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Putting One's House in Order

Frances Hesselbein

The first step to "put one's house in order" is to employ Peter Drucker's concept of "planned abandonment" and to reject outmoded organizational policies, practices, and products. This involves reviewing the organization's mission, customers, what the customers value, results, and plans to attain organizational goals. A second step is to examine the organization's leadership strengths, needs, and approaches; its allocation and development of human resources; its communication of mission and values; and its diversity. The third step of proactive change is introspection and planning for personal development. By aligning the organization's plan for the future with its plan for leadership and our own personal plans, we become more integrated and innovative.

Jack Welch, former chairman and CEO of General Electric, once compared his organization to an old house. Over many years all organizations, especially established ones, accumulate outmoded practices, policies, and procedures; the leader's job, he said, is to clean out the attics and closets. We need to take stock, assess our organizational estate, and discard what no longer works. Clearing the cobwebs from this old house is an adventure in "planned abandonment," to use Peter Drucker's evocative phrase.

As this year fades, it is natural to look back to what we have accomplished and look ahead to what is possible. It is a time of profound assessment. We know that the future demands a new approach to planning, and to leading change. "Business as usual" is dead. Vision, mission, and courage will carry the day.

To move from vision to action, to lead vibrant organizations that can flourish in the 2000s, consider an exercise that for generations has helped people refresh and renew their lives: spring house cleaning. A passionate western Pennsylvania value (my roots are showing), this practice is invaluable in the life of an organization and its leaders.

Three Dimensions of Change

For today's organizations, cleaning the attic—"getting one's house in order"—means, first of all, revisiting one's *mission:* the short, powerful, compelling statement of why the organization does what it does, its reason for being. From a passionate, relevant mission flow the few powerful goals that reflect the organization's vision of the future. And from those goals flow the objectives, action steps, and organizational tactics that will carry the enterprise forward. We ask the five classic questions that Peter Drucker has charged organizations to answer for the past 60 years: What is our mission? Who is the customer? What does the customer value? What are our results? What is our plan?

But creating this organizational coherence is just the first imperative of change. The second dimension of good housekeeping is the plan for the *leadership* of the organization. Preparing our leadership house for the future requires as much time, energy, and rigor as the strategic plan for the enterprise itself.

To create a plan for the leadership corps we must ask ourselves several more questions. These include:

What are our leadership strengths?

What are the areas to be strengthened?

Are we leading from the front? Do we anticipate change and articulate shared aspirations, or simply react to crises?

How do we deploy our leaders, our teams, our people to further the mission and achieve our goals?

Do we use job expansion, job rotation, and opportunities for development in innovative ways to release the energies of people and increase job satisfaction?

Do our leaders see themselves as the embodiment of the mission, values, and beliefs of the organization?

How can we sharpen communication skills and attitudes—knowing communication is not merely saying something, it is being heard?

Are we building today the richly diverse, inclusive, cohesive organization that our vision and mission demand?

The answers to these questions help us build effective teams, deploy appropriate resources, and develop energetic leaders in response to goals and objectives.

The third dimension of change—getting our *personal* house in order—is perhaps the most challenging, and most neglected. It requires reserving the time, building the psychic energy, for introspection. When society is transformed, the organization is transformed, and in the end, we ourselves are transformed. We play an active role in all three.

Just as leaders are responsible for understanding their organization's strengths and preparing for its future, we must assess our personal strengths and take responsibility for planning our own development. For each of us, this will require listening to the whispers of our lives. We look at the intensely personal challenges of our health, our well-being, our relationships with others, and the promptings of our spiritual life—however we define it.

Bringing the Search Home

From such reflection we can set the goals of our own work—for instance, work-life balance—and ensure that our lives are consistent with the values and mission of the organization we are building. In our personal plan—written, not rolling around in our head—we are responsible for our own development, with checkpoints along the way.

