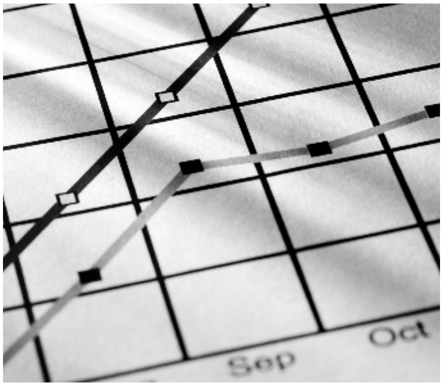

CHAPTER

2

Leadership

It is not uncommon these days to see television news footage of corporate executives on their way to jail after huge accounting scandals or charges of pension fund mismanagement. And yet, 70 percent of employees still believe their company's leadership is either "extremely trustworthy" or "moderately trustworthy," according to a 2004 poll of almost 800 employees and human resources (HR) executives. The same percentage described themselves as "extremely loyal" or "moderately loyal" to their employers.

However, the poll found ethics to be an area in which some corporate leaders are lacking. Less than half (45 percent) of the HR executives and 27 percent of the employees surveyed "strongly agreed" that their company leaders are ethical.[1] The inference is that the rest . . . don't think so.

If a leader does not have the trust of his or her employees, a clear vision about company goals and priorities, a sense of urgency about their importance, and the ability to communicate them, the remarkable thing is that progress is still made in most companies. But it is made more slowly and less efficiently. Efforts may be duplicated and down-line managers, frustrated with the lack of guidance or the cutting of budgets, learn to come up with their own ideas and methods rather than waiting for direction. When those ideas and methods clash, the resulting ripples impact the whole company.

In this chapter, we examine the management philosophies of senior executives at three world-class companies, and the impact of their attitudes on their businesses—attitudes that members of the Baldrige Board of Examiners consider "visionary." Topics include

- What makes clear and consistent leadership
- Four steps required of leaders in any quality improvement program
- How good leaders interact with employees
- How company values are expressed
- How company values are communicated

Although much of the chapter will focus on the highest-ranking company officials, their methods of leadership are shared by the senior executives who report to them. The corporate examples we will focus on in this chapter include the following.

Corning Incorporated. Established in 1851, Corning is best known for its invention of fiber-optic cable in the 1980s and is still the top manufacturer of that indispensable commodity today. Corning also makes semiconductor materials, specialty glass for television, computer and liquid crystal display (LCD) screens, and advanced materials for the scientific, environmental, and consumer marketplaces. Headquartered in Corning, New York, the company has more than 20,000 employees worldwide. In 2003, the company sold its photonic components business to Avanex in exchange for a 17 percent ownership share in that company. Corning's Telecommunications Products Division—which accounts for a little less than half of its total revenue—won the Baldrige Award in 1995.

FedEx Corporation. Federal Express was founded in 1971 as the "big idea" of charter airplane pilot Fred Smith. It launched its overnight air express business in 1973, and just 10 years later, it was the first U.S. company to top $1 billion in revenues in its first decade. Today, FedEx (its nickname, "FedEx," officially became the company name in 2000) is the world's largest express transportation company—almost 196,000 employees move more than 3 million items to more than 200 countries each business day, up from 110,000 workers and 2 million packages just five years ago! In 1990, FedEx became the first service company to win the Baldrige Award. Since then, the company has expanded its ground delivery business by purchasing both Parcel Direct (formerly a division of Quad/Graphics, now renamed FedEx SmartPost) and more than 1,100 Kinko's locations (now FedEx Kinko's Office and Print Centers) in 2004.

Marlow Industries. Marlow manufactures customized thermoelectric coolers—small, solid-state electronic devices that heat, cool, or stabilize the temperature of electronic equipment—for commercial and defense applications. Located in Dallas, Texas, Marlow employs more than 250 people. Marlow Industries won the Baldrige Award in 1991 and was named by *Industry Week* magazine as one of "America's 10 Best Plants" (1993) and "Top 25 Growing Manufacturing Companies" (1999). CEO and president Raymond Marlow founded the company in 1973 and initiated a systematic quality improvement process in 1987, even though Marlow's market share was more than 50 percent at the time. Its market share in its major markets is still greater than 70 percent. The company's record for process improvement prompted the creation of the Quality Texas Foundation, a nonprofit business association that bestows annual "Texas Quality Awards" based on the Baldrige Award criteria. Mr. Marlow is its founding chairman.

