

THE JOURNAL OF JVBL VALUES BASED LEADERSHIP

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VALPARAISO UNIVERSITY

Fundamental Moral Orientations:

Implications for Values-Based Leadership

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Valparaiso, IN

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Clara University, Santa Clara, CA

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JVBL Mission Statement

The mission of the JVBL is to promote ethical and moral leadership and behavior by serving as a forum for ideas and the sharing of “best practices.” It will serve as a resource for business and institutional leaders, educators, and students concerned about values-based leadership. *JVBL* defines values-based leadership to include topics involving ethics in leadership, moral considerations in business decision-making, stewardship of our natural environment, and spirituality as a source of motivation. The Journal strives to publish articles that are intellectually rigorous yet of practical use to leaders and teachers. In this way, the JVBL shall serve as a high quality, international journal focused on converging the practical, theoretical and applicable ideas and experiences of scholars and practitioners. The JVBL will provide leaders with a tool of ongoing self-critique and development and teachers with a resource of pedagogical support in instructing values-based leadership to their students.

Call For Papers

The *Journal of Values-Based Leadership (JVBL)* invites you to submit manuscripts for review and possible publication. The *JVBL* is dedicated to supporting people who seek to create more ethically and socially-responsive organizations through leadership and education. The Journal publishes articles that provide knowledge that is intellectually well-developed and useful in practice. The *JVBL* is a peer-reviewed journal available in both electronic and print fora. The readership includes business leaders, academics, and students interested in the study and analysis of critical issues affecting the practice of values-based leadership. *JVBL* is dedicated to publishing articles related to:

1. Leading with integrity, credibility and morality
2. Creating ethical, values-based organizations
3. Balancing the concerns of stakeholders, consumers, labor and management, and the environment
4. Teaching students how understand their values and how values impact organizational performance.

In addition to articles that bridge theory and practice, the *JVBL* is interested in book reviews, case studies, personal experience articles, and pedagogical papers.

If you have a manuscript idea that addresses values-based leadership, but you are uncertain as to its propriety to the mission of the *JVBL*, please contact one of its editors.

While manuscript length is not a major consideration in electronic publication, we encourage contributions of less than 20 pages of double-spaced narrative. As the *JVBL* is in electronic format, we especially encourage the submission of manuscripts which utilize visual text.

Manuscripts will be acknowledged immediately upon receipt. All efforts will be made to complete the review process within 4-6 weeks.

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The *JVBL* seeks work that is clearly written and relevant to the Journal's central theme, yet imbued with analytical and intellectual excellence. In this respect, the editorial review board shall consist of both leading scholars and respected high-level business leaders.

All manuscripts undergo a two-stage review process:

1) The editor and/or his or her representative, will conduct a cursory review to determine if the manuscript is appropriate for inclusion in the *JVBL* by examining the relevance of the topic and its appeal to the Journal's target readership. The editor may: a) reject the manuscript outright, b) request submission of a revised manuscript which will then be subject to a comprehensive in-house review, or c) forward the manuscript for review pursuant to the provisions of paragraph 2.

2) The editor will send the manuscript to three reviewers consisting of at least one scholar and one practitioner. The third reviewer shall be chosen at the editor's discretion, depending upon the nature of the manuscript. Once reviews are returned, the editor may: a) accept the manuscript without modification, b) accept the document with specific changes noted, c) offer the author(s) the opportunity to revise and resubmit the manuscript in response to the reviewers' and editors' comments and notations, or d) reject the manuscript. To be considered publishable, the manuscript must be accepted by at least one of each type of reviewer.

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WELCOME!

It is an honor and a privilege to welcome our readership to the Valparaiso University College of Business Administration's Journal of Values-Based Leadership.

With an increasingly global economy, financial opportunities present themselves in both the developed and the developing world, and with these opportunities come the concomitant duties of greater accountability to a broader range of stakeholders and more conscientious stewardship of environmental resources. Legislating ethics has been the immediate response to incidences of corporate greed and wrongdoing in the recent past, but more pervasive accountability is yet to be fully addressed. The true call to promoting corporate responsibility rests with a new generation of leaders who infuse teamwork, sustainability goals, and respect for human and environmental resources into their daily decision-making activities.

Acknowledging the importance of this critical need for values-based leadership, this journal has been created, offering leadership ideas and views expressed by both business practitioners and leading academicians alike.

Michael McCuddy, Professor of Business Ethics at Valparaiso University's School of Business, provides a general paradigm of moral leadership in his opening article, "Fundamental Moral Orientations: Implications for Values-Based Leadership." The Honorable Richard G. Lugar of the United States Senate makes specific application of leadership roles in defining the world's energy crisis and identifying potential workable solutions. Co-authors and noted educators, James M. Kouzes and Barry Z. Posner, Ph.D, describe how true leaders become authentic and credible only after identifying their own values and core beliefs. Joseph "Bud" Ahearn, Senior Vice-President of CH2MHill, one of the world's largest engineering companies, and Katherine W. Dean, Senior Vice President of Personal Wealth Management for Wells Fargo, both offer practical applications of injecting principles of altruism into their respective management roles. Finally, Dr. Mark S. Albion, Co-Founder of Net Impact, provides both myths and examples of how to capitalize values effectively while James O'Toole concentrates upon defining the seemingly indefinable concept of Values-Based Leadership.

We hope that you will benefit from the insight of these noted individuals and will look forward to future issues offering additional perspective to assist in defining and applying principles of values-based leadership to both the workplace and the classroom.

— Elizabeth Gingerich , J.D.

January, 2008

Dear Friends:

Valparaiso University is a recognized institution of higher education devoted to developing people who can navigate the interactions among financial futures, private lives, public duties, and spiritual cores. It is our good fortune that Valpo has taken the initiative to create the *Journal of Values Based Leadership* and advance understanding of ethical and moral leadership.

This journal will serve as a valuable resource for business leaders, academics and students in their pursuit of integrity, creditability and morality. The JVBL will inform and inspire its readers.

I congratulate the JVBL on its inaugural issue and look forward to future publications.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rick Lugar", written in a cursive style.

Richard G. Lugar
United States Senator

CONTENTS

Articles

9 Fundamental Moral Orientations: Implications for Values-Based Leadership

Michael McCuddy, Ph.D., Valparaiso University, Valparaiso, Indiana

The true values-based leader seeks to produce an equitable balance between pursuing self-interest and serving the broader community. Values-based leaders recognize that they must take care of themselves to have the capacity and energy to take care of others.

22 Assuming the Leadership Role on Climate Change and Energy Security

U.S. Senator Richard G. Lugar - Indiana

With decades of service in the United States Senate, including Chairing the Senate Foreign Relations Committee, Senator Lugar addresses the most looming issues facing mankind: global climate change and energy dependence. He concludes that effective leadership must not exist myopically, but must be shared by global partners, both friendly and hostile, and optimistically forecasts resolution through ingenuity and innovation.

34 We Lead from the Inside Out

James M. Kouzes and Barry Z. Posner, Ph.D., Santa Clara University, Santa Clara, California

Business leaders we must clarify and effectively communicate their values before expecting others to follow. To identify values requires thorough and often intense self-examination.

39 Citizen Engineers: Leaders in Building a Sustainable World

Joseph “Bud” Ahearn, SVP CH2M Hill, Denver, Colorado

As with the “citizen soldiers” of World War II, the engineering industry must produce “citizen engineers” who will accept the leadership challenge necessary to deliver a combination of technical, economic, social, and environmental values to its stakeholders that will truly improve people’s quality of life.

49 Turn Your Values into Value

Dr. Mark S. Albion, Co-Founder, Net Impact, San Francisco, California

Business is about the creation of values. The quintessential bottom line is not so much monetarily defined as it is related to heart and passion and making a unique contribution to the world. In this article, Albion debunks well-rooted myths of the development and placement of business values by stressing the importance of engaging people and migrating toward – not away from – one's own values.

- 59 Values-Based Leadership: How Our Personal Values Impact the Workplace**
Katherine W. Dean, SVP Wealth Planning, Wells Fargo, San Francisco, California

As an individual's personal values ostensibly impact others and influence their actions, values-based leaders can benefit greatly by exercising their own values to develop vision and to inspire others.

- 67 Positively Deviant Organizational Performance and the Role of Leadership Values**
Kim S. Cameron, Ph.D., Ann Arbor, Michigan

Cameron cites the infusion of collaborative values and restructuring of relationships as a primary reason for the successful clean up and closure of Rocky Flats, one of U.S.'s most hazardous and controversial toxic dumps. Success was contingent upon mutual trust and respect of and between traditionally adversarial groups by adopting a mutual proactive, sharing orientation and empathetic attitudes. The true leaders in this venture shifted from a profit-first stance to changing organizational culture, ensuring that individuals (especially leaders and influencers) pursued an abundance-based vision.

- 84 Notes Toward a Definition of Values-Based Leadership**
James O'Toole, Ph.D., University of Denver, Colorado

O'Toole distinguishes values-based leaders from other types of leadership by citing to various examples of both historical and present day leaders. In the end, as O'Toole notes, the values defining the leader are the values that leader holds dear.



Values-based leadership means different things to different people. Indeed, the concept borders on meaning anything to anyone, such that it ends up meaning nothing to no one. This article proposes a way out of this conceptual morass — a way that is based on a framework linking Fundamental Moral Orientations, stewardship decisions and actions, and personal and community outcomes. Within this framework, values-based leadership is conceptualized as the leadership path wherein the Fundamental Moral Orientation of self-fullness leads to complete stewardship decisions and actions, which in turn results in many beneficial personal and community outcomes. Using this conceptual framework, values-based leadership is also differentiated from self-serving leadership and servant leadership.

MICHAEL K. McCUDDY, VALPARAISO UNIVERSITY, VALPARAISO, INDIANA

Fundamental Moral Orientations:

Implications for Values-Based Leadership

A Context for Values-Based Leadership

“To put the world in order, we must first put the nation in order; to put the nation in order, we must put the family in order; to put the family in order, we must cultivate our personal life; and to cultivate our personal life, we must first set our hearts straight.” — Confucius, BC 551-479

“As human beings, our greatness lies not so much in being able to remake the world — that is the myth of the atomic age — as in being able to remake ourselves.” — Mahatma Gandhi, 1869-1948

“You must be the change you wish to see in the world.” — Mahatma Gandhi, 1869-1948

“The whole course of human history may depend on a change of heart in one solitary and even humble individual — for it is in the solitary mind and soul of the individual that the battle between good and evil is waged and ultimately won or lost.” — M. Scott Peck, 1936-2005

Collectively, these four quotes — three from world luminaries, one from a notable American author — emphasize that human change in this world ultimately depends on individual effort and initiative, and that for change to have a powerful, positive impact, individual effort and initiative must ardently embrace that which is good, fair, right, and just. Put in a more abstract way, both changing oneself and leading change in the broader communities of which one is a member depend upon one's Fundamental Moral Orientation and the decisions and actions resulting therefrom. Every person's approach to living life and changing life is very much rooted in his or her moral orientation of pursuing self-interest versus serving others. Consistent with this notion, this article explores the concept of Fundamental Moral Orientations (FMOs), how FMOs affect the decisions people make and the actions they take in living their lives and in exercising leadership roles, and the expected impacts on the individual actors themselves as well as on the broader community.

Values-Based Living and Values-Based Leadership: Elusive Concepts

Values-based is a very elusive term and concept, seemingly commonly understood but perhaps not adequately or accurately. In the political dialogue and public discourse of the past several years, Americans have been inundated with the concept of values — and have been exhorted to live their lives (and to vote) according to a set of values that presumably reflects that which is good, fair, right, and just. Unfortunately, however, such a set of values often reflects a narrowly defined set of moral issues (e.g., abortion, gay rights, and traditional marriage) while discounting or outright ignoring other moral issues (e.g., poverty, healthcare, and decimation of the environment). Some people subscribe to conservative social values; others endorse liberal social values. Which set of values should serve as the foundation for values-based living? Moreover, if people do not subscribe to any of the aforementioned values (or similar ones), does this mean they are living a life devoid of values? Or does it mean that they are living their lives according to a set of values that differs from that of a majority, or even significant minority, of the population?

The prominent ethical scandals of the past several years — including, but not limited to Enron, Arthur Andersen, WorldCom, Tyco, and Adelphia — have brought values to the forefront of the business world. Did these ethical failures reflect a lack of values on the part of the leaders of these organizations? Or did these leaders pursue a set of values that were at odds with most of society? Were they self-serving at the expense of others within their respective organizations and their various external communities?

Values and *values-based* seems to have the assumed quality of something that is desirable — that is good, right, fair, and just. But that is not necessarily true! Values are not just positive in nature and uplifting of humanity. Values can reflect a negative orientation and be destructive of humanity, or some segment thereof. To say, for example, that the leaders of Enron who were found guilty of various crimes had no values is to negate the value they placed on greed. Or to say that terrorists have no values is to deny their fundamental beliefs and that which drives their decisions and

actions. We may disagree with terrorists' values — and justifiably so, but we cannot deny the existence of those values as being destructive for humanity in general.

The *Oxford English Reference Dictionary* defines values as “one’s principles or standards; one’s judgment of what is valuable or important in life” (Pearsall and Trumble, 2003, p. 1595). One’s principles and standards need not reflect that which is good, right, fair, and just. What is important in one’s life may be quite the opposite. In the seminal work, *The Nature of Human Values*, Milton Rokeach (1973, p. 5) defined a value as “an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence.” A mode of conduct or an end-state of existence that is *personally or socially preferable* does not ensure that moral means and ends will be pursued. Witness, for instance, the nature of organized crime — where the values that govern criminals’ decisions and actions are anathema to the general population but are preferable to the criminals as individuals and within the organized crime network of which they are members (Davis, 1993; Raab, 2005; Repetto, 2004).

Thus, the concepts of values and values-based are somewhat murky and indistinct. They lack sufficient precision for clear understanding and meaningful application. Further definitive clarification of the concepts is needed, especially when values and values-based are linked with leadership.

The concept of *values-based leadership* (or the lack thereof) seems to have infiltrated nearly every nook and cranny of many business organizations, governmental agencies, educational institutions, and nonprofit organizations in the past several years. Yet, all too often, *values-based leadership* seems to have all of the definitive shape and form of the “free-floating, full-torso, vaporous apparition” described by the character Dr. Raymond Stantz, played by the actor Dan Aykroyd, in the 1984 movie, *Ghostbusters*. Like *values* and *values-based*, *values-based leadership* is a much discussed but elusive concept. An Internet search through Google, for instance, produced 29,700 hits on *values-based leadership* while a search on Google Scholar generated 449 hits (search conducted on January 19, 2008). A contemporaneous search of ABI/INFORM, an electronic database of various academic business periodicals, identified 104 documents on the topic of *values-based leadership*. A casual perusal of the titles of the Web pages and documents of these various searches reveals a variety of viewpoints and perspectives, thus indicating at least some degree of equivocation in the concept.

Being mindful of the imprecision inherent in the concepts *values*, *values-based*, and *values-based leadership*, I will offer a more precise conceptualization of *values-based leadership* that reflects the moral foundation underlying the stewardship decisions and actions of human beings. In previous work exploring the linkages among Fundamental Moral Orientations (FMOs), stewardship, and personal and organizational outcomes, I argued that stewardship is a behavioral manifestation of a person’s moral orientation (McCuddy, 2005). In other words, people’s decisions and actions about wisely and effectively using, developing, and preserving the resources

entrusted to their care reflect the moral orientation they choose to pursue in their personal and professional lives. Thus, a person's moral orientation provides a foundation for and is a precursor of his/her stewardship decisions and actions. Although the above argument was made in developing a model that helps explain stewardship decisions and actions, it is a logical argument that can be applied to decisions and actions in all domains of human endeavor (McCuddy, Pinar, Birkan, and Kozak, 2008) — including leadership. Indeed, stewardship is an important part of leadership, as we shall see presently — but first we will explore the FMOs that underlie human decisions and actions.

Fundamental Moral Orientations

Three moral orientations — selfishness, selflessness, and self-fullness — underlie people's decisions and actions (McCuddy, 2005). This assertion can be applied to people's decisions and actions in their personal or professional lives, to decisions and actions regarding stewardship, to decisions and actions regarding leadership, or to decisions and actions in any other arena of human endeavor.

The moral orientation of **selfishness** involves pursuing one's self-interest and seeking to maximize one's utility. Selfishness exists in a variety of degrees. In the most extreme form of selfishness, self-interest is pursued to the exclusion of others' interests. This extreme form of selfishness brings about the unbridled pursuit of greed and the uncaring exploitation of other individuals, communities, institutions, and natural resources. In its less extreme forms, selfishness involves making decisions and taking actions that provide a person with satisfaction, joy, and happiness in the conduct of one's life. Selfishness, as a moral orientation, also involves people's efforts to fully develop the talents and capabilities with which they are endowed. Another socially acceptable form of selfishness involves decisions and actions that are intended to ensure one's personal physical survival.

The moral alternative of **selflessness** is the polar opposite of selfishness; it involves sharing for the common good. Like selfishness, selflessness exists in varying degrees, ranging from helping other individuals in small ways, to contributions to or involvement in volunteer or community organizations, to substantial contributions to or involvement in charitable organizations and community/public activism, to total dedication to serving others. Selflessness, in its most extreme form, would be purely altruistic (McCuddy, 2006), and could include sacrificing one's own life to save the life of another human being.

Self-fullness occupies the middle range between selfishness and selflessness; it involves the simultaneous pursuit of reasonable self-interest and reasonable concern for the common good. Self-fullness can be characterized as completely utilizing one's talents in fulfilling one's personal needs/desires and, relatively simultaneously, effectively serving the various communities of which one is a part. As such, it reflects the pursuit of one's self-interest in the service of others, and it is a moral alternative that reconciles selfishness with selflessness. It realistically recognizes the needs of human beings to make decisions and take actions that reflect both self-interest and

service to others, rather than one or the other exclusively. Self-fullness is a “both/and” moral orientation rather than an “either/or” moral orientation.

Stewardship

Stewardship, an increasingly important element of business practice, reflects the wise use, development, and appropriate conservation of resources that have been entrusted to the care of human beings. Business people who act as agents for others must be effective stewards of the assets entrusted to them. Entrepreneurs must be effective stewards of the assets they own, control, or use.

Stewardship is an ancient concept that is enjoying a modern resurrection. One might argue that stewardship has been an element of human existence since perhaps the very beginning of humankind. Stewardship is essential to ensuring survival. Stewardship reflects a protective restraint that humans impose on themselves. Stewardship reflects a duty of care for and conservation of property (Newton, 1997, p. 606); it involves taking care of resources through nurturing and thrifty management of their use (Leopold, 1998, p. 228).

Although the wise use of resources has long been an important element of human existence, it all too often has been ignored or relegated to little more than a background condition with regard to people’s daily decisions and actions. Discounting stewardship responsibilities poses significant threats to the quality of human life, if not, as some people would argue, to human existence itself. Exploitation of human beings, depletion of natural resources, decimation of the environment, and the wastrel squandering of financial resources are some of the major ways in which stewardship failures pose threats to human civilization. Given the potential impact of these and other threats, stewardship is gaining increasing prominence in guiding how people conduct their personal and professional lives in the contemporary world.

Stewardship reflects the wise and effective utilization of the resources for which people have personal responsibility. These resources may be categorized as human resources, economic resources, and natural/environmental resources (this categorization is a simplified version of the framework reported in McCuddy and Pirie, 2007). *Stewardship of human resources* involves utilizing the full potential of one’s abilities and helping others to realize their full potential in making positive contributions to society, thereby benefiting the current generation as well as contributing to the rich base of knowledge and insights upon which future generations can draw. *Stewardship of economic resources* involves utilizing financial assets, physical facilities, products and services, systems, and processes to benefit the current generation while preserving the potential for meeting the needs of future generations. *Stewardship of natural/environmental resources* involves utilizing natural resources to benefit the current generation while preserving those resources and the environment in order to meet the needs of future generations.

In the workplace, employees obviously have an obligation to wisely and effectively use, grow, and preserve the resources that the employer entrusts to their care.

Indeed, this stewardship perspective is a key element of agency theory; it reflects the accountability of corporate officers and employees to the shareholders for preserving and enhancing the value of the company's assets (Newton, 1997, pp. 606-607). Self-employed individuals or entrepreneurs also must wisely and effectively use, grow, and preserve their assets. To do anything less is to increase the likelihood of business failure and non-fulfillment of the entrepreneurs' obligations to their stakeholders. Whether acting as agents or entrepreneurs, people who practice stewardship will wisely and effectively utilize, grow, preserve, and care for all resources, and they do so within the context of naturally occurring limits.

Stewardship is not limited to the workplace, however. Stewardship occurs in life outside the workplace and in the various other communities of which people are members — nuclear and extended families, volunteer organizations, the cities, towns, and villages where we live, and so forth.

From the perspective of personal life, we can look to the original roots of the stewardship concept. Stewardship has its roots in religious thinking and doctrine. People commonly think of stewardship in terms of time, talent and treasure. As indicated in *Webster's Third New International Dictionary* (Gove, 1976, p. 2240), stewardship concerns "... the individual's responsibility for sharing systematically and proportionately his time, talent, and material possessions in the service of God and for the benefit of all mankind." A life of stewardship means sharing — sharing of our time, talent, and treasure with others to improve and strengthen the human community of which we are part. Sharing through stewardship should contribute to elevating humanity — both now and in the future. Building for the future — tomorrow, the day after tomorrow, a month later, a year later, a decade later, or more — is an especially important part of stewardship.

Sharing of our time, talent, and treasure as well as the wise use, development, and preservation of resources entrusted to our care, is crucial to the success and survival of the various organized communities in which people hold membership. Stewardship must be exercised in families in order to meet the present and future needs of family members. Charitable organizations are heavily dependent on individuals' personal stewardship decisions and actions, and on the wise use and preservation of resources that are deployed to achieve specific charitable objectives. Stewardship should be — but all too often isn't — an important element of the decisions and actions of any governmental unit. Each of these communities, indeed all communities, depends in some way on people's stewardship decisions and actions.

Personal and Community Outcomes

The foregoing discussion demonstrates that stewardship has implications for oneself and for others. A leader's decisions and actions with respect to human resources, economic resources, and natural/environmental resources will have a significant impact on the outcomes that are realized. These outcomes may be beneficial or detrimental, and they may pertain to the leader or the community being led.

