



**Authentic Leadership
Rediscovering the Secrets to Creating Lasting Value**

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Author's bio: Bill George is former chairman and CEO of Medtronic, the world's leading medical technology company. He is a board member of Goldman Sachs, Target, and Novartis and executive-in-residence at Yale. George has been the recipient of many awards and has been widely quoted in the New York Times, Fortune etc.

Author's big thought: Bill George has become the unofficial spokesperson for responsible leadership, in business, the media and academia. In this book he makes the case that we need new leaders, not just new laws, to bring us out of the current corporate crisis. He persuasively demonstrates that authentic leaders of mission-driven companies will create far greater shareholder value than financially oriented companies.

Chapter notes:

- During George's twelve year leadership at Medtronic, the company's market capitalization soared from \$1.1 billion to \$60 billion. The author, who has walked the integrity walk in every step of his distinguished career shares many stories from his tenure at Medtronics. This book is an extraordinary summary of what he learned about how to lead a company. This summary represents his thoughts and does not do credit to his time at Medtronic. For that you have to read the book.
- This book was written for the new generation of leaders, from recently elected CEOs to students considering whether they want to become leaders, and all leaders in between who are preparing for added responsibilities. Its message is simple to state but challenging to realize: we need authentic leaders to run our organizations, leaders committed to stewardship of their assets and to making a difference in the lives of the people they serve.
- He wrote this book to convince current and future leaders that there is a better way to lead companies, a way that builds strong, enduring organizations and benefits all of a company's stakeholders, its customers, employees, and shareholders.

- We need new leadership. We need authentic leaders, people of the highest integrity, committed to building enduring organizations. We need leaders who have a deep sense of purpose and are true to their core values. We need leaders who have the courage to build their companies to meet the needs of all their stakeholders, and who recognize the importance of their service to society.
- Unlike the many books on leadership written by observers of leaders, this one is written by someone who has spent his entire life on the playing field, learning how to lead and working to become a better leader.

Part 1 Becoming an Authentic Leader

Leadership is Authenticity, Not Style

- Leadership begins and ends with authenticity. It's being yourself; being the person you were created to be.
- Authentic leaders genuinely desire to serve others through their leadership. They are more interested in empowering the people they lead to make a difference than they are in power, money or prestige for themselves. They are as guided by qualities of the heart, by passion and compassion, as they are by qualities of the mind.
- Authentic leaders are not born that way. Many leaders have natural leadership gifts, but they have to develop them fully to become outstanding leaders. Authentic leaders are dedicated to developing themselves because they know that becoming a leader takes a lifetime of personal growth.
- Authentic leaders lead with purpose, meaning and values. They build enduring relationships with people. Others follow them because they know where they stand. They are consistent and self-disciplined. When their principles are tested they refuse to compromise.
- To become authentic, each of us has to develop our own leadership style, consistent with our personality and character. Over time you have to hone your style to be effective in leading different types of people and to work in different types of environments. This is integral to your development as a leader.
- Leaders also have to adapt their style to fit the immediate situation. There are times to be inspiring and motivating, and times to be tough about people decisions or financial decisions. There are times to delegate, and times to be deeply immersed in details. There are times to communicate public messages, and times to have private conversations. Good leaders are able to nuance their styles to the demands of the situation, and to know when and how to display different styles.
- Being true to the person you were created to be means accepting your faults as well as using your strengths. Accepting your shadow side is an essential part of being authentic.
- All of us who sit in the leader's chair feel the pressure to perform. The pressures to succeed can pull us from our core values. The irony is that the more successful we are, the more tempted we are to take shortcuts to keep it going. And the rewards, compensation increases, stock option gains, the myriad of executive perquisites, positive stories in the media, admiring comments from peers all reinforce our actions and drive us to keep going.

- The author has determined through many experiences in leading others that authentic leaders demonstrate these five qualities:

1. *Understanding their purpose*: To become a leader, it is essential that you first answer the question, “leadership for what purpose?” if you lack purpose and direction in leading, why would anyone want to follow you? To find your purpose, you must first understand yourself, your passions, and your underlying motivations. Then you must seek an environment that offers a fit between the organization’s purpose and your own.

