

The most striking aspect of Lafley's approach has been his actions to improve the flow of knowledge throughout P&G. Lafley emphasized listening more than

*The number of employees who strongly agreed with the statement "We're on the right track to deliver business results" soared from 18 percent to 49 percent.*

lecturing. During his early days as CEO Lafley insisted on transparency by encouraging everyone to "get the mooses out of the closets." When meeting with groups of managers he would tell them he didn't prepare a speech and just wanted to hear about the issues on their minds. A marketer to the core, Lafley also requested a study of P&G employees to hear their ideas about what needed to be done. In his desire to learn from others he has even attended meetings of P&G alumni to hear their views.

At P&G's corporate headquarters, Lafley transformed the 11<sup>th</sup> floor where senior executives maintained plush offices. Art was donated to a museum, oak walls were torn down, and eleven of the executives were moved to be closer to the people they lead. The remaining executives, including Lafley, now occupy a third of the floor in an open space with cubicles. The rest of the space was converted into a corporate training center. At the center senior executives are expected to teach many of the courses, not only for the benefit of trainees, but also to expose executives to ideas from around the world. Lafley's order to tear down the walls on P&G's executive floor was pragmatic and it was loaded with symbolism. These actions signaled his intention to "tear down the walls" that prevented knowledge, the lifeblood of every organization, from flowing throughout P&G.

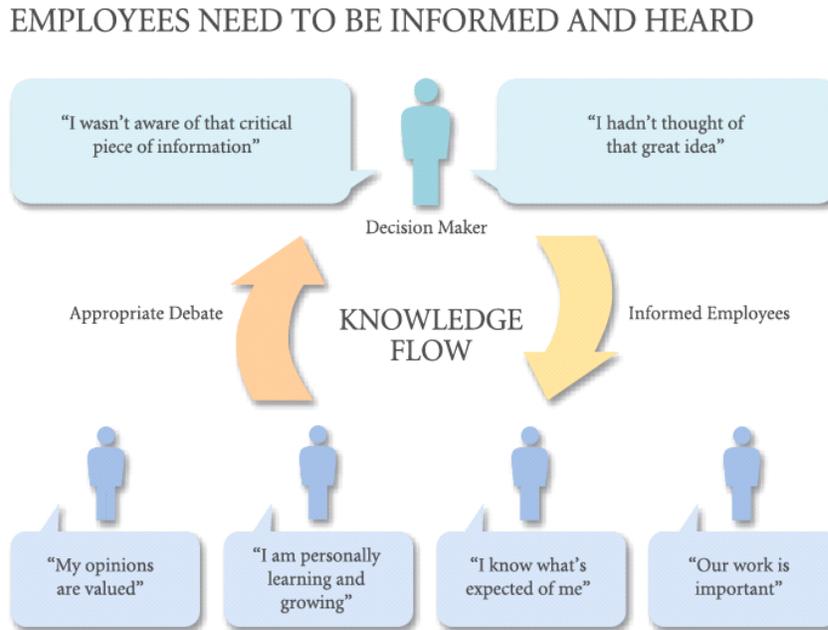
It wasn't long after Lafley became CEO that employee morale improved and P&G's performance improved along with it. Following the first year of Lafley's tenure as CEO, the number of employees who strongly agreed with the statement "We're on the right track to deliver business results" soared from 18 percent to 49 percent. And in a little over two years after taking over, Lafley restored P&G to profitability and increased its stock price by 70 percent. To the amazement of Wall Street, Lafley orchestrated P&G's turnaround during a recessionary economic environment.

In stark contrast to the approach of King George III, A.G. Lafley informed and sought the views of those he led. This aspect of an engaging environment we describe as Knowledge Flow and define it as follows:

**KNOWLEDGE FLOW** - When everyone in the organization participates in an open, honest, and safe dialogue where leaders seek and consider

diverse viewpoints in order to understand people, identify the best ideas and make superior decisions.

