

THE LEADERSHIP EXPERIENCE

SEVENTH
EDITION



RICHARD L. DAFT





The Leadership Experience

SEVENTH EDITION

RICHARD L. DAFT

Owen Graduate School of Management
Vanderbilt University

With the assistance of
Patricia G. Lane



Australia • Brazil • Mexico • Singapore • United Kingdom • United States

The Leadership Experience
Seventh Edition

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*To the spiritual leaders who shaped my growth
and development as a leader and as a human being.*



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PREFACE

Many leaders have recently had their assumptions challenged about how organizations succeed. Leaders are struggling to make sense of the shifting environment and to learn how to lead the people in their companies effectively and successfully in the midst of turmoil. The crisis in the housing, mortgage, and finance industries and resulting recession; volatile oil prices; ethical scandals; political turmoil; and other events have dramatically shifted the organizational and economic landscape. This edition of *The Leadership Experience* addresses themes and issues that are directly relevant to the current turbulent environment. My vision for the seventh edition is to give students an exciting, applied, and comprehensive view of what leadership is like in today's world. *The Leadership Experience* integrates recent ideas and applications with established scholarly research in a way that makes the topic of leadership come alive. Organizations are undergoing major changes, and this textbook addresses the qualities and skills leaders need in this rapidly evolving world.

Recent chaotic events, combined with factors such as a growing need for creativity and innovation in organizations, the rise of social media, the growth of e-business and mobile commerce, the use of virtual teams and telecommuting, globalization, the growing problem of cybercrime, and other ongoing transformations place new demands on leaders that go far beyond the topics traditionally taught in courses on management or organizational behavior. My experiences teaching leadership to students and managers, and working with leaders to change their organizations, have affirmed for me the value of traditional leadership concepts while highlighting the importance of including new ideas and applications.

The Leadership Experience thoroughly covers the history of leadership studies and the traditional theories but goes beyond that to incorporate valuable ideas such as leadership vision, shaping culture and values, leadership courage, and the importance of moral leadership. The book expands the treatment of leadership to capture the excitement of the subject in a way that motivates students and challenges them to develop their leadership potential.

NEW TO THE SEVENTH EDITION

A primary focus for revising *The Leadership Experience*, seventh edition, has been to relate leadership concepts and theories to real events in today's turbulent environment. Each chapter has been revised and updated to bring in current issues and events that leaders are facing.

Topics and application examples that have been added or expanded in the seventh edition include:

- *developing a global mindset*
- *leading with humility*
- *leadership courage as a skill*
- *the influence of emotions on performance*
- *the importance of self-awareness for leadership*
- *entrepreneurial leadership*
- *overcoming bias in the workplace*
- *candid communication*
- *how leaders use social media*
- *leadership coaching*
- *balancing conflict and cooperation*
- *agile leadership*
- *fostering a thriving workforce*
- *team competencies*
- *how to confront others during conflict*
- *diversity of thought*
- *co-creating a vision*
- *building a high-performance culture through values and results*
- *the mental transition required for people to change behavior*
- *using a positive emotional attractor*

Some of the new examples of leaders and leadership within organizations that show practical applications of key concepts include:

- Pope Francis
- Mickey Drexler, J. Crew
- Warren Buffett, Berkshire Hathaway
- Satya Nadella, Microsoft
- Laura Smith, Yola
- Nancy Dubec, A&E Networks
- Angela Ahrendts, Apple
- Coach Ron Rivera, Carolina Panthers
- Chade-Meng Tan, Google
- Kip Tindell, Container Store
- Gen. Stanley McChrystal, U. S. Army
- Rich Gee, Rich Gee Group
- Dan Price, Gravity Payments
- Grant Reid, Mars Inc
- Zingerman's
- Honda Engine Plant
- Seattle Seahawks
- Earl's Restaurants
- Mattel Toys
- Chris Rufer, Morning Star
- Golden State Warriors
- Vivek Gupta, Zensar Technologies
- Inga Beale, Lloyd's of London
- Intel
- HealthFitness
- Norman Seabrook, Riker's Island
- Dick Costolo, Twitter
- BNSF Railway
- Rui Sousa, Ronnie McKnight, Tom Camp, UPS
- Natarajan Chandrasekaran, Tata Consultancy
- Marvin Ellison, J. C. Penney
- Jon Fairest, Sanofi Canada

