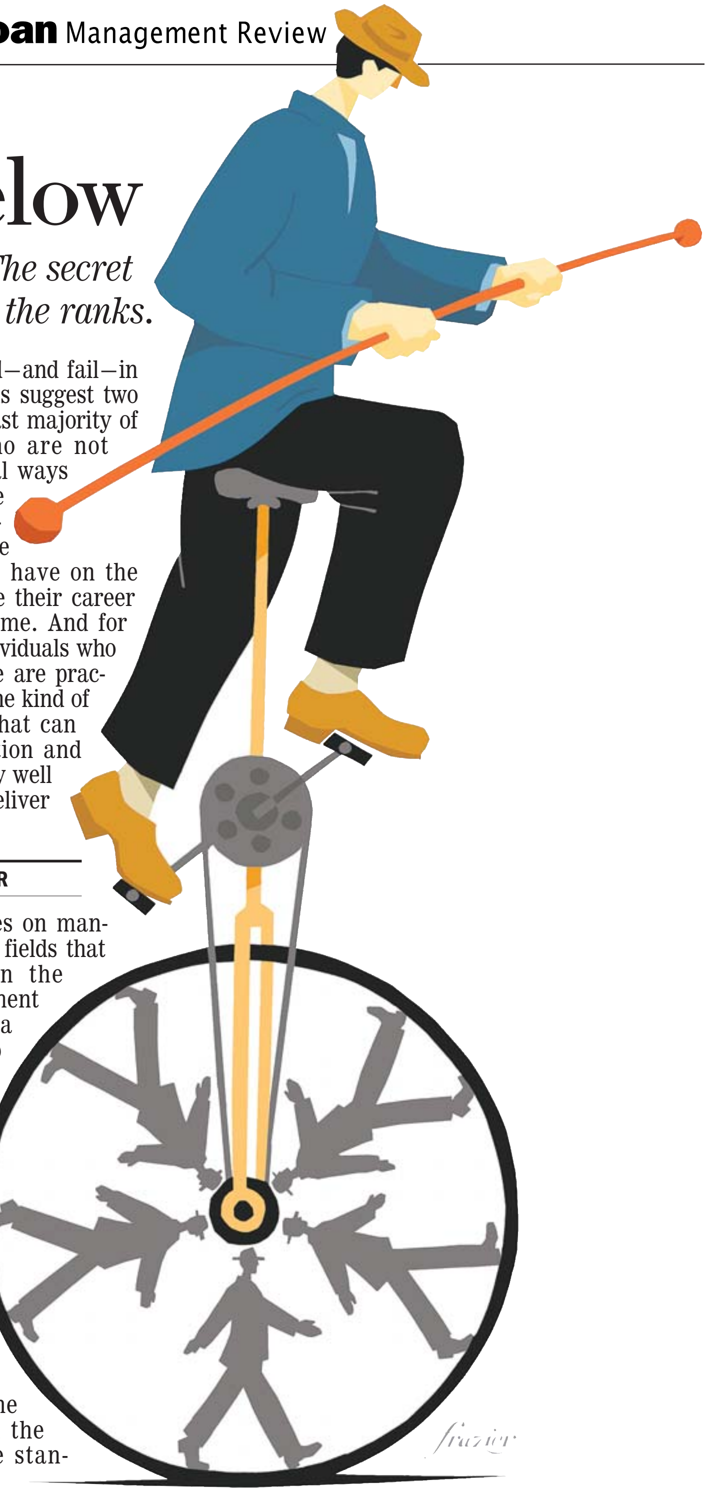
THE WALL STREET JOURNAL.
SATURDAY, MARCH 3, 2007

A Joint Venture With MITSloan Management Review

LEADERSHIP

Leading From Below

CEOs can't change companies on their own. The secret is to foster a leadership mentality throughout the ranks.



By James Kelly And Scott Nadler

THE IMPORTANCE of leadership from the top is firmly embedded in corporate culture. An image survives of the all-powerful CEO, able to change the way a company operates at will.

But the truth is that at most companies, senior managers are increasingly hamstrung by the demand from investors and analysts for immediate results. If change is going to come about at these companies, it will be because managers below the CEO (and below the whole "C suite" of CEO, COO, CFO) take the initiative and risks to drive the company in a different direction. Change will have to come from those leading from below, rather than relying on leadership from the top.