In a business context, positive personal outcomes for leaders would typically include contributions to the organization and society, personal growth and development, job and career success, satisfaction, etc. Negative personal outcomes for business leaders encompass financial and job losses, loss of status and respect, and even criminal investigations, indictments, and convictions. Positive community outcomes, again in a business context, include but are not limited to organizational effectiveness, organizational efficiency, equity, justice, profitability, wealth creation, social responsibility, and sustainability. Negative community outcomes for businesses could include poor product or service quality, deteriorating relationships with suppliers and customers, compromised employee relations, financial losses, and business failure, among others. Many of these positive and negative outcomes apply to non-business communities as well. However, other outcomes would also come into play depending on the particular community. Clearly, some distinctive community outcomes will exist for governmental agencies, charitable organizations, educational institutions, and other non-business entities. Moreover, personal outcomes may differ depending on the type of community being led.

What Managers and Leaders Do

The terms manager and leader are frequently, but inappropriately, used interchangeably. This is particularly true when viewed from the perspective of the activities in which managers and leaders engage. According to Warren Bennis (1996), a noted scholar and organizational consultant, managers administer, maintain, control, have a short-term view, ask how and when, imitate, and accept the status quo. Bennis further asserts that leaders innovate, develop, inspire, have a long-term view, ask what and why, originate, and challenge the status quo. Edgar Schein (1997, p. 5), another noted management scholar and organizational consultant, argues that leaders create and change organizational cultures, whereas managers and administrators live within existing cultures.

A central theme of this distinction between managers and leaders is the fostering of change. Leadership is about change — change of different human communities. And as the quotes from Confucius, Mahatma Gandhi, and M. Scott Peck at the beginning of this article state, change must start with the individual. For leaders to foster change in the communities they lead, they must first focus on changing themselves. A crucial part of changing oneself is examining one's Fundamental Moral Orientation and then altering it, if necessary. Based on (a) the notion of changing oneself as the first step in fostering change in others, and (b) the argument that an FMO that balances self-interest and community interests rather than pursuing one at the expense of the other, I would assert that (c) the preferable individual change would be toward the self-fullness moral orientation.

Fundamental Moral Orientations, Stewardship and Outcomes:

Implications for Different Leadership Approaches

In an earlier work, I proposed that each of the Fundamental Moral Orientations leads to predictable stewardship decisions and actions regarding the use, development, and conservation of human, economic, and natural or environmental resources

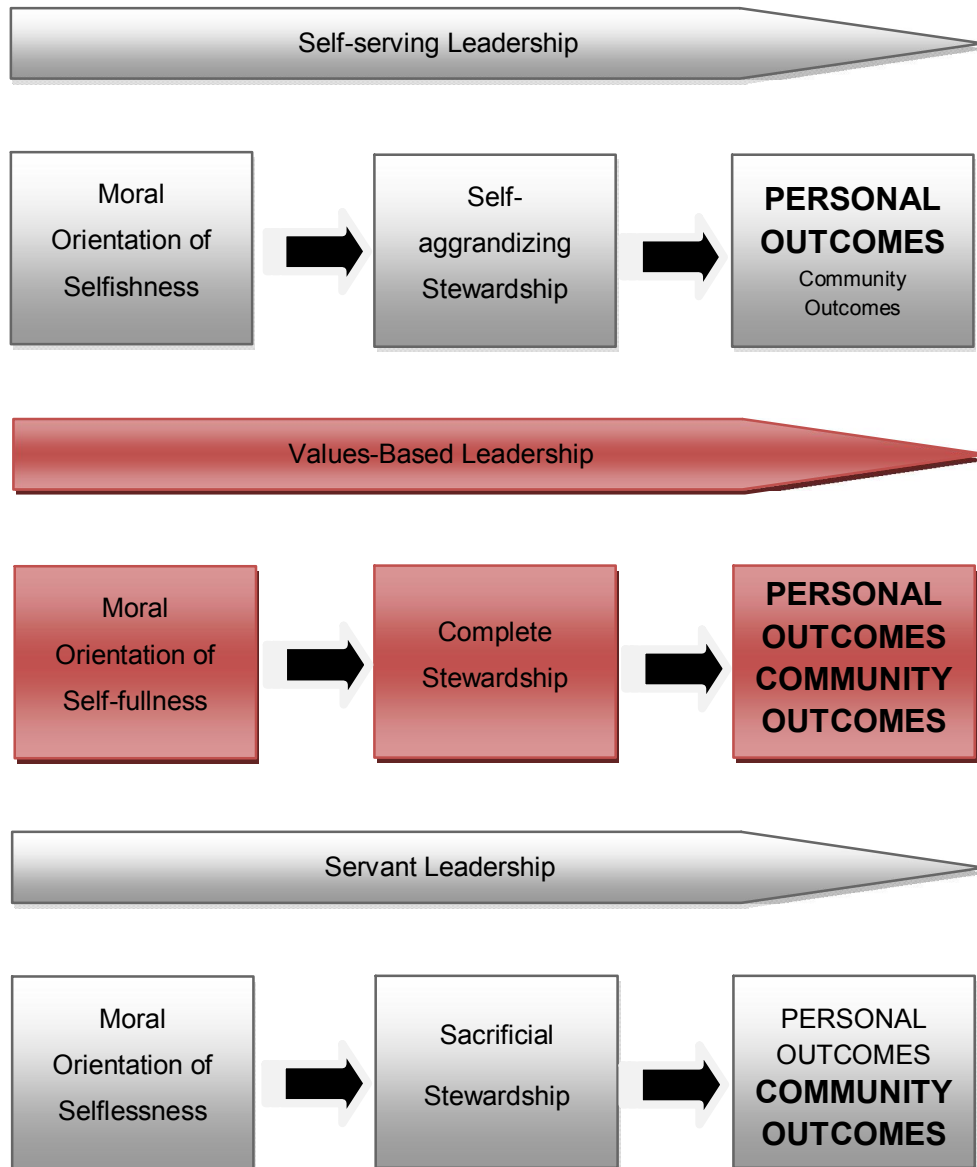
(McCuddy, 2005). In the same work I also proposed specific personal and organizational outcomes in the business context. In this article, however, I wish to generalize beyond the workplace to think about other kinds of communities as well. Most importantly, I wish to link this conceptual framework to leadership approaches — with a special emphasis on articulating my vision of values-based leadership.

As shown in the top third of Figure 1, the moral alternative of *selfishness* predictably leads to *self-aggrandizing stewardship*, wherein human, economic, and natural/environmental resources are utilized to further one's own interests. There is little, if any, concern for using, developing, or conserving resources so that others may benefit, either now or in the future. In a sense, one might consider this form of stewardship to be false (or pseudo) stewardship since resources entrusted to the person's care are used only to further self-interest. However, using one's personal talents and abilities to solely serve one's self-interest still reflects the use and development of personal resources. Thus, it can legitimately be labeled stewardship, even though the actions do not necessarily reflect the common or socially acceptable conception of stewardship. People who embrace the FMO of selfishness are expected to pursue self-aggrandizing stewardship decisions. Self-aggrandizing stewardship, in turn, is expected to result in many beneficial personal outcomes (represented in the figure by the capitalized, bold, larger font) but virtually no beneficial community outcomes (represented in the figure by the lower case, non-bold, smaller font).

The selfishness, self-aggrandizing stewardship, outcome sequence represents a leadership approach that I shall call *self-serving leadership*. Self-serving leadership exploits others in order to fulfill personal needs and aspirations; little, if any, concern exists for the community being led. In its vilest incarnation, others' lives are sacrificed to further personal ambition. In its less virulent forms, self-serving leadership takes advantage of others' assets and talents to satisfy personal ambition. Any expressed concern for others is likely a subterfuge for the self-serving leader's exploitative intentions. Moreover, self-serving leaders are not particularly inclined to change themselves toward a moral orientation that genuinely embraces the needs and aspirations of others.

Unfortunately, examples of self-serving leaders come to mind far too easily. Adolph Hitler and Joseph Stalin quickly come to mind for their bloodthirsty destruction of human lives in the pursuit of their personal and political ambitions. With relatively little effort, we could identify numerous other examples of self-serving leadership in both the historical and contemporary political arenas. The convictions of Kenneth Lay and Bernard Ebbers for their respective roles in the Enron and WorldCom ethical scandals of 2001-2002 amply illustrate the self-serving nature of their leadership. Numerous other examples of self-serving leadership can be found in most, if not all, arenas of organized human endeavor.

Figure 1
Different Leadership Approaches as Representations of
Different FMO, Stewardship, and Outcome Sequences



When the moral alternative of *selflessness* is pursued, the resulting form of stewardship is *sacrificial stewardship* (see the bottom third of Figure 1). The person sacrifices his/her time, talent, and treasure for the benefit of the community. Human, economic, and natural/environmental resources are utilized, developed, and conserved for the benefit of others' — or the community's — interests, both now and in the future. People who embrace the FMO of selflessness will likely pursue sacrificial stewardship decisions and actions that may result in some beneficial personal outcomes but will certainly result in many beneficial community outcomes. In the workplace, for instance, employees will put organizational interests before personal interests, and in extreme cases may sacrifice themselves for the organization. Again, these predicted differential outcome effects are visually represented in Figure 1 through the font size, capitalization, and bolding of the labels. Workaholism and job burnout could be negative personal manifestations of extreme sacrificial stewardship in the workplace; although the individual may have benefitted at some point, the employing organization is the more substantial beneficiary.

The selflessness, sacrificial stewardship, outcome sequence represents a leadership approach that could be called “other-directed leadership” or *servant leadership*. Servant leadership (Greenleaf, 1977) is not completely distinct from other leadership approaches; characteristics such as honesty, integrity, listening, trust, and building community (Russell and Stone, 2002) are found in other leadership conceptualizations as well. So what makes servant leadership unique? Russell (2001) suggests that the essence of servant leadership is found in the values of humility and respect for others. Dennis and Bocarnea (2005) cite Patterson's seven defining characteristics of servant leadership: agapoa love, acts of humility, altruism, being visionary for followers, trusting, serving, and empowering followers. Although the characteristics cited by Russell (2001) and Dennis and Bocarnea (2005) give further definition to servant leadership, there is still partial commonality with other forms of leadership. Perhaps the most definitive and distinctive description of servant leadership is that "servant leaders give up personal rights to find greatness in service to others" (Wilkes, 1996, p. 15). In other words, servant leaders sacrifice themselves for others.

Joan of Arc and Mother Teresa are examples of servant leaders. In the early 1400s Joan of Arc led her countrymen in efforts to regain French lands from the English, only to be burned at the stake for her deeds. In the 20th century, Mother Teresa, who founded *The Missionaries of Charity*, cared for “the poorest of the poor” in many locations throughout the world.

The moral alternative of *self-fullness* leads to decisions and actions that constitute *complete stewardship* (see the middle third of Figure 1). With this form of stewardship, decisions and actions focus on using, developing, and conserving human, economic, and natural/environmental resources to benefit both oneself and others. The practice of complete stewardship reflects the recognition that both self and community are important, and that each is compatible with the other. Indeed, I argue that the most viable chance for significant, enduring advancement of the

general human condition is for people to give appropriately balanced attention to self-interests and community interests. Although some form of stewardship is essential for the long-term success and survival of the human species and its various communities, complete stewardship seems to be the most promising approach. People who embrace the FMO of self-fullness will pursue complete stewardship decisions and actions. Since these decisions and actions seek to attain reasonable balance between one's own interests and others' interests, many beneficial personal outcomes and many beneficial community outcomes are expected to result (both of which are visually reflected in Figure 1 through the capitalized, bold, larger font labels).

The self-fullness, complete stewardship, outcome sequence represents the clarifying conception of *values-based leadership* that I promised the reader earlier in this article. Values-based leadership focuses on guiding, inspiring, and promoting change among others but, unlike servant leadership, without sacrificing one's own needs and aspirations on the altar of the community. Likewise, values-based leaders constrain their pursuit of self-interest; unlike self-serving leaders, they do not see unbridled greed, hubris, narcissism, and vanity as viable for effective leadership. Values-based leaders recognize that satisfying their own needs and aspirations is legitimate and worthy, and that helping others to satisfy their needs and aspirations is also legitimate and worthy. The values-based leader seeks balance between pursuing self-interest and serving the broader community. Values-based leaders recognize that they must take care of themselves if they are to have the capacity and energy to take care of others. And this entire perspective is quite consistent with the Biblical admonition to “love one another as you love yourself” — not to love oneself instead of others, nor to love others instead of oneself.

Oprah Winfrey, Warren Buffet, and Bill Gates illustrate the concept of values-based leaders. These people have achieved phenomenal success in their own right, yet they have engaged in exceptional acts of charity. They have parlayed their wealth and expertise into extraordinary acts of charity that have changed and will continue to change numerous human communities throughout the world. Winfrey, Buffet, and Gates are not only serving others, they are benefiting themselves.

Concluding Observation

I have argued elsewhere that the Fundamental Moral Orientation of *self-fullness* and its resultant *complete stewardship* represent the most promising approach for creating sustainable business organizations (McCuddy, 2005). Herein, I extend this argument to all types of human communities. Self-fullness and complete stewardship — not selfishness and self-aggrandizing stewardship nor selflessness and sacrificial stewardship — hold the greatest promise for creating sustainable communities. Values-based leadership, as conceptualized in this article, articulates a path for existing and would-be leaders to follow in helping communities to survive and prosper over the long term, and in seeking their own personal and professional fulfillment.

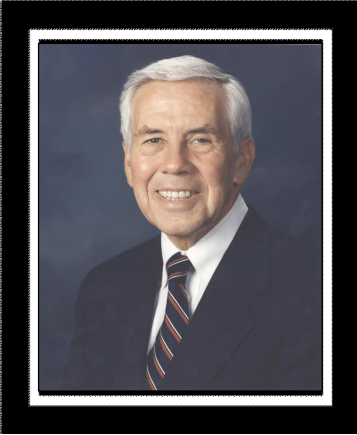
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Michael K. McCuddy, Ph.D. holds The Louis S. and Mary L. Morgal Chair of Christian Business Ethics in the College of Business Administration at Valparaiso University. He also holds the position of Professor of Management in the College of Business Administration. Dr. McCuddy's research interests focus primarily on various aspects of personal and business ethics as well as issues associated with innovative education. His current research focuses on: the implications and applications of his Fundamental Moral Orientations Paradigm; the role of stewardship in personal and professional ethics; companies' articulation of stewardship and financial concerns in their mission statements, and the relative impact of these concerns on corporate success; the relationship between human freedoms and public corruption in a global context; innovative methods for teaching about the issues associated with the ethics of emerging technologies; and issues and implications associated with teaching-centered versus learning-centered models of education. Dr. McCuddy has authored or co-authored a wide range of conference papers, journal articles, and book chapters that address a variety of educational issues and ethical topics. He also has written numerous instructional supplements and cases for management, organizational behavior, and ethics textbooks.



Leadership in response to challenging problems requires collaboration, often with groups and nations deemed hostile and unfriendly. In light of energy insecurity and the consequences of global warming, strong foreign policy leadership necessitates open and transparent dialogue coupled with the forging of partnerships, even in an atmosphere of challenging international relations.

SENATOR RICHARD G. LUGAR (IN)

Assuming the Leadership Role on Climate Change and Energy Security

Background

In August of 2005, I represented President Bush on a diplomatic mission to North Africa. The President had asked me to go to Algeria and Morocco to facilitate the release of the longest-held prisoners of war in the world – the 404 Moroccan soldiers, some of whom had been held since the 1970s by the Polisario Front – operating out of Algeria. American diplomats had discussed their potential release and General Jim Jones, Supreme Allied Commander in Europe, had offered to transport the prisoners of war home to their families, if we were successful. After this humanitarian mission had been fulfilled, I had the opportunity, with the administration's blessing, to continue on to Libya for meetings with Libyan officials, including Muammar Qaddafi. While staying overnight in the Corinthia Hotel in Tripoli, overlooking the Mediterranean, I came face to face with a microcosm of the new reality of global economic life. It was impossible to walk around the hotel without meeting someone who was hoping to tap into Libya's oil reserves.

The hotel was populated with representatives from China, India, and Western oil companies, who were in Libya to stake out drilling or refining operations for every pool that the government might make available. The world had come to the Corinthia Hotel to compete for the energy opportunities that were expected to develop with Libya's hopeful return to the international mainstream.

This incident underscores how rapidly the world is changing due to the expansion of energy demands. These enclaves of modern day oil prospectors can be found wherever there are proven energy supplies and a government willing to bargain. Indeed, my delegation also saw evidence of this in natural gas-rich Algeria. The

Chinese and Indians, with one-third of the world's population between them, know that their respective economic futures are directly tied to finding sufficient energy resources to sustain rapid economic growth. They are negotiating with anyone willing to sell them an energy lifeline. The gasoline price spikes following the Katrina and Rita hurricanes underscored for Americans the tenuousness of short-term energy supplies. But as yet, there is not a full appreciation of our economic vulnerability or the competition that is already occurring through the world.

The Energy Debate

In a remarkable moment during the State of the Union Address in January of 2005, President Bush caught the attention of the nation with five words: "America is addicted to oil." Those five words probably generated more media commentary than all the rest of his remarks that evening combined. I had an opportunity soon after the speech to talk to the President about energy, and he admitted that he had not anticipated the impact of that statement or that some commentators would find it incongruous. I believe he is genuine in wanting to devote more focus to pursuing alternative energy sources. But his Texas roots, his administration's high-profile advocacy of opening up the Arctic National Wildlife Refuge to drilling, and other associations with the oil industry, have created long-standing public impressions that the President is an oilman who believes in the oil economy. And though not hostile to pursuing the development of alternative energy sources, the Bush administration clearly downplayed their significance during the early part of his presidency.

Vice President Cheney, who chiefly oversaw the Bush administration energy policy, stated on April 30, 2001: "Years down the road, alternative fuels may become a great deal more plentiful than they are today. But we are not yet in any position to restate our economy and our way of life on that possibility. For now, we must take the facts as they are. Whatever our hopes for developing alternative sources or for conserving energy – and that's part of our plan – the reality is that fossil fuels provide virtually 100 percent of our transportation needs and an overwhelming share of our electricity requirements. For years down the road, this will continue to be true."

For decades, in fact, the energy debate in this country has pitted so-called pro-oil realists against idealistic advocates of alternative energy. The pro-oil commentators have attempted to discredit alternatives by saying they make up a tiny share of energy consumed and that dependence on oil is a choice of the marketplace. They assert that our government can and should do little to change this. They have implied that those who have bemoaned oil dependency do not understand that every energy alternative comes with its own problems and limitations. Lee Raymond, the former CEO of Exxon, offered an example of this line of reasoning in 2005: "There are many alternative forms of energy that people talk about that may be interesting. But they are not consequential on the scale that will be needed and they may never have a significant impact on the energy balance. To the extent that people focus too much on, for example, on solar or wind, what they are doing is diverting attention from the real issues. And 25 years from now, even with double-digit growth rates, they will still be less than one percent of the energy supplied to meet worldwide demand. I am more interested in staying focused on the 99 percent than the one percent."

Indeed, advocates of alternative energy must resist the rhetorical temptations to suggest that energy problems are easily solved. They are not. Relieving our dependence on oil in any meaningful way is going to take much greater investment of time, money and political will. There is no “silver bullet solution.” But the difficulty of solving the problem does not make it any less necessary. The President’s State of the Union Address indicates that he has some understanding of this situation.

Whether or not one classifies America’s oil dependence as an addiction, the bottom line is that with less than 5 percent of the world’s population, the United States consumes 25 percent of its oil. Most of the world’s oil is concentrated in places that are either hostile to American interests or vulnerable to political upheaval and terrorism, and demand for oil will increase far more rapidly than we expected just a few years ago. Within 25 years, the world will need 50 percent more energy than it does now based upon the most current census figures. Mindful of these basic facts, my message is that the balance of realism has passed from those who argue on behalf of oil and a laissez faire energy policy that relies on market evolution, to those who recognize that in the absence of a major reorientation in the way we obtain our energy, life in America is going to be much more difficult in the coming decades.

It is critical to realize that no one who cares about United States foreign policy, national security, and long-term economic growth, can afford to ignore what is happening in Iran, Russia, Venezuela, or in the lobby of the Corinthia Hotel in Tripoli. No one who is honestly assessing the decline of American leverage around the world, due to our energy dependence, can fail to see that energy is the albatross of U.S. national security.

The Consequences of Inertia

We have entered a different energy era that requires a much different response than in past decades. What is needed is an urgent national campaign, led by a succession of presidents and congresses, who will ensure that American ingenuity and resources are fully committed to this problem. We could take our time if this were merely a matter of accomplishing an industrial conversion to more cost-effective technologies. Unfortunately, the U.S.’s dependence on fossil fuels, and their growing scarcity worldwide, has already created conditions that are threatening our security and prosperity and undermining international stability. In the absence of revolutionary changes in energy policy, we are risking multiple disasters for our country that will constrain living standards, undermine our foreign policy goals, and leave us highly vulnerable to the machinations of rogue states.

The majority of oil and natural gas in the world is not controlled by those who respect market forces. Geology and politics have created petro-superpowers that nearly monopolize the world’s energy supplies. According to PFC Energy, foreign governments control up to 77 percent of the world’s oil reserves through their national oil companies. These governments set prices through their investment and production decisions, and they have wide latitude to shut off the taps for political reasons.

I am not suggesting that markets will not eventually come to lure America away from its oil dependence. Eventually, because of scarcity, terrorist attacks, market shocks

and foreign manipulation, the high price of oil will lead to enormous investment and political support for alternative sources of energy. Given enough time, however, overcoming oil dependence and imbalances is well within the scope of human and indeed, American ingenuity. The problem is that such investment cannot happen overnight and even if it did, it would take years, even decades to build supporting infrastructure. In other words, by the time a sustained energy crisis fully motivates the market, we are likely to be well past the point where we can save ourselves. Our motivation will come too late and the resulting investment will come too slowly to prevent the severe economic and security consequences of our oil dependence. This is the very essence of a problem requiring government action and sound leadership.

Identifying Threats and Formulating Solutions

As a national security problem, energy is unique in that the risks we face from this single condition are diverse and are intensifying simultaneously. In fact, our energy dependence creates at least six different threats that could directly or indirectly undermine American security and prosperity. Each of these threats could be worthy of a separate discourse all by its own, but for purposes of this commentary, I will provide a much abbreviated review.

(1) Recognizing the Dilemma: The first step is to admit how grave the problem is. Hopefully, we will look back on President Bush's declaration that America is "addicted to oil" as a seminal moment in American history, when a U.S. president said something contrary to expectations and thereby stimulated change. Like President Nixon, using his anti-communist credentials to open up China, or President Johnson, using his Southern roots to help pave the way for the passage of the Civil Rights Act of 1964, President Bush's standing as an oilman would lend special power to his advocacy if he chooses to initiate an all-out campaign for renewable energy sources. As oil supplies are vulnerable to natural disasters, wars, and terrorist attacks, the lifeblood of the international community is continuously subject to profound disruption. The entire nation felt the spike in prices caused by Hurricanes Katrina and Rita in 2005. But these shocks, which helped send the price of oil to \$70 a barrel, were minor compared to what would occur if major oil processing facilities in Saudi Arabia were sabotaged.