When a high degree of Knowledge Flow exists, everyone feels like a part of the team. It also brings about organizational unity and alignment by helping people to become “of one mind.” (See Figure 13.2 below)



*Figure 13.2*

In addition to motivating and uniting employees, Knowledge Flow also directly benefits leaders. It helps them make better decisions by arming them with knowledge from people on the front lines closest to their customers and competitors. Organizations whose leaders make better decisions are more successful. And winning motivates everyone, especially those people who work directly with a company’s customers.

Here are a few ways to stimulate Knowledge Flow in any organization.

1. ***Embrace the Belief That No One Has a Monopoly on Ideas and Actively Seek Ideas and Input.*** To improve Knowledge Flow it is necessary for everyone to believe they must share their viewpoints. This includes views about what’s right, what’s wrong and what’s missing from leaders’ thinking. In asking for opinions, leaders should be prepared to deal with employees whose manner and tone can only be described as irritating. When people become emotional, leaders need to maintain their composure and listen closely to the message. Just remember, the irritation that occurs when a grain of sand enters an oyster is necessary to produce one of nature’s most beautiful creations: the pearl.

2. *Regularly Conduct Knowledge Flow Sessions.* Leaders throughout an organization should frequently hold what we call Knowledge Flow sessions. These are meetings with groups of employees to keep them apprised of business developments and to hear their thoughts. Key to the success of these sessions is for leaders to share their thinking on important issues and create an environment where people feel safe sharing their views, especially when those views are at odds with the views held by their leaders or peers. This is very different from the typical town hall meeting where little discussion takes place. People often withhold potentially valuable viewpoints because they are afraid to speak truth to those in power and so it is important to foster a tolerant atmosphere where diverse opinions are brought out into the open for consideration.

3. *Make Information Widely Available, Especially on Important Decisions that Require Widespread Execution, and When Sufficient Time Exists to Allow for Broad Dialogue.* High quality dialogue in Knowledge Flow sessions requires well-informed participants. This, in turn, requires the broad dissemination of knowledge. Management information should be posted on a secure intranet site for easy access as well as explained in face-to-face meetings. Most companies fear that information will end up in their competitors' hands. Our advice is to err in favor of greater transparency by making information as widely available as possible. Even if it does end up in a competitor's hands, in most cases the benefit that comes from informing people within the organization will far outweigh the benefit to your competitor.

To sum it up, King George III impeded Knowledge Flow by refusing to give the colonists a voice and his actions alienated them. A.G. Lafley increased Knowledge Flow by giving P&G employees a voice and he saw P&G's performance and employee morale improve.

Before we go on, let's summarize what we've covered so far. When leaders demonstrate that they *value* people, when they impart an Inspiring Identity that provides people a *vision* of who they are and where they are going, and when leaders give people a *voice* by encouraging Knowledge Flow, something magical happens: people become engaged. *Value + Vision + Voice = Victory for the Organization* is an easy way to remember what we refer to as the *Core Elements* of an engaging work environment.

In order to give everyone value, vision, and voice, it is necessary to have two very special types of people in the organization. These two different types of people enable the organization to realize an engaging environment by making the Core Elements happen. What we refer to as *Enabling Elements*, the final two elements of an engaging environment, are Committed Members and Servant Leaders.

## Element #4: Committed Members

The next element of an engaging environment is seen in the life of a Frenchman honored at several historical sites in the state of Virginia.<sup>12</sup> What will surprise you if you visit these sites is the recurring tributes to this man whose name and story remain unknown to most Americans today. At Monticello, Thomas Jefferson's hilltop home near Charlottesville, you'll find a portrait and bust of the Frenchman. At Mount Vernon, Washington's home on the Potomac River, you'll learn that Washington thought of him like a son and you will find the key to the Bastille on display, sent by the Frenchman to Washington after he ordered the notorious Paris prison torn down during the French Revolution. Perhaps most surprising of all, in the Hall of Presidents in the Rotunda of the Virginia capitol where a statue of George Washington and busts of the other seven Virginia-born U.S. presidents reside, you'll find a sculptured bust of the Frenchman who was neither a president nor born in the state.

Across America more than 600 villages, towns, cities, counties, lakes, educational institutions, and other landmarks are named after him. Every year on the fourth of July the American Ambassador to France and the senior-most American military advisor in the country travel to his gravesite to replace the American flag that flies over it. The gravesite is unusual in France for the Frenchman's casket and that of his wife lie beneath soil taken from Bunker Hill, the site outside of Boston, Massachusetts where one of the first battles in the Revolutionary War occurred.

