A LEADER'S LEGACY:

ARE YOU FIT FOR PURPOSE?

Leadership is hard work. While you'll find many words of wisdom, tools and techniques, and practical applications focused on improving leadership skills, all are empty if not implemented with both substance and passion. In this article **Charlie Wagstaff**, *one of the Founders of Criticaleye, outlines the shape of successful, modern leadership.*

The challenge for any leader, when setting the organisation's strategy, is to accept that the business landscape has no precedent and is rapidly shifting. Therefore, the leadership style and approach must respond accordingly. It really is Darwinian – survival of the fittest.

To navigate this evolving landscape effectively, any leader seeks a term of reference and focus on which to base their strategy. This is called 'substance'. If it is to be achieved with conviction, it needs to be close to your personal DNA and bound by the legacy that the organisation - and you as a leader - needs to create.

COMMUNITY COMMENT
Paul Polman, CEO, Unilever

The main thing for a leader is that they can be themselves and be driven by an inner compass and guidance that is more important than anything else. If your values – your personal values – are aligned with the company's values, you're probably going to be more successful longer term than if they are not. If they are not aligned, then you are simply acting the role, not living it. I see leadership very simply: a leader is someone who positively influences people and, for me, there are many mentors for this from history. Gandhi, Mandela and Mother Teresa, for example, exhibited an unselfish form of leadership that is very appealing to me: they put the interests of others ahead of their own. The Dalai Lama said that, if you seek enlightenment for yourself just to enlighten yourself, then you miss the purpose. But, if you seek enlightenment for yourself by helping others, then you are with purpose. This is the style of leadership that we increasingly need in today's world and, for my own legacy, I would hate to be remembered for building market share, but rather for making a difference in society.

WHAT ARE THE INDICATORS?

There are some key social economic shifts that clearly indicate the transition we are undergoing, and that will continue to challenge the way leaders will need to act. As a leader, you have obligations (for which you are under increasing scrutiny) that go beyond the short- or medium-term. These are:

Consumer awareness – Savvy consumers will no longer be readily taken in by superficial brand positioning or public relations initiatives.

Take BP. The Gulf of Mexico spill in 2010 was always going to be a serious crisis for the company. What doubtlessly exacerbated the feeling against BP was their overt 'nice' image. When you change your logo to a flower, you give a clear impression of your stated intentions as a 'green' company. Looking back at BP's brand transformation, it was in the 1990s, 'the age of image', when BP dropped its old name, 'British Petroleum'. The second phase (from 2000 to 2010) was the 'age of progress', when companies made ethical behaviour a point of competitive differentiation. I believe that the current phase is the 'age of substance'.

Now take Toyota. In the era of online social media, where the public has so much access to information and can share it and comment on it so rapidly, consumers punish those businesses that don't live up to expectations. Toyota's disaster was not so much the accelerator issue but rather the perceived culture of denial and desire to sweep the issue under the carpet.

Companies must demonstrate sheer transparency, authenticity and speed - all qualities that BP and Toyota had seemingly lacked. Wrapped up in this is 'worth' - and its monetary relationship. Short-term systems of incentives, such as those found in the financial markets, whether it was

COMMUNITY COMMENT
Tim Smit, CEO and Co-Founder, The Eden Project

A legacy is the work you have enabled to take place that has improved people's lives. More than this, it's what those who have worked with you would say of you, in terms of how their lives have been enriched through that experience. Many corporations actually infantilise their members rather than giving them the confidence and freedom to work as independently as they need to. A great leader fledges the people that work around him or her to encourage them to take responsibility for what they do.

those who ran the firms, the individuals who ran the CDO 'machines', or the investors, fostered behaviour that, while not illegal, was certainly morally questionable. The unravelling and subsequent bailout of the banking financial system has meant that financial institutions in particular are experiencing tighter regulations.

As business leaders, having access to large amounts of money, both personal and commercial, disassociates you from the 'majority' and, by logical extension, from reality (80% of the wealth is owned by 20% of the population – an often cited Pareto principle). One way of tackling this and providing a 'reality check' is by setting up a charitable foundation, and many companies do this irrespective of their size. Extreme examples can be found in the global brand Microsoft, which has the philanthropic Bill and Melina Gates Foundation, while private equity-backed software experts Sumerian is a founding partner of the Johari Foundation, a UK based charity which aims to eliminate long term poverty through social enterprise.