In late February, terrorists attempted such an attack. They penetrated the outer defenses of Saudi Arabia's largest oil processing facility with car bombs before being repulsed. A successful terrorist attack, either through conventional ground assaults, suicide attacks with hijacked aircraft, terrorist-inspired internal sabotage, or other means, would be devastating to the world economy. Al Qaeda and other terrorist organizations have openly declared their intent to attack oil facilities and to inflict pain on Western economies. Recently, we have also seen the shutdown of a fifth of Nigeria's production by militants and Iraq's continuing struggle to expand its oil production capacity amidst terrorist attacks.

The vulnerability of oil supplies is not a new concern but the lack of spare oil production capacity is new. As recently as five years ago, spare production capacity exceeded world oil consumption by about 10 percent. As world demand for oil has

rapidly increased in the last few years, spare capacity has declined to less than 2 percent. Thus, any major disruption of oil creates scarcity that will drive prices up. These circumstances require massive expenditures to preserve our oil lifeline. One conservative estimate puts U.S. oil-dedicated military expenditures in the Middle East at \$50 billion a year.

(2) Increasing Competition and Diminishing Resources: Second, over time, even if oil and natural gas supplies are not disrupted in dramatic ways that produce local or global economic shocks, worldwide reserves are nevertheless diminishing. This is occurring within the context of explosive economic growth in China, India, Brazil, and many other countries. The demand for energy from these industrializing giants is creating unprecedented competition for oil and natural gas.

Americans paid 17 percent more for energy in 2005 than in the previous year. That increase accounted for 40 percent of the rise in the consumer price index. In November of 2005, we spent more than \$24 billion on oil imports, accounting for more than a third of our trade deficit. To meet world oil demand in 2006, the International Energy Agency estimates a need for \$17 trillion in investment, with the bulk going to the Middle East. But political and economic conditions may not let this investment happen. Even if some investment does occur and reserves prove to be much larger than anticipated, there is no guarantee that hostile governments will either choose to develop that new capacity or reserve or make any new oil available to the United States.

In the decades to come, price will not be the only issue. We will face the prospect that the world's supply of oil may not be sufficiently abundant and accessible to us to support continued economic growth in both the industrialized West and additionally in large, rapidly-growing economies. As we approach the point where the world's oil-hungry economies are competing for insufficient supplies of energy, oil will become an even stronger magnet for conflict and threats of military action than it already is.

(3) Confronting Hostile Forces: Third, the use of energy as an overt weapon by producing nations is not a theoretical threat of the future. It is happening now. Oil and natural gas are the currency through which energy-rich countries leverage their interests against import-dependent nations such as ours. For example, Iran has repeatedly threatened to cut off oil exports to selected nations, if economic sanctions are imposed against it. Similarly, Hugo Chavez in Venezuela has issued threats of an oil export embargo against the United States. And in January of 2006, Ukrainians were confronted by a Russian threat to cut off natural gas exports in mid-winter, if the Ukraine did not submit to a fourfold price increase. Russia took action to deny some natural gas to Ukraine. The dispute led to sharp drops in gas supplies reaching European countries that depend on natural gas moving through Ukrainian pipelines from Russia. Russia charged that Ukraine was diverting gas intended for Austria, Italy, France, Hungary and other European nations. Eventually, the confrontation was resolved with a near doubling of the price of natural gas sold by Russia to Ukraine. In contrast, Russia did not inflict such a price increase in Belarus, considered by Moscow to be a good partner, compared to the pro-Western Ukrainian government.

The episode underscored the vulnerability of consumer nations to their energy suppliers.

We are used to thinking in terms of conventional warfare between nations, but energy is becoming the weapon of choice for those who possess it. It may seem to be a less lethal weapon than military forces, but a natural gas shutdown to Ukraine, in the middle of winter, could cause death and economic loss on the scale of a military attack. Moreover, in such circumstances, nations would become desperate, increasing the chances of armed conflict and terrorism. The use of energy as a weapon might require NATO to review what alliance obligations would be in such cases.

(4) Marketplace Dominance: Fourth, even when energy is not used overtly as a weapon, energy imbalances are allowing regimes in countries that are rich in oil and natural gas to avoid democratic reforms, and to insulate themselves from international pressure and the aspirations of their own people. For instance, we are seeing in Iran and Venezuela the cultivation of energy relationships with important nations that are in a position to block economic sanctions and for decades, we have watched Saudi Arabia and other Gulf States use oil wealth to create domestic conditions that prevent movement toward democracy. Furthermore, in Russia and Nigeria, energy assets have offered opportunities for corruption. In many oil-rich nations, oil wealth has done little for the people, while ensuring less reform, less democracy, fewer free market activities and more enrichment of elites.

Beyond the internal costs to these nations, we should recognize that we are transferring hundreds of billions of dollars each year to some of the least-accountable regimes in the world. Some are using this money to invest abroad in terrorism, instability, or demagogic appeals to populism.

Now at a time when the international community is attempting to persuade Iran to live up to its nonproliferation obligations, our economic leverage on that country has declined due to its burgeoning oil revenues. If one tracks the arc of Iran's behavior over the last decade, its suppression of dissent, its support for terrorists, and its conflict with the West, have increased in conjunction with its oil revenues, which soared by 30 percent in 2005. Sometimes observers comfort themselves with the thought that most U.S. imports come from friendly nations such as Canada and Mexico, rather than from Iran or other problematic countries. But oil is a globally-priced commodity and even if our dollars not going directly to Iran, this does not mean that our staggering consumption of oil is not contributing to the price paid to Iran by other consumers.

(5) Global Responsibility and Leadership: Fifth, the threat of climate change has been made worse by inefficient and unclean use of nonrenewable energy. In the long run, this could bring drought, famine, disease, and mass migration, all of which could lead to conflict and instability. As there are no unilateral solutions to climate change, I have urged the Bush administration and my colleagues in Congress to return to a leadership role on the issue of climate change. I have advocated the United States

must be open to multilateral forums that attempt to achieve global solutions to the problem of greenhouse gases. Our scientific understanding of climate change has advanced significantly. We have better computer models, more measurements, and more evidence, from the shrinking polar caps to expanding tropical disease zones, for plants and humans. That the problem is real and is caused by manmade emissions of greenhouse gases, including carbon dioxide from fossil fuels, has been well established.

(6) Demand for International Leadership: Sixth, our efforts to stem terrorist recruitment and to prevent terrorist cells and training grounds in the developing world are being undercut by the high costs of energy. The economic impact of high oil prices is far more burdensome in developing countries than in the developed world. Generally, developing countries are more dependent on imported oil; their industries are more energy intensive and they use energy less efficiently. The United Nations Conference on Trade and Development estimates that non-OPEC developing nations spend 3.5 percent of their GDP or more on imported oil, roughly twice the percentage paid in the main OECD countries. The World Bank research shows that a sustained oil-price increase of \$10 per barrel will reduce GDP by an average of 1.47 percent in countries with a per capita income of less than three hundred dollars. Some of these countries would lose as much as 4 percent of their GDP. This compares to an average loss of less than one-half of one percent of GDP in the OECD countries. Some nations, such as Nepal and the Democratic Republic of Congo, would experience GDP losses from a sustained \$10 increase in the price of a barrel of oil that are twice the amount of foreign assistance they now receive from the United States. Even if a nation like Ethiopia, which receives a substantial sum of \$134 million in U.S. assistance, because it is a focus country of the President's AIDS initiative, would see almost all of this offset by a \$10 oil price increase.

Encouraging Innovation: Time for Action

In March of 2006, I chaired a Senate Foreign Relations Committee hearing on the nomination of Randall Tobias to be the new administrator for U.S. AID. In this capacity, he would oversee a large share of our foreign assistance budget, which now exceeds \$20 billion per year. This budget is intended to meet our humanitarian goals, but its success is also directly linked to national security. But all of this effort and money, in essence, can be wiped out merely by an increase in the price of energy.

Without a diversification of energy supplies that emphasizes environmentally-friendly energy sources that are abundant in most developing countries, the national incomes of energy-poor nations will remain depressed, with negative consequences for stability, development, disease eradication and terrorism.

Each of these six threats from energy dependence is becoming more acute as time passes. Any of them could be the source of a catastrophe. Any realistic American foreign policy must redeploy diplomatic, military, scientific and economic resources toward solving the energy problem.

The basic dilemma for U.S. energy policy is how can our government speed up the transition to alternative renewable energy sources so that we can prevent irreparable harm to our nation or the world associated with these threats? And the realist must ask: "How can we shape our energy future before it shapes us in disastrous ways?"

American energy policy, to date, has suffered from two fundamental flaws. First, we have let two decades of relatively cheap oil and natural gas deepen our dependency on imports. An approach that focuses on research while ignoring deployment of new fuels will not meet our national security challenge. The second flaw is that we have lacked a truly comprehensive energy policy with energy security as a strategic goal. American energy policy has been focused on a narrow definition of energy security that strived to ensure sufficient supplies at affordable prices. This has translated into policies promoting diversification in supplies of oil and natural gas, but with little emphasis on energy alternatives. A policy that relies on a finite resource concentrated in a few countries is doomed to failure. Our long-term security and prosperity require sufficient, affordable, clean, reliable and sustainable energy.

The first component of energy security is to ensure sufficient supplies. Our energy intensity per unit of GDP has steadily decreased, but our energy consumption is still projected to increase by more than a third over the next 25 years. This demand scenario is not inevitable. Public policy can do much more to promote efficiency while still growing the economy. Expanded programs to enhance energy efficiency in appliances, building construction, and industry, are all necessary to keep our energy intensity declining.

One-third of our energy projects' growth is in oil, a majority of which we have to import. I co-sponsored a bipartisan bill with Senators Bayh and Lieberman, together with many other senators, that would require federal agencies to implement a plan to reduce U.S. oil consumption by 10 million barrels a day by 2031. The legislation contains many provisions to enhance energy conservation, from tire efficiency to reduced school bus idling and light-weight materials research.

Automakers have a central role to play in improving our oil efficiency. We are working to close the SUV CAFE standards loophole and to get more hybrids and flex-fuel vehicles on the road. A fleet of hybrids, and future plug-in hybrids, that run on E85, could reduce our oil use by 10 million barrels a day.

The bill I have co-sponsored removes the cap on the number of tax rebates for hybrid vehicles. It also fosters demand by requiring that 30 percent of the government auto fleet be hybrids and advanced diesels. With increased demand for fuel efficient cars, new manufacturing facilities will be built that provide jobs for Americans. In partnership with the American auto industry, we should provide a set of incentives that gives them the opportunity to regain their strength and save jobs through innovation. This bill offers a 35 percent tax credit for automakers to retool their factories, so that they can make fuel-efficient, advanced technology vehicles.

Affordability of energy supplies also remains a key goal for energy security. In early 2006, crude oil hovered around \$60 a barrel and the price for natural gas in October of 2005 was more than double what it had been in the previous year. These high energy prices increase inflation and inhibit future economic growth. Elevated oil and natural gas prices do, however, have the benefit of making alternative fuels more competitive. With the end of 20 years of low oil and gas prices, investment in alternative fuels has surged. As more is invested, innovation in technology and production will drive prices down further. That is why it is so important to get the first cellulosic ethanol facilities up and running. The President said in his State of the Union Address that he wanted to make cellulosic ethanol “practical and competitive within six years.” In fact, one plant is ready to be built in Idaho now and many others could be built within the six-year timeframe.

As alternative fuels become more competitive, oil and gas producers have strong incentive to drop prices to kill competition. Investors need to know that alternative energy initiatives will continue to be competitive. A revenue-neutral \$35 per barrel price floor on oil would provide the security investors need. At this price, alternative fuels like cellulosic ethanol, shale and tar sands oil, and Fischer-Tropsch diesel, could still compete with regular gasoline. Many analysts say that expensive oil is here to stay, but most energy investors are hesitant still to take on that risk. A modest price floor for oil that we may never reach would provide a major stimulation for energy alternatives.

Long-term energy security also requires the use of clean energy, a third component of energy security. As long as we continue to consume fuels that do not burn cleanly, or cannot have their damaging gases sequestered, we will continue to pay environmental costs and will remain vulnerable to a climate change-induced disaster. To combat this result, Congress must pass legislation establishing a cap and trade mechanism. A cap and trade system would provide regulatory certainty, reward innovation to improve energy efficiency, and provide strong market incentives for clean renewable fuels. Any such system should give credit for carbon sequestration in coal-fired plants and allow farmers and foresters to sell credits for the carbon they sequester. And with new technology, we can control many greenhouse gases with proactive, pro-growth solutions, not simply draconian limitations on economic activity.

Industry and government alike recognize that progress on climate change can go hand in hand with progress on energy security, air pollution, and technology development.

Even as we strive to reduce the prevalence of fossil fuel in our energy portfolio, pragmatism requires that we diversify to the greatest extent possible our sources of oil and natural gas. While we continue to debate production there and on the outer continental shelf, we have to carefully consider both the security and economic benefits of more exploration, as well as the environmental costs.

We must also ensure that we are not wasting fossil fuel resources in end-use that could be fueled by other means. I am encouraged by DuPont’s commitment to replacing petrochemicals with bio-alternatives. This wise business choice leaves

DuPont less vulnerable to price spikes than competitors who still rely exclusively on oil and gas.

With natural gas prices high, there is now a shift to coal-fired electrical generation. New plants should favor coal, which we have in abundance, over natural gas. I continue to vigorously support the deployment of clean coal technology with carbon sequestration. We can also use coal to reduce our oil dependence. The energy bill I coauthored with Senator Obama included legislation authorizing \$85 million for federal research into the production of coal-based transportation fuels. One of the technologies that will be encouraged by this program, the Fischer-Tropsch process, yields a diesel fuel that is compatible with existing vehicle technology. It is superior to oil-derived fuel with respect to performance and emissions.

Another critical component of reliability is protection of the physical infrastructure and transit of our energy supplies. Terrorists have made clear their intentions to destroy refineries and pipelines worldwide. At home, in addition to power plants, ports, refineries and platforms, we have 160,000 miles of oil pipelines. As the United States considers liquefied natural gas and nuclear facilities, we must be vigilant on the security implications.

While diversity in supplies at home and abroad is necessary for more reliable energy in coming decades, diversification of sources for oil and gas is an outdated strategy that will never bring energy security. Reserves are too concentrated and infrastructure too vulnerable. Real diversity can only be achieved by an energy portfolio dominated by sustainable energy, the final component of energy security.

Partnering for Progress

As we pursue energy security at home, we must seek energy partnerships abroad. Partnerships with foreign governments can help speed our conversion to real energy security, rebalance power in geopolitics, and open new markets for fuel technologies. The “Energy Diplomacy and Security Act of 2007” calls upon the federal government to expand international cooperation on energy issues. This legislation enhances international preparedness for major disruptions in oil supplies. A particular priority offers a formal coordination agreement with China and India as they develop strategic petroleum reserves. And this will help draw them into the international system, providing supply reassurance, and thereby reducing potential for conflict. The Act also stimulates regional partnerships in the Western Hemisphere. Most of our oil, and virtually all of our gas imports, come from this hemisphere. The Act created a Western Hemisphere Energy Forum modeled on the APEC energy working group. This provides a badly-needed mechanism for hemispheric energy cooperation and consultation. And finally, the Act mandates international partnerships with both energy producers and consumers. In addition to seeking new avenues of cooperation, the Act gives focus to existing bilateral energy dialogues, which have lacked clear objectives and political backing.

We must engage major oil and natural gas producers. We should advocate more transparency, improved investment climates, and greater infrastructure security. Oil exporting states wield power for which we must account. Not working with these states will lead to unproductive political showdowns and conflict. Even in challenging

relations, such as Venezuela and Russia, we must explore how to improve our energy dialogue. And strategic energy partnerships with other major consuming countries are critical for our national security. Energy security is a priority we hold in common with other import-dependent countries, which constitute 85 percent of the world's population. Strategic partnership for energy security with the world's largest consumers will increase leverage in relation to petro-states.

Conclusion: Optimism Through Sound Leadership

I would like to express optimism for the future. Our current energy balance is the result of industrial and consumption choices of the past. Despite our import dependence today, the U.S. is in a strong position to choose a different path, a path toward real energy security. Success would free future generations of Americans from the energy dilemma that threatens to compromise our security and our prosperity. It could also lead to opportunities in many new industries that could reinvigorate our economy. These are problems that can be solved. We must act now and we must act together.

Author Biography

An individual of compassion and global insight, Senator Richard G. Lugar has forged a lifetime of distinguished leadership benefiting Hoosiers, U.S. citizens, and a much larger world audience. As a globally respected leader, Senator Lugar has been an unwavering advocate of strong national security, free-trade and economic growth, achieving the distinction of being the longest serving U.S. Senator in Indiana history. First elected to the U.S. Senate in 1976, Senator Lugar won a sixth term in 2006 with 87 percent of the vote – his fourth consecutive victory by a two-thirds majority. Lugar is the Republican leader Senate Foreign Relations Committee and has continuously won bipartisan and global support for innovative solutions to world problems.

As a key state representative, Lugar's ties to his home state of Indiana remain steadfast, bolstered by the ongoing management of his family's 604-acre Marion County, Indiana, corn, soybean and tree farm. His ties to farming coupled with his early years working in his family's food machinery manufacturing business in Indianapolis aptly qualified him to serve as Chairman of the Agriculture, Nutrition and Forestry Committee. As Committee Chairman, Senator Lugar generated bipartisan support for federal farm program reforms in 1996, ending 1930's era federal production controls. He has promoted research advancements and broader risk management options for farmers, increasing export opportunities for higher net farm income.

From his early days as Mayor of Indianapolis throughout his senatorial tenure, Senator Lugar has sought pragmatic answers to administrative and social issues. As the two-term mayor of Indianapolis (1968-75), he envisioned the unification of the city and surrounding Marion County into one government. "Unigov," as Mayor Lugar's

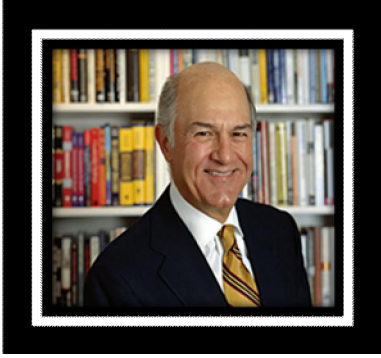
plan was called, set the city on a path of uninterrupted economic growth. He later served three terms on the U.S. Advisory Commission on Intergovernmental Relations, including two terms as the Vice-Chair of the Commission, and served as President of the National League of Cities.

Senator Lugar supported the emerging civil rights movement in the 1960s and his efforts subsequently led to the imposition of sanctions upon the South African government in the late 1980s, leading to the elimination of state-sponsored Apartheid and ultimately to the release of Nelson Mandela. Nationally, Senator Lugar has advocated desegregation of public schools and has helped to ensure funding for school lunch programs while comprehensively reforming the federal food stamp program. Senator Lugar's humanitarian intervention has extended to AIDs-stricken peoples of Africa and to the promotion of human rights and economic development of underdeveloped nations. As a strategic leader of the Senate Foreign Relations Committee, Senator Lugar has sparked change in oppressive governments, calling to task those nations compromising human rights.

Acknowledging the critical importance of national and world security, Senator Lugar has been an instrumental figure in the elimination of nuclear, chemical and biological weapons. In 1991, he forged a bipartisan partnership with former Senate Armed Services Chairman, Sam Nunn (D-Ga.), to destroy such weapons in the former Soviet Union. To date, the Nunn-Lugar program has deactivated more than 6,800 nuclear warheads that were once aimed at the United States. As a result of these efforts, Senator Lugar has been nominated for the Nobel Peace prize each year since 2000.

Recognizing the deleterious implications of continued U.S. dependence upon foreign oil from gas pump prices to our vulnerability to foreign terrorism, Senator Lugar has launched the Lugar Energy Initiative. This Initiative advances agricultural development, research and production of bio-fuels in an environmentally responsible manner.

Senator Lugar has promoted and continues to champion policies that spur economic growth, cut taxes, lead to job creation, eliminate wasteful government spending and reduce bureaucratic red tape for American businesses. His Hoosier commonsense has been recognized many times by the bestowal of such awards as the Guardian of Small Business, the Spirit of Enterprise, Watchdog of the Treasury, as well as 40 honorary degrees from colleges and universities in 14 states and the District of Columbia. He was the fourth person ever named Outstanding Legislator by the American Political Science Association.



This article makes the argument that becoming an effective leader is an inside-out process. Leaders, through self examination, realize their passions, values, and the legacy that gives meaning to their life. Leading a life that is congruent with one's personal beliefs and values gives leaders the authenticity and credibility that their constituents desire. Once leaders have identified their values, they have a greater sense of stability, confidence and peace. Without firm core beliefs, a leader is perceived as inconsistent and untrustworthy and unlikely to be willingly followed. Answering the internal question "Who am I?" is crucial for leaders.

JAMES M. KOUZES AND BARRY Z. POSNER, PH.D.

We Lead from the Inside Out¹

Authentic leadership does not come from the outside in. It comes from the inside out. Inside-out leadership means becoming the author of our own story and the maker of our own history.

All serious leadership starts from within. That's the only way we'll ever be able to respond to what our constituents most expect and want from us. And what is that? What they most want from us is that we be genuinely who we are.

Just imagine this scene. Someone walks into the room right now and announces to you and your colleagues, "Hi, I'm your new leader." At that very moment what do you want to know from this person? What are the questions that immediately pop into your mind? We've asked this question of many different groups, and the responses are almost always the same. People tell us they want to ask that new leader:

- Who are you?
- What do you stand for and believe in?

¹ This article was adapted from an essay in *A Leaders' Legacy* by James M. Kouzes and Barry Z. Posner (Jossey-Bass/Wiley, 2006).

- Where do you want to take us?
- Why you?
- What qualifies you for this job?
- What makes you think you can do this?
- Do you really know what you're getting yourself into?
- What changes are you planning to make?

Questions like these get to the heart of leadership. People always want to know some things about us — the person doing the leading — before they're going to become the people doing the following. They want to know about what inspires us, what drives us, what informs our decisions, what gives us strength, what makes us who we are. They want to know about the person behind the mask of position. They want to know what gives us the confidence to think that we can actually pull this off. If we're to leave a lasting legacy — regardless of the scale or scope of our aspirations — then we have to wrestle with questions such as these until we find answers that give meaning to our actions and to our lives.

The quest for leadership, therefore, is first an inner quest to discover who you are, and it's through this process of self-examination that you find the awareness needed to lead. Self-confidence is really awareness of and faith in your own powers, and these powers become clear and strong only as you work to identify and develop them. The mastery of the art of leadership comes with the mastery of the self, and so developing leadership is a process of developing the self.