As you might guess, this Frenchman was far from ordinary. His name is Marie-Joseph-Paul-Yves-Gilbert du Motier de La Fayette, more commonly known as The Marquis de Lafayette.

Lafayette was one of the wealthiest young men in France. Despite his position, his early life had not been an easy one. Lafayette's father, a colonel of grenadiers, was killed in battle when Lafayette was two years old and his mother and grandfather died when he was twelve. By fourteen he had joined the Royal Army and at sixteen he married Marie Adrienne Francoise de Noailles, a wealthy relative of the King of France.

It was in his late teens that Lafayette became enamored with the cause of American independence. At a dinner he attended, Lafayette heard the Duke of Gloucester, a brother of England's King George III, share his strong opposition to the English treatment of American colonists. It seems from that point on, Lafayette began to develop a consuming desire to see the American colonists achieve their independence.

At nineteen Lafayette purchased a ship, named it the *Victoire* and persuaded several French army officers to join him in helping the Americans. After he arrived in America, Lafayette approached John Hancock, head of the Continental Congress, and volunteered his services. In a letter to Hancock, Lafayette, like the signers of the Declaration of Independence, pledged his “life, his fortune and his sacred honor” to American independence. Lafayette was inspired by America’s cause and his inspiration led him to make a commitment to do everything he possibly could to achieve it.

Lafayette was commissioned as a Major General and eventually became an aide-de-camp to the Continental Army’s Commander in Chief George Washington.

*Lafayette’s return, his infectious optimism, and the resources he brought combined to revitalize the American effort.*

Historian Arthur M. Schlesinger, Jr. noted that Lafayette “...distinguished himself militarily...was an essential actor in the successful plan to trap the British Army under General Cornwallis at Yorktown...[and became] an invaluable ally of American minister to France, Thomas Jefferson...”

Perhaps most important, when Lafayette went back to France to secure resources for the Americans he returned with an army of 4,000 soldiers and a fleet of ships commanded by Count de Rochambeau. Before Lafayette’s return, the American effort was losing steam after suffering several defeats. Lafayette’s return, his infectious optimism, and the resources he brought combined to revitalize the American effort.

Lafayette promoted the elements of an engaging environment. He consistently promoted the Core Element of Human Value. He spent a considerable amount of his personal wealth to purchase shoes and clothes for the men in his command. Although he could afford to buy a house to stay warm, he chose to remain with the common soldiers at Valley Forge during the freezing winter of 1778. He fought alongside the infantrymen, even dismounting his horse if necessary to be closer to them. Lafayette treated common soldiers with respect. He was motivated by the Core Element of Inspiring Identity. Later in life he would comment: “To have participated in the toils and perils of the unspotted struggle for independence...the foundation of the American era of a new social order...has been the pride, the encouragement, the support of [my] long and eventful life.” He embraced the Core Element of Knowledge Flow by seeking the opinions of his soldiers, asking them what worked and what didn’t work in the battles they had fought. Lafayette later claimed that the common soldiers were his greatest teachers. The soldiers were so fond of Lafayette that they referred to him as “Our Marquis.”

Lafayette elevated the mission of America over self-interest. The author Harlow Giles Unger described it well when he said, “[Lafayette] fled from incomparable luxury...to wade through the South Carolina swamps, freeze at Valley Forge, and ride through the stifling summer heat of Virginia--as an unpaid volunteer, fighting and bleeding for liberty, in a land not his own, for a people not his own.”

More recently another individual demonstrated a remarkable commitment to a cause and to his teammates. This individual was not to be found on the battlefield, however, but instead in the arenas around America where people gathered to witness a basketball legend in the making.

When Michael Jordan began playing in the N.B.A. for the Chicago Bulls he epitomized excellence as an individual contributor.<sup>13</sup> His superhuman feats over the course of five seasons, however, were not enough to make champions out of the Bulls. Not until Phil Jackson became head coach and began to influence the young superstar did the Bulls finally make it to the big game.