I once talked with a highly successful CEO who shared with me his plan for 2000—he called it his "learning journey." It included fewer "things to do," greater focus, and more time for writing and for family—and specified deadlines for action. This went far beyond the business plan for a successful organization; it was the personal plan for a successful life.

When we align the organization's plan for the future with the plan for its leadership and with our own personal plan, they become one: the powerful symbol of the integrated, innovative organization of the future and its leaders. We look to other leaders, past or present, whose personal vision and values were congruent with the credo, the values of their organization. For instance, James Burke, former CEO of Johnson & Johnson, continues to inspire and motivate through his example, his results, his legacy.

Effective leaders have learned that moving from vision to reality requires a road map, a business plan for the future. When we create a vision for the institution, its leadership, and ourselves, we create a new house. We have left behind business as usual in all we see and do. It is an exuberant journey. It is called managing the dream.

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High Reliability

The Power of Mindfulness

Karl Weick and Kathleen Sutcliffe,
with David Obstfeld

The effectiveness of high-reliability organizations, such as air traffic control centers, stems from the ability to respond to fluctuating conditions. Collective mindfulness, which can be developed in any organization, consists of: (1) viewing any failure as a systemic problem to be examined and learned from; (2) reluctance to simplify interpretations; (3) integrated sensitivity to and communication about operations throughout the organization; (4) commitment to resilience; and (5) fluidity of decision-making structures.

A patient is wheeled into the emergency room in cardiac arrest. A team of doctors and nurses leaps into action. Within minutes the patient's heart rate is stabilized and the team disperses.

The crew of an aircraft carrier works nonstop, managing the steady stream of take-offs and landings. In a moment of crisis crew members with appropriate experience break ranks, quickly form a group to contain the crisis, then return to their positions.

In a quiet air traffic control center, several controllers leave their posts to assist a colleague managing an unusually high

volume of traffic. Backup controllers step into the vacated positions. Gradually people fall back to their original stations.

Casual observers might think these were tightly scripted, well-rehearsed activities. Individual players knew their roles, had often encountered these situations, and had only to do what they had always done to work effectively and reliably. However, research on operations such as these—known as high-reliability organizations (HROs) because of the potential for catastrophic outcomes should they fail to execute—reveals that the opposite is true. Their reliability is not due solely to standardized routines, which would have the individuals enacting the same set of actions over and over. Rather, their reliability comes from an ability to ensure stable outcomes despite working conditions—and responses to those conditions—that can vary wildly.

What do HROs have to do with other organizations? After all, unlike a nuclear power plant, neonatal care unit, or warship, most enterprises operate in a relatively forgiving environment. However, with increased competition, high customer expectations, and reduced cycle time, today's business environment is in fact very harsh. Although lives may not be at stake, livelihoods may be. All high-performance organizations aim to deliver the consistency, quality, and responsiveness of the best HROs. Yet as they are driven to squeeze slack out of their operations through downsizing, mergers, resource reduction, or complex distributed computer technologies, these same organizations are at risk for a host of failures.

Furthermore, most enterprises look for ways to give individuals the opportunity to build expertise, discover and correct errors, and apply their learning to each new problem—what HROs do at their best. We call this organizational competence *collective mindfulness*. By that we mean the capacity of groups

and individuals to be acutely aware of significant details, to notice errors in the making, and to have the shared expertise and freedom to act on what they notice. Like other organizational capabilities, mindfulness can be developed through effective organizational and leadership practices.

Five Keys to Mindfulness

In reviewing years of research on HROs, we looked for how these organizations sustain reliability in the face of persistent high risks and fluctuating conditions. What operational or organizational strategies allow them to respond effectively to sudden changes? We discovered that a state of collective mindfulness grows out of five qualities common to the best HROs:

- Preoccupation with failure
- Reluctance to simplify interpretations
- Sensitivity to operations
- Commitment to resilience
- Fluidity of decision-making structures

Each of these qualities encompasses a distinctive set of organizational skills.