2. *Practicing solid values*: Leaders are defined by their values and their character. The values of authentic leaders are shaped by personal beliefs, developed through study, introspection, and consultation with others, and a lifetime of experience. These values define their holder’s moral compass. While the development of fundamental values is crucial, integrity is the one value that is required in every authentic leader. Integrity is not just the absence of lying, but telling the whole truth as painful as it might be. Most business schools don’t teach values as part of leadership development. What they fail to realize is the importance of solidifying your values through study and dialogue, and the impact that your environment has in shaping your values.

3. *Leading with heart*: Over the last several decades, businesses have evolved from maximizing the physical output of their workers to engaging the minds of their employees. To excel in the twenty-first century, great companies will go one step further by engaging the hearts of their employees through a sense of purpose. When employees believe that work has a deeper purpose, their results will vastly exceed those who use only their minds and their bodies. This will become the company’s competitive advantage.

4. *Establishing enduring relationships*: The capacity to develop close and enduring relationships is one mark of a leader. The detached style of leadership will not be successful in the twenty-first century. Today’s employees demand more personal relationships with their leaders because they will give themselves fully to their jobs. They insist on having access to their leaders, knowing that it is in the openness and the depth of the relationship with the leader that trust and commitment are built.

5. *Demonstrating self-discipline*: Self-discipline is an essential quality of an authentic leader. Without it you can’t gain the respect of your followers. Authentic leaders must have the self-discipline to do everything they can to demonstrate their values through their actions. Leaders are highly competitive people. Authentic leaders know that competing requires a consistently high level of self discipline to be successful. Competitiveness needs to be channeled through purpose and discipline.

The Transformation of Leaders

- Although we may be born with leadership potential, all of us have to develop ourselves to become good leaders. The medium for developing into an authentic leader is not the destination but the journey itself - a journey to find your true self and the purpose of your life’s work.
- In his recent book *Geeks and Geezers*, author Warren Bennis observes that most of his interviewees passed through a crucible that tested them to the depths of their being and enabled the successes they realized later in life. In this crucible you learn who you really are and what you want to become. Having survived, you will know that indeed you can take on any challenge and come out of it a better person for the experience.
- Some rising leaders avoid challenging experiences that really test them. The author refers to them as Shooting Stars and Golden Boys. The Shooting Stars move up so quickly they never

have time to learn from their mistakes. Golden Boys (or girls) follow a similar path to success, using charm, style, and good looks to get ahead. They always set the bar of performance low enough to ensure that they can exceed it. To outsiders and board members they always appear to be in control. When he reaches the top he is unprepared for the real-world challenges he will encounter.

- Two tragedies brought the author face to face with the meaning of life, its pain, and its injustices. Tragic as these events were, they opened his heart to the meaning of life, and got him thinking more profoundly about what he could contribute to others during his lifetime.
- His experience at Honeywell provided the basis for growth and change that transformed his career. It caused him to look inside himself, acknowledging his shortcomings, and realize he was on the wrong path.
- When he decided to go to Medtronic, he finally found the place with everything he wanted: values, passion, and the opportunity to help people suffering from chronic diseases. Had he not had the experience in the crucible, he might never have seen the light. It was only in going his own way that he became fully alive and developed his potential as a leader. Throughout his life he had a passion to make a difference to the world. At Medtronic he was able to lead a company that changes people's lives.

Developing as an authentic leader

Returning to the five dimensions of authentic leadership a developmental quality is required for leaders to be effective:

- *Passion for your purpose:* Passion for your purpose comes when you are highly motivated by your work because you believe in its intrinsic worth, and you can use your abilities to maximum effect.
- *Being true to your values:* Having found the purpose that ignites your passions, you then have to test your values in the crucible of life's experiences. Only in the crucible will you learn how to cope with pressures to compromise your values and deal with potential conflicts between them. You have to put yourself in situations in which your values are challenged and then make difficult decisions in the context of your values. Finding a company where there is a solid fit between your values and the organization's values is more difficult than it sounds. The important take away is not to let your values be compromised by the organization. People will respect you for being true to your values and be willing to follow you.
- *Developing compassion:* It is your life experiences that open your heart to have compassion for the most difficult challenges that people face along life's journey. Every day we have opportunities to develop our hearts, through getting to know the life stories of those with whom we work, taking on community service projects, having international students living in our homes, etc. We can also develop compassion through intimate relationships with family, friends, and coworkers, and having mentoring relationships. Through the connections formed through personal sharing, people are inspired to believe in their leaders and follow them. Developing your heart means following your own path and being open to all life's experiences. It means being in touch with the depths of your inner being and being true to yourself. It requires that you know who you are, your weaknesses as well as your strengths. It is in developing compassion that we become authentic human beings.