*Michael Jordan responded to Jackson's encouragement by humbly making a personal commitment to his team and teammates.*

Jackson helped Jordan see the need to go beyond being a star, to become, in Jackson's words, a player "who surrenders the me for the we." In the context of the Bulls this meant playing within the triangle offense that Jackson taught. Jordan, commenting on Jackson's team orientation, remarked that he "...enhanced ....[our] ability to be better teammates...without taking away [our] individuality."

Up until that time Jordan felt he needed to win games on his own because he didn't have confidence that his teammates would perform in the clutch. A one-man show, however, even if it was a show put on by one of the game's greatest players, was never going to be enough to get the Bulls to the top.

So Jordan adjusted. His contribution to the Bulls' success rose to a new level. He began spending more time with his teammates on and off the court. Writing about the experience in his book *Sacred Hoops*, Phil Jackson observed: "Jordan's presence [affected] the psyche of the team...he challenged everyone to step up...before practice I often found him working one-on-one with young players."

Beginning in 1991 when the Bulls won their first world championship, the contributions of Jordan's teammates increased dramatically. In the past, when the score was close at the end of a game, Jordan always wanted the ball. After Jackson worked with Jordan, he trusted his teammates to make the big play during several pivotal situations.

One such instance came during game six of the 1993 championship against the Phoenix Suns. Near the end of the game and down by a score of 98 to 96, the Bulls came down court and instead of passing the ball to Jordan, the Bulls got the ball to John Paxson who shot and scored a three-point jumper just before the buzzer went off to win the game. The press hailed it as "the shot heard around the world." The following year in the final championship game against the Utah Jazz, Jordan passed the ball to his teammate Steve Kerr who hit a jump shot just before the buzzer to clinch another championship for the Bulls. Over the course

of eight years the Chicago Bulls won an astounding six world championship titles.

Phil Jackson went on to achieve a record of 832 wins and 316 losses (a .725 winning percentage), making him the coach with the best winning percentage in N.B.A. history. Along the way Jackson won nine N.B.A. championships between coaching the Chicago Bulls and the Los Angeles Lakers.

One of the primary reasons for his success was that he encouraged his players to commit to becoming team players. Michael Jordan responded to Jackson's encouragement by humbly making a personal commitment to his team and teammates rather than pridefully continuing on as a one-man show to the detriment of his team's performance.

Marquis de Lafayette and Michael Jordan were Committed Members. We define this element as follows:

**Committed Members** - People who are committed to the mission, their fellow members, and to teamwork while playing their specific role within the whole of the organization. Committed Members embrace Human Value, share the Inspiring Identity, and engage in Knowledge Flow.

Leaders cultivate Committed Members by highlighting the values of a Committed Member as being part of the team's identity and asking everyone to make a commitment to them. The first and foremost commitment must come from leaders. In fact, no one should ever be allowed to lead others unless he has first proven himself to be a Committed Member. Out of the ranks of Committed Members arise the second type of people who are necessary to create an engaging environment: Servant Leaders.

## **Element #5: Servant Leaders**

The final element of an engaging environment is embodied in the life of one of the greatest leaders of all time. When you read the accounts of those remarkable individuals who contributed to the founding of America – John and Abigail Adams, Benjamin Franklin, Alexander Hamilton, Thomas Jefferson, and James Madison – it is especially striking to see how they viewed George Washington as being, unquestionably, the greatest leader among them.<sup>14</sup> What was it about this quiet, dignified Virginian that made him so extraordinary to those who knew him?

Richard Neustadt, Presidential Scholar at Harvard University, observed the following about George Washington: "It wasn't his generalship that made him stand out...It was the way he attended to and stuck by his men. His soldiers

knew that he respected and cared for them, and that he would share their severe hardships.”

From the time he was a young man, George Washington kept a personal rule book to remind him of the behavior that he aspired to live out each day. Many of the rules capture the respect and deference Washington showed for others throughout his life. Following are some of the entries: “Every action done in company ought to be done with some sign of respect to those who are present;” “Speak not when you should hold your peace;” “Use no reproachful language against anyone;” “Submit your judgment to others with modesty;” “When another speaks be attentive;” “Think before you speak;” and “...be not so desirous to overcome as not to give liberty to each one to deliver his opinion.”