Preoccupation with Failure

It is through failure—trial and error—that much learning in organizations occurs. But because the cost of failure is so high, and the occurrence of any given type of failure so rare, HROs have fewer opportunities for such learning. Therefore, they must find

ways to do more with less information, to maximize what they can learn from the failures that do occur.

Effective HROs encourage the reporting of errors and regard any failure, no matter how seemingly isolated, as a signal of possible weakness elsewhere. This is a very different approach from that of most organizations, which tend to localize failures and view them as specific rather than systemic problems. Many researchers have observed a by-product of this attentiveness to all failures. In contrast to their minor role in most organizations, maintenance departments in HROs become central locations for organizational learning. Maintenance workers tend to encounter the largest number of failures, at earlier stages of development, and have an ongoing sense of vulnerabilities in technology, sloppiness in operations, gaps in procedures, and sequences by which one error triggers another.

To further increase their knowledge base, the best HROs also encourage and reward the reporting of errors, even going so far as to reward those who have committed them. Researchers Martin Landau and Donald Chisholm, for example, describe a seaman on the nuclear carrier *Carl Vinson* who reported the loss of a tool on the deck. All aircraft aloft were redirected to land bases until the tool was found, and the seaman was commended for his action—recognizing a potential danger—the next day at a formal ceremony. Similarly, Harvard Business School professor Amy Edmondson found, contrary to her hypotheses, that the best-performing nursing units had *higher* detected rates for adverse drug events than did lower-performing units. She interprets these results to mean not that more errors were committed in the better units, but that a climate of openness made people more willing to report and discuss errors and to work toward correcting them.

What also sets effective HROs apart is the way they perceive failure in relation to success. The best HROs regard close calls—for example, a near collision in aviation—as a kind of failure that reveals potential danger. Less effective HROs see close calls as evidence of success and an ability to avoid disaster.

Reluctance to Simplify Interpretations

Humans handle complex tasks by simplifying their interpretation of events. These simplified worldviews, frameworks, or mind-sets allow people to ignore information that may hamper efficient decision making. Indeed, all organizations are defined by what they ignore. This means, of course, that they are also defined by what can surprise them. Effective HROs pay attention to what is overlooked in the effort to manage ambiguity; they generally know more about what they *don't* know. Some have characterized this as an attempt to match external complexity with internal complexity. This effort takes a variety of forms, such as checks and balances embedded in diverse committees and meetings, frequent adversarial reviews, recruitment of employees who bring new experience and expertise, frequent job rotation, and retraining.

HROs continuously assess their procedures, rejecting some and adjusting others, to fight complacency and rigidity. This ongoing process of renewal and reevaluation requires a diverse set of perspectives within the organization, as well as mechanisms that allow those perspectives to be applied. This is not a simple matter.

A group with many diverse perceptions has more information at its disposal; what it may not have is a way of tapping the full range of this information. As diverse groups work to solve

problems—whether to contain an emerging crisis or to formulate long-term strategy—they run the danger of drawing on only those perceptions that are held in common, while ignoring, discarding, or discounting perceptions that are unique. Because it is typically the perceptions that are *not* common, the ones that diverge from the norm, that hold the key to detection of dangerous anomalies, HROs put a premium on skills that allow groups to uncover unique information. For this reason, effective HROs tend to nurture interpersonal skills, mutual respect, and trust, and discourage hubris, stubbornness, and self-importance.

These attributes also allow HROs to cultivate a high degree of skepticism with the aim of combating the human tendency to simplify. When a report is met with skepticism and the skeptic makes an independent assessment, there are then two observations where originally there had been only one. The second set of observations may itself be double-checked by still another. This redundancy is based on the notion that all humans are fallible and that skeptics improve reliability.

Sensitivity to Operations

People in effective HROs tend to pay close attention to operations, and they consider such attentiveness an enterprisewide task. Even the most talented and sophisticated leaders have a limited ability to register the entirety of an organization and its complex operating environment. HRO leaders, therefore, deploy resources so that many others can see what is happening, comprehend what it means, and project into the near future what these understandings predict will happen. By developing an integrated picture of operations in the moment, people make many small adjustments that prevent errors from accumulating.