The Leadership Experience continues to offer students great opportunities for self-assessment and leadership development. An important aspect of learning to be a leader involves looking inward for greater self-understanding, and the seventh edition provides many opportunities for this type of reflection. Each chapter includes multiple questionnaires or exercises that enable students to learn about their own leadership beliefs, values, competencies, and skills. These exercises help students gauge their current standing and connect the chapter concepts and examples to ideas for expanding their own leadership abilities. A few of the self-assessment topics involve engagement, networking, ethical maturity, personality traits, leading diverse people, developing a personal vision, spiritual leadership, candor, leadership courage, optimism, and leading with love versus leading with fear. Self-assessments related to basic leadership abilities such as listening skills, emotional intelligence, motivating others, and using power and influence are also included. Additional self-assessments are available within MindTap.

ORGANIZATION

The organization of the book is based on first understanding basic ways in which leaders differ from managers, and the ways leaders set direction, seek alignment between organizations and followers, build relationships, and create change. Thus, the organization of this book is in five parts:

1. Introduction to Leadership
2. Research Perspectives on Leadership
3. The Personal Side of Leadership
4. The Leader as a Relationship Builder
5. The Leader as Social Architect

The book integrates materials from both micro and macro approaches to leadership, from both academia and the real world, and from traditional ideas and recent thinking.

DISTINGUISHING FEATURES

This book has a number of special features that are designed to make the material accessible and valuable to students.

In the Lead *The Leadership Experience* is loaded with new examples of leaders in both traditional and contemporary organizations. Each chapter opens with a real-life example that relates to the chapter content, and several additional examples are highlighted within each chapter. These examples are drawn from a wide variety of organizations including education, the military, government agencies, businesses, and nonprofit organizations.

Consider This! Each chapter contains a *Consider This* box that is personal, compelling, and inspiring. This box may be a saying from a famous leader, or wisdom from the ages. These *Consider This* boxes provide novel and interesting material to expand the reader's thinking about the leadership experience.

Leader's Bookshelf In this edition, six of the 15 chapters have new Leader's Bookshelf reviews. A unique feature of *The Leadership Experience* is that each chapter includes a review of a recent book relevant to the chapter's content. The Leader's Bookshelf connects students to issues and topics being read and discussed in the worlds of academia, business, military, education, and nonprofit organizations.

New Leader Action Memo This feature helps students apply the chapter concepts in their own lives and leadership activities and directs them to self-assessments related to various chapter topics.

Leader's Self-Insight These boxes provide self-assessments for learners and an opportunity to experience leadership issues in a personal way. These exercises take the form of questionnaires, scenarios, and activities.

Student Development Each chapter ends with discussion questions and then two activities for student development. The first, **Leadership at Work**, is a practical, skill-building activity that engages the student in applying chapter concepts to real-life leadership. These exercises are designed so students can complete them on their own outside of class or in class as part of a group activity. Instructor tips are given for maximizing in-class learning with the Leadership at Work exercises. **Leadership Development: Cases for Analysis**, the second end-of-chapter activity, provides two short, problem-oriented cases for analysis. These cases test the student's ability to apply concepts when dealing with real-life leadership issues. The cases challenge the student's cognitive understanding of leadership ideas while the Leadership at Work exercises and the feedback questionnaires assess the student's progress as a leader.

Business Insights: Essentials' intuitive user interface makes it easy for students and instructors to search and find in-depth information on businesses, industries, and products. Features and benefits include the ability to search across multiple data types from a single search box with targeted search options by category. This includes company information, articles, industry data, SWOT Reports, Thomson Reuters Company Financials and Investment Reports, Market Share Reports, and Industry Essays. We have created assignments based on articles that connect directly with the content covered in your text, including assessment questions to test students on their knowledge of the content and emphasizing real-world examples.

MindTap® Management for Daft's *The Leadership Experience, 7th Edition*, is the digital learning solution that helps instructors to engage and transform today's students into critical thinkers. Through paths of dynamic assignments and applications that you can personalize, real-time course analytics, and an accessible reader, MindTap helps you turn cookie-cutter into cutting-edge, apathy into engagement, and memorizers into higher-level thinkers.

As an instructor using MindTap, you have at your fingertips the right content and a unique set of tools curated specifically for your course, all in an interface designed to improve workflow and save time when planning lessons and course structure. The control over building and personalizing your course is all yours, so you can focus on the most relevant material while also lowering costs for your students. Stay connected and informed in your course through real-time student tracking that provides the opportunity to adjust the course as needed based on analytics of interactivity in the course.