*“It wasn’t his generalship that made him stand out...It was the way he attended to and stuck by his men.”*

Like many other great leaders who engage their followers, George Washington placed the mission and the needs of those around him above his own interests. Washington’s sacrifice for America was supported by the facts that he served as commander of the Continental Army without pay and, as Historian Henry Steele Commager noted, was nearly bankrupt by the time he returned home to Mount Vernon after serving as president. Historian Barbara Tuchman, called Washington “a true hero...a remarkable man in every aspect of his character, in his courage, in his persistence...in spite of enormous frustration and difficulties [he faced].” The historian Edward G. Lengel described Washington’s leadership during the extraordinarily cold winter of 1777-1778 at Valley Forge as “sacrificial” and noted that “he took great care in seeing that his soldiers were well-housed.” On one occasion when approached by soldiers who wanted to overthrow the government because they had not been paid, Washington made it clear that the idea repulsed him, under no circumstances would he ever consider it, and it should never be mentioned again. When he resigned his military commission without seizing political power, King George III, commented that, if it were true, Washington was truly the greatest man in the world.

Nearly two centuries after Washington’s death another Servant Leader emerged in Stamford, Connecticut not far from many of the battlefields where Washington fought against the British. Like Washington, this leader would lead her people through a time when the odds were against them and survival was questionable. Here’s her story.

Anne Mulcahy, the CEO of Xerox, is an optimistic realist.<sup>15</sup> After becoming CEO and bringing herself up to speed on Xerox’s situation, she shocked Wall Street by announcing that Xerox’s business model was unsustainable, a remark that caused Xerox stock to drop 26% the following day.

Despite her realization that Xerox faced serious challenges, she knew from her 27 years at the firm that it could be revived. “A lot of people will try to convince you

that there are advantages to Chapter 11...[but I said], ‘Don’t even go there.’ Whatever you think they are from a financial standpoint, I think they are dismal and demoralizing for a company that wants desperately to turn around and regain its reputation.” She was determined to lead Xerox back to health, stating “sometimes you can will your way through things...as much as you need competence, luck and hard work, I think will has a lot to do with it.”

In addition to her optimism, another thing that stands out about Anne Mulcahy is how she elevates Human Value. “Nothing spooked me as much as waking up in the middle of the night and thinking about 96,000 people and retirees and what would happen if this thing went south,” stated Mulcahy in a 2003 interview with *Fortune*. And when, in order to keep Xerox afloat, she had to shut down a business she had previously built-up and lay off many of the people she had hired, Mulcahy went to meet them face-to-face. “The company was in a lot of trouble. They weren’t the ones accountable for the problem,” she said. So she did the only thing she could: “take the hit personally...I hung out, walked the halls, and told them I was sorry.” Mulcahy made the tough decision and carried it out in a way that preserved the dignity of the people involved.

*“The story here is a minor miracle.”*

Her empathy and presence among them is a stark contrast to some leaders who by their physical and/or emotional absence abandon employees in their time of need. One company we know had the employees in a division attend an off-site meeting where it was announced the division would be shut down that very day. Security guards were present and employees were required to immediately collect their personal effects from their offices. At the meeting members of senior management were conspicuously absent. It’s no surprise that the workers were outraged at how they were treated after their years of dedicated service to the company.

Anne Mulcahy also promotes the elements of Inspiring Identity and Knowledge Flow. She boosted employee morale by logging 100,000 miles to visit Xerox employees in her first year. She listened to them too. “People around you want to please...that’s where honest critics can play an important role. Encourage them to tell it like it is,” she said. According to her colleagues, she “told us everything, stuff we didn’t want to know [like how close they were to running out of cash].” “Part of her DNA is to tell you the good, the bad, and the ugly,” remarked one colleague.

She asked Xerox employees to be committed to the turnaround: “save every dollar as if it were your own.” And she rewarded those Committed Members who stayed at Xerox by refusing to eliminate raises and extending small perks like time off from work on their birthdays.