Maintaining a heightened awareness of current operations must be a shared responsibility, one that is in a constant state of revision. How do HROs achieve this sensitivity to operations? In nuclear power plants, for example, the key to a successful "planned outage"—a difficult maintenance procedure—is not only the formal delegation of authority to craft workers but also the nearly complete availability of top management to provide support. This assures that any problem can rapidly receive the attention it requires at all levels of the organization, according to Mathilde Bourrier, in research for the European research consortium COTCOS.

This approach captures what occurs in effective HROs as they employ a range of strategies—such as situation assessments with continual updates and active diagnosis of planned procedures—to sustain a collective sensitivity to all aspects of operations. What emerges is a rich picture of ongoing group interaction and communication about actual operations and workplace characteristics. Because this complex level of awareness is beyond any single individual, effective HROs tend to be more aware of the potential for overload of any one of their members.

Commitment to Resilience

Anticipation, in the words of the late political scientist Aaron Wildavsky, involves the "prediction and prevention of potential dangers before damage is done." He defined resilience, on the other hand, as "the capacity to cope with unanticipated dangers after they have become manifest, learning to bounce back." Traditional organizations typically rely on anticipation of expected surprises, risk aversion, and planned defenses against foreseeable risks. Effective HROs, however, are both anticipatory *and*

resilient. The capacity for resilience is what sets HROs apart from traditional organizations, and manifests itself in many forms.

The aircraft carrier crews who organize into ad hoc teams, provide expert problem solving, and return to other duties when a crisis abates exemplify resilience. Such teams allow for rapid pooling of expertise to handle events that are impossible to anticipate. The ability to come together informally as the situation demands increases the knowledge and actions that can be brought to bear on a problem. However, resilience involves more than simply knowing how to regroup during a crisis and keep going. To be resilient also means being able to come away from the event with an even greater capacity to prevent and contain future errors.

Another critical element of resilience is the capacity for improvisation, which allows the organization to expand exponentially not only the range of actions in its repertoire but also the range of potential threats it can foresee. People tend to notice what they can do something about; the greater their capacity to improvise, the greater the variety of threats they are able to anticipate. Ultimately, resilience brings an improved ability both to anticipate and to deal with the unanticipated. For example, medication errors in an intensive care unit were reduced about 66 percent when a pharmacist was added to a team of doctors and nurses making rounds. By expanding the network and range of capabilities, the team was able to notice more mistakes and correct them before they became catastrophic.

Fluidity of Decision-Making Structures

One obvious strategy for reducing error would seem to be the adoption of orderly procedures. Yet even though specified pro-

cedures have a place in HROs, they can also backfire by expanding the effects of errors that do occur. For example, an investigation of the space shuttle *Challenger* disaster showed that NASA's orderly routines enabled the erosion of O-rings to persist and be accepted as normal by more units than if procedures had been less regimented. Any orderly hierarchy can amplify errors, especially when those miscues occur near the top. Higher-level errors tend to fuel lower-level errors, making the results harder to manage. As seen in the *Challenger* incident, it is the very reliability that HROs cultivate that makes it possible for small errors to spread, accumulate, interact, and trigger serious consequences. Ironically, HROs are sometimes failure-free in spite of their orderliness, not because of it.

To guard against these dangers (and to enhance the capacity for resilience), effective HROs allow for moments of organized anarchy. Whereas in a closed hierarchical structure, critical choices are made by "important"—high-ranking—decision makers, the best HROs loosen the designation of who is important when certain problems arise. This allows decision making to migrate to people who may have more relevant expertise—and increases the likelihood that new capabilities will be matched with new problems. Migration achieves flexibility as well as orderliness. These HROs recognize—and operationalize—a principle that often escapes decision makers at critical moments: expertise and experience are usually more important than rank. HROs allow expertise at the bottom of the pyramid to rise to the top when needed.