These potential leaders face their own constraints. Their day-to-day responsibilities can be all-consuming, leaving no time or energy for the effort to expand their influence. And for many below the C suite, the risks of sticking your head up to suggest change seem too great, and the odds of success seem too low.

But those constraints can be overcome.

In seven years of studying the process of leading from below in hundreds of companies around the world, we have identified clear patterns in how managers succeed—and fail—in this effort. These patterns suggest two broad lessons: For the vast majority of business managers who are not CEOs, there are practical ways to play a leadership role that helps their companies, helps improve the impact their companies have on the world, and helps improve their career prospects at the same time. And for that small number of individuals who inhabit the C suite, there are practical ways to encourage the kind of leadership from below that can provide energy, innovation and advantage to the company well beyond what they can deliver alone from the top.

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BECOMING A LEADER

We focused our studies on managers in two overlapping fields that usually aren't high on the agendas of top management and therefore serve as a laboratory for leadership from below: environment, health and safety; and corporate social responsibility. The clear majority of the managers we studied found themselves stuck in predominantly service and/or governance roles—performing tasks like setting and enforcing company standards, and providing the resources for people in the company to meet those stan-

ILLUSTRATION BY CRAIG FRAZIER

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Taking the Lead

❖ **The Issue:** With most top executives increasingly hamstrung by the demand for immediate results, change in the way companies operate often depends on leadership from below.

❖ **What's at Stake:** If potential leaders are stifled by the burden of their day-to-day responsibilities or discouraged by the risk of sticking their necks out, a company can miss out on the kind of innovation needed to flourish in a dynamic world.

❖ **The Bottom Line:** There are practical ways for managers below the top tier to play a leadership role that helps both them and their companies. And for senior managers there are ways to encourage this kind of leadership from below.

dards. Many expressed a desire to take on more of a leadership role, but didn't see a clear way to do so.

So, how do managers make the shift from service and governance to a leadership role? How do they lead from below successfully? While each situation differs, there are several common threads that run through each of the successful examples we have studied.

● Make the decision to be a leader.

There are three painful realities about moving from service and governance roles to a leadership role: No one will tell you to do it; there will always be people who tell you to stick to the other two roles; and you have to earn the right to play a leadership role, often by succeeding in a service or governance role first—which in turn only increases the expectation that you will keep playing those roles.

In every case of successful leadership from below that we have studied, the manager made a conscious decision to move beyond the service and governance roles, without waiting to be told to do so.

In deciding to take on the risks involved in a leadership role, it helps to understand that failure to lead is also dangerous. In an age when job cuts are common at even the most successful companies, being a good manager who doesn't make waves is increasingly risky. Those who take risks are more likely to keep their jobs and to be promoted.

The managers we studied usually found two ways to spur the transition from service and governance to leadership roles.

First, they reorganized their group to make themselves less essential to the provision of services or the exercise of governance. This began to free up time and energy for leadership. It also unlocked their staff's potential, as roles they formerly dominated became opportunities for their subordinates' growth.

An executive director of environment, health and safety at one manufacturing company had five managers reporting to him who were each responsible for a different unit of the business. The executive director designated one of the five as the coordinator of that group, freeing himself up to take the lead in some critical areas of corporate social responsibility that hadn't been addressed in any comprehensive way. Over time, the designated coordinator's role evolved into a promotion and the other four reported to him directly. The executive director ultimately made progress on the corporate social responsibility issues he tackled and also was promoted.

Second, the managers we studied opened themselves up to influences from outside the company. In many companies, middle managers have been trained to focus on internal rather than external signals. (We have found environmental, health and safety directors unable to name their companies' five biggest customers, five biggest competitors, and five top products or services in revenue.) To take on a leadership role, managers needed to listen to the signals coming from outside—customers, competitors, suppliers, neighbors, the media. Then they could begin thinking about what those signals meant for action inside the company.

● Focus on influence, not control.