Global business and communities – Global business has the power of choice; it can largely choose to ignore

COMMUNITY COMMENT

**John Whybrow, Chairman
Wolseley plc**

Two years ago, the business world was entering a difficult phase: markets falling dramatically, banking structures disintegrating and values being questioned. My own company in plumbing and building materials distribution was particularly hard hit, our various markets around the western world down by anything between 20 per cent to - at worst – 85 per cent. As chairman, I could see the organisation losing confidence. By this, I don't mean that the markets were losing confidence in Wolseley but rather that the company's leadership was losing confidence and this was permeating through the whole organisation. However, a change in leadership restored that confidence within months. Markets can be benign, booming or collapsing, and leaders have the task of finding the right path through whatever the external environment brings. It may be the maintenance of an internal culture of finding solutions locally through to giving strong direction in identifying and exploiting opportunities corporately - even though significant costs may need be removed. In good times, they need to ensure confidence does not turn to arrogance. Leaders should leave an organisation feeling proud of what is being achieved, no matter what the external environment.

the interests and concerns of others, or it can recognise them and discover new means of creating value, while simultaneously serving its own interests.

Arguably the influence of global corporations has shifted power away from local communities to distant boardrooms. Not only do these organisations have the ability to undermine the will of elected local and regional governments, but also those of powerful states.

With this have come the destruction of local environments, and the erosion of distinct national cultures. Equally, global business can be perceived to play developed and developing countries off against each other, to secure better short-term conditions for investment in developing countries through lower environmental or labour standards, taxation and regulation.
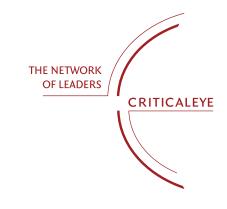
To overcome such short-termism, you must ensure that good corporate citizenship is built into all aspects of the business. Even where good practices exist, they tend to be segmented: human resources will concentrate on aspects of

corporate citizenship that meet employee expectations, while marketing concentrates on aspects that enhance image and build brand. Yet what is needed is for all parts of a business to exchange ways in which good practice can enhance all of the objectives, for the medium- to long-term benefits of every stakeholder.

Generation engagement – As we move through life, each generation becomes 'smarter', more technically adept, has greater expectations, and more worldly. Interestingly, each new generation seems to push the barrier further. A summary of some common themes that seem to have evolved are:

- **Life is not all about work** Life should be about being happy, giving back to others and having fun. If you are a leader, and you are just focusing on work, then something isn't right in your life. The younger generations have watched their parents 'work their fingers to the bone', and they don't want any part of it. They know how to use their networks and technology to get a 60 hour-a-week job done in 30. This challenges what constitutes 'a good day's work'.

- **Keeping up with current trends and technology is a must for success** Social networking, blogging, podcasting or sending tweets is now the norm. If you want to be an effective leader, you must be willing to use the most current tools to your and your organisation's advantage. If you are not keeping up, you will be seen as outdated.

The most significant contributions leaders are required to make are not to the bottom line but to the long-term sustainability of individuals, communities and institutions that can adapt, prosper and grow

A CEO's role is to create the environment in which his/her team can deliver high performance and the foundations for long-term success. Constant openness to learning is important and I learned at Harvard Business School that, in the end, everything comes down to one thing: people. It's about listening to customers, building relationships with stakeholders, understanding motivation and creating the right culture for employees to flourish. No one prepares you for when you become a CEO and, at Whitbread, I had to take some tough decisions, particularly in the early days. When I became CEO, Whitbread was a company of ten different divisions. Now, we are the UK's leading hospitality group because we took the difficult decisions to exit from pubs and breweries and focus our business on the engines of real growth – budget hotels, restaurants and coffee shops. As I retire from Whitbread, I am most proud of how the team has created the well positioned company it is today, with customer focus at its heart and exciting opportunities for future growth.

· **Getting and giving feedback are critical for development** Youth clearly signal they want to know they are on the right path. They want to know how they can do their job better. They want to know they are moving in the right direction. Doesn't everyone? Organisations need to move towards a facilitating/coaching culture where feedback is given every day. Feedback feeds growth, empowerment and a more informed service.
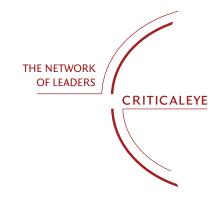
The critical thing about being a CEO is to know yourself; you must also know in your heart that you want to lead and be sure that your interests are absolutely in line with those of your company. If that is the case, then people will generally follow you; if they doubt your motives, then they generally won't. You can only lead people if they choose to follow, so I don't think you can be told that you are the leader – you either are or you aren't. The thing that occupies me more than anything else is how to build a sustainable business – one with a clear succession. In every business, a key role of the CEO should be to consider the long-term strategic objectives for the business and, within this, and possibly of most importance, how to develop a team that can maintain the growth of the business when the incumbent moves on.