For example, Loma Linda Children's Hospital has developed a way to prevent the accidental displacement of a patient's throat tube. When a nurse believes that the child's agitation may cause the tube to be dislodged, the nurse asks the resident physician for

an order to increase sedation or paralysis. Residents have been taught to respect the nurses' recommendations. Requests by the nurse for an increase in medication are not denied.

Lessons from HROs

Effective HROs present a compelling picture of people working in fluid but orderly ways to focus energy and expertise where and when they are needed. The best HROs understand the dangers of complacency, inattention, and predictable routines, all of which can increase the likelihood of error. They maintain a delicate and complex balance of processes that encourage continuous learning and improvement, while at the same time promoting order and reliable performance. This is a powerful combination.

What are some of the specific lessons that other organizations can learn from HROs? How can others develop the five qualities that drive HROs toward mindful action? To enhance collective mindfulness, leaders must

- *Cultivate humility*. Appreciate the traps inherent in short-term success and false optimism. Leaders try to see the value of increasing organizational learning through a healthy skepticism about their own accomplishments and a greater awareness of potentials for failure.
- *Seek variety*. Reassess networks within one's system with an eye for the diversity of experience, expertise, and perspective they bring together to solve problems. Then create processes, practices, and interpersonal skills to resolve the conflicts that can result from such diversity.

- *Invent new models*. Consider how to loosen hierarchies so that the number of ad hoc networks of expertise can be expanded. Use frontline people—for example, those who work with warranty returns, customer service, or tech support hot lines—as key troubleshooters, much like the maintenance workers in HROs.
- *Be flexible*. Look for ways to foster true resilience to offset lapses in anticipation and forecasting. As pressures increase to do more with less, develop strategies for guarding against job burnout.
- *Build excess capacity*. Realize that by eliminating apparently redundant positions one may be losing experience and expertise, and that loss can limit the repertoire of responses available to the organization.
- *Question assumptions*. Understand that leadership is as much about managing error as it is about achieving formal organizational goals—and explore how people in the organization decide what constitutes error and how they preserve attention to reliability.

In the face of increasingly complex and competing demands, all enterprises—in manufacturing, education, finance, public service—operate in a less and less forgiving environment. Pressures for reliability are increasing for all organizations (as evidenced, for instance, in the total quality movement of recent years). When Saturn has to inform customers that their car seats are defective and need to be replaced, when tainted cans of Coca-Cola are found in Belgium, or when airlines regularly lose passengers' luggage, the effects may not be catastrophic (no

one may die), but the losses these companies suffer—measured in customer confidence and resources spent to rectify the errors—can be huge. In the face of massive consequences from unforeseen events, mindfulness is a skill that no organization can afford to ignore.

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3

The Marketing of Leadership

Philip Kotler

Leaders must be able to market their visions and organizations to employees, customers, suppliers, partners, and investors. This starts with identifying stakeholders' needs and expectations. Internal marketing is accomplished through getting into the trenches, listening and responding to employees, using 360-degree feedback to assess leader performance, articulating a worthy goal and how people's work contributes to the goal, providing growth opportunities and a positive work environment, and providing financial and psychic rewards.

It has often been noted that we need to develop strong leaders at every level of the organization. We count on people throughout our workplaces and communities to provide the vision, context, understanding, and resources for the future. We also need leaders who understand marketing. Marketing is not just the job of the marketing department. It is a key skill needed by leaders.

Leaders who hope to make a difference must be able to market their visions and ideas to many groups within and outside the organization. Today's CEO needs to take a *stakeholder view*, not only a *shareholder view*, of the enterprise. History suggests

that the approach exemplified by former Scott Paper and Sunbeam CEO Al Dunlap—ruthlessly cutting costs, eliminating jobs, and shortchanging supplier and distributor relations in order to increase short-run profits (and temporarily inflate stock prices)—has been taken as far as it can go. There is little fat to spare in most organizations today, and the marginal gains that can be realized from that approach too often put the future of the enterprise in jeopardy.