The MindTap Assignments are fully integrated with the text, providing calculated combinations of lower- and higher-order thinking skills exercises. Students can work together in the **experiential exercises** to create videos, write papers, deliver presentations, and more. Interactive Self-Assessments engage students by helping them make personal connections to the content presented in each chapter. A flexible grading system offers grade analytics and grade book export tools to work with any learning management system.

ANCILLARIES

This edition offers a wide range of instructor ancillaries to fully enable instructors to bring the leadership experience into the classroom. These ancillaries include:

Instructor's Manual

A comprehensive Instructor's Manual is available to assist in lecture preparation. Included in the Instructor's Manual are the chapter outlines, suggested answers to end-of-chapter materials, suggestions for further study, and a quick-glance overview for each chapter of the available MindTap resources to assist instructors in their planning.

Test Bank

Cengage Learning Testing Powered by Cognero is a flexible, online system that allows you to author, edit, and manage test bank content from multiple Cengage Learning solutions; create multiple test versions in an instant; and deliver tests from your LMS, your classroom, or wherever you want. The test bank for *The Leadership Experience*, seventh edition, includes approximately 60 questions per chapter to help you in writing examinations. Types of questions include true/false, multiple choice, completion, short-answer, and essay, with all questions tagged to relevant national competencies. To ensure consistency across our entire package, the content of the test bank has been fully reviewed and updated by the same authors who have crafted our new digital resources.

PowerPoint Lecture Presentations

An asset to any instructor, the PowerPoint lecture presentations include outlines for every chapter, illustrations from the text, and additional examples to provide learning opportunities for students.

Videos

Videos compiled specifically to accompany *The Leadership Experience*, seventh edition, allow students to engage with the textual material by applying theories and concepts to real-world situations.

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Richard L. Daft
Nashville, Tennessee



Part 1: Introduction to Leadership

Chapter 1: What Does It Mean to Be a Leader?



Chapter 1: What Does It Mean to Be a Leader?

YOUR LEADERSHIP CHALLENGE

After reading this chapter, you should be able to:

- Understand the full meaning of leadership and see the leadership potential in yourself and others.
- Recognize and facilitate the six fundamental transformations in today's organizations and leaders.
- Identify the primary reasons for leadership derailment and the new paradigm skills that can help you avoid it.
- Recognize the traditional functions of management and the fundamental differences between leadership and management.
- Appreciate the crucial importance of providing direction, alignment, relationships, personal qualities, and outcomes.
- Explain how leadership has evolved and how historical approaches apply to the practice of leadership today.

CHAPTER OUTLINE

4	Why We Need Leadership	<i>In the Lead</i>	<i>Leader's Bookshelf</i>
8	The New Reality for Leaders	13 Pope Francis, Roman Catholic Church	7 My Life in Leadership: The Journey and Lessons Learned Along the Way
14	How Leadership Differs from Management	23 Google	<i>Leadership at Work</i>
17	Evolving Theories of Leadership	<i>Leader's Self-Insight</i>	27 Leadership Right–Wrong
21	Leadership Can Be Learned	11 Your Learning Style: Using Multiple Intelligences	<i>Leadership Development: Cases for Analysis</i>
24	Mastering the Art and Science of Leadership	17 Your Leadership Potential	29 Sales Engineering Division
24	Organization of This Book	22 Are You on a Fast Track to Nowhere?	29 The Marshall Plan

Abraham Lincoln had less leadership experience than any previous president, but when historians rank the “greatest presidents,” Lincoln frequently tops the list. Interest in Lincoln’s leadership swelled with the release of Steven Spielberg’s historical film *Lincoln*, which was a huge critical and commercial success, grossing more than \$250 million at the box office and garnering 12 Academy Award nominations. “Lincoln’s presidency is a big, well-lit classroom for business leaders seeking to build successful, enduring organizations,” said Howard Schultz, CEO of Starbucks. In this era of disconnected and often morally bankrupt leaders, it is no wonder the skills, strengths, and character of Lincoln have struck a chord. Lincoln once provoked an opponent to tears by using his expert communication skills to mimic and ridicule his rival. Soon afterward, the man who would later become the 16th president of the United States felt disappointed and ashamed of his own behavior and sought out his opponent to offer an apology. Lincoln took this as a valuable lesson about channeling his emotions, practicing empathy, and using his abilities to promote good. From then on, Lincoln applied his superb leadership and communication skills to serve the higher interests of the American people rather than his own goals and ego. His ability to control his emotions and stay committed

to a vision even under intense hardship, his commitment to go into the field and establish connections with soldiers and the general public, and his willingness to listen to different points of view and to share credit for successes and take blame for failures all tap into a deep longing within people for genuine leadership.¹

