"The leaders I most admire have never been those you see on the front pages or on the evening news but rather those I call the 'quiet heroes' who, far from the spotlights, motivate, teach, inspire, and that is … lead.

Joe Grano has done that—in war, in the boardroom, and with his family and friends. He tells his story as a great leader should—humbly, and with an eye to teaching readers how they can benefit from his experiences."

—GEORGE PATAKI, FORMER GOVERNOR OF NEW YORK

Chapter One

Leaders: Are They Born or Made?

Leadership is the ability to gain the willing support of subordinates. Any manager can mandate certain actions by his or her employees, but only when an employee actually wants to support the mandate does the manager become a true leader. Great leaders earn this support seemingly without effort. When such an individual walks into a room, makes a speech, or is interviewed by the media, his or her personality traits are evident, if not always easily definable. A great leader's natural charisma instills confidence and creates a desire in others who experience it to want to follow.

I learned from an early age that others looked to me as a leader. This helped me grow from a Hartford, Connecticut, street kid to a captain in the Green Berets by the age of twenty-two. It contributed to my climb from stock broker trainee to a top management position at Merrill Lynch after returning from Vietnam with a 60 percent disability from severe wounds and no job prospects. Being able to leverage that charisma as a significant leadership tool was one of the reasons I was hired by

PaineWebber as president of retail sales and marketing and in one year turned a division that had lost $96 million into one that made profits of $13 million. When I took the helm as chairman and CEO of PaineWebber and steered it through an $11 billion merger with Swiss banking giant UBS, I relied heavily on my ability to motivate my subordinates. And during the national crisis of September 11, 2001, the subsequent anthrax attacks, and a stint as chairman of the President's Homeland Security Advisory Council, I called on all the leadership techniques I'd learned over the years.

In each of these roles, I have found four distinct functions of management that contribute to being able to lead and operate an organization, whether it is an infantry squad of twelve young men or a multibillion-dollar firm with thousands of employees. I use an acronym for these functions: PLOC, which stands for planning, leading, organizing, and controlling. Three of these four functions—planning, organizing, and controlling—can be delegated or supplemented to some degree. Of course, there is only so much responsibility you can turn over to others. Delegate too much and you could end up like Kenneth Lay, with a chief financial officer whose actions could possibly put you in prison. The one management function you cannot delegate at all is leadership.

Since it's the one function a manager can't delegate to associates, having the ability to lead is a requirement for success. So how does one come by this vital ingredient? After a speech I'd given to graduate students at the Amos Tuck School of Business Administration at Dartmouth College, I was asked the proverbial question supposed to unlock the mystery of leadership: Are leaders born, or are they made?

Obviously leadership skills and techniques can be acquired through education, whether it comes from formal schooling or experience. Business schools have made it a standard part of their curricula, and I received extraordinary formal leadership training from the U.S. Army. Leadership abilities can also come from observing the actions of other leaders and their experience. There are few things more educational than being placed in a situation where you have to take the lead. That's true if you're a young person playing sports after school or a mature adult leading a project group at the office. So leaders, to a degree, can be made.

Just as clearly, however, some are born to leadership. Charisma is evident at an early age, and an astute observer can pick out future leaders on a crowded playground. The magnetic pull of this genetic gift is evident in every field. Political leaders as diverse as Churchill and Gandhi displayed it. Religious leaders from Pope John Paul II to the fourteenth Dalai Lama, exhibited it. Military leaders from Robert E. Lee to George S. Patton demonstrated it. And business leaders exemplify the trait just as clearly.