QUALITY BEGINS AT THE TOP

How does a company get its leaders involved in the quality improvement process? People ask this question in organizations where quality improvement has not been a priority—because senior management has not *made* it a priority. Rank-and-file employees and middle managers become tired of fixing pieces of the system, only to have apathy and resistance to change swallow up their efforts. They recognize that the company's leaders have the power to change the entire system by making quality improvement part of the corporate culture. But how does this happen? And what in the world does it take to prompt this mind-set in people who have risen to leadership positions but don't seem to have it?

Leadership holds the key to the door of continuous improvement. If the key stays in leadership's pocket, the organization has no chance of becoming a quality leader. The company may implement scattered improvements through the diligence of a quality champion. It may train everyone in the fundamentals of quality and urge their involvement. It may achieve ISO certification for the documentation of its processes. It may even win an award from a customer. But without clear and consistent leadership, the company will never be a *quality leader*. Its management system will never be sound and efficient, and its improvement efforts will eventually be replaced by an intriguing new management fad.

In contrast, look at the Baldrige Award winners—companies that are driven by their senior executives' zeal for quality. When Ray Marlow dons a cape and plumed hat for a corporate video appearance as "Captain TQM," he proves (among other things) that there is truth in humor! Good leaders meet with employees frequently, to inspire and recognize their best efforts. They visit with customers regularly, to find out what they need and expect. They track quality improvements religiously, take and teach quality courses, demand excellence (100 percent customer satisfaction, 100 percent of the time), and preach "quality" to every audience that will listen—and that includes civic groups, schools, government agencies, foreign companies, and trade associations, among others. They lead the quality improvement process because they are responsible for making the company more competitive and profitable, and the only way to do that consistently and for the long term is through continuous improvement of the entire system. That's not a one-speech, quick-fix kind of commitment. It is a relentless, all-consuming desire to make the company the best it can be.

"There is no greater source of individual power and commitment than loving what you do, or what you want to do," says Frederick W. Smith, the founder of FedEx. "You have to be, at least, a zealot in your commitment to the quality improvement process to be effective. You've got to speak it and reinforce it at every opportunity."

So how do you make a *company leader* into a *quality leader*? Perhaps the most frustrating realization is—you can't. You can no more make a CEO walk the quality path than you can make him or her convert to a new faith. In fact, the analogy to a religious conversion often surfaces in the way leaders talk about instituting quality measurements and improvements in their companies. Many describe it as a "leap of faith." J. M. Juran likes to say that quality leaders have "the faith of the true believers," a faith they got by "witnessing the miracles."

Like those who experience a religious awakening, these leaders are eager to spread the gospel of quality. "When you get into quality, you become intolerant of the lack of quality in business, education, government, and other organizations," explains James B. Houghton, board chairman and chief executive officer of Corning Incorporated. Houghton is the leader who initiated Corning's "Total Quality" strategy in 1983. "I made a lot of outside speeches because I think quality is in a spillover phase in our society," he said.

Houghton did more than give speeches. Six months after he took the reins at Corning in 1983 (he retired in 1996, but returned in 2002), Houghton announced that the company would spend $5 million to set up a Quality Institute, which is, today, the Quality Texas Foundation. The Texas governor presents these highly coveted annual awards.

"We were barely breaking even at the time," Houghton remembers, "and the cynics thought this was my new toy. Today there are very few cynics, for two reasons: we've never stopped promoting quality, and people now realize that quality means survival."

The survival issue is prominent in the minds of quality leaders. FedEx's Fred Smith compares the awakening to quality to "a near-death experience. A lot of times it's brought on by trauma." Leaders often embrace Total Quality Management because they see no alternative: improve or die. Whatever inspires them—the fear of failure, the promise of success, the achievement of other companies, the belief that there must be a better way to manage a company—triggers the leap of faith. Once they are on the quality path, the cultural changes they see all around them frequently breed a missionary zeal about the need for, and the benefits of, the quality improvement process.