Leadership Begins When Something Grabs Hold of Us

Developing our selves as leaders begins with knowing our own key convictions; it begins with our values system. Clarifying our own values and aspirations is a highly personal matter, and no one else can do it for us. To exhibit harmonious leadership — leadership in which our words and deeds are consonant — we must be in tune internally. We must know who we are, what's important to us, and what is not.

When Mike Sullivan started his new position in investor relations at *Intel*, he knew that he had to find what “grabbed him and wouldn't let go.” He told us that he spent a lot of time thinking deeply about his values, talking them over with his spouse and closest friends, and that while this reflection was difficult, even challenging at times, it was well worth the struggle. In turn, he realized that the leadership challenges he was facing at work were the result of “preconceived ideas about leadership that were stereotypical, outdated and simply wrong.”

Exploring his inner territory led Mike to “clarity surrounding something that for many years had been a great mystery. I realized that passion inspires me to lead and that I will need to make manifest in my work those things I am passionate about in order to want to lead and to be emotive and empathetic with my constituents.” As a result of exploring and then struggling to make choices about what was really important, Mike became both clear and conscious of his values. Mike felt more grounded and confident. He explained how this insight directly impacted his leadership behavior:

I'd assumed a new position with responsibility for my company's relationships with the Wall Street brokerage analysts who publish earnings estimates and buy/sell recommendations on our stock. We've been suffering from Wall Street's perception that our competitor was gaining momentum in the market. Whereas I might ordinarily wait for my boss (who previously drove this function) to help devise a response, I felt confident in developing an engagement plan, crafting the story and messages, setting up meetings with analysts, and pulling senior managers into interviews to tell the analysts how we planned to compete and recover lost ground. Identifying my values and finding my voice was what gave me the confidence to take such a risk in my first weeks in a very visible new job.

Leadership begins with something that grabs hold of us and won't let go. And this "something" will only be found when we are to take a journey through our inner territory — a journey that often requires opening doors that are shut, walking in dark spaces that are frightening, and touching the flame that burns. But at the end is truth.

Clarity of Values Builds Solid Support

This is precisely what we've found in several of our own studies. Clarity of personal values matters greatly to our feeling motivated, creative, and committed to our workplaces. When we're clear about our personal values, we feel empowered, ready and prepared to take action. Ready to be a leader.

Tanveer Ahmad, an engineering manager with Sony, echoed these sentiments when he told us that he had learned "that clarifying one's values and expressing one's self clearly and confidently is an essential first step that leaders must undertake in order to build a firm grounding. There are no short-cuts, workarounds or other easy alternatives to this primal step in the leadership journey." Tanveer went on to explain that "one immediate payoff in developing a clear sense of values and communicating these values is that it serves to enlist willing constituents and builds a vital support base for the leader." We've all heard the expression: "Leaders stand up for their beliefs." Tanveer reminds us that to have a solid platform upon which to stand, our beliefs must be clear to us and clearly communicated to others. When these values are matched by our deeds, then we've earned the credibility required for others to put their trust in us, wanting to climb up and join us on that platform, knowing they'll be supported.

When you're not clear about your personal values, it's hard to imagine how you can stand up for your beliefs, isn't it? How can you speak out if you don't know what's important to you? How can you have the courage of your convictions if you have no convictions? Leaders who aren't clear about what they believe in are likely to change their positions with every fad or opinion poll. Without core beliefs and with only shifting positions, would-be leaders are judged as inconsistent and derided for being "political" in their behavior.

We all know deep down that people can only speak the truth when speaking in their own voices. The techniques and tools that fill the pages of management and leadership books are not substitutes for whom and what we are. In fact, they can boomerang if thrown by a spin meister who's mastered form but not substance.

After all, who's the very first person you have to lead? Who's the first person that must be willing to follow you? You are, of course. Until you passionately believe in something, it's hard to imagine that you could ever convince anyone else to believe. And if you wouldn't follow you, why should anyone else?

Developing leadership capacity is not about stuffing in a whole bunch of new information or trying out the latest technique. It's about leading out of what is already in our souls. It's about liberating the leader within us. It's about setting ourselves free. It's about putting our ears to our hearts and just listening. Clarity of values is essential in knowing which way, for each of us, is north, south, east or west. The clearer we are, the easier it is to stay on the path we've chosen. In exploring our inner territory and finding our voices, we calibrate an inner compass by which to navigate the course of our daily lives and to take the first steps along the journey of making a difference.

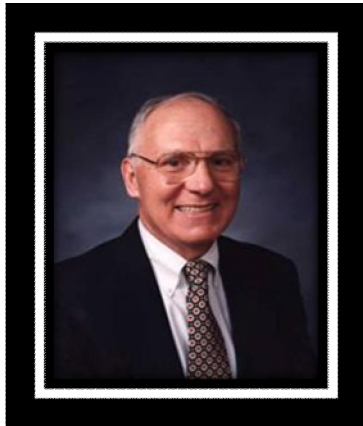
So, back to that leader who walks in the room and says, "Hi, I'm your new leader." How would you answer the questions that others want to know about why they should follow you? What would you say when asked, "Who are you?"

Author Biographies

Jim Kouzes and Barry Posner are co-authors of the award-winning and best-selling book, *The Leadership Challenge*. *The Leadership Challenge* has received several book-of-the-year awards, been a selection of both the *Fortune* and *Macmillan* Executive Book Clubs, a *BusinessWeek* best-seller, been translated into fifteen languages, and sold over 1.5 million copies. Jim and Barry have coauthored more than a dozen other leadership books, including *Credibility: How Leaders Gain It and Lose It, Why People Demand It* (chosen by *Industry Week* as one of its year's five best management books), *A Leader's Legacy* (selected by *Soundview Executive Book Summaries* as one of the top thirty books of the year), and their latest, *The Student Leadership Challenge*. They also developed the highly acclaimed *Leadership Practices Inventory* (LPI), a 360-degree questionnaire for assessing leadership behavior, which is one of the most widely used leadership assessment instruments in the world. More than 350 doctoral dissertations and academic research projects have been based on their Five Practices of Exemplary Leadership® model.

Jim and Barry were named Management/Leadership Educators of the Year by the International Management Council. This honor puts them in the company of Ken Blanchard, Stephen Covey, Peter Drucker, Edward Deming, Frances Hesselbein, Lee Iacocca, Rosabeth Moss Kanter, Norman Vincent Peale, and Tom Peters, who are all past recipients of the award. In the book *Coaching for Leadership*, they were listed among the nation's top leadership educators and in 2007 they were named among the Top 75 Best in Leadership Development by *Leadership Excellence*.

Jim Kouzes and Barry Posner are both at Santa Clara University, where Jim is the Dean's Executive Professor of Leadership and Barry is Dean of the Leavey School of Business and Professor of Leadership. Jim and Barry are frequent conference speakers, and each has conducted leadership development programs for hundreds of organizations, including Apple, Applied Materials, AT&T, Australia Post, Bank of America, Bose, Cisco Systems, Community Leadership Association, Conference Board of Canada, Consumers Energy, Dell Computer, Deloitte Touche, Dorothy Wylie Nursing Leadership Institute, Egon Zehnder International, Federal Express, Hewlett-Packard, IBM, Jobs DR-Singapore, Johnson & Johnson, L. L. Bean, Lawrence Livermore National Labs, Lucile Packard Children's Hospital, Merck, Mervyn's, Network Appliance, Northrop Grumman, Roche Bioscience, Siemens, 3M, Toyota, United Way, USAA, Verizon, VISA, and The Walt Disney Company, along with scores of colleges and universities around the world.



"The junior officers and NCOs who survived the war were the leaders in building modern America. This was in some part thanks to what they had learned in the Army, primarily how to make decisions and accept responsibility."

**Citizen Soldiers:
–Stephen E. Ambrose**

JOSEPH "BUD" AHEARN, SVP CH2M Hill, DENVER, COLORADO



Citizen Engineers:

Leaders in building a sustainable world

Introduction

Our nation and the world have an enormous need for engineering services. These needs stem from public demand for new and upgraded civil infrastructure, environmental stewardship and advanced solutions for energy, water, and climate change. The driver of these needs is humankind. People all over the world are calling for a higher quality of the built environment, for improved environmental stewardship, energy and water management, and greater social equity... a better quality of life.

This glut of societal needs present obvious and imposing engineering and technological challenges. But just as American G.I. "citizen soldiers" returned home



from WW II to a society that beckoned for civic leadership beyond their military training, today's engineers confront a world of finite resources, opposing stakeholder interests, financial limitations, and competing economic pressures that demand civic leadership beyond formal engineering schooling. More and more often, the expertise demanded of engineers today is a capacity not just for technological problem solving, but also for a holistic understanding for how things work in a much broader context; a



context that:

Contemplates the greater needs and constraints of modern society;

- Takes into consideration things like resource depletion, financial viability, risk analysis, total life-cycle consequences, supply chain reliability, facility operations and maintenance, and economic development;
- Promotes progressive decision-making in a world of competing interests; and
- Delivers a sustainable, improved world to

future generations.

The Leadership Imperative

Traditionally, engineers have been driven to make technology work for their clients. And while that remains at the heart of the engineering value proposition, technological integrity now represents a fundamental prerequisite of the engineering profession; seldom does it represent a significant differentiator. Engineering leadership that serves clients' full interests starts with structural and systems integrity, but it goes far beyond the technological realm.

Today, leading "citizen engineers" must anticipate not just client needs and project technical requirements, but they must develop solutions and deliver projects that address community, customer and other affected stakeholder interests. In collaboration with clients, "citizen engineers" must deliver infrastructure and technological systems that focus not just on improving client facilities and operations, but building a better world in the process. The measures of a better world must often include creating new economic opportunity, strong environmental stewardship and significant social benefits.

The core of the engineering mission is the belief that every professional serves from a platform of specialized knowledge acquired from long and intensive academic preparation and operational experience. Inherent in this mission is the foundational belief that there is more to the make-up of an engineer-leader than specialized knowledge. The role comes



with a higher calling and purpose, one focused on shaping and developing a world that we trust will be better because of the professional contributions we make.

Ralph R. Peterson, CH2M HILL Chairman and CEO, expresses it this way:

The magnificence of science, engineering and construction professions, is that they are capable of creating a non-zero sum game for our planet's economic growth... making more for all through ingenuity and creative resource utilization. Engineering, architecture and the applied sciences are the key professions capable of doing this and that should be a source of pride for all of us engaged in those activities.

For engineers to step forward as “citizen engineer” leaders today often means stepping away from the personal attributes and character traits that first led them down an engineering career path. Intense, isolated and highly focused thinking may represent invaluable talents in the academic engineering world. But in a “citizen engineer” leadership world, team building, consensus-management, listening, communicating and vision shaping take center stage.



Just as the “citizen soldiers” who returned from World War II accepted their civic leadership mantle to become the “greatest generation,” tomorrow’s “citizen engineers” must prepare for an expanded high-performance role. And this new expanded role must truly deliver a combination of technical, economic, social, and environmental values that truly improve people’s quality of life.

“Citizen engineers” who accept this leadership challenge can expect to be energized by building and belonging to a potent human force so strong that they can make their purpose happen. And when they move from being the smartest kids in the class to being builders of strong, competitive, and creative teams, they will begin to realize their full potential. And in realizing their personal full potential, they will deliver more abundant solutions for their clients and the world at-large. They will deliver truly non-

zero sum solutions that don’t focus on slicing up a perceived pie with inherent limits, but actually create limitless pies to serve society’s greater good.



High-performance, Purpose-driven Team Building

Building and leading the high performance teams needed in the days ahead will require leader-engineers to align the

diverse interests of elected officials and government regulators, business leaders, financiers, labor leaders, and nongovernmental organizations such as environmental and community groups. Such a formidable task requires forceful leadership resulting from purpose-driven vision, goal setting, strategy shaping, aligning people and resources, and motivating, inspiring, and helping others. While these attributes may not be standard requisites of classic engineering curricula, they represent essential skill components for “citizen engineers” to lead high performing teams of diverse interests and perspectives.

When we examine high performing teams closely, clusters of knowledge, specialized skills, and behaviors are repeatedly evident. A checklist of pertinent competencies would include:

- Interpersonal savvy;
- Business competence and judgment;
- Communications skills;
- Strategic thinking and planning; and
- Prioritizing and flexibility

Looking beyond these skill sets and competencies, however, you find a certain personality profile of “citizen engineer” leaders, a profile of people who are selfless, others-centered, vision-committed, inclusive and driven by deep inner character. As legendary UCLA basketball coach John Wooden instructs, *“The best leaders are more interested in finding what’s right than in always being right. They understand how much more can be accomplished if no one cares who gets credit.”*



Historic Perspective – Contemporary Driving Forces

The stories of history and academic research that stretch from the master builders of Egypt, the Industrial Revolution, the Panama Canal, the Apollo moon mission to current day aviation, space, and information technology industries, all consistently point up the need to work across and outside conventional boundaries. These boundaries may include personal, technical, economic, environmental, political and national limits, and they may be either self-imposed or externally enforced.

The forces that shape the engineering and construction industry today demand that engineer leaders master the art of working outside of technical stove pipes and across the varying vested interests of organizations that include environmental, academic, industry leaders and other stakeholders. These driving forces are compounded by mounting demands on “citizen engineers” such as:

- The constant flow of new technology that requires a professional commitment to continuing and life-long learning;
- Globalization and expanding democratization that compel global scale competitiveness and a capacity to embrace international project partnering;
- Clients' demands for single-source, full service engineering, procurement, construction and operations services that require a comprehensive grasp of all aspects of infrastructure planning, design, development and operations; and
- Increased demands for environmental stewardship and social responsibility that impose a heightened degree of public accountability for project development.

This combination of our industry's history, evolution, and current day drivers reinforces the engineering and construction industry's principled need for values-based leadership.

Citizen Engineers at Work Creating Quality of Life Improvements

What roles will "citizen engineers" tackle? Real work and real project roles provide the best clarifying "quality of life" examples. Examples such as:



- Designing, building and operating water and wastewater projects in water-scarce parts of the world in which 35,000 infants die every day due to the absence of clean water and sanitation;
- Roads, airports, seaports, and rail systems that enable people and products to move to world markets for economic, security, and recreational benefits;
- Environmental stewardship projects to protect the natural ecosystem and to clean up and prevent contamination and the consequences of human-caused climate change; and



- Industrial plants and systems that build our economies, improve our health, enable national productivity improvements, spread wealth to impoverished areas, as well as provide power and electricity.

In short, the mission of "citizen engineers" is to deliver these value-creating projects and services in the context of the drivers of the engineering and construction industry and the demands of our clients. Both the drivers and demands shape the uniqueness (the situation) of every project.

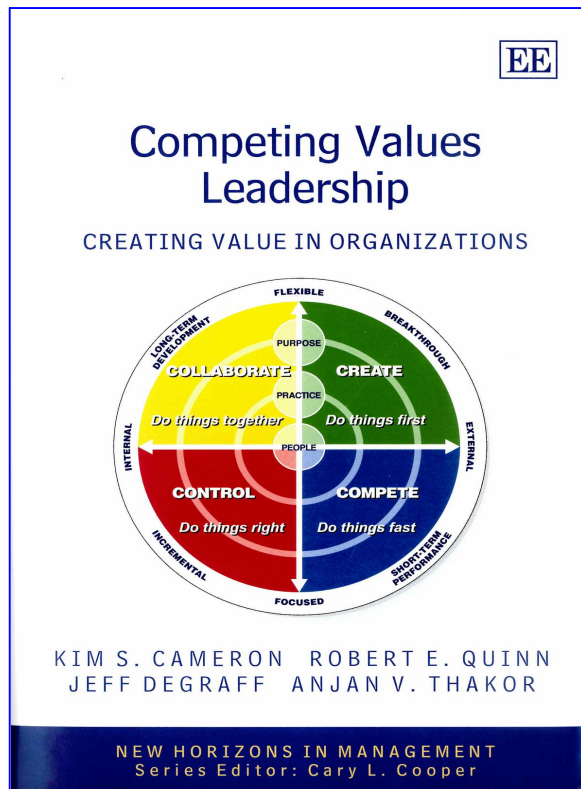
Project Leadership

Effective project leaders adapt to the situation but lead with intention. Leaders intentionally envision project outcomes (physical plant or system and social, economic and environmental benefits) and then align all the stakeholders who can make these outcomes happen. Leadership is then both situational and intentional. As engineer leaders work together with project stakeholders to develop and deliver their projects, they encounter differing organizational cultures and competing values expressed by individual stakeholders. These cultures represent a set of attitudes, core values, goals and practices that characterize an organization. In short, culture is shown by how we engage, how we behave, what we hold dear, and where our aspirations lie. For example:

- Our behavior might be characterized as creative or controlling, competitive or collaborative;
- The things we hold dear (values) might be honesty, integrity, trust, innovation and people-centric behavior such as respect, safety, and cooperation, challenging work growth, and personal accountability; and
- Aspiration targets may focus on becoming a regional, national, or global industry leader, measured by revenue; by recognition as a renowned niche player such as a cable stay bridge designer or a clean room constructor or a best-in-class green building architect engineer.

There are several important threads that make up the character of these aspirations. For the most part, they represent business – immediate objectives with commercial principles and professional practices engaged in a source of livelihood – enterprise. Entrepreneurship also shows itself in these aspirations, for entrepreneurs aim high and assume and manage the risks of the enterprise. Professionalism, a calling to high purpose requiring specialized knowledge, intensive education and experience,

and a commitment to humankind adds yet another force to aspiration. But in the end, ethics – the discipline of dealing with what is good and bad and with moral duty and obligation – is what enables stakeholders with differing cultures, values, and enterprises to align their interests and assets to achieve their common objectives. As philosophy and ethics professor and noted author Russell Gough explains, ***“Not your personality, but your character is destiny.”***



Developing a Leadership Culture

Because of the ongoing human dynamics involved in the enterprise of project delivery, it helps to visualize a mental model to bring structure, organization and focus to leadership. One of the most effective models for sorting through the complexities

of project delivery is one formulated by professors Kim Cameron, Robert Quinn, Jeff Degraff and Anjan Thakor in their book *Competing Values Leadership*. Their model (illustrated) portrays the integration of purpose, practices, and people and the necessity to collaborate, compete, create, and control. The model highlights action and intended outcomes such as teamwork, beating the competition, speed, breakthrough performance, repeatable quality, etc. Moreover, the model highlights competing values evident in leaders whose strong tendency is to control with structure, process and tools, and those who deplore control as an inhibitor to innovation and breakthrough performance.

When we consider the content of the model, we conclude that most leaders lead from a long suit of characteristics coming from one, or perhaps two, of these quadrants. We also quickly come to the conclusion that although few, if any, are highly skilled in all the quadrants, being skilled in the fundamentals of all quadrants is a goal leaders must strive to achieve if they are to effectively influence behavior in differing situations. For it is true that systems of **control** are essential to produce consistently repeatable quality. **Creative**, unconventional thinking fueled by **competitiveness** moves organizations through incremental to breakthrough change,



maybe even changing the very shape of the industry. Building a **collaborative** environment and caring for people and their families must go beyond providing training, equipment, and a personally meaningful quality of life.

People require leadership they can “trust unconditionally.” For leaders guided by the **Competing Values Leadership** model, the question

becomes, “How much collaboration, competitiveness, creativity, and control are required to achieve performance readiness?” This becomes the measure for “citizen engineers”...as they establish directions and strategies...align people and resources...inspire and help people...to evaluate their effectiveness not just as engineers, but as leaders.

The philosopher Aristotle posed the classic question, “How much is enough?” The model then is a clarion call for judgment, the right balance of competing positive values.

Judgment ultimately separates leaders as they apply their clusters of knowledge, skills, and behavior (interpersonal savvy, business savvy, communication skills, strategic thinking, change management, etc.) Leaders’ critical judgment in answering the “How much is enough?” question is what shapes the culture of the enterprise.

Building a leadership culture is not merely a philosophic approach to project performance; it becomes a business strategy that demands steadfastness and

flexibility. Establishing and maintaining core values and strategic intent takes steadfast leadership. At the same time, as major forces shift and stabilize, gather momentum and subside, flexibility and adaptability to changing business currents must carry the day.

Defining Engineering Leadership

What defines leadership? Webster's online dictionary devotes more than 6,000 words to the subject. Personally, I favor Colin Powell's definition, which states "Leadership is the art of accomplishing more than the science of management says is possible." Given the ever-rising prowess of technology in the world, I would personally add a technological dimension and say "*Leadership is the art of accomplishing more than the science of management and the promise of technology say is possible.*"

Ultimately, leadership is defined in the context of the enterprise – its purpose, core competencies, resources, situation, aspiration, and frame of mind.



Seeking Abundance

Few attitudes are more dispiriting than the ones expressed by those holding that life and enterprise is nothing more than a zero sum game... a game with finite limits of economic, social, political opportunity. To view life and the world as nothing more than a game of winners and losers, haves and have-nots; to live out paradigms like eat or be eaten, second place is the first loser, could mean that most of humankind will spend their lives marginalized or in the loss column.

Leaders must reject these foolish notions.

Professor Kim Cameron's research at the University of Michigan, Ross School of Business, challenges that frame of mind. He bases his research on "abundance" thinking and challenges leaders to think positively. He cites that all living beings turn to the light for life. Light gives us energy, vision, positive ideas, and edge to create new opportunity and free up the untapped abundance of the world.

More than that, however, he instructs business leaders to be positively deviant. His leadership model shapes his research and outlines humankind's potential...that is, how do we shape an environment where our people and our enterprise operate in a condition he calls Olympic Fit – where we play in the "zone," play at our very best...flawless perfection, flourishing, giving, respectful, virtuous...the highest state of the human condition. The ancient Greeks debated the meaning of pure perfection until Aristotle wrote in Metaphysics that perfection is so good, no more can be added of the kind – it is complete and attained its purpose.

Great things happen when we act with a positive frame of mind. We all know it. Robert Quinn's books *Deep Change*, *Change the World*, and *Building the Bridge as You Walk on It* complement Professor Cameron's abundance leadership model. In his works, Quinn shares powerful ideas on how to live and lead with a positive frame of mind. His research finds that most people are self centered, comfortable, closed, and externally directed. He calls it the natural states of being, but hardly the position (frame of mind) of positive leaders.

Research data and personal experience tell us that we all find ourselves in Quinn's natural states to varying degrees most every day. If we look carefully at those natural states we discover that these characteristics form the position of followers. "Citizen engineers" who move from the natural position to the position of leadership make huge personal change:

- They change their perspective from self to others;
- They reject comfort for a more vulnerable walk, naked and alone down pathways of uncertainty, buoyed by the power of their vision;
- They shift from being closed minded to being open and inclusive; and
- They move from being driven by external stimuli, like teenager groupies or industry trend followers, to extraordinary uniqueness like Gandhi, Placine, or Sir Edmund Hillary.