The public trust in leaders may be at an all-time low. Referring to the dire economic situation that followed the ethical and financial problems in the mortgage and finance industries, David Rothkopf wrote in the *Washington Post*, “This is not just a global economic crisis. It is a global leadership crisis.”²

1-1 WHY WE NEED LEADERSHIP

Many of us think of leadership in a way similar to what U.S. Supreme Court Justice Potter Stewart said about obscenity in reviewing a 1964 pornography case: we may not be able to define it but “we know it when we see it.”³ People can clearly see leadership in Abraham Lincoln, but many are having a hard time seeing it in current political, business, military, and even religious leaders. General David Petraeus, one of the most decorated military leaders of his generation, stepped down as director of the Central Intelligence Agency after the FBI inadvertently discovered he had an extramarital affair with his biographer and began investigating for potential leaks of classified information. The British Broadcasting Corporation (BBC) was tarnished by allegations that managers covered up years of sexual abuse by a well-known reporter.⁴ Senator Chuck Grassley recently probed the financial records of six well-known televangelists, including Creflo Dollar and Kenneth Copeland, after reports that tax-exempt donations were financing lavish lifestyles for the religious leaders, including mansions, Rolls Royce cars, and private jets.⁵ Nearly every month brings a new report of a business leader somewhere lying to, misleading, or cheating employees, customers, or the government. No wonder survey after survey shows that confidence in leaders is sinking and suspicion and distrust are rising.⁶

Yet there are good leaders working in every organization, large and small. In fact, quality leadership is all around us every day, in all facets of our lives—our families, schools, communities, social clubs, and volunteer organizations, as well as in the world of business, sports, religion, government, and the military. Without good leadership, our institutions and society would fall apart.

Before we can examine what makes an effective leader, we need to know what leadership means. Scholars and other writers have offered hundreds of definitions of the term *leadership*, prompting James McGregor Burns to conclude that leadership “is one of the most observed and least understood phenomena on earth.”⁷ Defining leadership has been a complex and elusive problem largely because the nature of leadership itself is complex. Some have even suggested that leadership is nothing more than a romantic myth, perhaps based on the false hope that someone will come along and solve our problems by sheer force of will.⁸

There is some evidence that people do pin their hopes on leaders in ways that are not always realistic. Think about how some struggling companies recruit well-known, charismatic CEOs and invest tremendous hopes in them, only to find that their problems actually get worse.⁹ For example, Yahoo hired former Autodesk CEO Carol Bartz in 2009 with high hopes that the star leader could turn the struggling company around, only to ask her to leave a couple of years later as Yahoo’s fortunes continued to slide. In mid-2012, Yahoo hired former Google executive Marissa Mayer as the fifth CEO in five years.

Particularly when times are tough, people often look to a grand, charismatic type of leader to alleviate fear and uncertainty. Think of how Barack Obama sailed to the U.S. presidency in 2008 based largely on his charisma and the ability to make people feel hopeful in a time of uncertainty. In recent years, the romantic or heroic view of leadership has been challenged.¹⁰ Much progress has been made in understanding the essential nature of leadership as a real and powerful influence in organizations and societies.

1-1a Defining Leadership

Leadership studies are an evolving discipline, and the concept of leadership will continue to develop. For the purpose of this book, we will focus on a single definition that delineates the essential elements of the leadership process: **Leadership** is an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes.¹¹

Exhibit 1.1 summarizes the key elements in this definition. Leadership involves influence; it occurs among people; those people intentionally desire significant changes; and the changes reflect purposes shared by leaders and followers. *Influence* means that the relationship among people is not passive; however, also inherent in this definition is the concept that influence is multidirectional and noncoercive. The basic cultural values in North America make it easiest to think of leadership as something a leader does to a follower.¹² However, leadership is reciprocal. In most organizations, superiors influence subordinates, but subordinates also influence superiors. The people involved in the relationship want substantive *changes*—leadership involves creating change, not maintaining the status quo. In addition, the changes sought are not dictated by leaders but reflect *purposes* that leaders and followers share. Moreover, change is toward an outcome that both the leader and the followers want, a desired future or shared purpose that motivates them toward this more preferable outcome. An important aspect of leadership is influencing others to come together around a common vision. Thus, leadership involves the influence of people to bring about change toward a desirable future.