An effective leader knows that the organization is only as strong as its weakest link. Unhappy employees, suppliers, distributors, dealers, or end-users can sink the ship. An increasing number of CEOs are managing their companies—Hewlett-Packard, Xerox, Rockwell, and many others—with "the Balanced Scorecard" approach developed by Robert Kaplan of Harvard, which measures customer and employee satisfaction, innovation, knowledge creation, and effectiveness of mission as well as financial performance.

The widespread downsizing in recent times has almost fatally hurt employee loyalty. In far too many companies, employees simply don't trust their bosses. That mistrust, as executives and shareholders are learning, carries a high price. Employees are increasingly looking out for themselves. Especially in knowledge-based organizations, they are taking the "new employment contract" at face value, cultivating valuable skills that in today's tight labor market they can sell to the highest bidder. It is a major challenge for a CEO to rebuild a culture of loyalty that has been destroyed by downsizing. Unless the bosses also take pay cuts when they impose one on the troops and otherwise commit themselves to the kind of teamwork and new ways of working that they demand of their constituents, they simply won't be trusted. In the absence of that trust, no meaningful change can be sustained.

Knowing the Internal Market

Hal Rosenbluth, who runs a national travel agency with $2.5 billion in revenue, wrote a best-selling book with the surprising title *The Customer Comes Second*. In service businesses such as hotels, restaurants, and banks, satisfying the employee is arguably the No. 1 job of managers. Bill Marriott Jr. says that if he has managed to satisfy his employees, then they will satisfy the customers, the customers will come back to Marriott hotels, and the stockholders will be rewarded. So Marriott and other service leaders work hard to meet the interests of their employees. This task has been called *internal marketing* because managers are trying to sense, serve, and satisfy an internal market, the employees.

Leaders can better learn the needs of their internal customers in a number of ways. General Electric's Jack Welch instituted the Work-Out program, in which his division heads listened to their employees' ideas, gripes, and suggestions and got back to them with answers. Many companies, including industry leaders like Levi Strauss, Sun Microsystems, Nortel, and GE, use 360-degree feedback for employees to assess their bosses' performance in key areas of leadership and management.

Increasingly, managers have a personal stake in employees' and customers' effectiveness. But bosses need not wait for formal feedback to identify their organization's and their personal strengths and weaknesses. They can understand their workers' needs by getting into the trenches and assuming a worker's role. For instance, one week a year senior managers at McDonald's, at Disney, and at ServiceMaster leave their offices and take up the job of cooking hamburgers, taking tickets, cleaning hospital rooms, and meeting employees and customers. Such frontline exposure gives executives important insights into the internal

and external market and sends a message to employees that management is concerned about the real-world issues of serving customers.

Selling the Dream

What distinguishes leaders from managers is the ability to articulate not just a working plan but an inspiring dream. Both are essential, but leaders have a more challenging responsibility than managers. They must stretch the sights of their followers to embrace a worthy goal to be reached, and show how people's everyday work contributes to the goal. And that goal must be articulated not in financial terms so much as in social-benefit terms. A fertilizer company does not simply make fertilizer; its aspiration should be to help feed the hungry. A hotel does not simply peddle rooms; it creates a home away from home. Combined with effective internal marketing of the company's professional growth opportunities, positive work environment, and financial and psychic rewards, a clear and compelling mission provides powerful incentives for employees to commit their best efforts. Consider the simplicity—and hence the power—of Microsoft's mission: "to put a computer on every desktop and in every home." Or Avon Products: "to understand and satisfy the product, service, and self-fulfillment needs of women globally." Or Coca-Cola: "to place a Coke within an arm's reach everywhere in the world."

