

The Leadership Thing – A Unique Perspective

A discussion with Dr. Edward Mazze

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Dr. Edward Mazze is Distinguished University Professor of Business Administration at the University of Rhode Island; a former CEO, a corporate Board member, an author and a celebrated former Dean of four graduate / undergraduate schools of business. He has provided counsel and support to state and national government leaders, family businesses, and corporate executives. With his almost 50 years of business and study, Dr. Mazze offers a distinctly pragmatic perspective on the conduct of business, and more specifically on the leaders who conduct it.

From their series of conversations, Stanley Davis, a Principal with TowerHunter Executive Search, shares some of Dr. Mazze's unique perspectives on selected leadership topics: assessing leadership; pay for non-performance; fatal flaws.

The leadership thing is a creation from complex stuff. But maybe we make it too complex. At his / her roots, a leader is an ordinary person who has to do extraordinary things. Whether for a business, government or social organization, great leaders evolve from ordinary people who stretch beyond their comfort zone. They take calculated risks, and when even their most prudent risks generate some failures they internalize the lessons.

People who strengthen or grow their own organizations take the time to understand the organizations of clients and suppliers – they get out of their office and off of their golf carts to visit on-site. They hire people who have track records for quantifiable results and then support and grow them further. When it comes time for a pizza for employees they not only buy the pizza, but they sit with employees to enjoy the meal and the conversation, and to appreciate the people.

ASSESSING LEADERSHIP

There are countless ways to assess the leadership qualities we seek for business, politics, sports or our own communities. Recognizing that the ability to assess leaders is an essential proficiency for leaders themselves, a great place to start is with simple measures of great leaders, A.S.K.: attitude, skill and knowledge.

Attitude. We're regularly reminded of our expectation for ethical behavior when we see the unethical. We know how a single lapse in ethics undercuts long term credibility and trust. A

productive attitude embraces and transcends what's ethical, legal and moral. It includes common decency and constructive opinions. It values relationships with the organization, co-workers, and even competitors. Attitudes of respect, commitment and kindness leave little room for arrogance, help guard against being blindsided, and minimize a potential loss of position or influence. Warren Buffet and Bill Gates remember their roots and make an effort to understand and support the people around and beyond themselves. Their ability to generate respect comes largely from the respect they show for others (just listen to them speak about colleagues and competitors). Without proper regard for peers, bosses and adversaries, a leader will find few allies. Thus standing alone, his / her demise is only a matter of time.

Change in the world is continuous, and it's accelerating. Yesterday will never return. Successful leaders must engage their energy and curiosity to expand their knowledge and remain current. Without a hunger to understand what's new, an organization cannot anticipate or respond to globalization, new technologies or evolving competition. The static or unyielding will eventually be discarded by the world in transition.

Skills. Technical, financial, communications and other real skills form a critical foundation for leadership. Yet true leaders do not emerge until we add proficiency for engaging the right assets – capital and people. Deploying these right assets requires additional strategic skills, the foresight to see where the organization needs to move, and the agility to make essential adjustments en route to the results.

An insatiable curiosity to understand cause and effect avoids rushes to judgment based only on the obvious. Dynamic environments require that new and unfamiliar circumstances be considered – not just observed, but scrutinized and questioned. Inquisitiveness drives insight, good strategy and proactive execution. *Proactivity* is essential to leading. *Catching up* is not leading.

The skills to convey information and enthusiasm, and to generate a broad based sense for the ownership of results, are honed by the input of others. Listen to what others say, to what they don't say and, most critically, understand what they mean.

A leader is focused on results and, regardless of results, holds him/herself accountable. One who blames others for shortfalls, or claims all credit for success will eventually perish. *Creeping meatballism* (the intentional or accidental advancement of a wrong candidate) allows the less competent to rise, but only so far. Easy access to, and rapid transmission of, abundant information will eventually expose the under-skilled.

Knowledge. A leader's technical grounding should be a given – e.g. marketing, operations, finance, human resources. Acquiring knowledge, in excess of what a single discipline requires, helps to build a broad and valuable perspective. In this process a real leader comes to appreciate the expertise and worth of others.

There are few (if any) problems that someone has not already identified. Leaders who are new to an organization know that the organization was there before them, will be there after them, and that a change in an organization's leadership won't immediately transform it. Intentions to develop the best from the staff should not presume that all will immediately jump on board. They each have their own history, attitude and objectives. They may have previously tested some of what their new leader thinks is innovative. A seasoned leader knows that it's very difficult to get and keep everyone engaged.