When a Jack Welch, Lee Iacocca, Richard Grasso, or Dan Tully emerges, there is no doubt that the intangible, unique leadership qualities they exemplify are part of their God-given DNA. The management savvy and leadership of Welch, who served as the chairman and CEO of General Electric from 1981 to 2001, is legendary. Iacocca solidified his place in the annals of business leadership for his crisis leadership while chairman and CEO of Chrysler from 1979 through 1992, rescuing the automaker from financial ruin. Grasso is another brilliant crisis leader. Joining the New York Stock Exchange as

a clerk in 1968, he eventually rose to become chairman and CEO, solidifying the exchange's place as the most important stock market in the world and leading it back from the trauma of September 11, 2001. Tully may not be as well known as Welch, Iacocca, or Grasso, but he is every bit their equal in leadership genius. In his four years at the helm of Merrill Lynch, Tully steered the firm to record earnings and completed its shift from a retail brokerage to a global investment banking power.

I grew up in a working-class neighborhood in Hartford, Connecticut, called "The Avenue." It's a ten- to twenty-square block roughly triangular neighborhood bordered by Franklin, Wethersfield, Maple, and Fairfield avenues. There were lots of other Italian Americans there, but the 'hood also included Jews, Hispanics, and African Americans, and for most of us, our grandparents or parents were immigrants.

My earliest memories are of living on the third floor of my grandparents' huge four-family home at 218 Franklin Avenue. I still have no idea how they were able to afford that house. They certainly needed a big house since they had eleven children, each of whom lived in the house with their spouse and children when they were first married.

Hard times during the Great Depression led my father, Joseph, the oldest son, to enlist in the army to have a job. He was fifteen years old. Despite his age, he made a good soldier, serving nine years. He saw combat as an artilleryman in New Guinea in World War II and rose to the rank of master sergeant. When he came home from war, he was amazed that little Joan Phelps, who'd hung around with his younger siblings, had become a beautiful young woman. The attraction

was obviously mutual because they soon married even though she was only sixteen. I was born a year later, in 1948, the first of their six sons.

My father had an entrepreneurial streak, but none of his businesses lasted long, and he'd end up back managing a construction crew. He never spoke about his business failures, but then he never spoke of any of his feelings. He would rather spend his time solving a problem than talking about it. He also had a temper, another trait I share.

My mother didn't have a temper. In fact, she didn't have a judgmental bone in her body. She cared about people for who they were rather than some notion of what anyone else thought they should be. She always worked outside the home, as either a waitress or on the third shift at some factory. But she made sure that on the weekends, our house was filled with extended family and friends. My mother had a magic touch with small children, and she entertained them with stories she made up. Each one had a moral, usually teaching a lesson of respect for others, such as a tale of a little boy who was continually teased for being short. Of course, at the end of the story, the little boy's lack of height allowed him to save the day for all the taller kids. All the children in our family, for three generations, came to know and love my mother's stories. One year, as a gift, I had them bound into a book and printed, making sure to include a family favorite, "Field of Dreams," about a lonely little girl who communicated with nature. My mother's easy rapport with children and adults alike taught me the value of embracing humanity.

My father was the hardest-working man I have ever known. He put in eighty hours a week on construction sites in

order to feed and keep a roof over his wife and six sons. Due to both my parents' hard work, we were always well fed, but there was little money left for luxuries. And like most other youngsters, I craved some of those luxuries. So I learned that if I wanted a stylish new jacket to wear when I went out Saturday nights, I needed to earn the money myself. Emulating my father, I threw myself into work. At one time, I had two shoeshine boxes and two paper routes. I picked tobacco for two summers at fifty cents an hour. Today when I see a busboy clearing tables, I see myself in my mind's eye forty-five years ago.

The neighborhood kids divided up into gangs that we called "fraternities." These groups were defined not by ethnicity but by social style and status: there were the jocks, the greasers, the nerds, and the cool kids. Fights broke out every weekend among the different cliques, but if any group from outside the 'hood caused a problem, we all banded together.

Everyone in the neighborhood had a nickname; mine was Joey the Czar. I was a tough kid, and that helped me become a leader in my tough neighborhood. But I was also a hard worker, an A student, a stylish dresser, and a good dancer, all of which helped me become popular. That popularity boosted my confidence even more. As the oldest child of two working parents, I naturally took charge and was responsible from a very early age. I also showed respect to everyone—just as my parents did—and as a result, I received respect from everyone. The other kids, whatever their clique, came to me for advice and help. Throughout school, I was always elected class president, mostly because I was the only one receiving votes from individuals from across the various groups.