Leadership

an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes

EXHIBIT 1.1 What Leadership Involves



Also, leadership is a *people* activity and is distinct from administrative paperwork or planning activities. Leadership occurs *among* people; it is not something done *to* people. Since leadership involves people, there must be *followers*. An individual performer who achieves excellence as a scientist, musician, athlete, or woodcarver may be a leader in her field of expertise but is not a leader as defined in this book unless followers are involved. Followers are an important part of the leadership process, and all leaders are sometimes followers as well. Good leaders know how to follow, and they set an example for others. The issue of *intention* or will means that people—leader and followers—are actively involved in the pursuit of change. Each person takes personal responsibility to achieve the desired future.

One stereotype is that leaders are somehow different, that they are above others; however, in reality, the qualities needed for effective leadership are the same as those needed to be an effective follower.¹³ Effective followers think for themselves and carry out assignments with energy and enthusiasm. They are committed to something outside their own self-interest, and they have the courage to stand up for what they believe. Good followers are not “yes people” who blindly follow a leader. Effective leaders and effective followers may sometimes be the same people, playing different roles at different times. At its best, leadership is shared among leaders and followers, with everyone fully engaged and accepting higher levels of responsibility.

1-1b Everyday Leadership

Using this definition of leadership makes clear that leadership can come from anyone. When we stop equating leadership with greatness and public visibility, it becomes easier to see our own opportunities for leadership and recognize the leadership of people we interact with every day. Leaders come in all shapes and sizes, and many true leaders are working behind the scenes. Leadership that has big outcomes often starts small.

- Wendy Kopp was a senior at Princeton University when she first came up with the idea of a sort of “Peace Corps for teachers,” a national organization that would recruit recent college graduates to commit to teach for two years at some of America’s toughest public schools. One of her Princeton professors admits he called her “deranged” when she proposed the idea to him. Yet Teach for America, the organization Kopp started, became one of the most respected educational initiatives in the United States. As the organization has grown larger, it has come under attack, but most observers agree it has changed education for the better and it continues to harness the idealism of young college graduates as a force for good.¹⁴
- Clinical psychologist Barbara Van Dahlen was working primarily with children in the Washington, D.C., area when she became concerned about the effects of the wars in Iraq and Afghanistan on the mental health of U.S. soldiers, veterans, and their families. Van Dahlen founded Give an Hour to provide free services that give help and hope to returning service members. The organization now has a national network of more than 6,100 mental health professionals who volunteer their time. Give an Hour also works with other organizations, such as Bare the Burden, a nonprofit organization that creates an online community for veterans to heal by connecting with others.¹⁵
- During his five years working as a car salesman, Robert Chambers was disgusted by how some dealers and finance institutions preyed on low-income customers. After he retired from a varied career, the 62-year-old electrical engineer



LEADER'S BOOKSHELF

My Life in Leadership: The Journey and Lessons Learned Along the Way

by Frances Hesselbein

What college dropout transformed one of the world's largest volunteer organizations, was named *Fortune* magazine's "Best Nonprofit Manager in America," and received America's highest civilian honor, the Presidential Medal of Freedom? The answer: Frances Hesselbein, who began her amazing leadership journey as a somewhat reluctant volunteer leader of Girl Scout Troup 17 in Johnstown, Pennsylvania, when she was in her early twenties. In her autobiography, *My Life in Leadership*, Hesselbein, now in her late 90s, shares what she has learned about leadership throughout her long career.

"LEADERSHIP IS A MATTER OF HOW TO BE, NOT HOW TO DO"

Hesselbein argues that "it is the quality and character of the leader that determines performance." For her, leadership is about serving others. From her beginning as a volunteer Scout leader, she eventually became CEO of the Girl Scouts of the USA, and later was founding president of famed management scholar Peter Drucker's Leader to

Leader Institute (she still serves as CEO of the organization, recently renamed the Frances Hesselbein Leadership Institute). Here are a few of the key lessons Hesselbein has learned along the way:

- **Have a Clear Mission That Everyone Can Support.** As soon as she became CEO of the national Girl Scouts, Hesselbein took a close look at the mission of the organization and began asking leaders at all levels, as well as girls themselves, what they really valued, wanted, and needed. "Because we included everyone, it became theirs, not ours," she says. Hesselbein calls the mission, vision, and values "the soul of the organization," which should be central "even as we abandon the vestiges of the past that spell irrelevance in the future."
- **Be Inclusive.** Hesselbein also ditched the hierarchy, sharing information and power with leaders at all levels from the beginning. A concept she called "circular management," put the leader in the middle of the

organizational chart rather than at the top of a hierarchy. Everyone was a member of a team, and there were no superiors and subordinates. Being inclusive develops leaders at every level and increases the energy and creativity of the entire organization.