There is a humbling recognition that a job title alone does not make a leader. Titles are awarded but leadership is cultivated and earned over time. People who have nurtured positive attitudes, developed valued skills and built a solid knowledge base are all potential leaders, regardless of title. In business, without benefits of title, there are respected informal leaders that may include bright executive assistants, knowledgeable factory workers, seasoned sales people

or older employees to whom their colleagues, and even their bosses, may turn for guidance.

Successful leaders appreciate that everyone, regardless of position, works for someone. One may be working for a boss or shareholders, colleagues or customers. They're also working for society, the betterment of their profession or industry, and ultimately for the privilege to leave a positive footprint and advance their own values.

Finally, an awareness of their own leadership strengths and shortcomings fuels their continuous self improvement.

PAY FOR NON-PERFORMANCE

When we consider the measure of leadership's worth, the current structure for Corporate compensation is a very curious matter.

We hire leaders to shepherd critical activities and specific initiatives. To compensate them for meeting these expectations we provide them with a competitive, predetermined base salary with the commitment to a greater reward – a bonus – for exceptional results. But somehow all work becomes focused on receiving a bonus. Wasn't the base salary itself structured to achieve improved results or change? In overlaying a bonus are we paying twice for the same expected results? Are there different measures of success that drive these two very different elements of compensation?

Our businesses can be wounded by Boards that do not take the time to pragmatically understand compensation, or by CEOs and executive Chairs who themselves benefit from a faulted pay structure. This malady is not well doctored by outside compensation consultants. These consultants are touted as impartial, but their continued engagement is dependant on their satisfying these same boards and executives. (When is the last time that you heard a consultant tell his executive or Board clients that they were over compensated?) For the ultimate in corporate governance and responsibility we think that we can turn to non-executive (outside) Board members. But even their compensation benefits from pay structures that are similarly constructed and monitored.

To justify what they believe are essential pay levels to attract and keep talent, businesses look to marketplace compensation as a key reference point – what are others paying incumbents in similar positions? Unfortunately that marketplace may be an epidemic

roll-up of these same horrible pay practices. Businesses can self-inflict a belief that they have to pay exorbitantly for their talent. They too often construct pay packages for potential new executive hires based on the executive's current pay, current job title, and relationships (i.e. who they know), rather than a proven, relevant track record. In the proper stewardship of their assets and future, are these businesses making prudent decisions?

Too many leaders themselves have come to see their relative pay packages as a measure for competitive scorekeeping rather than a proportionate reward for real accomplishment. In a growing circle of executives, compensation is a measure of ego, not performance. Why else would they expect multiple millions for, in some cases, tanking their enterprise? Consider the recent examples of some leaders of larger financial services firms. Do they really believe that if we tie their pay to their performance and to the appreciating value of their stock, rather than providing immediate elevated cash payouts, that they won't be able to feed their children or make their house(es) payments?

Three great compensation questions to ask ourselves, our Boards, our CEOs and our consultants:

- Have you ever assessed your compensation structure and determined that people are over paid?
- When you hire a new executive and pay a competitive base compensation, for what do you expect this base compensation is paying?
- If you paid a key executive a \$1million bonus today and he / she died on the way home, would the business open and run profitably tomorrow? Are they irreplaceable?

FATAL FLAWS

If we're paying leaders the same for performance and nonperformance, for growing a business or tanking a business, how does it all end?

Knowledgeable, skillful leaders with the right attitudes do grow, adapt and flourish. Mediocre or lesser leaders can endure for a time. Some deftly move to a next company and a next big payday before their business implodes (allowing the roof to fall on their replacements). Still others delay their own judgment day by artfully laying faults on the economy, materials costs, government regulation, unfair competition and even their own hand-picked lieutenants. They may be rescued in time by a next employer who assesses their pedigree solely on their current title, pay package and relationships. In any case, they may position themselves to escape the consequences of failure and find another new beginning.

But many of the less competent leaders don't escape failure. Some can't mask their shortcomings or time their escapes. Others blindly allow their strengths to mutate into flaws. For example, broad and expanding skill and knowledge, when coupled with overconfidence and success, can decompose and breed *arrogance*. Further, the drive for ever greater compensation can mutate to runaway *greed*, trampling organization objectives and values.

Not all fatal wounds are self inflicted. Leaders who believe that they have no deficiencies will not cultivate the respect of their team or peers (unless, of course, the leaders really are perfect). If they attempt to build a protective wall with a cadre of "yes men" they may find that wall can be breached. Decent team members or other stakeholders whose confidence, values and organization commitment are not eroded will stay, fight for the enterprise, and expose a charlatan.

The leadership thing is a creation from complex stuff. But let's not make it too complex. Let's do a better job of assessing our leaders. We need to appropriately compensate them based on their performance. And we cannot ignore serious shortcomings.

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