Knowing where I have come from, but also how much I'd learned about leadership techniques and tactics in the years since I'd left The Avenue, I told my questioner at Dartmouth that leaders are both born and made. I explained that there is a difference between great leaders and good leaders. Good managers can learn leadership skills and become good leaders. Great leaders, however, are born, not made. They naturally possess several indisputable qualities that define them:

- They care about people.
- They are optimistic by nature.
- They are generally good communicators.
- They have a natural charisma.
- They have a winning attitude and philosophy.
- They are decisive.
- They are good managers.
- They have vision.
- They are, to some degree, manipulative and selfish.
- They seek psychic income as much as, if not more than, real income.

When great leaders turn an organization into a winner, when they positively influence the careers and lives of tens of thousands of employees, or when they help a family or an individual deal with a crisis, they feel a shot of adrenaline from making a difference. But it's more than just something that makes them feel good: it defines their character. Great leaders are better givers than receivers because giving allows them to

demonstrate and exercise their character to others as well as to themselves in ways that receiving does not.

Historians often note that it takes great crises to produce great leaders. I do not believe it is either coincidental or a sign of divine providence that the three presidents usually cited as our greatest leaders were in office during the three greatest crisis periods in our nation's history: George Washington, Abraham Lincoln, and Franklin Delano Roosevelt. I have always felt there are defining moments when clouds and chaos darken the sky, and friends, employees, or peers look for someone to provide solutions rather than postmortems. How a person, whether a combat leader, an executive, a parent, or a friend, responds to these challenges helps define his or her character. The opportunity afforded by a crisis provides a stage on which great leaders can reach their full potential.

All of these insights remained just an interesting intellectual exercise for me until I faced a personal triggering moment: my son was graduating from high school and heading off to Yale.

Joseph is the youngest of my three children and my only son, and I wanted to give him a meaningful and memorable gift. I knew no material object, whatever the cost, would fit the bill. I recognized that with my son leaving the roost, I was running out of time to compensate for all the years of seventy-hour workweeks and all the evenings and weekends spent at charitable events. He was going away to college, starting a new, more independent stage in his life and in our relationship, and what did he really know about me?

I have never been one to fully share my feelings and thoughts with my family. That might surprise people who

know me through business and probably think of me as a typical outgoing, emotive Italian guy. I know stoicism is not politically correct these days, but I always admired my father's quiet strength. Because I am my father's son in many ways, most of what my own son knew about me didn't come from heart-to-heart father-son talks but from hearing some army buddy tell an embellished war story or listening to a business colleague deliver an overstated introduction at a testimonial dinner. I thought that for his high school graduation I should give my son something I had never offered him before: insights into who I really am, where I came from, and how I feel about not just him but family, work, education, life, friendship, marriage, money, politics, and everything else. I wanted to give him something I had unintentionally withheld from him and that had unintentionally been withheld from me as a young man: a chance to get emotionally close to his father.

I have always hand written letters to my direct reports throughout my corporate career. Sometimes these were brief notes at Christmas explaining why I had selected a particular gift for them. Other times these letters were lengthier and more detailed monologues, like when I wrote my good-byes and advice to my two dear friends who were succeeding me at UBS PaineWebber when I left. I have always felt that even someone as comfortable speaking off the cuff as I am can convey greater emotional and intellectual depth in letters than in telephone calls. I decided I would write a letter to my son.

Once I had committed to the idea, I spent hours each night writing notes and ideas in pencil on a legal pad. I started with my earliest memories, working chronologically. I began each writing session by going back over what I had written the

day before, looking for gaps, omissions, and things I should clarify or expand. I promised myself I would tell the whole story, warts and all. When the story finally reached the present, I put together as a conclusion a list of all the advice I wanted to pass on to my son, from the mundane (always tip service providers at least 20 percent) to the profound (everyone, regardless of his or her job or position, is an equally valuable human being who deserves to be treated with respect).