Clearly, to make such movements and make them stick we must manage ourselves as well as we do our craft. We must move from seeing huge and rapid change curves as inhibitors and see them as opportunity curves full of potential, promise, and possibilities.

With all the more formal research and experiential writings on the subject of leadership, we also find some realities. Leaders work on the shoulders of managers. Managers and technologists are the bedrock of our industry. Management and technology are known to be hard and cold. John Kotter, in his book *Leading Change*, argues, on the other hand, that leadership may be soft, but it is hot – a differentiating competency. Leadership is confusing as hell and leaders love a mess. They groove on ambiguity. They are forgiving. Leaders are often not the best performing, smartest people in the room. Rather, they represent the character (competencies, commitment, caring, and integrity) that the members of the group think can best guide them toward achievement of their common objectives. Leaders love playing with other leaders just as champions love playing with other champions. They understand the ultimate power of relationships, which is most often their most valuable asset. They wire the joint with trust. They have moved on from the quest to be the best in the world to being best for the world. In the end, engineer leaders realize that it is not the song, it is not the singer, but the conjunction of the two that creates the emotional bridge that delivers the rush and fires the internal belief that their clients, their teams, their communities, and they themselves can be extraordinary.

That is when they truly become "citizen engineers."

Resources

With special permission and thanks to CH2M HILL Foundations of Leadership partners:

Cameron, Kim S., Professor of Management and Organization, Ross School of Management at the University of Michigan, Ann Arbor, Michigan, “Competing Values Leadership, Making the Impossible Possible.”

Jones, Dewitt, The Nature of Leadership” and “Celebrate What’s Right with the World.”

Quinn, Robert E., Professor of Organizational Behavior and Human Resource Management, Graduate School of Business, University of Michigan, Ann Arbor, Michigan, “Deep Change, Change the World, and Building the Bridge as you Walk on it.”

Author Biography

Joseph “Bud” Ahearn, Senior Vice President for CH2M HILL Companies, Ltd., is well known and respected for his executive leadership in the engineering business lines of transportation, environment, water, industrial design, and related infrastructure. Having built one of the first leadership development programs for CH2M HILL, he has over 45 years experience as a mentor, an achievement for which the Society of Military Engineers recently honored him as Mentor of the Year.

Previously, he served as Vice Chairman of the CH2M HILL Board of Directors, where he worked in collaboration with the CEO and business group leaders to effectively represent the firm and was responsible for strategic planning, governmental affairs, strategic communications, and leadership development. During his 15-year career at CH2M HILL, Ahearn has served in several capacities, Transportation Business Group President, Eastern Region Manager and Senior Vice President, Federal Programs Director, and Principal-In-Charge for two major transportation corridor projects in California. Currently he is CH2M HILL’s executive responsible for delivering the \$12 billion U.S. Air Force’s Korea Relocation Program.

Prior to joining CH2M HILL, Mr. Ahearn had a distinguished military career spanning three decades, where he achieved the rank of Major General in the U.S. Air Force. During his 34 years of experience with the Department of Defense, Mr. Ahearn was responsible for shaping financial strategy, developing budgets, and executing infrastructure programs totaling more than \$7 billion annually. As the Senior Civil Engineer for the U.S. Air Force, he directed the development and operations of all U.S. air bases around the world.



In this article, I will take you through the first stage in the process of leading a best-in-class values-based business: translating your values into a business proposition. I discuss common myths and offer examples of how to capitalize your values effectively.

DR. MARK S. ALBION, CO-FOUNDER, NET IMPACT

Turn Your *Values* into Value

“Everyone is always trying to find out, ‘How can my business be different from someone else’s? How can my business be unusual? Well, don’t look too far, because the way that your business can be unusual is by having it reflect yourself. Everybody is different, and if your business actually reflects you as an individual, it’s going to be different. My business expresses who I am.”

- Judy Wicks, founder and CEO of Philadelphia’s White Dog Café, where “good food and fun lure innocent customers into social activism.”

Why are Your Values Important?

Leadership starts with you – who you are, what you care about, and what you want to see happen. Business is about the creation of value. Your job is to orchestrate how that value is created. So how can you create market value if you do not know what your values are?

The day you launch your company, you are its first product. You must sell your values, mission and uniqueness to others. Rational market-value arguments are important, of course. But that alone won’t do it. Whether you’re trying to attract employees, customers or investors, it’s not just about the finance. It’s also about the *romance*.

You need to engage people’s emotions. To change their behavior, to get them on board, they must feel your excitement. When they feel it, you’ll be on your way to creating value. Engaging people comes first. The actual product or service is secondary.

That excitement, those feelings, come from you. It all starts with *actualizing* yourself, communicated through acts of leadership. What do you need to do? Let's look at three myths and their counterexamples for guidance.

Myth 1: Leave your personality, your values at the door. This is business.

Truth 1: Bring all of you to work – It's your values that produce unique value.

If you leave what is most special about you at home, how can you make a unique contribution to the world? And who wants to live that way anyway?

Fast talking, fast thinking and always direct, David Berge, president of the innovative social venture fund *Underdog Ventures*, says that in hiring top people, "When someone comes to me for a job, the last thing I want to hear is how they want to do what I do. What I want to know is who they are, what they want to do, and how they think that would benefit the company. It might take them longer to find a job, or start a company, but when they do, it'll be the right one."

In the days of the great British armadas, sailors lined up to go to the ends of the earth (literally, they thought!) for what was called the "Queen's Great Matter." They sailed for the "greatness of Britain and her Queen." So, what is your great matter?

The first question you must answer as a values-based leader therefore, is, *Why* are we here? *Why* are we doing this? *Why* are we giving our precious life energy or hard earned money to this endeavor? It requires you to be personal and to touch people emotionally. After all, you want people as committed as you are.

Whom you attract will make all the difference to your future success. My values-based companies with the best, most innovative products failed, and those without the great products at the start did well. Why? Because building a successful company is not primarily about the products. It's about the *people*. The right people can overcome the wrong products and even inadequate financing most times. And you get those people by being clear about why your enterprise is important and what its values are. Then you must act on those values. After that, you'll find the right products – together.

Myth 2: You need more business experience/business background to run a business.

Truth 2: Study the humanities and get service experience.

It's been said that building a business is like trying to ride a bicycle while you put it together. Values-based leadership is about offering something uniquely based on your values. You have the values, the uniqueness, so if the will is there, you'll learn what you need to know on the job. As the business grows, you'll hire expertise to fill in the gaps. *The key leadership skill is knowing how to build relationships with diverse*

groups of people. What kind of background and experience best allows you to do this?

During the first half of the 1990s, I examined the characteristics of successful values-based leaders in the United States for a report to the United Nations. What I found was that many of them had worked in less developed countries or in disadvantaged areas in the U.S. for at least a year or two. From these cross-cultural service experiences, with access to limited budgets and resources, they developed competence in working with diverse groups of people, compassion for those different from them, and commitment to a business concept that serves humanity.

I believe that many individuals have had this experience. For example, Linda Mason and Roger Brown, founders of the *Bright Horizons Family Solutions* worksite childcare and early education centers, previously worked in the Sudan for *Save the Children*. They organized distribution logistics to get food more efficiently to outlying areas with starving children. That non-profit work gave them the credibility to obtain venture funding from Bain Capital to start their for-profit enterprise.

CEO of *Wild Planet Toys* Danny Grossman is fluent in Russian. He served as a foreign diplomat in Leningrad and human rights officer at the State Department. *Honest Tea* CEO Seth Goldman worked for a year in China, followed by a year and a half in the former Soviet Union. *SVN* co-executive director Deb Nelson was a Peace Corps volunteer in Cameroon, West Africa. And Jane Hileman, CEO of the *American Reading Company*, was a public school teacher for 28 years in our inner cities.

Regarding educational experience, a growing number of younger values-based leaders have gone to business schools. But first, many received undergraduate degrees in language studies, religion, history and English. The ability to communicate clearly in writing and speech is a critical skill for business leaders.

Myth 3: Once values are set, that's it, and it's clear how that leads to value.

Truth 3: Values Don't Change but They Do Evolve

It's easy to forget yourself in your work. On a regular basis, it's important to stop and check in on yourself, your values and your company's direction. Times change and while values don't, how you *implement* them may need adjustment. If you don't adjust, you might find your work less satisfying personally and less profitable professionally.

This is particularly true if you take over a company you didn't found. While you probably buy into the values and the mission, they aren't exactly yours. As time passes, they also may need to take on a different form in the market. That's what happened when *Utne* magazine chair and CEO Nina Utne took over husband Eric's company in 2001.

Nina realized that the magazine had to be revamped, though it took her four years to get clarity, to overcome Myth #3. She explains: “I felt like I was entrusted with a precious resource and asked to steward it. But it took me all this time to realize that I’ve been curating *Eric’s* 20-year old vision and values.”

“Eric asked 20 years ago, ‘What does the world need now?’ It was a different information landscape. Today, there’s even more clutter, and I believe what we need is different. We still need models of the way things can work, but more important, we need to encourage the evolution of the heart. Simply said, what we need is more love, sweet love.” Nina has gone on to change the name and evolve the positioning of the magazine.

I’ve also found that it’s rare that you start a company to do something and end up doing exactly that. You may do more or less or ... something completely different. And it will always take longer than expected. You’re never sure exactly what your world will look like when your company hits what Gary Erickson of *Clif Bar* calls that “sweet spot when the pieces just seem to fit together.”

Similarly, your values may deepen. For example, when Gary Hirshberg first joined Samuel Kaymen, who had a small New Hampshire yogurt company called *Stonyfield Farm*, their mission was to help local dairy farmers who were being paid less for milk than it cost to produce. Gary and Samuel wanted to pay them more.

Now these farmers are a proud lot, especially the independent farmers. So, in order to pay them more, Gary and Samuel had to ask for more. They did. They asked for higher quality milk and cultures. That led to organic milk and yogurt, which led to a mission of increasing the production of organic foods worldwide.

Eric Friedenwald-Fishman’s communications firm, *The Metropolitan Group*, serves social purpose groups. Originally they served only commercial clients. Eric explains: “We liked being activists in college, but didn’t think we could do that type of work for non-profits and actually get paid enough for it.” After doing some free promotion for a few, however, one asked if Eric would continue on in a paid capacity. Still, it wasn’t much.

With one year and \$90,000 in sales under their belts, the four founders went on a retreat and asked themselves, “What work were you proud of this past year?” The top answers were the non-profits, which had grown to nearly half of their sales revenue. When they figured out that the difference in profit margin from commercial clients wasn’t that much, they focused on migrating their client base. They developed a fund-raising expertise as well, and today, 100% of their clients are social purpose groups.

Turning values into value is a gradual process of finding your way, finding what products or services work, finding what stirs your passion and finding what makes you feel good. Just be careful that you migrate *toward* your values, not away from them.

Mistakes: What if you don't hold your values sacred in building your company?

It's better to fail trying to do what you really care about than to succeed at something else.

Make no mistake. It's not easy to succeed. It's hard to keep your values intact and be successful in the marketplace. One of the biggest decisions early on is how to handle the opportunities that come your way, each with its pluses and minuses, none with all the values and economics you'd like. Those decisions can make or break you.

So much of leadership is saying no, not yes, of waiting it out for the market to catch up to you. So much of building a company is turning down deals, firing customers who aren't compatible with your values and social missions, and letting go employees who were with you at the start, who are your friends, but who no longer have the capabilities required by a larger company. In the short-term, however, financial needs can obscure everything else.

In the late 1980s, I started a company to develop computer-based interactive video programs on social issues. My concept was to sell these programs to corporations who would sponsor them in schools. Children would learn about human rights and the environment in fun, interactive ways. The sponsors would get good public relations with the children, teachers and parents.

After a few years of only sporadic sales, I met with a former marketing client who mentioned how difficult it was for employees to learn the values of the company. "It takes a dozen years for them to understand what we're really about," he admitted in frustration. "They don't read our corporate materials or watch the videos. We can't afford to send everyone to management retreats. What about your software, Mark? It does make the material more engaging. Do you think you could do something for us?"

I did. We became a provider of low-cost training programs on corporate values. Finances picked up, but it wasn't what I'd set out to do. I sold out a few years later.

As the leader of a values-based company, you must be true to those values, not just in speech but also in action – particularly when it's most difficult. It can require more patience and feel very lonely. But if you don't do it, who will?

Doing It Right: True to Yourself

Tami Simon is the founder and CEO of *Sounds True*, the largest producer of spiritual audio programs in the world. Tami is integrity. I mean "integrity" in psychologist Erich Fromm's terms as "an unwillingness to violate one's own identity." Tami is *Sounds True* and *Sounds True* is Tami. In terms of values, they are one.

Tami is that rare blend of the highly competent and highly compassionate businessperson. Her commitment to her cause – *to disseminate spiritual wisdom* – comes through clearly, too. She is unusually direct. I've done business with Tami. She has said yes, and she has said no. Both felt right to me. She's decisive, yet inclusive. She makes tough decisions, yet they are fair. It's because she's so connected with

what *Sounds True* is and is trying to do. And she works hard to understand who you are and what your needs are.

“As a leader,” Tami begins, “you must be clear and authentic on why we are doing this, why *you* are doing this. I just don’t get that excited about making money. *It’s not where I spend my dreamtime.* That time is spent asking questions like, ‘What will create the greatest shifts in consciousness?’”

Tami believes she is standing in something that she completely believes in, something that she’s willing to give her life energy to. And it fits her gifts and abilities to contribute to the world. How did she get there? It took reflection, trial and error, and a wise advisor.

Tami dropped out of Swarthmore College after two years and spent the next year in India. She was a religion major, but she didn’t want to teach. She felt that people didn’t realize their connection to each other. “That’s the fabric of existence, how our identity as sentient beings is interrelated with each other.”

Tami returned to the U.S. and prayed every day for six months, looking for a sign of what she should do, what values she should bring to the world. She kept asking, “How can I contribute meaningfully?” She felt she was wasting all her education and talent.

Tami was never much of a reader but was always fascinated with speech and music. When her father died, she inherited \$50,000. She was ready to lead her own life and wanted to do it with a level of passion and commitment that was extraordinary.

Tami had a radio show at the time, but she knew that wasn’t it. One day she had a long conversation with Jirka Rysavy, the founder of office supplier *Corporate Express* and in 1988, *Gaiam*, a healthy lifestyle company. He responded by simply saying, “You know what to do Tami. So *why don’t you put your money into yourself?*” When she left his office, “My awareness, my whole body shifted, and I knew that my work would be to create channels for disseminating spiritual wisdom.”

How’d she create \$12 million *Sounds True* while staying true to her values? “My fire attracted other people. When you have a strong vision, you can cut through the b-s.”

Sounds True’s culture is like its product. It, too, has a truth-telling quality to it. Tami created a culture of truth telling where her job is to bring up “what I sense are the ‘undiscussables’ – ‘What’s not being said? Where are the shadows in the office?’ You need to do that to get things done.”

Tami brings out specific issues like, “Why is this person making more than that person?” or “What are Tami’s long-term plans?” or “This is a pet project of an author we like: Is that why we’re doing it even if it’s not going to be a big seller?” She challenges herself to come forward with no secrets. Partially, it’s because she doesn’t believe there are secrets in a company. People know.

How then does Tami see her role as a values-based leader? “I simply help articulate the subtext. The way things *feel* between us is important to me. I can tell if people are upset and I don’t like to sweep things under the rug. I attract people who challenge me, who don’t say yes. I reward disagreement, beginning with a simple ‘thank you’ to them.”

Like Tami, *Sounds True* disseminates *truth*. The truth is that over twenty years, there’ve been bumps in bringing these values to market. Tami has had to get comfortable with how big a company *Sounds True* may become. She’s had to become more aware of the business side, as values and value are not always compatible. At times, her work has felt like “being in a desert,” so she has taken more personal time. For years she wouldn’t leave the office if there were one more thing to do, one more call to return. No longer.

Similarly, she has been less involved in decision making the past few years. Each person has a high degree of independence and flexibility at the company. She sees the company as a great opportunity for everyone, a vehicle to bring their voices into the world. “How could I have a greater sense of contribution than through *Sounds True*?”

Tami’s future may see more time spent away from the company, though her mission will remain the same. She will continue to put her values front and center in whatever she does. She will continue to be true to herself.

How to Improve: Connect to More of Yourself

Nobody will love your business the way you do. Its spirit is your spirit.

Values are personal. Business is personal. The more you connect your business to you and you to the business, the more successful you’ll be personally and professionally. There should be no separation in policy or practice between how you act and how your business operates. But first, you need to first answer the whys, whats and hows of your business for yourself and others involved. That is, why are we doing this, what do we need to do, and how do we get it done.

Here are five questions to ask yourself to help you turn your values into value:

1. How do you see what your company does as an outgrowth of you and your interests?

Can you list how the circumstances of your life led you to pursue current products/services? Can you connect what your company does with important experiences in your past? Can you explain the connection of your life with what your company does?

2. What are the specific ways you transmit your values and commitment to others?

Does everyone know what your company’s mission and values are? Do they believe in them, and do you show that you believe in them, too, through your

words and actions? Do you compensate people in accordance with these values?

3. *What do you do when values-based decisions have conflicting goals?*

How do you make trade-offs among stakeholders who are impacted differently by a decision? If values conflict with financial opportunity, does a manager know what to do, or do they have to come to you? Are you consistent in upholding these criteria?

4. *How do you re-evaluate your role in keeping the values and creating market value?*

Do you have a regularly scheduled process to evaluate your role? Who runs the process? What changes have you made, or are you thinking of making?

5. *How do you deal with the role of values in tough times?*

What do you do about expressing your values in the marketplace when sales are down? How do you deal with a product failure that may be due to your values? How do you regularly re-evaluate the role of values in your company and in the marketplace?

Action Exercise: A Four-Step Process to Create a Values-to-Value Personal Inventory

Turning your values into market value is an iterative process that will increase your personal fulfillment and your company's competitiveness. It's important to regularly schedule a re-evaluation process for these values and their implementation.

The following is a personal four-step process that can be adapted for your company as well. For example, in the section on skills and gifts, you can substitute core competencies and key business relationships. The exercise can also be used to communicate and discuss values among key company staff, customers, investors, etc. I use *Bright Horizon's Family Solutions* childcare and early education centers as an example to guide you.

Step 1: What are your top six personal values? Get out a piece of paper, make a list down the left side of the paper (leave room for a second column on the right), and think about your values for as long as you need. Feel free to use your experience of whether or not your values are reflected presently or in any past occupations.

Example: Respect, Nurturing, Trust, Openness to Change, Balance, and Sustainability.

Step 2: How are these values of value to your company? Once you've determined what your values are, your second step is to create a *value* inventory for them. To the right of your list of values create a second column for the *value* of your values. Your

paper should now have two columns – one for your list of values and one for how each of those values can add value for your company.

In making your two-column list, you may want to think back to times when you weren't happy. What values did the job or your company not allow you to develop? Which were the values most important to your happiness and integral to your effectiveness? Recheck your two-column list and make any necessary changes.

Example: Improved Communication, High Quality Care, Credibility, Innovative, Good Health and Morale, and Long-Term Performance.

Step 3: The third step uses the same process as we used for values – just expand your list to include your passions and skills as well. If you like, you can do this on the same piece of paper, but most people like to use a separate piece of paper for their two-column analyses of their passions and their skills. You would then have three pieces of paper, each with two columns – one for values, one for passions and one for skills.

Example: Core Competencies – Good Listening, Experienced at Parenting, Transparency, Close to Key Corporate Clients, Patient Educators, and Cutting-Edge Practices.

Step 4: The fourth step is to combine these three separate lists of values, passions, and skills into *values-to-value* strategies. Take the necessary time to develop three of your own values-to-value strategies, prioritizing them in terms of importance to you and ease of implementation in your company. Then put one into action the next Monday.

Example: High priced, high quality services regularly updated by being on top of current research and expanded by evolving their services to meet changing parent and client needs.

This four-step process creates a values-to-value list, expanded to include passions and skills (or core competencies and key relationships) and then combined to develop three values-based personal strategies. It can be a time-consuming process, but I've found it invaluable. Work on the list over time, refining it as situations develop and change, and capitalize on these changes by consolidating them into your leadership plans.

Author Biography

Mark is a social entrepreneur and author. He spent eighteen years as a student and professor at Harvard University and its Business School, profiled on *60 Minutes* as a top young business professor in the United States. He consulted and sat on the boards of major retailers and consumer product giants Coca-Cola and Proctor & Gamble, and wrote three-award winning marketing books. He left Harvard to develop a community of service-minded MBAs and co-founded *Net Impact* in 1993, traveling to over 125 business schools on five continents, for which *Business Week* called him “the savior of b-school souls.”

During the last fifteen years, Mark began the *Making a Life, Making a Living*® 5000-word monthly newsletter, which is now read by students and executives in 87 countries (www.makingalife.com). He wrote the *New York Times* Business Best Seller by that name, followed by *Finding Work That Matters* (3-CDs) and as part of the Social Venture Network series, “True to Yourself: Leading a Values-Based Business.” Beginning Fall 2008, he will be touring business schools again with the release of his latest book, *More than Money: Questions Every MBA Needs to Answer*. Mark has been married for 27 years and has two daughters, one of whom is a *Net Impact* lifetime member. However, his daughters know him best as the man who rode across Afghanistan by horse.



In examining the correlation between the manner in which we conduct business and the principles to which we personally ascribe, it is undeniable that we are inextricably impacted by our respective familial upbringings, social environments and academic influences. Echoing this observation, noted ethicist and educator Dr. Robert Rue emphasizes that: "Values are the essence of who we are as human beings. Our values get us out of bed every morning, help us select the work we do, the company we keep, the relationships we build, and ultimately, the groups and organizations that we lead. Our values influence every decision and move we make, even to the point of how we choose to make our decisions (Rue, 2001, p. 12)."

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Values-Based Leadership: How Our Personal Values Impact the Workplace

The Earmarks of Ethical Leadership

Because values play such an important role in our lives, being able to recognize, understand and articulate one's own values set becomes critical in sound decision-making. Additionally, the ability to identify an employer's corporate values will assist in determining an employee's job performance and allegiance. Consequently, when an individual discovers genuine and meaningful alignment between his or her own personal values with those of his or her employer, a powerful connection is created. This connection creates numerous possibilities for both individual growth and company productivity, manifested in myriad ways.