One observer noted: “She was leading by example. Everyone at Xerox knew she was working hard, and that she was working hard for them.” *Fortune* noted that she hadn’t had a weekend off in two years, frequently visited three cities a day,

carried her own luggage on flights and did more cooking on the Xerox corporate jet than she had at her own home. She was clearly sacrificing for the sake of the mission and for the Xerox family.

Anne Mulcahy's infectious optimism and hard work paid off. When Mulcahy was named Xerox's CEO in May 2000 the firm was on the verge of bankruptcy and its stock had dropped from \$63.69 a share to \$4.43. After she took charge, Xerox employees rallied to support her. Together they restored Xerox to profitability and positioned the firm for future growth, prompting Nick Nicholas, a Xerox board member and former CEO of Time Warner, to proclaim "the story here is a minor miracle."

Anne Mulcahy strived to be a leader whom people could be devoted to, a leader who they knew would give it her all to save the company they were counting on. To those of us observing Xerox from the outside it seemed that Xerox was Anne Mulcahy's ailing child and she would do everything in her power get it back on its feet, or die trying. The same could be said about George Washington whom Americans have always referred to as the father of their country.

George Washington and Anne Mulcahy are examples of Servant Leaders. We define this element as follows:

SERVANT LEADERS – Committed Members entrusted with the authority to direct the efforts of others in order to accomplish the mission and help fellow members achieve their potential. Servant Leaders establish and maintain the processes necessary to create an engaging environment and they serve as role models to others.<sup>16</sup>

Servant Leaders are selfless not selfish, they show humility not arrogance, they are magnanimous not vengeful, and they are guided by the courage of their convictions rather than the need to be popular. Servant Leaders assume a leadership role not to feed their egos, but for the sake of doing something they believe is important.

The selfless behavior of Washington and other Servant Leaders engages people because it promotes trust. When a leader demonstrates that he or she is leading for the sake of the mission and the people, rather than for self-serving purposes, people naturally become more trusting and devoted to the leader.

Of course, no leader or environment is perfect. George Washington had slaves until they were set free following his wife Martha's death. FDR failed in the area of Human Value on several occasions including when he approved the internment of Japanese-Americans during World War II and when he failed to get behind the passage of federal anti-lynching legislation. Despite the imperfections in the environments maintained by these leaders, they strived to

improve the environments they were responsible for and for the most part they succeeded.

*Research has proven that organizations with higher employee engagement experience higher customer satisfaction, profits, productivity and lower employee turnover and accidents.*

Every leader should take note of George Washington and Anne Mulcahy's example. Leaders throughout your organization must become Servant Leaders in order to bring out the very best efforts of employees in their individual roles within the organization and to maximize trust and cooperation among them. By putting the right leadership training, metrics, and accountability in place, it can be done. Without these essential components and a process in place to implement them, no organization will develop Servant Leaders nor sustain peak performance. Transformation is not accidental. It only comes about when leaders are intentional in their efforts to make it happen. The legendary UCLA basketball coach John Wooden said it best, "failing to prepare is preparing to fail."

## Conclusion

In this chapter, we've introduced you to the five elements that produce an engaging environment and examples of leaders who employed at least some of them. A more comprehensive explanation of the processes and best practices is beyond the scope of this chapter. We do, however, hope our ideas have given you a vision of what is possible.

Research has proven that organizations with higher employee engagement experience *higher* customer satisfaction, profits, productivity and *lower* employee turnover and accidents.<sup>17</sup> An engaging environment not only makes work more personally satisfying but it has a definite impact on the bottom line.

We've given you the elements that create an engaging work environment, one that will generate the positive energy and enthusiasm that attracts employees (and customers) like a magnet. The great leaders we wrote about realized tremendous success implementing some of these elements. **Just imagine what your company would be like if all five elements were present in your work environment.** Your company will come alive with greater trust, cooperation, optimism, innovation and productivity. Now that's the kind of place where we all want to work ...and your customers will want to come back to time and time again.

## Notes

Although this chapter contains historical accounts it is not meant to be a work of historical scholarship. Its sole purpose is to communicate the ideas contained herein. As such, we have included references to our primary sources and, where we believe our readers would be interested, to other sources that influenced us.

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