When I finished revising this letter to my son, I rewrote it, again by hand, in a nicely bound journal, and presented it to him the day he graduated from high school. He took the journal into his room that evening and read it straight through. When he finished, he came out with tears in his eyes that brought tears to my eyes. He told me it was the best gift he had ever received.

Some of my tears were from the joy of connection to my son. But some were from regret. As you will read in the following pages, I believe all successful, ambitious people are selfish to some degree. You cannot set self-focused priorities and work the long hours that success demands without stealing time and energy from your relationships with loved ones. And you cannot assume they will be as satisfied with your achievements or the money you have earned as you are. Those are your goals, not your family's. I know my children paid a price for my success. The letter I wrote to my son was one attempt to repay that debt. Today I regret I didn't write similar letters to my two daughters when they graduated from high school and went off to college.

Writing that letter to my son also rekindled a calling that had lain dormant. My earliest career goal was to be a teacher,

and throughout the careers I pursued, I always earned a special reward from mentoring young people. During my years at Merrill Lynch and UBS PaineWebber, this had been an informal process. I'd give commencement and other speeches at colleges and thoroughly enjoy the chance to engage with the next generation. I'd meet a young person by design or default, discern a spark that needed only encouragement to fully ignite, and offer him or her guidance and help. That letter to my son led me to create a formal mentoring program at my new consultancy, Centurion Holdings. I've brought in dozens of interns over the years and, often to the consternation of my staff, have devoted long hours to them. It was working with these young people that led me to write this book. I wanted to memorialize the best practices of leadership I'd learned and practiced and pass them on to those who will take up the mantle in the future.

I will tell you how I rehabilitated a company of scared and demoralized draftees after they lost twenty-seven of their comrades on an infamous hill in Vietnam. I will explain how I piloted a venerable but declining Wall Street firm through stock market crashes to emerge more profitable than ever before. I will write about how I helped my industry and my country weather the terrorist attacks of 9/11.

I hope my story will help you make the most of your own unique leadership gifts. By reviewing my own experiences and extrapolating from them a number of best practices, I can provide much of the knowledge needed to turn a good manager into a good leader. I hope my story can help a young person just starting out in business become an effective leader of a project team confronting a problem, teach a midlevel executive

how best to confront an emergency in a department or division, or inspire a corporate executive to steer an organization in a crisis. And I hope that reading about how I addressed crises and adversity may awaken the dormant leadership spirit in young people like my son and my interns who may have hidden within them the potential to be our nation's next generation of great leaders.

My one hesitation about writing a book was that it would seem a self-serving vanity project. I have been an instinctive leader my entire life. Although I certainly learned lessons from my parents, my military commanders, and my business mentors, my leadership style developed ad hoc. For much, if not most, of my life, I led from my gut. As I matured and climbed the corporate ladder to the corner office, my leadership became more premeditated and manipulative. There's nothing wrong with a leader using spin, exaggeration, or even manipulation, I believe, as long as it's being done for the right reasons and the end result has a positive impact on all of an organization's constituencies. For me to explain my leadership practices and pass them on to you, I cannot cite treatises, studies, or scholarly texts. All I have to point to for examples are the things I have actually done as a leader in times of crisis. Therefore, I ask your indulgence in the pages that follow for any stories that appear self-aggrandizing.

Similarly, I ask the indulgence of those with whom I grew up, went to war, and have worked. The anecdotes and stories I tell in this book are based on my own recollections. However, I've never been a diarist, and I have lived my life at a pace that provides little time for introspection or meditation. As you'll read, I am neither a second-guesser nor an

obsessive conductor of postmortems. Yes, I look for lessons learned, but my energy is always directed toward finding solutions and moving forward. If in the recounting of incidents in my past I have given short shrift to the roles and efforts of others, or have mischaracterized anyone's behavior, please accept my apologies. War stories, whether about actual combat or business battles, are not unlike fishing or golf stories. Sometimes things become more dramatic in the retelling. I have tried my best to avoid such embellishment. But if any has inadvertently slipped in, I hope you will chalk it up to the fading memory of a soldier rather than the pomposity of a corporate executive.