FOUR STEPS TO QUALITY LEADERSHIP

In the course of becoming quality leaders, our role models sought to identify the words and actions that would bring everyone into the fold:

- What can we do as senior executives to personally lead the quality improvement process?
- What are our company's quality values and goals?
- How can we communicate those values and goals to our customers, employees, suppliers, and other groups?
- How can we improve as quality leaders?

There are four basic steps involved in answering these questions and leading the transition from quality as a good idea, to quality as a commitment to better overall systems management.

Step One: Commit to Quality

The first step for any company president, chairman, or CEO is committing himself or herself, as well as the company, to the process. Jamie Houghton took this step in 1983, shortly after he became Corning's chairman. Fred Smith and his top executives founded FedEx on the idea of providing the highest quality of service, then participated in quality training in the first year of the company's existence. Ray Marlow initiated a systematic approach to quality improvement at Marlow Industries in 1987. All did it thoughtfully and deliberately, knowing that such a commitment would redefine their roles for as long as they remained leaders.

As Houghton put it, "When you start things as a leader, you've got to make up your mind—then you've got to do it, even though you may not have one clue how effective it's going to be." In his 2004 biographical statement on the company's Web site, he described his leadership philosophy thusly:

> Leadership is about personal integrity, and instinctively knowing and doing 'the right thing.' It is about having enough modesty to constantly doubt, be open, and listen. It is about performance over time, not charisma. It is about responsibility, not privilege. It is a deep-seated belief in the organization's values and goals, and the ability to live them, articulate them, and push them forward with constancy over time. It is the willingness to change everything except those basic values and goals.

Another company we'll learn more about in Chapter 4 is Engelhard, an international manufacturing firm. But we mention them here because their Corporate Governance Guidelines document lists core personality and character traits that are required not just of Engelhard's day-to-day leaders, but of its board of directors. The criteria for board selection literally includes independence, wisdom, and integrity, as well as an inquiring mind, a willingness to speak one's mind, and the ability to challenge and stimulate management.[2] Engelhard believes a leader cannot possibly be truly "committed to the cause" without these attributes.

Step Two: Know the Company's Systems and Values

But what *are* the values and goals? Have they been stated? Have others "bought into" them? Being a leader automatically makes a person vulnerable to questions of substance about any "new" management system—sensible questions like, "What are we doing now? What do you intend to change, and why?" So the second step in leading a transition is for the leaders to know their way around the system, because they will be looked to as the leaders of the quality improvements as well.

Fred Smith, Ray Marlow, Jamie Houghton, and their executive staffs created their companies' visions, missions, policies, and values. To do that, they looked at other companies' visions, studied their customers and their competition, assessed their own companies' strengths, and pinned down exactly what their companies stood for and aspired to achieve. Their values are presented later in this chapter. Each of the leaders has had to explain these values again and again, in myriad ways, to make sure the message sticks.

The explanations are often one-on-one. Fred Smith visits FedEx facilities and employees weekly; he invites their questions about any topic. After Ray Marlow introduced his company's quality policy, he went over it a phrase at a time at six straight monthly all-employee meetings. Years later, he still reviews the policy and talks about the company's quality pledge and quality tools. "You've got to keep it in front of people," he says.

At the end of one meeting, during which he had been stressing the understanding and use of Marlow's eight quality tools, an hourly employee asked Marlow—in front of the whole group—if he, Marlow, could name the tools. "I got 'em," Marlow said proudly. In so doing, Marlow showed his people that he could "walk the talk."

That is what quality leaders are asked to do every day. As the embodiment of their company's values, they are under constant surveillance to see whether they will break stride. If they do, people become cynical about the value of the quality improvement process, and that cynicism poisons the process. We have all had leaders who say one thing and do another, and we are smart enough to know that what they do is what is really important. Leaders who talk about quality and actively participate in the quality improvement process leave no doubt about where their company's priorities lie.

After years of headlines about major corporate financial scandals—capped with senior management making off with profits, getting caught, and being prosecuted, but not before padding their own nests substantially—most workers are understandably wary. Today's leaders would also be wise to spearhead development of a corporate ethics policy, a written document that outlines a company's guidelines about potentially sticky on-the-job situations like accepting gifts from clients, calculation and disbursement of bonuses, how sensitive information is disclosed to the public and/or the news media, and so on. Leaders create and encourage an atmosphere of trust by making sure everyone knows the rules, and by living by them as well.