- *Connected relationships*: Enduring relationships are built on connectedness and a shared purpose of working together toward a common goal. It is in sharing our life stories that we develop trust and intimacy with our colleagues. Leaders who are open with people, even when sharing or offering critical feedback, establish that sense of connection that builds commitment. Trust is built and sustained in the depths of these relationships, and commitment is strengthened so that nay obstacle can be overcome.
- *Practicing self-discipline*: leaders are always being examined under the microscope. Their behaviors are observed, discussed and dissected by their employees as well as a myriad of outsiders. To be authentic leaders must behave with consistency and self-discipline, not letting stress gets in the way of their judgment. They must learn to handle any kind of pressure and stay cool and calm. Handling unexpected challenges requires being in peak condition. Like a professional athlete, they need consistent habits to keep their minds sharp and their bodies in shape.

Leading a Balanced Life

- Balanced leaders develop healthier organizations. By appropriately delegating their work, balanced leaders are able to make more thoughtful decisions and lead more effectively. Their employees make higher levels of commitment to the organization. In the end they achieve better results on the bottom line.
- If we seek organizations that nourish our souls, enable us to grow into fully functioning human beings, and connect us with fellow wayfarers, we can live a full life.
- Being authentic must be reflected in all aspects of your life.
- Today's rising leaders have seen many people in their parents' generation sacrifice their families for their careers, and have lived through the pain of broken marriages and estranged relationships. They are committed to doing it differently, but often they don't now how.
- Finding a balance between your work and your home life is one of the most difficult issues any leader faces. There are no clear answers, and you must make continual trade-offs. The author's advice is to establish clear ground rules for your work- home life balances and stick to them, rather than getting into the habit of "doing whatever it takes" to get ahead.
- Examine work and home life balance continually, be conscious of the trade-offs, and make adjustments as necessary for the sake of your loved ones.

Part Two

Building an Authentic Company

- The authentic company is characterized by an enduring organization that is disciplined in producing results for all its stakeholders.
- The five characteristics of the authentic company parallel closely the five dimensions of the authentic leader:
 - Purpose: Vision and mission
 - Values: Company values
 - Heart: Empowering employees to serve customers
 - Relationships: Enduring and committed organization
 - Self Discipline: Results for all stakeholders

Missions Motivate, Dollars Don't

- Contrary to the advocates of maximizing short-term shareholder value would have us believe, the best-kept secret in business is that mission-driven companies create far more shareholder value than do financially driven firms.
- It is only through a sense of purpose that companies can realize their potential. It is their *raison d'être* that animates employees and inspires them to turn purpose into reality.
- The best path to long-term growth in shareholder value comes from having a well articulated mission that inspires employee commitment. Companies that pursue their mission in a consistent and unrelenting manner will create greater shareholder value than anyone believes possible.
- Employees today are seeking meaning in their work. In mission-driven companies employee motivation comes from believing in the purpose of the work and being part of creating something worthwhile.
- The real failure in companies which focus on short term value is the inability to motivate large numbers of employees to exceptional performance. Without motivation or inspiration of its employees, the company's underlying performance trails off and is no better than its competitors'. This leads to diminished service to customers and mediocrity of products and services.
- The authentic way to increase shareholder value is with a mission that inspires employees to create innovative products and provide superior service to customers. Product innovations and superior service translate into increased market share and expanded market opportunities, creating growth in revenues and the ability to sustain price levels. This is the basis for sustained competitive advantage, increased levels of profitability, and higher profit margins. Consistent profit growth forms the basis for sustained increases in shareholder value.
- Companies that stay true to their mission through good times and bad can sustain their growth indefinitely.