Every successful case we have found of leadership from below involved a basic shift in thinking: The managers did their job *with* their colleagues—not to them or *for* them. People simply react more enthusiastically to being enlisted in a common cause than they do to being ordered around. And getting people to act on their own to achieve the goals you have in mind is far more effective than having them only react to your direction. There are several ways to accomplish this:

Adopt the perspective of the people you're trying to influence; don't make them adopt yours. If your goal is to drive down greenhouse-gas emissions, it will probably be an easier sell if you frame it in terms of driving down the company's energy costs.

Expose others to your information; don't hoard it. If your customers are the source of insight into market pressures, don't keep that private as a secret source of insight and power. Instead, create situations where your internal partners can hear from the customers directly. Your customers will be far more credible with your internal partners than you can possibly be.

Aim to influence existing work processes; don't build new ones. Most of your colleagues have their own processes that they have adapted to meet their needs. Beyond those, they want to shed processes, not add new ones. Don't create a new capital-review process; get your concerns into the capital-decision process to begin with. Don't add a new supplier-approval process; get your concerns into the supplier evaluation and selection processes.

Don't worry about being proved right. Exercising influence isn't like winning a court case, where some third party can sit as a judge, decide you are right and order your adversary to comply with your wishes. When you are leading from below, the people you have to convince may be exactly the people who disagree with you the most. Winning their support is a human process of getting to a tipping point, not a logical task of proving the right outcome.

Keep things clear and simple. You know you can make any issue so complex that only experts can manage it. The challenge is to make the same issue simple enough for any smart, overworked line manager. A manager at one consumer-brands holding company we studied developed an environmental, health and safety program composed of 12 elements that fit on two sides of a piece of paper. By contrast, one oil company's comparable program involved more than 70 elements, with over 270 sub-elements.

Keep a sharp focus. At one company we studied, initial resistance to tackling corporate social-responsibility issues included the fear that "we're trying to drink the ocean with a teaspoon." The vice president driving this effort insisted on picking the three most important issues and working on just those three for the entire first year.

● Make your mental organizational chart horizontal rather than vertical.

The traditional organizational chart resembles a military chain of command, in which direction flows downward. There are no links between peers across reporting lines. If you and I report up through different chains, the traditional organizational chart shows no connection between us.

Throw away the traditional vertical organizational chart. Imagine the effective organizational chart as horizontal. Think about how to connect with peers, and how they in turn can connect you to other peers. View your colleagues as a focus group, not a barrier. In a horizontal world, your peers' concerns are no longer objections to overcome. Instead, they are important feedback to hear and heed.

The horizontal organizational chart can extend beyond your organization. As you build connections to peers and look at their connections in turn, you quickly find connections that lead to customers, suppliers and others outside the company.

One manager in the operating department of a railroad addressed his concerns about the company's ability to avoid and respond to hazardous-materials releases by first reaching out to the railroad's chemical marketing group. Together they then reached out to the railroad's customers who shipped hazardous materials, to share their concerns. Success in this effort led to promotion for the manager and expanded responsibility for the railroad's environmental affairs. In his new position he continued to reach out to others in the company by building alliances with the company's lawyers and its leaders in communications and public affairs.

● Work on your "trusted adviser" skills.

You have to earn the right to influence people. People have to want to talk with you, and value what they hear from you. This requires more than being seen as a technical expert. It requires being seen as a trusted adviser.

The trusted adviser has skills that turn conversations into meaningful discussions that make people want to seek you out. Listen more than you talk; ask questions that broaden people's perspective, instead of telling them how to think or what to do. Without violating confidences, share what others have seen and done in similar circumstances.

● Don't wait for the perfect time, just find a good time.

There is never a perfect time to take the risks of leading from below. When times are good, everyone is too busy and no one seems bothered by the need to do things differently. When times are bad, everyone is too busy (or too scared) and there are too many other demands.

There are two keys to avoiding the timing trap. First, don't wait for an invitation. A constant refrain from senior management is that they don't know what needs to be done in many areas, especially those areas outside their personal experience. One newly minted vice president was stunned to be berated by his C-suite boss for his timidity. The new VP was told bluntly that at his level, the top managers should be looking to him for guidance, not the other way around.

Second, look for situations where the complacency that pervades most companies has been disturbed. In those situations, there will be less resistance to change. There may even be an active desire for new approaches. Mergers, acquisitions and divestitures all break the existing patterns in the way a company operates.

