

New Economy, old values

Ready or not, here comes the New Economy.

Woe to the company whose leaders are not prepared.

By Millard Johnson

Under the leadership of Jeffrey Immelt, Waukesha-based General Electric Medical Systems has grown into a \$7 billion global leader in medical systems, information and technology. Acquisitions include Milwaukee-based Marquette Medical in 1998, and Madison-based Lunar Corporation just two months ago. It's a track record that has put Immelt on the short list of possible successors to the legendary Jack Welch, GE's chief executive officer, when Welch retires in April.

An omen of Immelt's ascendancy appeared in June, when Joseph Hogan was promoted to executive vice president and chief operating officer, reporting to Immelt. Industry analysts view the job as an understudy role. If Immelt gets the top job at GE, Hogan will be ready to step in and replace him. It's an example of GE's long standing policy that high-level managers have a second-in-command who will be fully up and running when a transition occurs.

Transition is the key word here. It applies not just to executives assuming greater responsibilities, but also to the global economy, which nowadays is being referred to as the New Economy. It is an economy transitioning from the production of goods and services, to an economy based on knowledge and information, and existing in an environment of rapid technological, social and political change. Significantly, just before his promotion, Hogan had been GE Medical's vice president of global e-business, a business segment widely viewed as the cornerstone of the new economy.

Unlike GE, many companies don't have an effective leadership development program or a succession plan. That's the consensus of several recent surveys of CEOs and HR professionals, which indicate significant turnover in the executive ranks. Many companies are chronically talent-short in important areas, and are unprepared to replace key executives.

There seems to be a Leadership Gap, although some companies are still in denial. Much of the blame can be put on the corporate penchant for cost-cutting and down-sizing. Many middle management and assistant-to jobs have been slashed, and now, when senior people retire, the qualified back-ups are gone. It's a struggle now for

companies to find managers who can think critically and act decisively. A corollary effect to down-sizing is a fall-off in executive loyalty. Survey data suggest that up to 75 percent of executives are sending out resumes or talking to headhunters.

There seems also to be a fall-off in the number of people who aspire to leadership. And who can blame them? Are the rewards worth all the grief? There's already plenty of wealth to go around, and the popular culture encourages us to indulge ourselves in a "personal lifestyle."

Corporate leaders today are faced with powerful paradoxes, says philosopher Peter Koestenbaum. We're living in a time of a soaring stock market, he observes, and yet there is a sense of acute alienation brought on by the global economy. He speaks of a New Economy pathology that is driven by impossible demands—better quality, lower prices, faster innovation—that generate an unprecedented form of stress. "People feel pressure to meet ever-higher objectives in all realms of work, wealth and lifestyle—and to thrive on that pressure in the process" says Koestenbaum. The challenge for leaders is to remain sensitive to basic human values.

Koestenbaum is classically trained, with degrees in philosophy, physics and theology from Stanford, Harvard and Boston universities. He has spent the past 25 years applying his insights in philosophy and psychiatry to business management and the challenges of leadership. He has corporate clients around the globe, and he writes and lectures extensively. Next month, on November 9, he will be one of three featured speakers at a leadership symposium at the Midwest Express Center in Milwaukee. General Colin Powell and Michael Jones are the other two speakers at the day-long event, sponsored by the Council of Small Business Executives, under the auspices of the Metropolitan Milwaukee Association of Commerce (MMAC).

Authentic leaders accept the fact of life's inherent contradictions, says Koestenbaum. The leadership mind is spacious. It has ample room for the ambiguities of the world, for conflicting feelings, and for contradictory ideas. He believes the central leadership attribute is the ability to manage the polarity of choices in life. How can I

devote myself fully to both family and career? Am I a boss or a friend? A lover or a judge? Greatness or mediocrity depends on how one responds to these polarities.

"Nothing can be more practical than for people to deepen themselves," says Koestenbaum. "The more you understand the human condition, the more effective you are as a business person. Human depth makes business sense. ... We all have the capacity to be great. Greatness comes from recognizing that your potential is limited only by how you choose."