- **Make Learning a Top Priority.** Organizations have to keep changing and adapting when it's necessary. "The first item in your budget should be learning, education, and development of your people," she says.

THE GREAT ADVENTURE

Hesselbein tells her story in *Learning to Lead* as a great adventure that she enjoyed every step of the way. It is a story told in a very personal way, but one that is packed with observations and reflections that are as relevant to today's leaders as when Hesselbein first began her long leadership journey as a volunteer Girl Scout leader.

Source: *Learning to Lead*, by Frances Hesselbein, is published by Jossey-Bass.

decided to do something about it. He founded More Than Wheels, which helps low-income people buy new, base-model cars at low prices and on good loan terms. With branches in New Hampshire, Vermont, and Maine, More Than Wheels has negotiated price and extended warranty deals with a dozen or so auto dealers and worked with banks to provide low interest rates. More Than Wheels guarantees the loan and then works with clients to help them manage their finances, improve their credit scores, and improve their future.¹⁶

There are opportunities for leadership all around us that involve influence and change toward a desired goal or outcome. As further illustrated in the Leader's Bookshelf, widely known and highly respected leaders often begin their leadership journeys in small ways. The leaders of tomorrow's organizations will come from anywhere and everywhere, just as they always have. Do you have the capacity and commitment required for taking a leadership role in your school, community, or workplace? You can start now, wherever you are, to practice leadership in your own life. Leadership is an everyday way of acting and thinking that has little to do with a title or formal position in an organization. As we will discuss in the following section, business leaders need to understand this tenet more than ever in the world of the twenty-first century.

NEW LEADER ACTION MEMO

As a leader, you can recognize opportunities for leadership and act to influence others and bring about changes for a better future.

1-2 THE NEW REALITY FOR LEADERS

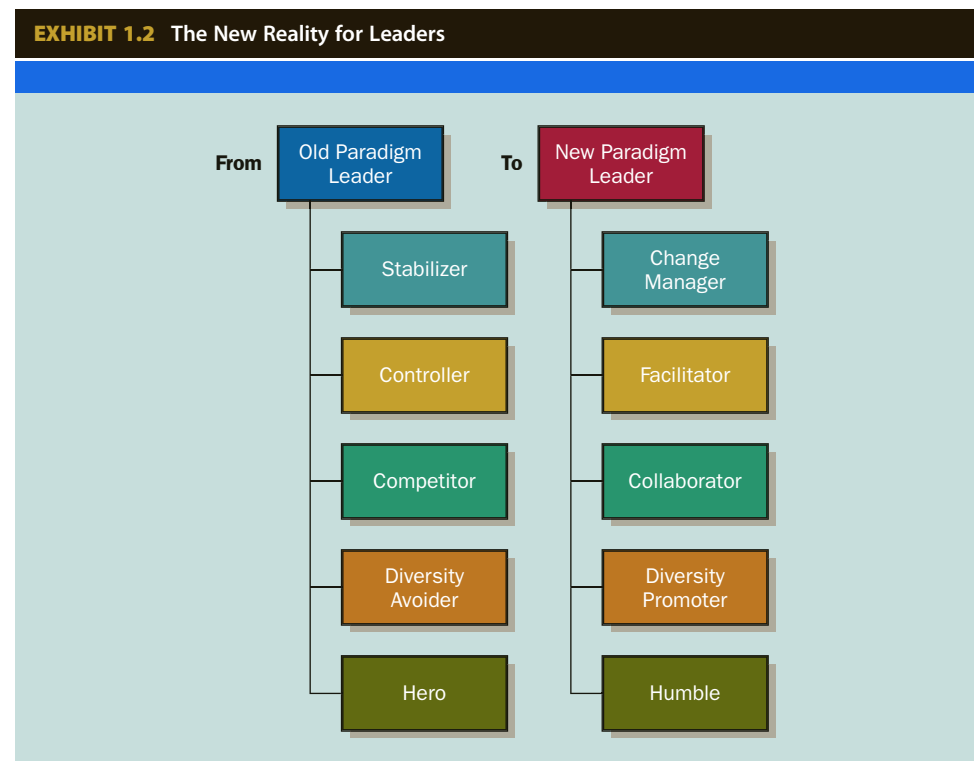
Social media. Globalization. Mobile commerce. Geopolitical wars. Renewable technologies and smart machines. Outsourcing. Climate change and resource scarcity. Telecommuting and virtual teams. Cybercrime. Redistribution of economic power. Massive changes in the world mean today's leaders are facing challenges they couldn't even imagine just a few years ago.¹⁷ In a survey by the Center for Creative Leadership, 84 percent of leaders surveyed say the definition of effective leadership changed significantly within the first few years of the twenty-first century.¹⁸ And that was even *before* social and mobile technologies began reshaping everyday life and work. Social connectedness and mobility are becoming central aspects of every leader's job.