Step Three: Participate in the Quality Process

Active participation, the third step in leading the transition, can take many forms. At FedEx, Fred Smith has been directly involved in the development of every quality process and system the company has implemented. He founded the company on a belief that customers would value a time-definite express delivery service, then used on-time delivery as the company's primary measure of performance. In the late 1980s, he helped develop a more comprehensive, proactive, customer-oriented measure of customer satisfaction and service quality: the Service Quality Index (SQI).

Table 2-1 FedEx's Service Quality Indicators

	Indicator	*Weight*
1.	Damaged packages	10
2.	Lost packages	10
3.	Missed pickups	10
4.	Complaints reopened	5
5.	Overgoods (lost and found)	5
6.	Wrong-day late deliveries	5
7.	Abandoned calls	1
8.	International	1
9.	Invoice adjustments requested	1
10.	Missing proofs of delivery	1
11.	Right-day late deliveries	1
12.	Traces	1

The SQI measures 12 indicators that FedEx has determined are most important for customer satisfaction and service quality (see Table 2-1). As Smith said, "We believe that service quality must be mathematically measured." The company tracks these 12 indicators daily, individually and in total, across its entire system. Each indicator is weighted: the greater the weight, the greater the impact on customer satisfaction.

One of FedEx's service goals is to reduce the totals of the SQI every year. Service is one of the company's three overall corporate objectives: *People–Service–Profit*. Every manager at FedEx, including Fred Smith and the senior executive staff, has annual benchmarks for each of these three corporate objectives. Smith sets his own personal objectives with input from the board of directors, and the process cascades through the organization from there. Managers are evaluated on how well they achieve their objectives.

To develop and implement such broad measures and objectives, Smith and his staff had to understand the company's quality objectives, its customers' needs, and the potential effectiveness of SQI as a measure and motivator. Many other service companies are still trying to figure out what to measure. Smith led the development of a measure that tells all FedEx employees, every day, exactly how they are doing on customer satisfaction and service quality. Active participation in the quality improvement process doesn't get any better than that.

Good leaders know that having a customer focus is critical. At FedEx, each officer is assigned responsibility for the major customers in a sales district. Smith and his staff talk to customers continuously at the executive level to make sure their needs are being met.

Quality leaders reinforce a customer focus by investing their own time in improving customer relationships. Marlow Industries has a standing rule: Every customer (which means anybody from a customer's company) who visits Marlow meets with either Ray Marlow or Barry Nickerson, the president and chief operating officer.

"We're not like Xerox," Marlow says. "We don't have something we sell to thousands of customers. Our products are customized for a select group, and we develop relationships with those customers. As we enter the commercial market and our customer base expands, that's much more difficult. You stay on the road a lot."

Leaders like Marlow, Smith, and Houghton spend a great deal of their time discussing customer requirements and quality with employees, customers, suppliers, distributors, and other groups that affect, and are affected by, their companies. Later in the chapter, we look at how they do this.

Step Four: Integrate Quality into the Management Model

Once a leader is committed to management by quality, understands its basics, and physically participates in the transition, the fourth step is to institutionalize systems management as the company's business management model.

An example was reported by the International Human Resource Group in Westport, Connecticut, which surveyed many of the Baldrige Award winners in the early 1990s to see what roles the HR departments played in these companies. A common thread is that human resources functions not as a single, monolithic organization, but *in partnership* with other departments, serving all the departments as if they are customers. In some winning firms, there is at least one HR representative assigned to every department or business unit. In this way, communication is integrated directly into the system. Training programs are introduced, benefits programs are adapted, and quality standards are consistently reinforced—all based on what is actually happening in the departments, not strictly on a board of directors' theories or projections. The company president can't be everywhere at once; but HR can carry the flag, working with department heads to focus on the goals, determine how well progress is being made, and also bring feedback to the executive board from employees. The result is greater ability to respond to changes, while keeping quality top of mind.

This is critical for a company like FedEx. About half of its employees are frontline, with direct customer contact, so they must all understand and deliver the same quality standards—no matter what the weather, the size of the package, or the logistical hassles involved in getting it from Point A to Point B. FedEx senior executives created an integrated system that made customer satisfaction and service delivery into corporate strengths.