Now in its 16th year the symposium is an annual highlight of an on-going effort by council members to improve the performance of their businesses. Members meet regularly to "learn from the best and from each other," utilizing a network of professional relationships and resources. It's a convenient forum to share best practices and learn emerging strategies from local, national and global leaders. Lately, many members have shown a growing interest in issues related to leadership development.

"Members realize that leadership is critical as we move into the new economy," says

Shelley Jurewicz, executive director of the MMAC's Business Performance Network. "There's no doubt that how we lead is changing—that the old models are not working. This symposium provides members with fuel they will need to be more productive in their leadership roles."

Leadership is a topic gaining currency throughout both the private and public sector. Business schools incorporate leadership into the curriculum, and a number of private firms have emerged to mold rankers into leaders.

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business philosopher

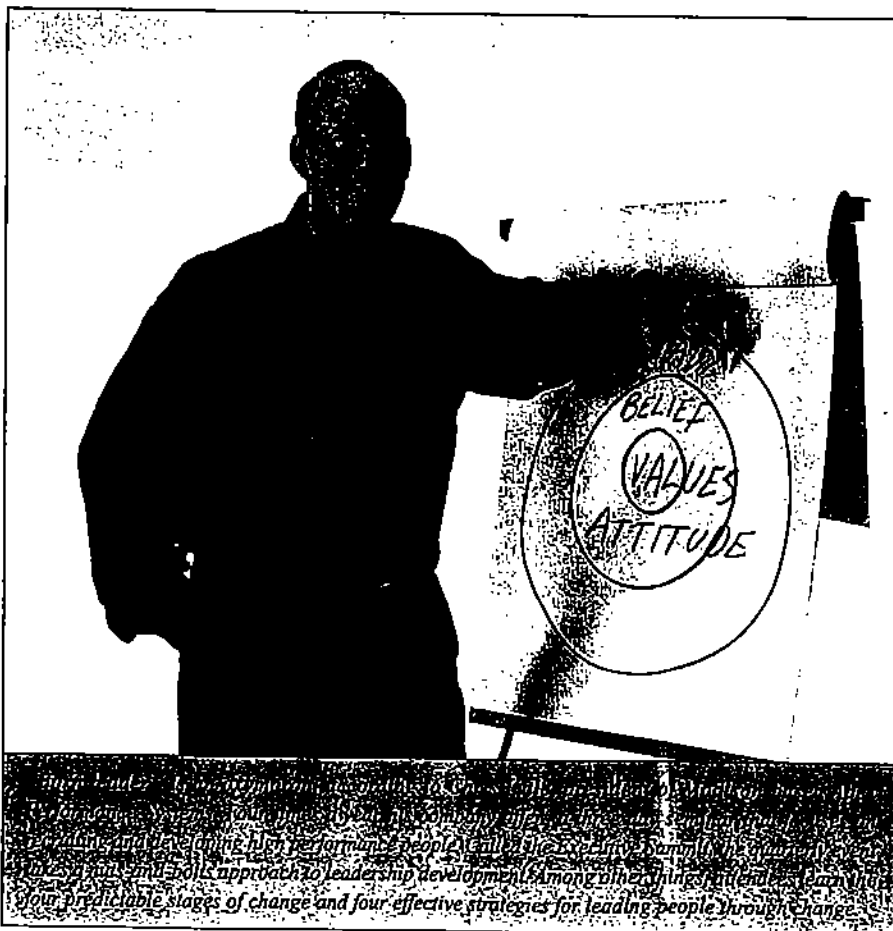
We can learn about leadership, but can we be taught to be a leader? Are leaders born or

made? The nature/nurture dichotomy will probably never be settled, but the literature continues to accumulate. Studies often focus on certain traits that are common to leaders as disparate as Thomas Jefferson, Ho Chi Minh, Bill Gates and Cochise.

"It would be great to find traits that are consistently associated with 'born leaders,' but reviews of studies generally conclude that the trait approach has not been fruitful," says Ray Aldag, a professor of business leadership in the School of Business at the UW-Madison. "The findings suggest that the traits needed by leaders may depend on the situation. Since traits are relatively stable, it's unlikely that leaders can develop them through training."