(a) Loyalty and Respect:

The fusion of personal values with a company's expressed work ethic may result in the development of greater employee loyalty and respect for the organization. In today's world, attrition from the workplace has become increasingly problematic. The need to generate employee enthusiasm and dedication to product produced or service rendered is of utmost concern to retain the employee and infuse passion in those services delivered by the employer. There has been a long held maxim that if an employee truly believes in the work that he or she performs for an employer, that employee will be invigorated to create a necessary, safe and beneficial service or product with pride, dedication and respect to purpose.

(b) History of Fair Dealing:

Prior to accepting employment with a new employer, a certain amount of due diligence is customarily performed: has and will this company emphasize worker appreciation and contribution? Does the organization have a sound historical record in manufacturing a product or providing a service that provides both desired and necessary assistance to the customer? Will the employee's expectations of fair play and equitable treatment be upheld? Will public image be portrayed in conformance with the actual operations of the business? And will all of the company's goals be accomplished in a manner to balance the realistic interests of the company's stakeholders and the consuming public as well as remaining in congruence with growing environmental concerns and widespread calls to conserve resources? Companies need to be able and ready to address questions like these with potential hires in order to ensure the right fit from both the individual and corporation's perspective.

(c) Building Trust:

It is imperative, especially in the wake of new legislation enacted to curtail the level of reported corruption and to demand individual accountability (e.g., new financial accounting standards required under Sarbanes-Oxley¹), to operate a company in a genuine manner that infuses trust into many business-oriented relationships: (1) management and labor concerns; (2) shareholder and public expectations; (3) desired product and environmental preservation; and (4) corporate practices and government scrutiny. While it is unfortunate that the unethical practices of a number of companies have served as the impetus for the passage of new legislation to demand accountability, perhaps such happenings have also served as a catalyst for the individual organization to switch to a model of values-based decision-making over myopically pursuing the "bottom line." Scandals such as Enron, Arthur Anderson, World Com and Tyco have eroded this trust and the truly values-based leader must be the impetus to restore reliability.

(d) Basing Decisions on Values Rather Than Beliefs:

Well-known values and culture consultant Richard Barrett notes, "When a situation arises that we have to deal with, there are three different ways we can arrive at a decision on what to do: we can use our *beliefs* to formulate a response, we can use our *values* to formulate our response, or we can use our *intuition* to formulate a response." (Barrett, 2005, p.1). Barrett continues to explain that if you use beliefs to make decisions, those decisions will reflect your past history in dealing with similar situations. Past history is always experienced and context-based, and beliefs are not equipped to handle complex new situations that have not been experienced previously. Beliefs are steeped in our past histories, habits and traditions, and are thus constrained by individual experiences and not as adaptable to new situations. Alternatively, if you use values to make decisions, those decisions will align with the future you want to experience. Values transcend both contexts and experiences. Therefore, they can be used for making tough decisions in complex situations that have not yet been experienced. As a result, values provide a more flexible mode of decision-making than beliefs.

(e) Gain Team Member and Customer Commitment:

When an organization and its team members unite around a shared set of values, they become more flexible, less hierarchical, less bureaucratic, and they develop an enhanced capacity for collective action. When employees not only share similar values – but also a similar vision – the performance of a company is enhanced. Shared values build trust. Trust is the foundation on which relationships are established, both with team members and customers alike. Values-based leadership is a way of making authentic decisions that build the trust and commitment of employees and customers.

(f) Stimulate Vision and Inspire Others:

As a leader, your job is to create a vision and to inspire others to make that vision a reality. In order to get employees passionate about what they are doing, leaders have to possess great energy so that they can spark excitement and achieve results. While this may seem counterintuitive, a great leader sometimes needs to focus less on the numbers, and more on the values of building a team, sharing ideas and exciting others. Successfully operating as a values-based leader benefits your team, your organization and yourself. According to Peter Ernest, CEO of Values Journey, “when a truly values-based leader ensures that his organisation has an engaging process for the people to explore their personal values, as well as their teams’ and the organizations’ values, there are benefits on many levels:

- Personal: Self-understanding, insight and awareness of life priorities and the gap between one’s current and desired values, that drive behaviour;
- Team: Bonding, appreciation of differences, improved relationships, clarity of team purpose;
- Organizational: Revitalized corporate culture, alignment, commitment and passion for the organizations values and a deeper sense of meaning; and
- Customers: A more authentic customer experience, a sense of trust, loyalty, an emotional connection with the people and the organisation/brand.”

Defining Values-Based Leadership

Values-based leadership connotes a plethora of different meanings, but based upon my experience in the corporate world, the concept is primarily defined as leading by example, that is, doing the right thing for the right reasons and not compromising core principles. A leader who embraces this type of thinking can become very successful in fostering strategic vision and gaining the support and partnership of other potential business partners.

Steve Jobs, CEO of Apple Computer, Inc., once remarked, “The only thing that works is management by values. Find people who are competent and really bright, but more importantly, people who care exactly about the same thing you care about.” (Koteinikov *quoting* Jobs, 2008). This statement has been personally influential and I have embodied its clear meaning in a saying that I keep at the forefront of my

thinking: *engage people's hearts as well as their heads*. While this form of motivation appears idealistic and theoretical, the question inevitably arises as to whether values-based leadership really exists in actual corporate practice.

Considering media headlines over the last several years, it certainly appears that a number of business leaders have compromised their own value systems in order to generate a profit and line their pockets to the detriment of the consumer, the employee, and the shareholder. This trend has left many of us occupying positions of corporate leadership to wonder what has happened to adhering to sound business practices and championing good old-fashioned ethics and moral behavior. Fortunately, through personal experience as a corporate official in a top-ranking financial institution, I am able to state with steadfast conviction that ethical decision-making is still alive and well in much of corporate America, with many companies having re-focused their existence around a common vision statement supported by solid values. Values such as giving back to the community, showing respect and care for the environment and many others have made their way back into corporate America.

I have been auspiciously rewarded with a career working for Wells Fargo, a Fortune 500 company ranked 46/500 and 4/20 as a national commercial bank, boasting revenues of \$40,407.0 million (CNNMoney, 2006). Wells Fargo is a financial institution that has not only unambiguously set forth its vision and values, but has imparted these working principles to its team members. To demonstrate how one company chooses to operate in this manner, Wells Fargo has provided an exemplary model of principled business leadership by outlining the company's core values in its Corporate Governance Guidelines as follows:

- **Ethics:** Maintain the highest standards with customers, team members, stockholders and our communities:
 - (a) Value and reward open, honest, two-way communication.
 - (b) Be accountable for, and proud of, your conduct and your decisions.
 - (c) Only make promises you intend to keep – do what you say you'll do.
 - (d) If things change, let people know.
 - i. Avoid any actual or perceived conflict of interest.
 - ii. Comply with the letter and the spirit of the law.
- **Customer Satisfaction:** Consider the customer in all we do:
 - (a) Exceed the expectations of internal and external customers – surprise and delight them.
 - i. Do what's right for the customer.
 - ii. Talk and act with the customer in mind.
 - iii. Build long-term customer relationships.
 - iv. Treat customers with care.
- **Leadership and Personal Accountability:** Every team member who contributes to the company's success should:
 - (a) Take prudent risks.

- (b) Lead by example.
 - (c) Make decisions locally, close to the customer.
 - (d) Know your numbers.
 - (e) Consider customers, shareholders, team members and community needs when formulating decisions.
 - (f) Care about each other.
- **Diversity:** Respect differences among team members, customers and individual communities:
 - (a) Earn mutual trust by supporting our corporate values for promoting diversity in both the workforce and the company base.
 - (b) Take advantage of and learn from different perspectives presented.
 - (c) Support the diversity of team members, customers and communities.
 - (d) Leverage diversity as a competitive advantage.

Wells Fargo has been repeatedly ranked as a top-10 corporate citizen by *Business Ethics* magazine. “Long before current discussion about corporate governance and corporate responsibility, values such as honesty, trust and integrity were part of Wells Fargo’s vision and values and our corporate culture,” remarked Wells Fargo Chairman and Former CEO, Dick Kovacevich. “We’re proud to be recognized by *Business Ethics* for our leadership in corporate community investment, human rights, diversity, and our commitment to serving all of our stakeholders to the highest standard of integrity (www.wellsfargo.com).”

The Importance of Maintaining Values-Based Leadership

In examining Wells Fargo’s stated values, many may resonate well with your own business activities. Based upon my leadership experiences in the corporate world, I feel extremely fortunate working for an organization that has really taken the time to express what it thinks is meaningful, how its team members should be operating, and how the company as a whole wishes to be viewed both internally and externally. These statements are not empty words, but represent active coordinates in maintaining a healthy business atmosphere. As a result, I have become a loyal team member who feels a close connection and alignment with my employer. I am more passionate about the work I do. I am more driven to achieve results. I care more about how my work impacts those around me in the workplace and in the community. There is no lure or incentive to seek employment with a competing organization. Moreover, I have found that the values of my employer fit neatly into the realm of my own established principles, ultimately allowing me to be more effective and successful in the workplace. I wholeheartedly adopt and emphasize my sentiment that *shared values build trust, which builds the commitment of employees and customers.*

In congruity with experiences other leaders have shared, I have come to realize something very important about the impact that values-based decision-making can have in the workplace. Whether consciously or unintentionally, an individual’s personal values may work to impact others profoundly, influencing their actions, feelings and work habits. Upon realizing the importance of this cause and effect

analysis, a business leader can undeniably benefit by exercising his or her personal values to develop vision and inspire others to achieve substantial and even life-changing accomplishments. This theory has not only been borne out through personal experience, but is incorporated in the statement made by William C. Weldon, Chairman and CEO of Johnson and Johnson: "It is essential that we have a culture of values-based leaders with integrity and passion to set a vision, to inspire their organizations to align around that vision and to nurture greatness in those around them." (Weldon, 2007).

Challenges Faced in the Workplace

Within the work environment, an individual employee may encounter managers who possess principles and values that seem substantively divergent. These differences may initially present a challenge and even create a potential conflict in continuing the working relationship. In some workplace scenarios, these differences, whether real or perceived, may detrimentally impact the employee, depending on whether or not the manager has the ability to recognize and respect the employee's differences. Management instability arises when a manager demonstrates no tolerance for diversity.

Providing a personal example, I encountered such a challenge at a former place of employment. My manager at that time was undeniably a workaholic. His main business philosophy was to win new business without consideration of potentially adverse consequences, often operating without a sense of integrity. As a result, this particular manager overlooked what was important to both his employees and customers. Employees felt they were solely judged by how many hours they worked and how much time they spent entertaining clients and/or possible business prospects. These employees even acted competitively towards one another instead of partnering their resources and functioning as a team to support the greater welfare of the company. Without direct feedback from clientele, I can only imagine how some of the company's customers might have felt and reacted to such myopic and aggressive tactics. The fact that many relocated their business accounts elsewhere after short periods of time was probably a pretty good indicator that sufficient trust had not been established.

This type of environment presented a seemingly insurmountable dilemma for me as I firmly believe that the needs of the customer should be of highest priority, that one should reflect and constantly improve the quality of one's work and further strive to partner and collaborate with other team members within the organization.

Ultimately, I left this position and no longer had to compromise my values with those of my previous manager. I had arrived at the conclusion that I could not operate in an environment where the company's objectives were nebulous and where greed appeared to be the sole motivating factor driving the course of that company's business decision-making process. I did not want to be held accountable to a manager's standards that were so markedly divergent from my own.

The Business Leader's Role in Promoting Values-Based Leadership

As business leaders strive to accomplish great achievements in our global economy, it is important to always remember that values endure. They are absolute, unchanging and non-negotiable. In a world where change can be bewildering, values offer touchstones defining our actions, our decisions and the manner in which we treat others. They connect with the most powerful forces dictating our actions: conscientiousness, integrity, and self-respect. These factors represent the fundamental underpinnings which shape our capacity to lead. As business leaders, we are sometimes tempted to compromise these basic truths, dodging, ignoring or compromising our principles, however ultimately, we return to these simple truths.

If you hold firm the values that have been instilled deeply within your moral fiber and dictate your very existence, your life's path may not be an easy one and your decisions may often place you outside of your normal comfort zone, however, I firmly believe that as long as you make the choices and decisions you believe to be right – your principles will be preserved and your decisions will generate respect from others and preserve self-worth and integrity.

Endnotes

¹ Passed as Pub. L. No. 107-204, 116 Stat. 745, and also known as the “Public Company Accounting Reform and Investor Protection Act of 2002.”

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Author Biography

Katherine W. Dean, MST, CFP, CIMA, received her undergraduate degree in Business Administration from Valparaiso University, Valparaiso, Indiana, Urschel School of Business, in 1996 and pursued her Masters of Science in Taxation degree from Golden Gate University, San Francisco, California in 2003. Ms. Dean has extensive experience in financial and tax planning, first working for several boutique investment and financial planning firms. She later served as Assistant Vice President and Relationship Coordinator for Merrill Lynch, San Francisco, California from February of 2000 through August, 2001, where she produced individually tailored financial plans for high net worth individuals and executives and additionally supervised work in progress and plan production timelines.

Ms. Dean was named Vice President and Financial Advisor for The Graves/Dean Group of Merrill Lynch in Oakland, California in June 2002 and remained in this position until 2004. During this time period, she managed relationships with high net worth families and facilitated the implementation of individual master wealth strategies, incorporating tax and cash flow analysis, tax preparation, risk management and insurance analysis, investment management options, asset acquisition assistance and general planning for wealth planning geared towards both protecting lifetime objectives and meeting community needs.

Currently, Ms. Dean is Senior Vice President and National Director for the Wealth Planning Center within Wells Fargo's Wealth Management Group, San Francisco, California. Her job duties entail producing, reviewing and presenting customized wealth plans, serving as advocate for The Wealth Planning Center through public speaking functions, developing business initiatives and providing the necessary training to foster the growth of new regional markets. As a Wells Fargo senior official, Ms. Dean is additionally recognized as an expert in the dual fields of asset allocation and executive benefits.

Ms. Dean is licensed as a Certified Financial Planner (CFP), a Certified Investment Management Analyst (CIMA) – Wharton, a licensed Mutual Fund Counselor (CMFC), and has obtained Series 7, Series 65 and insurance agent licenses. She maintains membership status with the Financial Planning Association (FPA), the San Francisco Society of the FPA and the Investment Management Consultants Association.



This article explains why the clean up at Rocky Flats was extraordinarily successful. Rocky Flats was the most contaminated nuclear plant in the country, with extensive employee dissension. It was estimated that it would take 70 years and \$36 billion to clean up and close the facility. In reality, the task was accomplished in 10 years with \$6 billion. The leaders of the clean-up took a distinctive “abundance approach” to the task. These leaders focused on identifying and building on sources of strength, resilience, and vitality, rather than simply solving problems and overcoming difficulties. Ten specific leadership principles responsible for the Rocky Flats turnaround are presented.

KIM S. CAMERON, PH.D., ANN ARBOR, MICHIGAN

Positively Deviant Organizational Performance and the Role of Leadership Values

Positive Organizational Scholarship (POS) is a relatively new development in organizational studies, having formally begun with a 2003 edited collection of articles examining the dynamics that are typically described by words such as excellence, thriving, flourishing, abundance, resilience, and virtuousness. POS represents the study of extraordinary performance, the best of the human condition, and the highest levels of achievement to which human beings aspire (Cameron, Dutton, & Quinn, 2003). The creation of the label POS was a deliberate one, with each element of the acronym intended to signify an important element of the perspective. “Positive” refers to an affirmative bias, “organizational” to the context in which these phenomena occur, and “scholarship” to the rigorous, theoretical, and empirically-based foundation for relationships. While the terms “organizational” and “scholarship” have not created controversy, the same cannot be said for the concept of “positive.” The term is accused of a potentially restrictive connotation and values bias (George, 2004; Fineman, 2006) and has been criticized as implying that most organizational science is negative, that an ethnocentric bias is being represented, or that a narrow moral agenda is being pursued. As used in POS, positive refers to that which fosters, or results in, flourishing (Fredrickson & Losada, 2005), thriving (Spreitzer, et al., 2005), optimal functioning (Keyes, 2002), capacity-building (Dutton & Glynn, 2007), or the best of the human condition (Cameron 2003). The concept of positive in POS is not restricted to mere pleasantness or happiness since unpleasant and oppositional factors are frequently prerequisites for positive attributes and positive performance. Positive virtues such as courage, resilience, and forgiveness, for example, are relevant only in the presence of negative events.

To illustrate the uniqueness and importance of this positive perspective, this paper examines positively deviant organizational performance – that is, the achievement of extraordinary success well beyond the expectations of almost any outside observer.

It recounts the story of an organization that reached a level of performance that was considered impossible, so that adjectives such as spectacular, extraordinary, remarkable, and astonishing are apt descriptors. This account, based on Cameron and Lavine (2006), describes how a single organization experienced a devastating loss — the loss of mission and subsequent languishing performance — and then, despite its problematic circumstances, achieved astounding success. The central role that leadership values played in achieving this extraordinary level of performance is the primary area of focus.

Rocky Flats

On March 23, 1951, the Atomic Energy Commission publicly announced that the nation would build a top-secret nuclear weapons plant in a rocky, but flat, ranching area 16 miles northwest of downtown Denver, located at the base of the beautiful Flatirons on the eastern slope of the Rocky Mountains. The site began operation in 1953 and functioned until 1989 when it was abruptly closed after a raid by the FBI. Rocky Flats was owned by the U.S. Department of Energy (DOE) and managed by a series of weapons contractors during its years of active operation: Dow Chemical (1952 to 1975), Rockwell International (1975 to 1990), EG&G (1990 to 1995). Since 1995, the site was by Kaiser-Hill, a joint venture between ICF Kaiser Engineers and an environmental engineering firm, CH2MHill. After IFC Kaiser filed for bankruptcy a year after the joint venture, CH2MHill operated the site single-handedly.

Challenges

Kaiser Hill was awarded a contract to clean up and decommission the Rocky Flats nuclear production facility, but the task was ominous. First, this project represented the first clean-up and closure of a nuclear weapons production facility in the world. Because the half-life of radioactive plutonium is more than 24,000 years, the clean-up path was not obvious. No one in the industry knew how to accomplish this task. No one had ever taken down a plutonium production facility before.

Second, the majority of the workforce on site was represented by three unions — steelworkers, building trades, and security guards — who had a history of antagonistic relationships with the management of the previous contracting firms. Grievances were common, expectations of life-long employment were the norm, and a high degree of pride existed among the workforce regarding the skilled work they performed. Changing procedures was likely to foster serious resistance among a proud, closely-knit workforce, not to mention strong resistance likely to be encountered by altering the entire organization's mission.

Third, the site included a 385-acre production area surrounded by more than 6,000 acres of open space called the “buffer zone.” During its history of operation, the production areas were surrounded by three razor wire fences, prison like watch towers, and armed security guards to prevent suicide mission entrants or other subversives. Several buildings had installed inhibitors to helicopter-landing to prevent air attack. Visitors entering the facility passed through four security stations and received a “Q” clearance (requiring a full investigation of at least the past 10 years of

their personal lives). A culture of secrecy, protectionism, and concealment was dominant at the facility.

Fourth, the site was one of the most polluted nuclear facilities in America. More than 21 tons of weapons-grade nuclear material was present. At least 100 tons of high content plutonium residues existed on the site with no treatment or disposal path. 30,000 liters of plutonium and enriched uranium solutions were stored in tanks and pipes, some of them leaking, with some being buried in unmarked locations. More than 500,000 cubic meters of low-level radioactive waste and nearly 15,000 cubic meters of transuranic waste were stored in 39,500 containers. A special ABC *Nightline* television program rated two Rocky Flats buildings as “the most dangerous buildings in America” due to their levels of radioactive pollution. Three others were ranked in the top ten. More than a dozen rooms were labeled “infinity rooms” because the levels of radioactivity registered beyond infinity on the metering devices. Contamination existed in walls, floors, ceilings, duct work, surrounding soil, and, potentially, ground water. The prospect of cleaning up this site in any reasonable amount of time was highly improbable.

Fifth, long running battles had been fought historically between Rocky Flats’ contractors and government regulatory agencies, environmental groups, community representatives, and concerned citizens. Broad public sentiment existed that the facility was a danger to surrounding communities, and countless demonstrations by numerous groups had been staged from the 1960s through the 1980s in protest of nuclear proliferation, pollution, secrecy, and environmental endangerment. A demonstration involving more than 10,000 people occurred in 1969, for example, after a fire exposed the possibility of plutonium residues escaping into a wide area of surrounding terrain. The facility was almost in a state of siege by outside agencies and a concerned citizenry.

Sixth, the facility was raided by the FBI in 1989 and shut down on the spot. For years, Rocky Flats had argued that it was regulated by the Atomic Energy Commission, and therefore, the project was not subject to the inspection and oversight of the Environmental Protection Agency (EPA). However, litigation and Congressional pressure led to the EPA obtaining partial jurisdiction over Rocky Flats, and a surprise raid by the FBI in 1989 led to an immediate shut down. In the public’s eye, employees were transformed overnight from patriotic heroes, engaged in winning the Cold War, to polluting criminals, and they were completely barred from accomplishing the organization’s production mission. For six years — 1989 to 1995 — essentially no work was accomplished at the facility as employees were waiting for production to resume but with no authorization to do so. In 1992, President George H. W. Bush announced the permanent closure of the facility as a result of the abandonment of the W-88 nuclear warhead program, but no action was taken to change the work scope from what had been outlined since 1989. Hence, the workforce was without a mission, thwarted in their desires to restart the production facility, and closely scrutinized by regulatory agencies who required large numbers of environment reports and safety studies. Employees produced documents but were absent any meaningful work objectives.

The Contract

The Department of Energy (DOE) awarded a contract to clean-up the site to Kaiser-Hill in 1995 after a competitive bidding process. This was the first performance-based contract issued by the Department of Energy to encourage work toward closure rather than to manage on-going operations. That is, for the first time, the contract specified that payment would be made only if work was accomplished, a dramatic change in government procedures. This first contract ran for five years, allowing DOE an opportunity to evaluate Kaiser-Hill's performance. In 2000, Kaiser-Hill was re-awarded a closure contract — in which the goal of closing the facility was added to the goal of cleaning it up — on a “no-bid” basis as a result of its performance in the previous five years. That contract was to extend through the end of 2006.

In 1995, the U.S. Department of Energy Office of Environmental Management issued a Baseline Environmental Management Report, entitled *Estimating the Cold War Mortgage*, which provided a detailed estimate for the cost of closing facilities involved in Cold War weapons research, production, and storage. This analysis produced an estimate of a minimum of 70 years and a cost of more than \$36 billion to close and clean-up the Rocky Flats facility. Completion was estimated, optimistically, to occur in the year 2065. One high ranking DOE official commented that the 70 year estimate was a gross underestimate and predicted that the more realistic number was 200 years to completion.