Values Don't Lie

- One of the greatest challenges of businesses today is creating a culture that is both values-centered and performance driven.
- Values begin with telling the truth, internally and externally. Integrity must run deep in the fabric of an organization's culture. It guides the everyday actions of employees and is central to its business conduct. Transparency is an integral part of integrity. The truth, both successes and failures, must be shared openly with the outside world.
- Authentic companies value the importance of stewardship to the people they serve – customers, employees, shareholders, and communities. They measure their success by the extent to which they fulfill the needs and desires of their diverse constituencies.
- Authentic companies operate in a democratic and collaborative manner. They are inclusive, welcoming talented people from highly diverse backgrounds and recognizing the strength and stability of differing opinions and diverse life experiences. Such organizations are characterized by a spirit of inquiry, the constant desire to understand the issues in their fullest breadth and to challenge people to develop their full potential.

- The final value of the authentic company is consistency, the steadiness with which the values of integrity, stewardship, collaboration and inquiry are practiced. Leaders emulate these values in the day-to-day conduct of the business and in personally ensuring their implementation throughout the organization. Values have to be discussed at every opportunity, constantly reinforced, and consistently reflected in the actions of management at all levels.
- Inculcating values throughout an organization starts with the leader, who sets the standard of behavior for everyone in the organization. The leader has to work hard every day to gain alignment with the company's values, reinforcing positive actions and swiftly taking action with employees who do not emulate these values.
- When the company's leaders become the role models for its values, the impact on the entire organization is tremendous. The trust of the leadership is earned through practicing the company's values every day, not just espousing them. But when leaders preach one thing and practice another, commitment is quickly lost and employees become doubly cynical.
- Without a consistently practiced set of values, employees will not trust the company or believe in its purpose. Leaders may spend a decade in building trust and lose it all in a single act.
- Extraordinary results such as those achieved by Medtronic are the result of aligning the organization's values and performance objectives. Working in complementary fashion, practicing values and driving performance reinforce each other and enable the creation of a great company.

It's the Customer, Stupid!

- When Louis Gerstner arrived at IBM in 1993 as its new CEO, he found an organization of three hundred thousand employees that had lost touch with its customers. Customers were viewed as the problem, to be manipulated rather than served. In just three years IBM had gone from the world's second most profitable company, with net income of \$6 billion on sales of \$69 billion, to an \$8 billion loss. Gerstner kept the company together, reinvested in mainframes, and protected the core R & D budget. To shift the focus back to IBM's customers, he decided to make IBM a market-driven company again, rather than an internally focused, process-driven enterprise, by focusing all initiatives on the customer.
- IBM's steady erosion from a customer-oriented enterprise to an internal bureaucracy is not unique. Top management's emphasis on internal processes, making quarterly earnings, and endless budget and operational reviews sends a powerful message to the organization that "customers come second."
- In contrast to what shareholder value advocates argue, the purpose of any company boils down to one thing, serving its customers. Ultimately its success can be measured on how well it serves *all* its customers, especially less powerful ones. If it is superior to everyone else in its field and can sustain this advantage over the long term, it will create the ultimate in shareholder value.
- Top management must be the role model for customer focus, being sure that managers do not slip into an internal orientation. Executives must recognize the employees, by creating innovative products and services, by producing quality products, and by providing direct sales and service support, and provide an environment that empowers and rewards their efforts.

- Achieving and sustaining very high levels of customer service requires continuing focus on aligning employee interests with customer needs.
- If we examine organizations that are highly customer-focused, they are usually headed by leaders with real passion for serving the company's customers.
- These leaders set the standards for their organizations to follow, and then create the motivation and incentive systems to reinforce external focus on customers.
- Serving customers becomes the company's overarching goal and unleashes the power of employees to use their hearts and their passions to serve.

It's Not Just the CEO

- One of the great myths of the past decade is that CEOs are primarily responsible for the success of corporations. Rarely is this an accurate picture of how a great company is created.
- This is an underlying cause of the crisis we face in corporate leadership: as our leaders fall off their pedestals, we lose confidence in the corporations themselves.
- The key is having people around you who compliment your weaknesses and make up for your lack of experience.
- To build a top team around you, it is essential early in your tenure to assess whether you have people in place that can enable the organization to reach its long-term goals.
- You should identify the top performers and augment their responsibilities. Those who will not be able to keep up with the growth and expanded job requirements must be moved into lesser roles or retired from the company. If gaps remain, they should be filled as quickly as possible so the team can get used to working together.
- There is no room for politics or dysfunctional competition on a fast-moving, dynamic team.
- A crucial element of a great organization is its diversity, not only in race and gender but also in background and experience. Having people on the executive team who represent a broad range of life's experience is critical to success. This is a question of building breadth of thought and opinion into the decision making process. It is diversity, and the intense debates it generates, that leads to the best decisions.
- Growth companies have to upgrade their organizations continuously. This is accomplished through intensive development of internal leaders and recruiting additional talent from outside the company.