Leaders, in short, communicate the unique mission, vision, and values of the organization to customers, employees, investors or donors, and communities. They are strategists, ambassadors, and evangelists for their organization and its cause. They are, in the fullest sense of the word, marketers. Effective marketing, after all, begins with a deep understanding of and

respect for the customer—and senior executives serve many customers inside and outside the walls of the organization. In a truly customer-focused organization, leaders, like marketers, communicate that understanding and respect through the quality of their daily actions.

Looking from the Outside In

It's easy for those in such disciplines as manufacturing, finance, or operations to focus on the inner workings of the organization and miss seeing when the company is out of sync with the changing marketplace. CEOs with a marketing background more readily recognize the rapidly changing currents in the marketplace and can sense when new initiatives are needed to keep the ship afloat. They take the broadest possible view of marketing, looking beyond promotion and distribution, or even market research and strategy. They see marketing as an enterprisewide philosophy of value and wealth creation, as Peter Drucker so keenly expressed.

Effective leaders, like effective marketers, are outside-in thinkers, not inside-out thinkers. They start with the needs of the marketplace, not with the needs of the organization. Great products and services are designed in the marketplace—literally—with customers taking the lead in expressing their needs and assisting companies in developing solutions.

That is why a major task of the leader is to get everyone in the organization to see the customer as the center of their universe. Staff members must recognize that the company doesn't pay them; the customers do. Senior management must spell out how each group and individual in the company affects customer satisfaction and retention, and what it costs the company when a customer is lost. They must remind people throughout the organization that

the essence of marketing is not selling, nor even the "four P's" of product, price, place, and promotion. The essence of marketing is the voluntary and beneficial *exchange of value*. Whether the "buyer" be a customer, employee, investor, or funder, both parties in any transaction must feel they are gaining more than they are giving up. Unless the organization understands that buyer well enough to offer clear perceived value, there is no basis for an exchange.

New Models of Marketing

Unfortunately for most organizations, that broad understanding of customers, and of marketing itself, is unusual. Too many companies are still product-centered and product-organized. They want their marketers to sell their products, whether or not those products match what customers at the time really need and want. And that is why CEOs increasingly express their disappointment with the performance of their marketing operations. Each year they budget more money for marketing—the lion's share of which typically goes to advertising, sales promotion, and sales activity—and seem to get less for it. These companies are still practicing mass marketing and failing to recognize the highly varying needs of groups and individuals within the market. In recent years, fortunately, some companies are scaling their marketing programs to more clearly targeted groups and individuals and are achieving more measurable results.

The CEO must play a major role in installing a newer type of marketing in the organization, one using the new tools and technologies available for marketing in the new millennium. The CEO should be the organization's chief marketing officer. As such, he or she should participate personally in some mar-

keting engagements, especially selling large business-to-business projects. CEOs of companies that buy large information systems, power systems, and other critical items are usually involved in the purchase decision. It makes sense for the CEO of the selling company to be equally involved.

Part of Lou Gerstner's success in revitalizing IBM is the result of his spending 30 percent of his time meeting customers. GE's Jack Welch also recognized the importance of selling from the top. He changed the title of each major division chief from vice president to CEO; GE now has 13 CEOs to call on senior executives in customer companies. Welch personally called on over 100 of GE's major customers each year. Equally important, he devoted at least half his time to his company's "people issues," visiting with, assessing, and cultivating management talent, and leading monthly sessions at GE's Crotonville training center. He engaged thousands of managers in the course of his work, articulated company goals and expectations, and made clear that it is part of the manager's job to identify and exploit market opportunities. As GE's performance demonstrates, that approach is not only great leadership, it is great marketing.

How Leaders Use Marketing Skills

Just as good leadership practices—defining a vision, building shared values, looking beyond the boundaries of the organization—can enhance marketing, so too can the principles of effective marketing enhance leadership. Like good marketers, leaders must understand the needs and expectations of their audience—and understand their own strengths and weaknesses. Rather than trying to be all things to all people, they must know who they are and be true both to themselves and to their vision

of the future. They may be gazelles, moving quickly to correct their course, but they cannot be chameleons, changing colors to suit the circumstances.