Marlow Industries hails integration as a breakthrough for the company. "We made the mistake of having two structures—business and quality—when we started to pursue quality," said the company's former chief operating officer Chris Witzke. "We kept moving quality into the business area until we collapsed business and quality into one structure." To reflect this broader scope, Marlow changed the name of its "Total Quality Management Council" to the "Total Quality Culture Council."

EXPRESSING COMPANY VALUES

FedEx, Corning, Marlow Industries, and other quality leaders build quality improvement processes on clear and precise quality values. These are not idealistic wish lists to be framed and displayed in every corporate conference room, but the values that can guide a company's quality efforts in tangible, measurable ways.

FedEx has three corporate goals: *People–Service–Profit*. As Smith summarizes, "when people are placed first, they will provide the highest possible service, and profits will follow." The three corporate goals are translated into measurable objectives throughout the corporation. Progress on the people goal is determined by the Leadership Index, a statistical measurement of subordinates' opinions of management's performance. Service is based on the Service Quality Indicators described earlier. The profit goal is a percentage of pretax margin, determined by the previous year's financial results. Success in meeting the objectives for each area determines the annual bonuses for management and professionals. (The bonuses can account for up to 40 percent of these employees' total compensation.)

FedEx has two primary corporate quality goals:

- 100 percent customer satisfaction after every interaction and transaction
- 100 percent service performance on every package handled

Of course, many people doubt the ability to achieve 100 percent of anything. "We acknowledge that 100 percent is impossible," says Smith, "but that doesn't keep us from striving to achieve it. We have to be wary of being satisfied with 99 percent performance because the law of large numbers catches up with us. When you're handling millions of packages a day, a 1 percent failure rate is totally unacceptable. We believe the road toward 100 percent is worth the effort."

The business philosophy of Marlow Industries is expressed in its quality policy:

> For every product or service we provide, we will meet or exceed the customers' expectations, without exception. Our standard of performance is: Do It Right Today, Better Tomorrow.

Marlow even has a pledge that states each employee's personal commitment to quality:

> I pledge to make a constant, conscious effort to do my job right today, better tomorrow, recognizing that my individual contribution is critical to the success of Marlow Industries.

The policy and pledge are further defined by Marlow's quality values:

- Senior executives must be the leaders.
- Employees have the authority to make decisions and take actions on their own.
- Honesty with customers, employees, and suppliers.
- Meeting the customers' requirements.
- Quality comes from prevention.
- Anticipate problems and take appropriate action before the problem happens.
- Do it right the first time.
- Continuous improvements toward customer satisfaction.

Notice that there is nothing radical or earth-shaking on the list. In fact, many companies espouse similar values. The difference is that Marlow Industries actually lives by them. The company's leaders will allow nothing less.

When Corning started its quality initiative in 1983, one of its first tasks was to identify the principles, actions, and strategies on which its system would be built. It introduced the foundations of its system in January 1984 and has been improving them ever since.

Corning's purpose is stated thusly:

> To deliver superior, long-range economic benefits to our customers, our shareholders, our employees, and the communities in which we operate. We accomplish this while living our values in an operating environment that enables corporate and personal growth to flourish.

The company has seven values that encompass its moral and ethical standards:

1. Quality
2. Integrity
3. Performance

4. Leadership
5. Innovation
6. Independence
7. The Individual

To help employees understand how to act on these succinct value concepts, Corning has also identified eight operating environment dimensions. The first five describe how to do business; the last three depict how to work together:

1. Customer-focused
2. Results-oriented
3. Forward-looking
4. Entrepreneurial
5. Rigorous
6. Open
7. Engaging
8. Enabling

COMMUNICATING COMPANY VALUES

All three of the role models excel at communication. As mentioned, Ray Marlow and his senior staff members use monthly all-employee meetings to reinforce the company's customer focus and values. During these meetings, Marlow hands out the Employee of the Month Award; there are also training awards. Senior managers frequently talk to employees in the manufacturing area, go to lunch with different employees, and act as mentors for employee effectiveness teams. They are involved in quality training, either as instructors or as students. All employees are required to take a certain number of hours of training; all officers are required to take the training as well as to teach some of the courses.