Whose Bottom Line: Customers or Shareholders?

- In the end the success of every leader is measured by the results their organizations achieve for their stakeholders. There is no escaping that reality, regardless of whether you're leading a corporation, a government agency, an educational institution or a nonprofit.
- What results should be measured, and do they accurately reflect the long-term health and viability of the organization?
- In recent years the primary measurement of companies and their leaders has shifted to reported performance versus stock market expectations.
- Companies and analysts engage in an interactive game of influencing each other in setting the expectations bar. This has led to inappropriate pressure on predetermining results and increased volatility of stock prices.

- Stock prices is not the best measure because it is so heavily influenced by purchase patterns, investor expectations, market psychology, and the overall trend of the market.
- The author believes that the time has come to get back to financial fundamentals as the primary measure. Sustained growth in revenues and earnings per share, cash flow, and return on investment are still the best measures of how well a company is performing.
- The telescoping of focus on the short-term overlooks the fact the reported numbers are the result of more important measures: how well a company is serving its customers, whether it is gaining market share, how fast its markets are growing, the capability and motivation of its employees, the support it has from suppliers and communities, and the relationship with government bodies.
- Rather than these short term measures, the criterion for measuring the success of our leaders should be how well they serve everyone that has a vested interest in the success of the enterprise.
- There is no conflict between serving all your stakeholders and providing excellent returns for shareholders. In the long term it is impossible to have one without the other. However, serving all these stakeholder groups requires discipline, vision, and committed leadership.
- Some executives mistakenly believe serving all stakeholders results in tradeoffs and compromises shareholder value. The opposite is the case. In serving all the company's stakeholders, the company's sustained success makes shareholders the ultimate beneficiaries.

In the Crucible of the Market

- The market is the ultimate test for authentic leaders and their companies.
- Being a successful competitor in business is at the heart of leadership, just as in politics, athletics, academia and the arts. Leaders must prove every day that their organizations are the best in their chosen field of endeavor.
- Authentic leaders know how to deploy their organizations to achieve market leadership and sustain their success for the long term. Because they are so passionate about their cause, they let nothing stand in the way of their success.

Seven Deadly Sins

- The real test of an authentic company is whether it can sustain its growth for an extended period of time without falling prey to short-term pressures or temptations to cut corners.
- Why is sustainable growth so important? Growing companies attract the most important companies and the most talented employees.
- Growth provides the funds to reinvest in R & D and market expansion and still increase profits. In the process all stakeholders can be satisfied simultaneously and growth sustained by reinvesting a significant portion of profit increase.
- The seven deadly sins growth companies succumb to are:
 1. *Lack of a clear mission.* Without clarity over purpose, it is difficult if not impossible for your customers, your employees and your shareholders to know what your company stands for and where it is going. Internal decision makers have no framework for making decisions.

2. *Understanding your core business.* There is a great danger in underestimating the growth potential of your primary business
 3. *Depending on a single product line.* Many growth companies have ridden a single product line in a growing market to years of rapid expansion. Although all growth markets slow down eventually, often the companies do not see it coming. They are so invested in the success of their core business that they allocate no funds to creating new businesses. When the slowdown occurs, it is too late to broaden their strategy, and they are forced to curtail their investments just to survive.
 4. *Failure to recognize technology and market changes.* Many growth companies become wedded to the technology that led them to success. They miss the emerging technology that will supplant their products because it appears trivial to them, or at least not nearly as sophisticated as their Not nearly as sophisticated as their existing technology.
 5. *Changing strategy without changing culture.* Many growth companies, sensing changes in their markets, adapt their strategies to changing market conditions but fail to change their organization's culture.
 6. *Going outside your core competencies*
 7. *Counting on acquisitions for growth.* This is a risky strategy which will eventually fail. A company that relies entirely on acquisitions runs a real danger of making the wrong purchases or paying too much for a new target. If acquisitions are the dominant growth vehicle, operating problems with them will inevitably squeeze out funds required for internal growth.
- Avoiding these seven deadly sins requires disciplined leadership dedicated to sustaining the company's growth. When growth slows, as it inevitably will, leaders have to renew their commitment to growth and seek out new avenues for expansion, avoiding the temptation to retreat into cost-cutting mode. This takes leaders with courage who are prepared to withstand criticism from analysts and the media and inspire their organizations to rejuvenate their growth.