Extraordinary Results

In light of these ominous challenges, the prospects of a successful closure and clean-up of Rocky Flats in the 70 year time frame were actually quite optimistic. Yet, what makes this story worth telling is that the entire project was completed 60 years early and at almost \$30 billion savings in taxpayer funds. This paper highlights the key leadership values that explain how this remarkable achievement was accomplished.

As the world's first nuclear production facility to be cleaned up, Rocky Flats represents a one-of-a-kind example of extraordinary success. The facility was closed, cleaned-up, and will be developed as a wildlife refuge in a fraction of the estimated time. All 800 buildings were demolished, all surface level waste removed, and soil and water remediated to better-than initial federally mandated standards by the end of October 2005. The estimated cost for the project is \$3.9 billion (approximately \$7 billion in total, including the years before Kaiser-Hill took over the project), a small fraction of the federally budgeted amount. The entire site is being transformed into a Front Range wildlife refuge decades sooner than even the most optimistic estimates being touted as recently as 2003.

Many critics from citizen action groups, the environmental community, local and state governments, city mayors, and regulating agencies transitioned from protestors and adversaries to being advocates, lobbyists, and partners. Labor relations among the three unions (i.e., steelworkers, security guards, building trades) improved from 900 grievances to a mere handful per year, and a culture of life-long employment and employee entitlement was replaced by a workforce that enthusiastically worked itself

out of a job as quickly as possible. Remediated pollution levels surpassed initial federal standards by a multiple of 13, and safety performance exceeded federal standards by two-fold and the construction industry average by four-fold. More than 200 technological innovations were produced in the service of faster and safer performance. The theme of the facility, “making the impossible possible,” represents performance that exceeded by a wide margin even the most optimistic estimates.

Figure 1 summarizes key performance changes that occurred from the time Kaiser-Hill initiated the project in 1995 until the year 2005. It highlights the dramatic success achieved on a variety of criteria — timeliness, budget, productivity, labor relations, safety and outcomes — which occurred over the ten-year period after Kaiser Hill began managing the facility.

Summary of Outcomes

Despite the unusually difficult environment that characterized Rocky Flats at the outset of 1995, this figure summarizes the extraordinary results achieved by a remarkable organization. The project was completed in one-sixth the time and at less than one-sixth the cost compared to the original estimates. Pollution was mitigated from the most dangerous levels in America to a condition safe enough for a wildlife refuge and nature center. Despite facing a work scope in which the slightest error could have been disastrous, along with a set of tasks that had never been completed before, safety performance improved from levels worse than industry and federal averages to more than twice as good as these benchmarks. Safety improved by five fold, in fact, compared to the safety records being achieved previous to 1995 when absolutely no clean-up or closure work was being accomplished at all.

It is now well-known that employee layoffs and downsizing are likely to create bitterness, resistance, and deteriorating performance in organizations (see Cameron, 1994, 1998). Yet, at Rocky Flats, the workforce was incrementally reduced over the ten-year period from almost 8000 employees to zero with no strikes, a dramatic reduction in grievances, and labor relations rated by both union and management employees as “the best we have ever experienced.” External constituencies — including various citizen groups in the surrounding communities, Colorado state officials, regulators such as the Environmental Protection Agency (EPA), and the supervisory Department of Energy (DOE) — became partners, collaborators, and contributors to the success of the project. This outcome represents a dramatic shift from 10,000-person protests, lawsuits, an FBI raid, court battles, and the legislative pressures that characterized these relationships in 1995.

Exceeding almost every expected level of performance makes Rocky Flats an “extreme case”— an example so different from the norm that examining its features brings into stark relief particular features that may be hidden in normal organizations and under usual circumstances. This analysis, albeit significantly abbreviated in this paper, highlights the values held by leaders in Kaiser Hill which led to this positively deviant performance. Such values may become obvious only in extraordinary circumstances.

Figure 1 Rocky Flats Before and After the CH2MHill Contract

Performance Criteria	Beginning (pre 1995)	Conclusion (2005)
Estimated time for completion of closure	70 Years	10 Years
Estimated closure budget	\$36 Billion	Just over \$6 Billion
Pollution levels	“Most dangerous rooms in America.” DOE standard = 651 Ci/gm	Safe enough for a wildlife refuge. Residual soil action levels of 50 pCi/gr
Safety TRC = Total Recordable Case Rate (# of occupationally related incidents requiring more than basic first aid) LWC = Lost Workday Case Rate (restricted days away from work) Statistic is calculated by rate for 100 FTE or (# injuries/illnesses X 200,000/manhours)	TRC Jan 1996 = 5.0 (Construction Industry Avg. 4.5) LWC July 1996= 3.2 (Construction Industry Avg. 4.5)	TRC July 2004= 1.0 (Construction Industry Ave: 4, DOE Average: 2) LWC July 2004=0.2 (Construction Industry Ave: 4, DOE Average: 0.8)
Number of employees	3,500 during production. 8,000 after 1989 shutdown and before cleanup.	Steadily declining with consistent layoffs through completion in 2005.
Labor relations	900 employee grievances in 1998.	“A handful a year.” A union steward reported: “The best labor/management relations I’ve seen.”
Relations with communities	10,000 protests; mistrust and little information flow to communities.	Model stakeholder dialogue structure. Frequent collaboration.
Relations with the State of Colorado	Adversarial. Asserted that the Atomic Energy Act shielded them from State oversight.	Significant and positive. State government officials were instrumental in securing federal support & helping regulators and contractor work collaboratively together.
Relations with regulators: DOE and EPA	EPA requested FBI raids that shut down the facility in 1989.	Site is a pioneer and a benchmark within DOE & EPA for clean-up and closure.
Productivity	Between shutdown and closure announcement, almost no work was carried out.	Far ahead of accelerated closure schedule in terms of both time and cost.
Organizational Culture	Secrecy, highly compartmentalized, assumptions of lifelong employment, low morale after shutdown.	Collaborative, pride in closure, increased transparency, optimistic vision with a meaningful purpose.

Data Sources and Methodology

Information on how spectacular performance was achieved at Rocky Flats came from interviews with the actual individuals involved. Interviews were conducted from 2003 through 2005, so information was gathered as part of the on-going process of change. Adopting this approach provided a glimpse of how these leaders experienced the dramatic change, what strategies were being contemplated, and what factors the participants themselves believed were the keys to success. It also highlighted the fact that no successful change in organizations — at least no significant positively deviant change — is due to a lone heroic leader or to a single vision developed by an individual at the top. It is commonplace to identify single leaders as the chief architects of spectacular successes, and people often attribute remarkable organizational achievements to a sole person's talents or genius. Icons such as Jack Welch at General Electric, Steven Jobs at Apple, Bill Gates at Microsoft, Fred Smith at Federal Express, Sam Walton at Wal-Mart, Warren Buffet at Berkshire Hathaway, and a host of others are credited with being the chief explanations for the remarkable achievements of their respective companies.

On the other hand, the story of Rocky Flats is a story of many leaders, many interwoven activities, many constituencies, and many heroic endeavors that all combined to produce a remarkable story of success. This is an important key insight emerging from the analysis of this transformation — leadership comes from multiple sources at multiple times, and it must be coordinated and aligned in order for spectacular success to occur.

The individuals from whom information was gathered represent a broad spectrum of participants in the Rocky Flats project, including federal government oversight personnel from the Department of Energy (DOE) and the Environmental Protection Agency (EPA), local elected officials, Colorado State office holders, members of the U.S. Congress and their staff members, representatives of local and state environmental and citizen watchdog groups, managers and supervisors working in the Rocky Flats facilities, union leaders, and union members doing the daily work of clean up and closure. Each of these groups provided unique perspectives, insightful descriptions, and helpful explanations for the success of this remarkable endeavor.

In addition to the face to face interviews, approximately 24 hours of videotaped interviews conducted by DOE were also analyzed. Interview subjects in those tapes included a broad cross-section of stakeholders including elected officials in Colorado, other representatives from the State of Colorado, members of the EPA, local community groups surrounding the Rocky Flats site, U.S. Congressmen who were involved in the project, and Rocky Flats site managers from both the DOE and Kaiser-Hill.

Data was gathered primarily during the process of closure and clean-up, rather than at the end of the project. In other words, respondents were describing processes as they were unfolding, not retrospectively after the project had been completed. It must be pointed out, however, that our interviews and those on the videotapes were

conducted after the site had enjoyed several years of success, and contributors did reflect back on and describe events regarding the history of the site.

One caveat is in order regarding data collection. Despite this being a remarkable story of success, promises of confidentiality and anonymity were made to all respondents in order to enhance the probability of obtaining accurate and honest information. Not all data collected were glowingly positive, of course, and candid information was obtained by ensuring that names would not be associated with individual comments or actions.

Abundance Values and Key Enablers

The overarching leadership lesson learned from Rocky Flats can be summarized in a single statement, although it belies the complexity that under girds this straightforward observation: *The impossible was made possible by adopting an abundance value system rather than a deficit value system.* An abundance value system is deceptively simple.

Consider the continuum in Figure 2 which is anchored on the left side by negatively deviant performance and on the right side by positively deviant performance (see Cameron, 2003). In the middle is normal or expected performance.

Figure 2 A Deviance Continuum

(SOURCE: Cameron, 2003)

<u>Negative Deviance</u>		<u>Normal</u>	<u>Positive Deviance</u>
<u>Individual:</u>			
Physiological	Illness	Health	Vitality
Psychological	Illness	Health	Flow
<u>Organizational:</u>			
Economics	Unprofitable	Profitable	Generous
Effectiveness	Ineffective	Effective	Excellent
Efficiency	Inefficient	Efficient	Extraordinary
Quality	Error-prone	Reliable	Perfect
Ethics	Unethical	Ethical	Benevolent
Relationships	Harmful	Helpful	Honoring
Adaptation	Threat-rigidity	Coping	Flourishing
DEFICIT GAPS		ABUNDANCE GAPS	

Most leaders pay almost exclusive attention to the gap between what is going wrong: mistakes, poor performance, or illness and the middle point on the continuum, represented by an absence of illness, effective performance, or problem resolution. This gap might be labeled a “deficit gap” or a “problem solving gap.” A large majority of scientific research in fields such as medicine, psychology, and organizational

studies focus on deficit gaps — i.e., addressing and overcoming problems. On the other hand, the gap between the middle and the right side represents an “abundance gap”— the gap between successful performance and spectacular or extraordinarily positive performance. This gap receives far less attention in scientific research and in the attention of managers and leaders (Cameron, Bright, and Caza, 2004). The right side of the continuum implies that leaders in organizations not only focus on being profitable, effective, efficient, or reliable in performance (represented by the middle point in the continuum), but they also focus on being extraordinary, flawless, or benevolent. Their outcomes produce benefit for more than the organization itself, since a condition of abundance makes possible the success of others outside the organization as well. The abundance approach motivates change in organizations based on the pursuit of a greater good and an opportunity to achieve positively deviant results. The right side of the continuum represents a condition of *virtuousness* — that is, the highest human condition, or the best that human beings aspire to be. The pursuit of virtuousness supplements the pursuit of personal reward and problem solving. Previous research has confirmed that abundance fosters virtuousness (Cameron, 2003).

At the heart of the Rocky Flats success story lies an approach to change represented by an abundance perspective in contrast to a deficit perspective. Rocky Flats succeeded because it was, fundamentally, a project in pursuit of abundance gaps reduction rather than deficit gap reduction. Working toward the achievement of a greater good, beyond personal or even organizational success, was a key to explaining the spectacular outcomes.

Not enough space exists to explain the multiple *enablers* that made this unbelievably successful change possible, of course — i.e., the processes, techniques, strategies, and relationships that were developed and that helped produce these outcomes. A variety of enablers were important in explaining how the status quo was transformed into a new way of thinking, a new way of doing work, a new way of interpreting success, and a new set of values for those involved in the project (see Cameron & Lavine [2006] for a more thorough description). The most important factors in accounting for success, however, were the values held by the leaders involved in the project which gave rise to the other enablers of success. These leaders included not only the CEO or the top management team at Kaiser Hill, but they included individuals in DOE, EPA, the State of Colorado, and local citizen action groups. The leadership values that came to permeate these various groups of leaders, as they worked in collaboration with one another, help explain how and why the other enablers of success were able to occur. This paper highlights the ten most central leadership values, therefore, because they lie at the foundation of the spectacular success that was achieved.

Leadership Values

Articulating the values of Rocky Flats leaders is especially important because these values can be applicable to other organizations and other circumstances. The inherent interest in the Rocky Flats story resides in the extent to which its leadership lessons also produce success for leaders in other organizations. It is clear that some

of these leadership values are not consistent with the popular leadership literature or with much commonly prescribed consultant advice. Nevertheless, they are crucial in accounting for the achievement of extraordinary success, dramatic change, and spectacular performance in this case. The ten key leadership values are described below.

1. The lone heroic leader is largely fiction. Effective leadership is always plural. Single leaders with positive energy, vision, and know-how are indisputably important, of course, in producing positively deviant performance in organizations. Yet, despite the fact that these individual leaders frequently receive the lion's share of the credit for success, multiple sources of leadership are always required. At Rocky Flats, multiple leaders in multiple roles were critical to success. It was clear that no leader could have succeeded alone — multiple leaders acting in collaboration with one another and sharing a common set of values was crucial. Leadership successors had to maintain a consistent set of values as well as leadership in various constituencies. Supportive and aligned leaders in Kaiser-Hill and within DOE, EPA, the State of Colorado, local citizen action groups, and Kaiser-Hill's parent company, CH2MHill, all were essential for spectacular success. In Rocky Flats, without effective leaders in many locations and across successors, aligned in a common vision, and pursuing a clear purpose, positively deviant performance would not have occurred. *Leadership value: It is important to foster, enable, and encourage leaders throughout the organization and in other stakeholder relationships to behave like leaders. A single leader cannot produce abundance.*

2. Financial incentives must create lifestyle change in order to create change in thinking. The possibility of Rocky Flats employees receiving financial benefits that exceeded any previous remuneration package was a key to the achievement of success. An extraordinary percentage of the incentives received from the government for early closure were passed along to the workers. What was unique about this incentive system, however, was that the incentives were provided with the assumption that the workers *had already* succeeded in reaching spectacular performance. A large percentage of remuneration in the early years was paid in "scrip" that had little value unless spectacular levels of achievement were reached. Employees received the remuneration in advance, but it paid off only if they reached the objectives. In the first year, for example, scrip was worth 20 cents on the dollar. In 2005, however, it was worth more than a dollar. It became possible, in other words, to earn much more than the normal amount of pay — in fact, lifestyle altering levels of pay — if positive deviance occurred. There is much research suggesting that paying people more money does not create higher levels of satisfaction or performance. Yet, a reliance on financial incentives is the single most frequent strategy used by organizations to obtain these desired outcomes (Lawler, 2000). Pay is, by and large, not a motivator. However, when promised benefits reach a level where they could change lifestyle — that is, when individuals can earn enough to obtain opportunities never before afforded them — pay has a chance to alter employee perspectives and organizational culture. At Rocky Flats, the incentive system was structured so that employees could earn lifestyle changing levels of compensation, and as a result, it changed the nature of their thinking. *Leadership*

value: Use incentives to create positively deviant change only if can change life styles.

3. The profound purpose for which the organization strives must extend beyond self-interest and beyond individual lifetimes. Every organization has a vision statement, a set of core values, and a primary mission. Most believe that they are in business to fulfill an important objective — usually to provide value in the form of financial benefits to shareholders, investors, or customers. Hardly any leader, on the other hand, wishes his or her tombstone to read that under his or her direction shareholder value increased, sales improved, market share was captured, or 99 percent customer satisfaction was obtained. These are important outcomes, of course, but something more fundamental, more long-lasting, and more humane had to be pursued if Rocky Flats was to achieve extraordinary performance. Most often profound purpose highlights a human benefit that may extend beyond a single person's life or sphere of influence. At Rocky Flats, the opportunity to create a wildlife refuge that would benefit generations yet unborn, as well as to clean-up and make safe the most dangerous location in America, was a motivating vision and virtuous objective that extended beyond personal benefits. People were willing to go the extra mile, to learn new skills, to invest more creative energy, and to alter their work skills in pursuit of such an objective. ***Leadership value: A profound purpose for the organization's activities must be identified which benefits human beings for the better over the long term.***

4. Symbolism must focus on what the organization aspires to become. Most organizations have symbols that represent their identity or image — flags, logos, captions, insignias, signs, or lettering. Most images have been designed by graphic artists to portray some kind of message about the firm — what it stands for, what business it is in, or what its core attributes are. Such symbols have more meaning to employees than to the external public, of course, so the symbolism representing the organization must communicate first and foremost to employees. The symbolic message should focus on what the organization aspires to become. At Rocky Flats, several profound and meaningful stories — regarding the importance of growing peace gardens, the destruction of guard towers and razor wire fences designed to keep the public out, the blowing-up of the headquarters building to force managers to co-locate with the workers, and creating a multigenerational legacy of replenishing nature — substituted for logos and letterheads. These stories became the symbols by which internal and external constituencies defined the organization. External symbols were replaced by internal symbols. These internal symbols focused almost exclusively on abundance values and achieving spectacular success. The values reflected in these stories became the symbols of what the organization represented. ***Leadership value: Symbols should be chosen that represent abundance aspirations for the organization and its members.***

5. Intense bureaucracy is necessary for success – i.e., careful planning, tight controls, precise measurement, rigid accountability, and even micro management of crucial activities. Bureaucracy is a dirty word in most leadership and organization literature. It is much more common to read about the need to destroy bureaucracy, break the rules, obliterate red tape, and extinguish formalization in the popular

literature than to hear prescriptions to do the reverse (Buckingham, 2001). On the other hand, Rocky Flats was successful because of proficient execution, defect free performance, careful measurement, and accountability. These activities are all dependent on what is frequently eschewed as destructive to excellent performance. Without careful assessment, metrics, milestones, and standardization, this organization would never have achieved its dramatic success. Weick (2006) argued that all organizations are hubris-inducing places — that is, they foster excess self-confidence and arrogance. They often reinforce successes and minimize weaknesses to the extent that potential problems are ignored and self-congratulation becomes common. Intense bureaucracy helps to moderate overconfidence by holding people accountable and ensuring accurate assessment. At Rocky Flats, a very specific and a rigidly-adhered-to set of processes and routines were a prerequisite to accomplishing the tasks in such a rapid time-frame. Projectizing the work — in which multiple standardized procedures and measures were implemented exactly — was a key to Rocky Flats success. Rather than getting in the way of speed and achievement, however, these routines were followed in order to enhance them. ***Leadership value: The control system must be well-developed, measurement and metrics must be in place, and clear, unequivocal targets must reinforce the achievement of extraordinary performance.***

6. Trustworthiness implies perfection, but it is contingent on collaboration and mutual support. The popular literature on trust suggests that consistency, equity, honesty, and discretion are key prerequisites for its presence in organizations. If individuals are treated fairly, feel that they are not being deceived, have freedom to act, and observe consistent behavior, trust is likely to be high (Mishra, 1992). In addition to these attributes, however, organizations aspiring to achieve positively deviant behavior must also leave no room for aberrations from promises. In the case of Rocky Flats, a single instance of infidelity would have severely damaged trust with external constituencies. Commitments had to be strictly observed consistently. Thus, complete trustworthiness was associated with perfect follow-through on all commitments at Rocky Flats. Because of human fallibility, however, social support is required where colleagues must provide assistance, cover, advice, and even forgiveness when unwitting flub-ups occur. No individual can avoid making mistakes at some point. Hence, collaborative relationships inside the work setting make it possible to produce high reliability outcomes before outsiders first encounter the results. At Rocky Flats, such a culture enhanced the possibility of maintaining the highest levels of trust. Supportive relationships on the inside helped foster trustworthiness on the outside. ***Leadership value: All success depends on the presence of trust, but high quality relationships must be built that permit perfect execution on commitments to external stakeholders.***

7. Positive deviant performance requires culture change, and culture change requires a change in individuals. Achieving extraordinary performance will not occur by reinforcing the same organizational culture. Behaving in the same ways and believing the same things will produce normal, expected, predictable outcomes. At Rocky Flats, spectacular results required a fundamental shift in culture. Organizational culture includes the values, assumptions, ways of thinking, norms,

styles, actions, and artifacts that characterize the organization. It represents “the way things are around here.” Cameron & Quinn (2006) outlined a culture change process that involves culture diagnosis, clarifying meaning, establishing strategies and tactics, identifying metrics, measures, and milestones, and developing the leadership to manage the change. A fundamental change in an organization’s culture, however, also requires a fundamental change in its members as individuals. The people themselves must be different, sometimes through replacement — as occurred with some supervisors at Rocky Flats — or through a fundamental change in their orientation and values. At Rocky Flats, individuals abandoned life-long employment objectives in favor of working themselves out of a job as fast as possible. They abandoned a secrecy culture in favor of an openness culture with all constituencies. They abandoned an adversarial orientation toward state and federal regulators and adopted a proactive, sharing orientation. They abandoned an antagonistic attitude toward protesters and regulators and adopted a collaborative, empathetic attitude. Leaders shifted from a profit-first stance to a generous, share-the-benefits stance. Leaders placed more emphasis on abundance-enhancement goals than on deficit-reduction goals. In other words, individuals themselves were required to undergo a fundamental internal change in order for the organization to experience the collective change required for spectacular performance. ***Leadership value: In changing organizational culture, it must be ensured that individuals (especially leaders and influencers) believe differently, behave differently, and pursue an abundance-based vision.***

8. Learning from mistakes should get less priority than learning from successes. It is common for people to advocate that wisdom and experience come from making mistakes. Thomas Watson (2005), the Nobel laureate, stated: “Would you like me to give you the formula for success? It’s quite simple, really. Double your rate of failure.” Oscar Wilde (1892) is reported to have said: “Experience is the name everyone gives to their mistakes.” On the other hand, in circumstances in which mistakes can be very costly, destructive, or even deadly — as was true at Rocky Flats — identifying what works, what principles produce success, and how spectacular achievement can be reached should receive at least as much attention as analyzing and deconstructing errors. Rather than following the normal problem-solving model which involves asking what the problem is, what the possible alternatives are, and then identifying which alternative is the optimal one for resolving the problem, another possibility can be considered. This approach was pursued at Rocky Flats, and it involves asking what has been a spectacular success or a peak performance, what the enablers of this success were, and which of those enablers can be carried forward to design a strategy for extraordinary success going forward (Cooperrider & Srivastava, 1987). Learning from mistakes is important — and often critical — but it is often pursued at the expense of learning from successes. At Rocky Flats, more than 200 innovations were produced as a result of analyzing what was working and trying to improve on it. Building on success produced faster progress than analyzing mistakes. Of course, errors, problems, and mistakes cannot be ignored, but they often consume all of the time and attention of an organization, and learning from success is minimized because of the threats presented by the problems (Baumeister, et al., 2001). At Rocky Flats, achieving abundance objectives received at least as

much attention as avoiding failures. **Leadership value:** *Outstanding success should be deconstructed and the key enablers and explanatory factors should be identified, then a future strategy based on these factors should be built.*

9. Strategy should be established on the basis of what the organization can be rather than what it has been or what it is now. Most models of corporate strategy are based on the core competencies of the organization, its strategic intent, the dynamics of the competitive market place, and key differentiators that can produce a sustainable advantage (Barney, 2001; Hamel & Prahalad, 1996). Such strategies will likely lead to competitive performance and reasonable levels of success. For spectacular performance to be achieved, however, strategy must be built on what is possible, on a scenario that has never been accomplished before, and on a theory of abundance. Rocky Flats could not have achieved impossible performance merely by trying to outperform the industry average or to achieve a sustainable competitive advantage. Positive deviant performance required the insight to build a foundation on possibilities rather than probabilities. The vision at Rocky Flats was aimed at levels of performance never before achieved and never thought possible. The organization's strategies were aligned with those objectives so that extraordinary success became a natural outcome. **Leadership value:** *Aspirations for what the organization could be must be articulated; then a strategy to achieve it can be constructed.*

10. Virtuousness pays. Adopting an abundance approach — that is, enabling the best of the human condition, exhibiting virtuous behaviors, fostering human thriving, being generous with resources, displaying unfailing integrity, demonstrating humility, exercising faith — has inherent value. On the one hand, demonstrating virtuousness is considered by almost everyone as admirable and fundamentally the right thing to do. It is what we aspire to do and to be as human beings. Virtually all of the world's cultures value the same inherent goodness. On the other hand, if an observable, bottom-line impact is not connected to an abundance approach, it becomes subservient to the very real pressures for improving organizational performance — usually defined as higher return to shareholders, profitability, productivity, customer satisfaction, and the like. Virtuousness must pay economically for it to be taken seriously in organizations, otherwise it is defined as irrelevant at best and syrupy or saccharin sweet at worst. The irony is that to behave virtuously in order to obtain a reward or a personal benefit ceases, by definition, to be virtuous and becomes manipulation. Fortunately, evidence exists in the Rocky Flats story, and elsewhere in scholarly literature (see Cameron, 2003; Gittell, Cameron, Lim, & Rivas, 2005), that virtuousness pays dividends. Higher organizational performance results from virtuousness than from its absence. At Rocky Flats, pursuing the best that could be imagined, reaching for the highest aspirations that could be dreamed, and pursuing fundamental goodness had a powerful affect on actually being able to achieve the objective 60 years early and \$30 billion under budget. **Leadership value:** *Virtuous behaviors and values should be enabled and reinforced throughout the organization, even when economic objectives are dominant.*

Summary

Although the empirical evidence for these ten key leadership values are not discussed in detail in this chapter (they are available in Cameron & Lavine, 2006), it is clear that positively deviant performance is dependent on them. Extraordinary success at Rocky Flats — which began in a deficit condition and exceeded even the most optimistic estimates of success — was dependent upon these ten leadership values being demonstrated in the organization. This leadership came from multiple sources, not just from the CEO, and it was based on an abundance approach as opposed to a deficit or problem-solving approach to success. In the end, focusing on core values relating to abundance emerged as crucial enablers of spectacular success.