Some historians and other scholars believe our world is undergoing a transformation more profound and far-reaching than any experienced since the dawn of the modern age and the Industrial Revolution more than 500 years ago. Today's leaders operate in a world where little is certain, the pace is relentless, and everything is more complex. This transformation requires a transition from a traditional to a new leadership paradigm, as outlined in Exhibit 1.2.¹⁹ A **paradigm** is a shared mindset that represents a fundamental way of thinking about, perceiving, and understanding the world.

Although many leaders are still operating from an old-paradigm mindset, as outlined in the first column of Exhibit 1.2, they are increasingly ineffective. Successful leaders will respond to the new reality outlined in the second column of the exhibit.

Paradigm

a shared mindset that represents a fundamental way of thinking about, perceiving, and understanding the world



1-2a From Stabilizer to Change Manager

In the past, many leaders assumed that if they could just keep things running on a steady, even keel, the organization would be successful. Yet today's world is in constant motion, and nothing seems certain anymore. If leaders still had an illusion of stability at the dawn of the twenty-first century, it is surely shattered by now. Consider the following recent events:

- A powerful earthquake in Japan triggered massive tsunami waves that damaged the nuclear reactors at the Fukushima Daiichi power plant and led to the shut-down of numerous companies, creating supply chain disruptions for manufacturers around the world. In the wake of the disaster, managers at Tokyo Electric Power Company (Tepco) were criticized for failing to act quickly enough to cool the reactors at Fukushima. Trying to protect their investment, they hesitated to use seawater, which they knew could damage the reactors, leading to the second-largest nuclear disaster in history.²⁰
- In 2015, the Volkswagen Group, one of the largest car manufacturers in the world and known as maker of “the people’s car,” was discovered to have used software designed to cheat U.S. emissions tests, affecting 11 million vehicles worldwide. Actual exhaust emissions turned out to be up to 40 times higher than the emission tests revealed. VW’s emissions scandal cast doubt on the reputations and emissions validity of other auto manufacturers such as Mercedes and BMW. Germany’s national economy and auto suppliers worldwide will likely be hurt as VW sales decline.²¹
- Greece was in a deep recession in 2015 due to huge debts to the European Union (EU). Sharp cutbacks in government spending had decimated personal incomes and businesses in the region. Ireland and Spain faced similar debt problems previously, causing talk of a possible breakup of the euro system (the single currency adopted by EU countries), which would deal a severe blow to the global financial system. Leaders of multinational firms have to take steps to protect themselves, as well as consider what they will do in the event that a return to national currencies requires a rethinking of everything from how to expand operations to how to pick suppliers or pay employees.²²

Most leaders, whether in business, politics, the military, education, social services, the arts, or the world of sports, recognize that trying to maintain stability in a world of such unexpected and far-reaching change is a losing battle. “You have to be able to react very quickly,” said Ellen Kullman, recently retired CEO of DuPont, referring to the impact of events such as the Japanese tsunami and the EU financial crisis. “And the world is so connected that the feedback loops are more intense.”²³

Today’s best leaders accept the inevitability of change and crisis and tap into them as potential sources of energy and self-renewal. Adaptability is the watchword of the day.

1-2b From Controller to Facilitator

Leaders in powerful positions once believed strict control was needed for the organization to function efficiently and effectively. Rigid organizational hierarchies, structured jobs and work processes, and detailed, inviolate procedures let everyone know that those at the top had power and those at the bottom had none.