Overcoming obstacles – Nothing Can Stand in your Way

- As they convert their missions to reality, authentic companies often confront significant barriers. Many factors – dominant competitors, regulators, patent limitations – can block market access.
- Leaders with a burning passion for their missions have a laser like focus on overcoming barriers.
- The leader must get everyone working together toward fulfilling the company's mission .This requires two things, strategic focus and a burning desire to succeed. Strategic focus means identifying what's required to fulfill the mission and then making it happen. The organization must be totally committed to become the market leader. This kind of commitment requires long hours and an unrelenting desire to win.
- The author cites Medtronics as an example. Winning their battle against the FDA and then their competitors was a long, hard struggle. The intense competition and rapid innovation on the part of able competitors drove technology development at a rapid rate, thereby providing patients with vastly superior products. To overcome the many barriers to market leadership, it takes leadership committed with passion for its mission, with a singular focus and commitment to succeed.

Ethical Dilemmas

- Ethical dilemmas and pitfalls surround most significant decisions that a business leader makes. Sometimes these issues are moral, sometimes legal, and sometimes personal. Often the most difficult challenge in dealing with ethical dilemmas is recognizing them to begin with and then confronting them in business decisions.
- Neither the organization's nor its leaders' ethical practices are established until they are tested under difficult conditions in the market. How leaders respond to these challenges, as painful as they may be, sets the ethical tone for the whole organization and establishes the company's true values, much more than written statements, compliance documents, and training sessions.
- Sometimes excellent companies fail to respond to an ethical crisis because they do not grasp its depth or severity, or their leaders choose not to get personally involved.
- One thing that has strengthened the author's advocacy for a single world-wide standard of ethics at Medtronic is the global nature of business today. Your company's reputation for integrity or the lack thereof, travels with you wherever you do business. With ultimate responsibility for the actions of employees all over the world, leaders can sleep better if they know that employees are adhering to a common ethical standard.
- The key is having open lines of communication with people on the firing line at the country level. They need to know that management will support them when they adhere to the standard and lose a contract or a customer.

Innovations from the Heart

- Emphasis has shifted from efficient use of people's hands to the "knowledge worker", aiming to make full use of people's brains. In the twenty-first century great companies will figure out how to tap into people's hearts, their passions and their desires to make a difference through their work.
- It is the passion and spirit that come from the heart that has enabled companies like P & G and Dell to sustain their growth in spite of economic downturns, operating problems, and changes in top management.
- By appealing to the hearts of employees, leaders can inspire them to creative results that vastly exceed those obtainable by organizations that treat employees as people doing work that just uses their heads and their hands.
- As organizations get larger, the natural tendency of managers is to control the business with rules, processes and procedures. A growing bureaucracy is a huge barrier to innovative ideas and dampens creativity. Leaders committed to innovation have to work hard to offset these tendencies. Leaders are also in the marketplace continually looking for innovative ideas and bringing them back to the company's creative people.
- Leaders must stay close to the innovators that create organic growth.
- Leaders are also in the marketplace continually looking for innovative ideas and bringing them back to the company's creative people.
- Companies that link the passion of their employees to the generation of innovative ideas will have the capacity to sustain their growth for decades. Growth itself creates a virtuous circle that motivates employees through its success and provides funds to sustain expansion. Doing

so requires the development of multiple growth vehicles, time-phased over the near, intermediate, and long-term, and funding them consistently.

- Near term growth vehicles provide the immediate earnings growth to sustain the business and the funds flow for investment in higher-risk growth opportunities.
- Intermediate growth vehicles- in the two- to five-year time frame – should also have a high probability of becoming reality on a predictable timetable.
- Long-term growth vehicles, those that pay off in five to ten years, contain an inherently high degree of risk and uncertain timing, but their market potential can be enormous. Because of the uncertainties it is essential for the growth company to invest in many such vehicles, as most of them will not materialize.