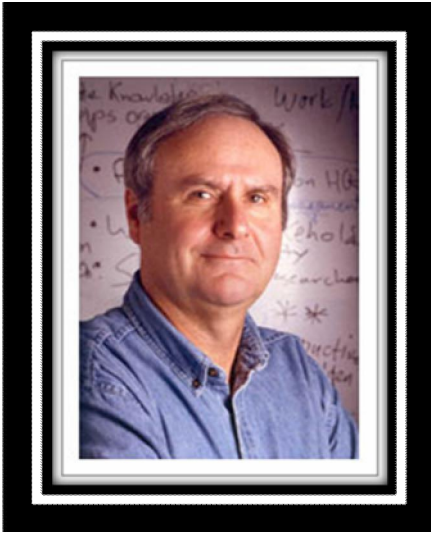
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Author Biography

Dr. Cameron is Professor of Management and Organizations at the University of Michigan. He received his Ph.D. from Yale University. His past research on organizational downsizing, organizational effectiveness, corporate quality culture and the development of leadership excellence has been published in more than 100 articles and ten books: *Coffin Nails and Corporate Strategies* (Prentice Hall), *Developing Management Skills* (Prentice Hall), *Diagnosing and Changing Organizational Culture* (Jossey Bass), *Organizational Decline* (Ballinger), *Organizational Effectiveness* (Academic Press), *Paradox and Transformation* (Ballinger), *Positive Organizational Scholarship* (Berrett-Koehler), *Leading with Values* (Cambridge University Press), *Competing Values Leadership* (Edward Elgar), and *Making the Impossible Possible* (Berrett Koehler). His current research focuses on virtuousness in and of organizations such as forgiveness, gratitude, kindness, and compassion and their relationship to performance. He is one of the co-founders of the Center for Positive Organizational Scholarship at the University of Michigan, and this work was recognized as one of the 20 highest impact ideas of 2004 by the *Harvard Business Review*.



This article attempts to define values-based leadership, provide examples of leaders who practice (or practiced) it, and explain how it is uniquely different from other theories of leadership. While the definition of values-based leadership proved to be elusive, in the end, it appears that values-based leaders help followers accomplish what they hold dear.

JAMES O'TOOLE, DENVER, COLORADO

Notes Toward a Definition of Values-Based Leadership

In the summer of 1989, high in the Colorado Rockies, I stumbled upon the concept of Values-Based Leadership. Demonstrably, the practice had existed for centuries — actually millennia — before then, but I am not sure it had ever been clearly identified as such. But whether or not others before me had identified or named Values-Based Leadership, my little discovery was a personal revelation, and the beginning of an avocation. Since then, I have advocated the practice, written about it, and taught it in numerous classrooms and at some six dozen seminars for business executives. But, oddly, I have yet to pin-point an accurate definition of the practice, nor have I found definitions put forward by others to be completely on target. Thus, the launch of this new journal is an appropriate (and long overdue) occasion and opportunity for me to attempt to do so, but first...

A Little Historical Background

The Aspen Institute's Executive Seminar was launched in the summer of 1951 during the early stages of the Cold War. The first participants were leaders from twenty large American corporations who came to Aspen, Colorado to spend a month ostensibly learning about the philosophical bases of capitalism and democracy in a program outlined by Henry Luce, founder of Time-Life, and Robert Hutchins, then-president of the University of Chicago. The stated purpose of the seminar was to prep the nation's business leaders for the upcoming struggle against global communism. Luce and Hutchins believed that American business leaders were “the great unwashed” illiterate in the origins of their own system and, hence, destined to lose the upcoming battle for the world's minds in competition with better-schooled Marxist ideologues.

The following summer, the seminar was trimmed to two weeks and the curriculum was based on discussions of selections from The Great Books as identified by my teacher, the redoubtable philosopher, Mortimer J. Adler. Over the next fifty years, corporate executives were joined on the Aspen Institute campus by leaders from government, labor, and the professions in text-driven discussions designed to identify the characteristics of “the good society.” Until the seminar was discontinued in 2007, it was the longest running show in executive development, attracting leaders from around the world.

But, if truth be told, most of the executives who attended the seminar during its first thirty-five years or so weren't really interested in priming themselves to fight communism. Instead, they cared more about becoming effective business leaders, that is, about learning how to create “the good organization.” And when Mikhail Gorbachev started dismantling the Soviet Empire in the late 1980s, the Institute was finally forced to abandon the long, outmoded pretense that the seminar was about communism vs. capitalism. But if that struggle wasn't the subject of the seminar what, in fact, was it about?

What Values-Based Leaders Do

In June 1989, I was given the assignment of answering that question and followed the path of least resistance by simply asking participants in the summer-long series of Executive Seminars what they had learned. In September, when I reviewed the notes I had collected, it was clear the participants were most deeply affected by the diversity of views they found in the texts they had read and by the wide-range of perspectives in those readings that had been offered by their fellow seminarians. In essence, they had discovered that reasonable people disagreed on what constitutes a good society (and a good company), and that the role of a leader is to create conditions in which people with different agendas can unite behind a common purpose. Through their seminar readings and discussions, they saw that followers are motivated by leaders who hold out the promise of helping them to realize the things they hold most dear, that which they *value*.

The seminarians noted that this is tricky because, as they observed, not all people share the same values. In any society or organization, people will want different things, and that is the source of the disagreement, conflict, and misdirection that is rife in the world. Indeed, if everybody wanted the same thing, there would be no need for leadership at all: everyone simply would march off in lockstep in the same direction!

The seminarians were particularly impressed by reading what America's founders had to say on the subject of leadership. In *The Federalist*, James Madison wrote that the nation's leaders need to listen intently to the expressed desires of the public, but should not be prisoners to the public's literal demands (Madison, 1787-88). Instead, leaders in a democracy should “discern the true interests” and common needs of the people and then “refine the public view” in a way that transcends the surface noise of pettiness, contradiction, and self-interest.

The Aspen executives also read and discussed Theodore Roosevelt's 1910 "New Nationalism" speech, which gave them some insight into what Madison's words meant in practice (Roosevelt, 1910). In that speech, delivered in a Kansas cornfield, T.R. addressed the specific and legitimate interests and needs of industrialists, farmers, financiers, laborers, small business owners, and conservationists, showing equal respect for each of their competing values and claims. But he didn't stop there. Roosevelt then elevated the discussion by offering a transcendent vision of a good society that encompassed those conflicting values in a way that each group alone was unable to articulate from their narrower perspectives. He thus showed the nation the way forward by identifying the overarching values that the disparate, often warring special interests had in common and, in the process, he created a compelling vision of a better future than could be achieved by continuing conflict.

Significantly, Roosevelt did not spell out the particulars of how that would be done; instead, he outlined the basic conditions under which it could be done. He realized the key to implementation was the involvement and participation of all the relevant constituencies. Hence, the seminarians saw that the role of leaders is to help followers to focus on attaining ends that are good for them all. Ultimately, leaders must act, and that requires them to translate the cacophony of competing interests into a simple harmonious vision of a good end they collectively will seek. To cut through the complexity of diverse interests requires leaders who create transcendent, or overarching, visions that followers recognize as morally superior to their own narrow interests, while at the same time effectively encompassing them. Leaders create followers by allowing them to take the leader's dream as their own, because, in fact, it is their own. The seminar participants noted that this approach to leadership is particularly appropriate when followers are deeply divided by ideology, religion, and ethnic backgrounds. Significantly, many of the corporate leaders at the seminar noted that this approach is also the most effective way to lead complex business organizations in turbulent environments.

The basic lesson learned in the seminar was that people will only follow leaders who manifest the ability and willingness to take them where they want to go. What the Aspen seminarians were learning indirectly was that effective leaders set aside the culturally conditioned "natural" instinct to lead by push and — particularly when times are tough — always to adopt the "unnatural" behavior of leading by the inspiring pull of common values. It was remarkable that this was what the participants were taking away from the seminar because that was not the message it been designed to convey. Nonetheless, I duly reported to the President of the Aspen Institute that the Executive Seminar, in fact, was about "Values-Based Leadership."

I subsequently moderated nearly seventy Aspen leadership seminars, and wrote several related books, and I now see that all those efforts focused on describing what values-oriented leaders *do*, and not on defining what Values-Based Leadership *is* (O'Toole, 1995). I think the reason why I failed to define it is that I couldn't! While I know it when I see it, I find I still can't define it concisely and unambiguously. Nonetheless, below I attempt to hone in on a definition by way of 1) distinguishing it

from other forms of leadership, 2) citing examples of leaders who practice (or practiced) it, and 3) identifying its unique characteristics.

What It Isn't

There are at least ten major theories of leadership, most of which are distinct from the others. These are enumerated below along with brief descriptions (and parenthetical reference to the names or disciplines of scholars who often are associated with advancing, or describing, each perspective):

1. **Biological:** "The leader has the most testosterone." (Bio-sociologists, primate behavioralists)
2. **Power:** "Might makes right." (Thucydides, Hobbes)
3. **Paternalism:** "Rule by the brightest and most virtuous." (Plato)
4. **Contingency/Situational:** "It all depends: leaders do whatever it takes." (Machiavelli, Spencer, Gary Wills (Wills, 1994), business school social scientists)
5. **Great Man:** "The hero as leader; it's about personality and charisma" (Carlyle, Weber)
6. **Transactional:** "Followers act in their self-interest." (economists, political scientists)
7. **Cognitive:** "Leaders lead by ideas." (Marx, John Gardner (Gardner, 1989))
8. **Transformational:** "Leaders are moral agents and enablers of followers." (James MacGregor Burns (Burns, 1978), Ronald (Heifetz, 1994))
9. **Shared:** "Leadership is a team sport." (Center for Effective Organizations (O'Toole, 2002))
10. **Servant-Leadership:** "Leaders help followers achieve their goals." (DePree, 1989)

At first glance, one is tempted to say that Values-Based Leadership has little or nothing in common with the first five forms listed above. But that conclusion needs to be hedged: (#3) paternalistic and (#4) situational leaders might well appeal to values as a way of attracting followers. And distinguishing Values-Based Leadership from the subsequent five forms is even more problematic: for example, that most manifestly values-based of all leaders, Mohandas Gandhi, (#6), appealed to the self-interest of his followers, (#7) advanced ideas ("saraj" or, self-rule), (#8) was a moral agent and enabler of his followers, (#9) shared leadership (with Jawaharlal Nehru and Mohammed Ali Jinnah, among others), and (#10) created the conditions under which his followers could achieve their goal of independence.

Those complications aside, we might nonetheless be able to draw some analytical distinctions between values-based, on the one hand, and the other forms of leadership, on the other. For example, Values-Based Leadership isn't necessarily about (#8) transforming or changing anything or anyone (although it might be), nor is it necessarily (#9) a group or shared activity (although it can be), or limited (#10) to

serving followers (but it usually entails that). While this kind of analysis may be helpful in demonstrating that it is a distinct form, it fails to distinguish it uniquely from the others on the list. In essence, then, while values-based leadership is different, and different in many ways, from each of the other forms of leadership, it often shares certain things in common with the others, so I am not sure how helpful this exercise is.

Who Practiced It?

Absent clear differences with other forms of leaders, we might still be able to close in on a definition by identifying individuals who clearly practiced Values-Based Leadership and then identify the characteristics that differentiate them from other types of leaders. For example, spiritual leaders might be seen as exemplars of Values-Based Leadership. Certainly, Moses, Zoroaster, Gautama Siddhartha, Jesus of Nazareth, and the prophet Mohammed all offered their followers paths to realize the highest of human values. Nonetheless, I would argue they weren't values-based leaders because they each advanced their own visions as "the truth," or the "true path," and did not attempt to include those outside their fold, nor did they accept the legitimacy of those with different values. Hence, I would place these exceptionally virtuous men in the category of (#3) paternalistic leaders who know what is best for their followers.

In the secular realm, and in modern times, such leaders as the Ayatollah Kohmeini, Mustafa Kemal Ataturk, Indira Gandhi, Deng Tsiao Ping, Ho Chi Minh, Jomo Kenyatta, and Julius Nyerere all displayed undeniable elements of Values-Based Leadership when they helped their people to realize their goals and aspirations — but they did so inconsistently, and often resorted to the use of power when followers resisted, or objected, to their rule. Some of these leaders thus were in the categories of (#5) "great men," or (#6) situationalists, but their essentially undemocratic stances and disrespectful behavior toward their adversaries distinguish them from values-based leaders.

In this country, Presidents Washington, Jefferson, Madison and the two Roosevelts clearly were, from time to time, values-based leaders, and the same could be said about Winston Churchill, Charles de Gaulle, and Golda Meir in other democratic lands. But the careers of each of those leaders were marked with enough pragmatic inconsistencies that I conclude they fit better in the (#6) transactional, (#4) situational, or (#10) servant-leader categories. And more recently, Margaret Thatcher may have been the most effective (#8) transformational leader of a democracy in our era. Agree with her goals or not, undeniably she transformed Britain, destroying its rigid social class system and inculcating an entrepreneurial ethic. She was always true to her beliefs: as she said, she always was willing to change her strategy, tactics and programs as the situation dictated, but change her principles? "Never!" But to be a true values-based leader is always to act on the behalf of one's followers, and that was not her wont. Nonetheless, she and the other democratic

leaders mentioned in this paragraph demonstrate that one need not be a values-based leader to be considered a great one.

The Characteristics of Values-Based Leaders

In my view, there is only a small set of leaders in addition to Mahatma Gandhi who always did all the things values-based leaders do: among them, Abraham Lincoln, Martin Luther King, Jr., Nelson Mandela, Vaclav Havel, Mother Teresa, Eleanor Roosevelt, and Jean Monet. Perhaps by identifying the common and unique characteristics of these individuals, we can take a step toward defining their special form of leadership. For starters, it is manifestly clear that the individuals on this short-list were not driven by the desire for wealth or power. Their leadership was not about *them*: not about realizing their personal needs for status, fame, or ego satisfaction. Instead, their actions were based on helping their followers realize *their* true needs. These leaders consistently acted on behalf of their followers, seeking to provide the conditions and resources those constituencies couldn't provide on their own. The importance of this servant-leadership quality has been identified by many observers, but what is most unusual about these leaders is the consistency of that behavior: unlike paternalistic leaders, they never sought to impose their personal agendas on their followers; unlike situational leaders, there was a complete and predictable integrity to all their actions; unlike transformational leaders, they did not seek to change their opponents (their every action demonstrated respect for their followers and enemies alike). And they each displayed a high degree of selflessness. That does not mean they were without ambition, but rather their ambition was of an unusual sort: they found personal satisfaction and fulfillment by providing the opportunity for others to realize their goals and potential.

Most singularly, these leaders differed from those in the other nine categories in terms of the clarity of their values. Gandhi never spoke without reference to the dignity of all men and women; and he made it clear that non-violence was his highest value, higher even than his practical goal of Indian independence. Gandhi could negotiate and compromise with the British — for example, he stood by them during World War I — but when engaging in the necessary transactions required in practical affairs, he made certain that those small acts were consistent with, and in service of, his highest values. Similarly, Jean Monet spent years negotiating quotas and prices for steel and coal while founding the European Common Market, but he never lost sight of the ultimate purpose of such acts: the creation of a lasting peace in Europe.

Of course, the danger of defining Values-Based Leadership in terms of the characteristics of such rare individuals is that the vast majority of leaders, and potential leaders, will feel excluded. If we are honest with ourselves, most of us will recognize that we lack the unique integrity of a Gandhi, the clear and steady vision of a Lincoln, and the selfless virtue of a Mother Teresa. So why should we aspire to the heights if we know we are only going to end up disappointing ourselves and our followers? But, in fact, a reading of the biographies of those exemplary leaders reveals that each has had numerous flaws and common human frailties. They were, in fact, imperfect like the rest of us. Indeed, each had to learn to lead, learn to

overcome or compensate for their weaknesses and, especially, to learn to discipline themselves to serve others. As their biographies show, values-oriented leaders learn to lead by reflecting honestly on their experiences, in particular, on their failures. I believe the lesson to draw is not that such great leaders are perfect humans but, instead, that almost all people are capable of becoming values-based leaders — and effective ones — if they choose to do the hard work entailed. Clearly, few leaders will become as great as the exemplars cited above but, in reality, very few leaders will ever face circumstances where they need to be among the greatest to succeed.

Workaday Examples

It is a long way from the grand stages on which Gandhi, Lincoln and Mandela led to the quotidian concerns and common platforms of business leadership. But even in the practical world of commerce it is possible — with a little effort at translation, and a large commitment of dedication — to practice Values-Based Leadership. Elsewhere, I have identified four retired business leaders who I would put on my corporate Mt. Rushmore: Max DePree, Robert Galvin, James Houghton and Jan Carlzon (O'Toole, 1995). There are also contemporary CEOs who I think will make the grade when they retire, including Starbuck's Howard Schultz, Costco's Jim Sinegal, and Whole Food's John Mackey.ⁱ In fact, it is a lot easier to be a corporate values-based leader than it is to be one at the national level. The overarching and unifying values that business leaders cite — product quality, customer service, organizational excellence — may not be as lofty as the political values of liberty and equality, but they can be every bit as important to the lives of followers. Selfless corporate leaders who put respect for their followers ahead of their own needs for fame, power and wealth can be as virtuous in their own small domains as values-based political leaders are on grander stages. The difference is in degree, and not in kind, between the business leader who creates the conditions under which all of her employees can develop their potential and the political leader who uses public policy to do the same.

A Definition?

Somewhere in what I have written above, there may be a definition of Values-Based Leadership, but I must admit I can't put my finger on it. Perhaps this shouldn't be surprising in light of the fact that Peter Drucker (another one of my teachers), said he couldn't even define the term leadership. Failing to do so, he would instead ask his students, "What do all leaders have in common?" Their answer: *followers*. "And thus," he would conclude, "the role, task, and responsibility of all leaders is to create followers." While this insight may not sound helpful to a search for a definition of Values-Based Leadership, I believe it is. Unique among all forms of leadership, values-based leaders create followers by enabling them to see clearly, and to achieve effectively, that which they hold dear. Absent a definition, we can at least say that the role, task, and responsibility of values-based leaders is to help followers realize the most important ends that they hold dear but cannot obtain by themselves.

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James O'Toole is Daniels Distinguished Professor of Business Ethics at the University of Denver's Daniels College of Business. He has written fifteen books and over a hundred articles in the areas of leadership, ethics, corporate culture, and philosophy. His books include *Leading Change*, *The Executive's Compass*, and *Creating the Good Life*.

O'Toole received his Doctorate in Social Anthropology from Oxford University, where he was a Rhodes Scholar. He served as a Special Assistant to Secretary of Health, Education and Welfare, Elliot Richardson, as Chairman of the Secretary's Task Force on Work in America, and as Director of Field Investigations for President Nixon's Commission on Campus Unrest. He won a Mitchell Prize for a paper on economic growth policy, has served on the prestigious Board of Editors of the *Encyclopedia Britannica*, and was editor of *The American Oxonian* magazine.

At the University of Southern California, he held the University Associates' Chair of Management and served as Executive Director of the Leadership Institute. He has been editor of *New Management* magazine and Director of the Twenty-Year Forecast Project (where he interpreted social, political, and economic change for the top management of thirty of the largest U.S. corporations). From 1994-97, he served as Executive Vice President of the Aspen Institute and more recently as Chair of Booz Allen & Hamilton Board of Academic Advisors.