Part of the problem, explains Aldag, is that the trait approach considers only characteristics of the leader, while ignoring the characteristics of the followers and situations. So, while information about the traits of successful leaders might be useful to select leaders and place them in suitable positions, it is otherwise of limited value.

Some writers argue that leadership really doesn't matter much anymore. They reason that laws, regulation and societal forces effectively handcuff the leader. Older,



LEADER OF THE PACK

Green Bay Packers president Bob Harland has had his leadership skills rigorously tested this year. He is the organization's out-front person in the effort to secure financing to renovate Lambeau Field. He has huddled tirelessly with legislators, the governor and the team's home town constituency, making the case for an assistance package that will keep the Packers a viable team in the National Football League. In a recent interview with *CRW*, he shared his views on various aspects of leadership.

Competency. I don't pretend to be knowledgeable about football. I haven't played it since high school. My feeling is, you bring in a very competent person to run the football operation, and then you leave him along.

Promotions. My first preference is to stay inside, to promote from within. Morale is always much better when people know that, if they're qualified for a job that opens up, that they have a genuine chance of getting that job.

Succession. Ron Wolf has four years to go on his contract, but he may retire sooner. I've already told him that, whenever he decides to leave, that he can identify a suitable successor. The department



Rich Teerlink is the retired chairman and CEO of Harley-Davidson, Inc. His new book chronicles Harley's difficult journey from a traditional "command-and-control" culture to an open, participative organization in which employees no longer went along for the ride, but took new levels of responsibility for charting their course.

authoritarian models of leadership are being rejected. "Dilbert" daily mocks the idea that upper management has any constructive effect on the organization. There is a growing workplace attitude that, hey, we're all intelligent, responsible adults here. So if you want the job done right, get out of my way and let me do my thing.

But Aldag feels that hierarchical leadership is still important in many situations. Consensus-building non-autocratic leaders tend to have satisfied followers. Leadership probably makes more of a difference in small and developing firms. In times of organizational change or crisis, there is a genuine need for a leader who can inspire and motivate.

A leader cannot really choose for others, says Koestenbaum. By informing people of this fact, that alone can be a strong motivator for the people the leader wants to cultivate. The leader's role, says Koestenbaum, is less to nurture people than to enlarge their capacity for responsible freedom.

Milwaukee-based Harley-Davidson Corporation is a textbook example of the principle of individual responsibility

heads are the ones that deal with the staff every day, in every type of situation. I rely on them to identify the ones with managerial potential.

Depth. We've always tried to look ahead to what we'll need down the road, in terms of bench strength. Our departmental managers are encouraged to coach their people. We try to hire people we can nurture and develop into solid players.

Wolf. Ran Wolf is a great leader, and he carries a lot of responsibilities. He has to lead two different scouting staffs, one for college and the other for the pros. He's got the training and the video department. From the moment he got here in 1991, he changed all those areas and made them better. He's a very direct person. He doesn't waste any time. If he makes a mistake, he admits it and doesn't try to cover up. That takes guts.

Vince: Vince Lombardi showed leadership qualities at a young age, but he didn't always pursue the opportunities he had. But once he got to Green Bay and took charge of the Packers, he showed great leadership.



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VILLAGE OF
HOWARD
Green Bay's Western Opportunity

applied in a corporate setting. During the 1980s the company rescued itself from near extinction by abandoning its traditional command-and-control culture, and creating an open, participatory organization—an organization in which employees would want to do better, where they'd care about the company on a personal level and work together to improve both individual and overall performance.

Harley's purposeful transformation is told by Rich Teerlink, the company's retired chairman and CEO, in a new book, *More Than a Motorcycle*, co-authored by Lee Ozley and published last month by Harvard Business School Press. When Teerlink took over as chief operating officer of the Harley motorcycle division in 1983, the company had already gained back most of its lost market share that had plunged it into financial crisis. While the business press was applauding this remarkable turnaround, Teerlink was concerned that complacency would imperil the company's continued success. He saw a need for a new kind of leadership that moved beyond top-down strategies—a leadership driven not by its top executives but by its employees at every level of the organization.