Marlow's leaders discuss quality regularly with their customers and suppliers, and they have been strong quality advocates outside the company. Ray Marlow helped found the Texas Quality Consortium, a group of small companies that meets to discuss W. Edwards Deming's 14 principles of management. Marlow and his staff made 25 presentations on quality the year before the company won the Baldrige Award; they have made many more since then. In 1993, Ray Marlow helped to organize and incorporate Quality Texas as a not-for-profit state quality award presented by the Governor of Texas.

Unlike Ray Marlow, Fred Smith does not have the luxury of communicating his quality values to a few hundred people in one building. To provide what Smith calls "timely communication of the company's quality goals to our far-flung workforce," FedEx invested $8 million in FXT, a television network that connects 1,200 downlink sites in the United States and Canada and six facilities in Europe. Each weekday morning, a five- to seven-minute morning news program is broadcast from FedEx's Memphis headquarters. The program includes features on company products and services, stock prices, package volume and service performance, forecasts of the day's volume, and frequent segments on company quality goals and initiatives.

"Open, two-way communication is absolutely essential to achieving our quality goals," says Smith. In the company's early days, Smith and his senior executive staff held regular meetings at a local hotel. Any employee could attend these "family briefings." When FedEx outgrew such meetings, the television network became the vehicle for continuing two-way communication. Smith appears on the network live every six months or so, to discuss the state of the company and to field questions from employees throughout the FedEx network.

Employees are not afraid to ask tough questions; open communication is part of the company's culture. During Smith's weekly forays to FedEx facilities, he asks for input and questions from the employees he meets. He and his staff also reinforce the company's customer focus and values by establishing and monitoring measures tied directly to each. On a quarterly basis, representatives of about a dozen employee teams come to Memphis to share their "quarterly success stories." Smith frequently opens these meetings, then he and his staff remain to hear about the improvements being made—and to show by their presence that quality efforts at every level are important to FedEx.

Communication about quality extends to FedEx's customers and suppliers. "Fred Smith talks to customers continuously," says Tom Martin, managing director of public relations, "and he encourages his direct reports to do the same. Being assigned a sales district (which every senior executive is) certainly encourages communication with customers."

"I try to take a business trip to a different district every month," says Smith, "and to schedule one or two customer visits per trip."

The cumulative effect of this unrelenting communication about quality is the creation of a quality organization. Marlow describes it as "consistency of purpose," the leader's responsibility to nurture an environment where excellence is everyone's goal.

In an article in *Total Quality Management* magazine, Houghton described what leadership meant to him:

> In the end, quality is something that becomes deeply personal. It is a commitment to a way of life—to a way of interacting with others. Quality isn't just a little pool for wading. It is an ocean. If you

don't take the plunge, if you don't totally immerse yourself, you can't hope to coax a whole organization to jump in. That's why quality starts at the top, with the leaders of an organization.

IMPROVING AS A LEADER

According to the new business management model, the key to improving as a leader is to establish key indicators of performance, track those indicators, and develop actions to improve. Ray Marlow monitors how many customer contacts he has, studies customer service measurements to determine how well he is leading in that area, and regularly reviews charts and graphs posted throughout his facility to see whether the company is improving.

Quality leaders tend to apply what they say about quality to what they do. "I'm always trying to find ways to engineer out rework," says Fred Smith, "and to be more effective in dealing with my external and internal customers. Not a quarter goes by that we don't formally evaluate that." Smith believes the ultimate measures of his effectiveness as a leader are FedEx's measures of customer satisfaction and service quality. "The name of the game is driving the Customer Satisfaction Index up and the Service Quality Indicator score down."

In addition to working to improve their own leadership skills, the leaders at FedEx and Corning have helped develop a set of criteria or attributes that define leadership for their organizations.

In 1989, an internal FedEx task force implemented a Leadership Evaluation and Awareness Process (LEAP). An employee must complete this process before becoming a first-line manager. When FedEx implemented the process, its manager turnover rate dropped from 10.7 percent to 1.7 percent.

The LEAP identified three "transformational leadership behavioral dimensions" and six "leadership qualities" as the most important attributes a candidate for management must have in a people-first work environment. The dimensions are

1. **Charismatic leadership.** Charisma derives from an ability to see what is really important and to transmit a sense of mission to others. It is found in people throughout business organizations and is one of the elements that separate an ordinary manager from a true leader.
2. **Individual consideration.** Managers who practice the individualized consideration concept of transformational leadership treat each subordinate as an individual and serve as coaches and teachers through delegation and learning opportunities.