Six Precepts of Leadership

Reviewing my life and careers in the military and the corporate world, and recounting the crises I've faced and overcome, has led me to identify six recurring leadership precepts.

1. PROBLEMS REQUIRE SOLUTIONS

Successful leaders position themselves as an extension of the solution rather than just the articulation of the problem. In times of crisis, pragmatism has to take priority over anger, politics, and personality. A common reaction to a crisis is to look for someone or something to blame. Although postmortems are important to ensure mistakes aren't repeated, it's vital to focus initially on how best to solve the problem. Scapegoats can often turn into saviors.

2. BE THE ETERNAL OPTIMIST

Being positive, optimistic, and focused on "can" rather than "can't" leads to a winning perspective that permeates an organization and can make the difference between failure and success.

3. RECONCILE YOURSELF TO SELFISHNESS

One key to leadership is reconciling yourself to your own selfishness. High achievers are inherently selfish to some extent: the time and energy demands required will force you to steal time from your family and friends. Similarly, in times of crisis, you need to factor in the centrality of self-interest to all your partners: clients, shareholders, and employees. This is a natural human trait, and leaders can often use it to move organizations in the desired direction, while sometimes it needs to be fought against.

4. YOU CAN'T PREDICT A HERO

It's impossible to predict how individuals will react when they're facing a crisis or dire circumstances. That's just as true for people facing financial bullets as real bullets. Those who are vociferously aggressive and demonstrative prior to a crisis can vanish when things get difficult. And the peers or subordinates you always thought most loyal and supportive might be the quickest to flee what they perceive to be a sinking ship or perhaps even stab you in the back.

5. THE TRUTH IS NEVER WRONG

Facts are stubborn. As much as you might like to have more time or wish for greater resources, to succeed in a crisis requires accepting the reality of a situation and working within its parameters. The truth is never wrong. You can't let enthusiasm, determination, or even patriotism stand between you and reality. Success doesn't come through hoping for long-shot, best-case scenarios to come true. It comes from asking questions, using whatever time is available to deliberate, and then taking action.

6. HUMANITY IS MORE IMPORTANT THAN HIERARCHY

The irreplaceable element of a good leader is that he or she cares about people. To lead effectively, you need to keep hierarchy separate from humanity. Positions and titles merit respect, regardless of who occupies or holds them. But so do individuals, regardless of what position they hold or title they have. You need to remember that your assets ride up and down the elevators. Efficient use of human assets is vital for overcoming crises.

I'd be remiss if I didn't add a cautionary note before I get much further in my discussion of leadership. Whether it sprang from my eternal optimism, my Green Beret training, or both, for most of my career I have believed that I could win the hearts and minds of anyone and everyone. It took me years to learn I was wrong. Even when you have cultivated a winning culture and built an effective team, there will remain a handful of

naysayers and a small number of goldbricks who refuse to pull their weight. Remember that leadership is gaining the *willing* support of your subordinates. There will always be a few who refuse to be led no matter how dire the straits and how dynamic the leadership. That is why every leader needs to adopt as an attitude a quote I once read: "No passengers, no prisoners." When, despite all your efforts, a few holdouts don't contribute to the shared effort, let them go. No passengers! And when a splinter group continues to focus on the negative and doesn't want to be part of the team, let them go as well. No prisoners!

With that caveat duly noted, the following chapters explain and expand on the six precepts I've outlined drawing on my experiences. In the process, I hope that I help you fulfill your potential as a business leader.

I have one other secret hope for this book: that some of you who have stolen time from your spouses to further your careers, who are spending most of your hours of consciousness focused on your division rather than your children, who have never revealed your emotions to your family, will be inspired to write your own letters for your own loved ones.

I know those are some pretty big goals to set, but I've always aimed high.