Teerlink's book delivers three fundamental messages: people are a company's only sustainable competitive advantage; there is no "quick fix" to effect lasting and beneficial organizational change; leadership is not a person but a process, to which every employee is expected to contribute. Effective leadership, the authors conclude, entails earning employee commitment, rather than demanding compliance.

During the past ten years, Harley sales have grown from \$645 million to \$2.5 billion. That fact attests to the company's management prowess, but it wasn't easy—there were setbacks as well as victories, dead ends as well as breakthroughs. Readers of this starkly-told first-person account will find lessons that apply broadly to any business.

Transitions, whether forced or natural, are seldom easy. Uncertainties about the new economy create anxieties in individuals and corporations alike. It takes courage to shake off comforting old routines that limit creativity and entrepreneurship. Koestenbaum has this practical formula for leaders who want to transform anxiety into strength and security: "Go where the pain is." **CRW**

THE ROAD TO LEADERSHIP

Since retiring as chairman and CEO of Harley-Davidson, Rich Teerlink hasn't slowed down much. He's doing book signing appearances for his corporate memoir, *More Than a Motorcycle*, and speaking internationally to corporations, industry associations and business schools. Last month he gave *Corporate Report Wisconsin* some of his views on leadership.

CRW: What are the elements of an effective leadership development program?

Teerlink: Giving people the opportunity to make a difference in the company. At Harley, we define empowerment as freedom with fences. That fence may be a spending limit, or a limit on resource commitment. But every once in a while, people should have the courage to jump over that fence, because it's the right thing to do at that time. They're also accountable for the consequences of their actions. Leadership should not have to hold people accountable; people should hold themselves accountable. Fundamentally, employees have the freedom to do what they want to do within the constraints of the Harley value system.

CRW: How does a true leader emerge?

Teerlink: Through hard work and recognizing that they're not the only one with the answer. A leader should feel obligated to see that all people have an opportunity to participate. Sometimes an appointed leader has to make the decision if there's dissension or a time issue, but generally the best decisions are the ones that

people support, not because they heard an inspirational speech, but because they all believe that it's the right way to go.

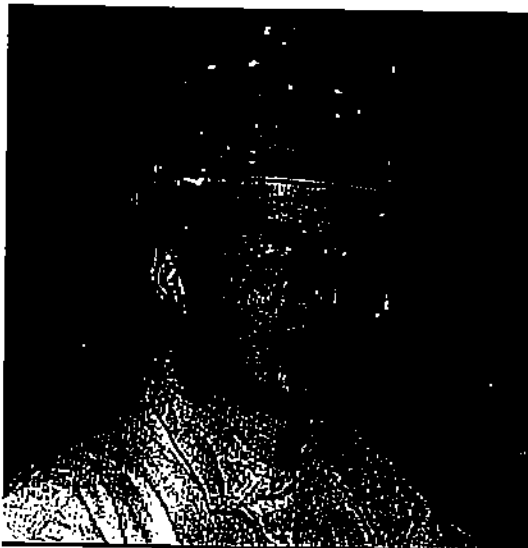
CRW: What qualities does a leader need today to succeed in the new economy?

Teerlink: You could name a few qualities, but they are simply words without much practical meaning unless you define them in terms of behaviors. We have to expect certain appropriate behaviors from leaders. I don't think behaviors needed in the new economy are dramatically different from those needed in the old economy. Harley-Davidson has a value system of expected behaviors: Tell the truth. Be fair. Keep your promises. Respect individuality. If leaders live by those, they can be successful. I'm always assuming that leaders have a reasonable amount of technical competence. That's a given.

CRW: Should a company implement a formal system to identify potential leaders?

Teerlink: No, because that entails a system of elitism. What we have to do is identify the people who are growing in their positions. Harley-Davidson has a performance effective process (PEP), which is an on-going evaluation system driven by the employee, not the leader. Part of the PEP system is a career development plan. The ideal is to not have a formal anointing of anybody, but just a process that bubbles up good performers that you can take a look at and evaluate.

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