3. **Intellectual stimulation.** Leaders perceived as using intellectual stimulation successfully are those who encourage others to look at problems in new ways, rethink ideas, and use problem-solving techniques.

The leadership requirements are

1. **Courage.** A courageous leader stands up for unpopular ideas, does not avoid confrontations, gives negative feedback to subordinates and superiors when appropriate, has confidence in his or her own capability, desires to act independently, and does the right thing for the company or subordinates in spite of personal hardship or sacrifice.
2. **Dependability.** A dependable leader follows through, keeps commitments, meets deadlines, takes and accepts responsibility for actions, admits mistakes to superiors, works effectively with little or no contact with a supervisor, and keeps a supervisor informed on progress.
3. **Flexibility.** A flexible leader functions effectively in a changing environment, provides stability, remains objective when confronted with many responsibilities at once, handles several problems simultaneously, focuses on critical items, and changes course when required.
4. **Integrity.** A leader with integrity adheres to a code of business ethics and moral values, behaves in a manner that is consistent with the corporate climate and professional responsibility, does not abuse management privilege, gains trust/respect, and serves as a role model in support of corporate policies, professional ethics, and corporate culture.
5. **Judgment.** A leader with judgment uses logical and intellectual discernment to reach sound evaluations of alternative actions, bases decisions on logical and factual information and consideration of human factors, knows his or her own authority and is careful not to exceed it, uses past experiences and information to gain perspective on present decisions, and makes objective evaluations.
6. **Respect for others.** A leader with respect for others honors rather than belittles the opinions or work of others, regardless of their status or position in the organization, and demonstrates a belief in each individual's value regardless of each individual's background.

These dimensions and qualities define leadership at FedEx, and prove if nothing else that the senior executives have thought carefully about what a leader is.

At Corning, the criteria for leadership at any level are honesty, vision, caring, strength, and change. To be a leader within the Corning network, there are 10 key traits a person *must* have, and 10 more traits he or she *should* have.

To be a leader, one *must*

1. Believe in and live the corporate values.
2. Develop and communicate a rallying vision.

3. Be a strategic thinker.
4. Be a risk taker.
5. Have a proven track record.
6. Be a catalyst for change.
7. Earn the trust of the organization.
8. Be a listener and an enabler.
9. Develop good, strong subordinates for succession.
10. Be an optimist and have a sense of humor.

To be a leader, one *should*

1. Have different work experiences.
2. Have an international orientation.
3. Be financially adept.
4. Understand and know how to deploy technology.
5. Be able to deal with ambiguity.
6. Be skilled at alliance management.
7. Have a balanced, healthy lifestyle.
8. Contribute to the local community, both personally and financially.
9. Be active in at least one business activity outside Corning.
10. Be active in at least one nonbusiness, nonlocal activity.

This list, drawn from more than 140 leadership characteristics identified during research, reflects Corning's culture and the values of its leadership. Like FedEx's dimensions and qualities, Corning's criteria remove leadership from the realm of the mysterious and make it tangible and measurable. And what can be measured can be improved.

The list also redefines leadership for the new business management model. "The way I see it, leadership does not begin with power, but rather with a compelling vision or goal of excellence," says Fred Smith. "One becomes a leader when he or she is able to communicate that vision in such a way that others feel empowered to achieve success."

A SHIFT IN THINKING

A new business management model requires a dramatic shift in thinking among senior executives who must resist a "systems view" of their organizations. The model is not something that can be fit into the way a company already operates, nor is it something that can be done in addition to normal operations. It is a different way of leading and managing, and can change employees' views of the company, of their own "systems," and their roles in making improvements.