Companies also periodically undergo major organizational redesign. Regulatory or legal violations, accidents or bad press all create a need to react, often to remedy the situation at the root of the problem. But less dramatic situations also present opportunities to promote change. People who have taken on new roles in the company or who are working for new bosses may be looking for new ideas.

FOSTERING LEADERSHIP

Certainly, many of the cases we've studied demonstrate leadership from below without support from senior executives. However, we also were able to identify specific actions from the C suite that can lower the barriers to leadership from below.

● Integrate a broader range of risks and potential impacts into your business decisions.

As a senior manager, you can encourage greater leadership from your subordinates by making it clear that you want them to broaden their perspective.

When making business decisions, ask about the longer-term impacts of the actions you're considering. Ask about a broad range of impacts, not just the effect on sales or profit—on the environment, on local communities, on both suppliers and customers.

Think about the expectations you create in your evaluations of your subordinates. Are those evaluations truly balanced, or do they focus solely on short-term actions and consequences?

● Expose yourself to a broader range of perspects.

Do you have conversations with people inside and outside the company where you are open to new ideas and suggestions? What would your own horizontal organization chart look like? Do you send signals to those below you that you would value opportunities for conversations that add new perspective?

● Create vacuums rather than imposing solutions.

Some of the most effective leadership from below that we have seen came in companies where senior management intentionally created vacuums.

In these cases, senior management points to an issue that may need more attention, but ostentatiously avoids dictating the source or nature of answers. This breaks the organization's complacency. Aspiring leaders can move more easily into such a vacuum: They still have to provide answers, but they don't have to sell or legitimize the question by themselves first.

The chief counsel at one company set the stage for leadership from below with a simple statement that began: "What keeps me up at night is..." and mentioned a broad area of concerns. The vacuum was created.

● Encourage questions without answers.

The flip side of creating a vacuum is to encourage potential leaders to raise questions without having developed the answers first.

This reverses years of mentoring, in which managers are taught never to raise a question with senior management unless they have the answers. While prudent politically, this stifles the discussion of the most important questions. Clearly, people should be encouraged to have ideas on how to resolve the questions, but that is a long way from discouraging questions unless the answers are already known.

● Ask "what if" questions.

Recently opened archives from the Cuban missile crisis included a fascinating tape of an Oval Office conversation between President Kennedy and his advisers. The advisers proposed a particular military course of action. Step by step, the president forced the advisers to think through to the likely consequence of their proposal simply by asking: "What happens then?" The advisers' final answer to the question was "general war…a nuclear exchange." They decided to explore other options.

● Openly discuss values as well.

Business managers are comfortable talking about value, as in "we need to get more value from our assets and brands" or "we can add more value for our shareholders." Most managers are much less comfortable talking about values: right and wrong, what we believe, what we should do. Indeed, talking about values often brands a manager as a peripheral thinker—a dangerous career move at best.

But discussions that consider only value tend to focus too narrowly on the quantifiable, predictable aspects of a business. Signals pointing to emerging pressures from the market, the community or regulators can be completely missed. A discussion that includes values as well as value creates a broader, longer-term perspective that can raise critical issues of how the company is operating and whom its actions might help or hurt long before any financial impact is knowable, let alone quantifiable.

Senior management is uniquely able to make it safe to discuss values. Once the top executives begin asking questions about values, in fact, it becomes unsafe for the managers below them to ignore those questions. Senior management can change the discussion dramatically by asking questions about value and values together, probing whether there are trade-offs between them or whether they can be complementary.

● Refresh your radar screen periodically.

Periodically review the range of risks and impacts that your company should consider, always looking outward and forward. What are the future requirements, expectations and demands coming at you from a wide range of stakeholders?

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These methods for encouraging leadership from below are applicable at any level of the organization. Indeed, some of the most effective leaders from below have applied these same techniques to encourage ideas bubbling up within their own domains.

The payoff can be enormous. If viewed as a resource rather than a threat, leadership from below can be a powerful force for creating change, developing organizational flexibility and helping companies flourish in a dynamic world. ▦

About ERM

ERM is a leading provider of environmental, health and safety, and social consulting services with over 3,000 people in 120 offices in 40 countries.

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