Leaders must deliver on their promises. That is the leadership equivalent of the money-back guarantee. Every great brand builds trust, confidence, and rapport with those who use that product. So too must leaders be reliable and keep faith with customers, employees, and investors.

That a customer-focused, mission-based mind-set is essential to both marketing strategy and effective leadership is evident in the rise of broader marketing applications—the marketing of social ideas, places, and organizations. Whether advancing a cause, an entire community, or an institution, leaders are usually trying to influence behavior; they are asking others to take action, to donate time or money, or to make a commitment in return for achieving a desired change. They must not just provide a way to contribute but be able to show that each contribution is appreciated and has made a difference.

Effective nonprofit leaders understand that the services they provide are largely inseparable from the people who deliver those services or from the organization as a whole. They are therefore tireless in

- Reminding volunteers and staff of the organization's reason for being
- Establishing a customer-first attitude at the front line
- Providing feedback systems and measuring results
- Giving people the tools to make decisions and act in the best interests of the customers

- Matching responsibilities to individual capabilities, setting clear goals, and treating volunteers and staff like the professionals they are

Such practices, well understood in the nonprofit world, are having an impact on businesses as well. They are the essence not only of good leadership practices but of good marketing.

Reading the Future

Yet another marketing skill that serves leaders well is anticipating the future. Smart marketers—and effective leaders—try to imagine both new threats and new opportunities. In fact, they are able to tease out opportunities that might initially appear to be threats. It doesn't take much sleuthing to see what is happening around us.

- The dramatic aging of industrial societies and the growing need for health care, financial services, alternative housing arrangements, and other personal services. Remember, though, our older population will be very different in nature, not just in size, from past generations. The attitudes of those now 55 and older remain closer to those of 35- to 40-year-olds than their parents' were at a similar age; in old age as in youth, Baby Boomers will be unlike any cohort that preceded them.
- The growing segmentation of the population into high- and low-income groups, with the once rock-solid middle class shrinking. Increasingly, companies

will have to target their offerings either to affluent consumers demanding top quality and personalized service or to those demanding no-frills products and services at the lowest possible price.

- Consumers' demand for entertainment and its influence on travel, retailing, even museums, schools, and libraries, which now try to create an "experience" that attracts new customers. Organizations must learn to provide a destination or an event, not just a place of business or a service.
- All customers' rising expectations for quality, pricing, and service excellence. Even at the low end of the market, consumers expect basic levels of quality, service, or convenience. The key is to design every product or service to meet the price and quality demands of a specific target group.

These trends have clear implications for marketers, but also for organizational leaders who must develop strategies that suit the changing needs of the workforce as well as those of the marketplace.

Organizing for Success

Whether we realize the full potential of our organizations' marketing capability will depend largely on another question that only senior leaders can decide—how the organization, and the marketing function itself, is structured. To reduce turf battles and improve responsiveness, many organizations' sales, marketing, R&D, distribution, and finance departments are becoming far

more integrated. This does not mean that the marketing department should be dismantled; market planning, strategy, and coordination are key activities that logically belong to a marketing unit. But as in all realms of the new organization, marketers' responsibilities and relationships are changing. Thus the power of once-omnipotent brand managers, who controlled the destiny of their particular product, might be supplanted by market managers, who see what strategies or product mix will best serve the needs of each particular market group; or by process managers, who integrate the diverse activities involved in achieving a particular set of customer-based outcomes.

That is why leaders can never be far removed from the marketing function. A key role of leadership—focusing people's attention on what is best for the customer and for the organization, rather than for any one department—becomes paramount. As Hewlett-Packard cofounder David Packard has said, "Marketing is far too important to leave to the marketing department." In the end, marketing, which by definition must focus on the market, is the CEO's—and everyone's—business.

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