Acquisitions Aren't Just About Money

- Acquisitions can be a powerful, and immediate, way to transform, strengthen, and build an enduring organization. Acquisitions can compliment organic growth and, in some cases, accelerate it through the addition of new technologies and augmented capabilities.
- However, if leaders rely on acquisitions rather than internal growth for expansion, or to bail themselves out of a jam, eventually they will wind up in trouble. Unlike internal initiatives, the availability and timing of acquisitions cannot be planned or even predicted.
- The key to success is to avoid becoming dependant on acquisitions for making the numbers. Instead, acquisitions must be done for strategic reasons, waiting patiently until the right company with the right culture comes along at an acceptable price.
- Acquired companies can bring great creative and technical capabilities with them and challenge the existing organization to sharpen its innovative skills. They can also strengthen the management team with new talent and new approaches to serving customers. As the result of an effective process of integrating acquired companies, companies develop more enduring organizations.

Shareholders Come Third

- Companies that put their customers first and empower their employees to serve them will inevitably provide greater growth in shareholder value than those corporations that focus primarily on getting their stock price up and only give lip service to other constituencies.
- Meeting the needs and demands of all stakeholders concurrently is a very challenging task, requiring a great deal of skill, patience, and self-discipline. Leaders are continually confronted with the competing interests of their stakeholders. Each group feels that they have a unique claim on you and the ability to influence your decisions.
- The first purpose of any corporation is to serve its customers. Market share is the best measure of how well a company is serving its customers. Market share is important because when your market share is expanding, more leading customers will want to work with you and bring your company their creative ideas and inventions. Increases in share are highly motivating to employees, making the best people want to work for you and giving them the incentive to reach higher levels of performance. Market share gains create higher levels of profitability, enabling larger investments in R& D and market development that sustain future growth.

- The leader's job is to provide an empowering environment that enables employees to serve their customers and provides them the training, education, and support they need. If employers treat their employees well, employees will treat customers well.
- Meeting the needs of shareholders is an extremely challenging task. To begin with, shareholders comprise many diverse constituencies, each with its own objectives that rarely if ever speak with a common voice.
- When facing an impossible array of conflicting objectives, leaders need to keep their focus on the long-term trend of the stock and not get caught up in day-to-day movements.
- To keep focus on the long term, the only way to deal with shareholders is to manage them and not let them manage you. It is important to tell your story about your company, rather than just reacting to their questions. Your messages may not always be what they want to hear, but it's more important to get your message across.
- It is important to make the numbers, every quarter.
- Transparency is key to dealing with shareholders. Communications these days are so fast and open that is essential for the leadership to communicate exactly the same messages inside and outside the company.
- Analysts like to give management advice as though they were running the company. It is important to listen to this advice as it provides a valuable independent perspective, but not be too responsive to it. As a leader you still have to live with the consequences of your decisions and still enable your organization to survive and prosper.
- Although the media are not usually considered as stakeholders, their influence on corporations is so great that they require a great deal of attention.
- An open forthcoming approach to the media can bring genuine benefits. When you adopt a policy of transparency and telling the truth inside and outside the corporation, the media give you the benefit of the doubt and cover your stories.
- The key to dealing with stakeholder groups is a balanced approach. It rarely serves a leader well to focus on one group to the exclusion of others. All stakeholders have legitimate needs that must be met by the company to the best of its ability. This is the only way to achieve exceptional results over the long term.

Beyond the Bottom Line

- The responsibilities of authentic leaders extend well beyond bottom-line success. For an authentic company to succeed for many decades it must have a sound system of governance and build in leadership for several generations. At the same time the authentic leaders have a role to play in the greater society by tackling public policy issues and addressing challenging societal problems.

Reviewer's recommendation:

This is a real story of the success of Medtronic and its successful leader, Bill George. I found it inspiring to read about a man who is known for his good leadership and integrity.

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About the reviewer: Frumi Rachel Barr, MBA, PhD

Many CEO's find themselves asking "What now?" to sensitive situations that only an experienced former CEO can understand. Frumi is brought in to solve problems and often remains to work with you, as your confidante and secret weapon. She has an uncanny knack of getting to the heart of your corporate climate and maximizing your team's performance, profitability and sustainability.

To schedule a free ***Break From the Pack to Success*** consultation email ceocondfidante@frumi.com or call 949-729-1577