This is why leaders talk about taking a leap of faith when they embrace new principles. Despite evidence that the "TQM" model works, when leaders are confronted with the task of changing a corporate culture, they soon realize that many within the culture hate (or at least, resent) the change. This means the leaders must first accept *their* responsibilities in the new management model. They, in turn, "model" the model to others. We discuss many of those responsibilities here and in other chapters, but for now, put yourself in a leadership role at the company of your choice, and follow along with this summary that shows how you affect, and would be affected by, the introduction of a new management model:

- You lead the quality improvement process. No one else in the organization can lead it as effectively.
- You are a quality zealot. The leaders introduced throughout this text do not lead the improvement effort by spending all their time strictly on financial matters; they walk, talk, and think quality.
- You understand your customers' needs and expectations. Because quality is defined by the customers, you need to spend time with them and compare what you learn with what others in your company know about them and about your markets. Only then will you know whether your system is truly being driven by customers' needs and expectations.
- You empower everyone in the company to meet customers' needs and expectations. You get all employees involved in improving quality and customer satisfaction. You promote training so that they can achieve their objectives. You establish rewards and recognition that encourage employees to work together toward common goals. You create a culture in which every person is considered a valuable resource and employee satisfaction is seen as an indicator of customer satisfaction.
- You manage by studying facts. If you think of your business system as a car, you have within view all the gauges and indicators you need to assess the condition of the system and to decide what to do next.
- You promote process improvement. If you were to step back and observe any part of your company for any period of time, you would notice that work follows different processes. The better you manage the processes, the more productive people are and the higher their quality of work is. You can help the company focus on process improvement by studying the processes in which you are involved.
- You use a strategic planning process to keep the company focused. Quality leaders establish clear missions, goals, and objectives for their organizations, then use the planning process to translate corporate objectives into team and individual actions.
- You demand rapid, continuous improvement. A business exists to meet customer requirements and to achieve superior operational performance. By setting ambitious goals for each purpose, you challenge people to

change and improve, to channel their energy, knowledge, and determination toward a shared vision.

Leaders such as Ray Marlow, Jamie Houghton, and Fred Smith run their companies according to this paradigm. As the results of Marlow Industries, Corning, and FedEx demonstrate, such a systems approach to leadership results in profitable, successful organizations.

CHAPTER SUMMARY

This chapter "starts at the top" by focusing on what it takes to be a good leader. Of course, it helps to be the kind of person who enjoys being in the public eye, making speeches ("preaching" about quality), interacting with employees, and even having a little fun at company meetings. But can a leader be a leader without all the charisma? That depends largely on his or her innate ability to focus intently on the business, where it is headed and how it is going to get there profitably, as well as the ability to convince others of this vision.

As Jamie Houghton of Corning put it, it is about "performance over time, not charisma." Good leaders combine knowledge of what the customers need, what the organization is actually capable of doing, and what its competitors are doing, to craft the strategy and direction for the company. They communicate this information consistently, and their actions back up their verbiage—or as the saying goes, they "walk the talk." If these don't match up, building trust among their troops is difficult at best. The requirements for the modern company leader include establishment of and adherence to standards of corporate ethics as well as product-, quality-, and profit-related goals.

Many firms, including those profiled in the chapter, have written lists of the qualities and behaviors they expect from their leaders. While some of the characteristics are subjective—more like personality traits than conduct that can be learned in business school—they provide an overview of the type of person who can guide and inspire others. A successful leader possesses enough of these traits, whether inborn or gleaned from experience, to impart a vision and empower (instead of controlling) subordinates to carry it out.

Yes, business still gets done without a visionary leader. But not very well, and not for very long—and quality often suffers in the process.

DISCUSSION QUESTIONS

1. Do you agree or disagree with FedEx's 100 percent satisfaction goals as described in this chapter? Do you think they are realistic or not? Does realism *matter*, in terms of a company's public relations?
2. If you were to put the four "steps" listed in this chapter on a timeline, what would you feel would be realistic for a company of less than 300 employees to achieve each of them, in order?
3. You've read the philosophies of a couple of companies in this chapter. Select a company that's *not in this book*, and from what you know about them, draft your own version of their "corporate quality policy" or purpose statement, of no more than a paragraph. (Use your own words, not something you find on their Web site!)
4. Examine the leadership criteria at Corning. What do you think makes the difference between corporate "cheerleading" and meaningful commitment?
5. Of the eight points at the end of the chapter (about how leaders affect, and are affected by, a new management model), which one would be the most difficult for you to achieve as a leader, personally? Why?

ENDNOTES

1. Employee Trust and Organizational Loyalty poll, Society of Human Resource Management (Alexandria, Virginia) and CareerJournal.com (Princeton, New Jersey), July 27, 2004.
2. *Corporate Governance Guidelines 2004*, Engelhard Corporation, Iselin, New Jersey.