· **Building relationships is key to a leader's success** Leadership is most successful by being in the 'middle of people', interacting with every stakeholder on your value chain, from your customers to your board to your suppliers. Developing relationships with people takes time, but is worth the effort. After all, people follow brands and leaders based on whether or not they like them/you. So, the question is 'Do people like you?' If not, then maybe it's time to find out why.

While the older generation is largely still running companies, the younger, for many organisations, is their best chance of ensuring it can understand and respond to its customers and continue to have a legacy. These individuals are the 'natives' of the digital world and networks are in their DNA. That said, how do you manage a generation that looks sideways rather than upwards for inspiration? And how will these 'flatter', less hierarchical organisations perform? At the Brazilian engineering firm Semco, employees decide how much they are paid and what hours they work. Its Chief Executive, Ricardo Semler, values autonomous business units driven by peer pressure, not bureaucracy. At Cisco, CEO John Chambers has reorganised the company, from a command-and-control operation into an empowered network of councils and boards. These flexible units are backed by a financial incentive system and an ever-improving set of custom web tools, such as blogging.

Reputation and culture – With a greater global spotlight on the reputation of organisations, companies are considered responsible for their own actions as well as those of their suppliers and all those it interacts with or impacts. Their ability to cope with this responsibility is tested daily; wishful thinking, naivety, and even standards of legal practice can all lead to good intentions going awry.

The majority of companies intend to operate at the highest standards of integrity. Most have strong ethical guidelines for themselves and their suppliers. Many of these are written into contracts. There is though a reliance on written standards of conduct rather than a focus on the conduct itself. Standards of conduct are there to protect you legally, and almost never control behaviour, unless they are quite specific and are enforced and believed by those who implement them. The culture of the organisation dictates the behaviour, and this is ultimately set by the leaders.

THE NETWORK
OF LEADERS

CRITICALEYE

WHAT ARE THE RAMIFICATIONS FOR LEADERSHIP?

Where can you find the right moral compass to lead, guide and protect a company's legacy? Above all, a strong and clearly understood ethical conscience needs to exist across the entire organisation, from top to bottom. Leaders must continually set the framework for this standard and act in a manner consistent, not only with policies and practices, but also according to a strong personal value system.

This is right across the whole organisation and, indeed, all its stakeholders. And each needs to be able to challenge the other without fear of the consequences. It seems so simple, but many organisations struggle to subscribe sufficiently to this high level of open communication and transparency.

Self-reporting is one of the best ways of ensuring that you and your suppliers engage in actions that truly reflect the behaviours your ethics promise. It helps you to scour your world for adherence in the same way that a successful consumer company continually 'mystery shops' itself. It puts into place consistent measurement and communication that lets constituencies know what standards you expect, how you will maintain performance and that you will point out ineffective action when you find it.

Arguably the most significant contributions leaders are required to make are not therefore to the bottom line (this is taken for granted) but to the long-term sustainability of individuals, communities and institutions that can adapt, prosper and grow. If only a short-term view is taken, then you will only be on a constant rollercoaster ride. A behavioural mindset has got to be adhered to.

As a leader, there are three clear stages to achieving this:

Stage One
- Acknowledge that you are the value leader. The buck stops with you. Believe in it and be passionate
- Understand that your role is to communicate the overarching purpose and framework that is underpinned by a set of shared values
- Reflect the values, and the notion of being valued
- Intimately know your consumer's motivations, vulnerabilities and triggers for negative emotions

Stage Two
- Give 'space' and resources and ensure you are approachable - create safe environments for sharing, and democratise innovation
- Understand the business ecosystem and be outward looking
- Create a vision-driven team and help them see the organisation's potential - examine inward before acting outward
- Have three strategic plans - a long-term plan, a three-to-five-year plan, then your annual plan
- Incentivise your top team to achieve long-term issues – it will filter down
- Create teams and environments where everyone is destined to win

Stage Three
- Constantly challenge what success looks like
- Know how to balance managing by influence and managing by authority
- Don't build more followers, build more leaders. Ensure the success of those around you - plan and train successors and position others to succeed
- When determining costs, price true long-term costs and 'externality', ie cost of capital plus carbon

FINALLY, TAKE A LOOK IN THE MIRROR

To espouse whether you are truly 'fit for purpose' - transparent, energised and confident in your belief - your leadership style must be consistent with who you are and your own DNA. And this means being authentic.

As Gandhi said, "Be the change you seek." You should understand what it is that you are passionate about because, to be successful as a leader, you can only lead from the 'heart'. After all, when you look at your organisation, you are really looking at a reflection of yourself.

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