

## PAY ATTENTION TO SUBTLETY: THE LITTLE THINGS ARE THE BIG THINGS

*Research by Hewitt Associates has found that the top companies for developing leaders practice three fundamentals: their CEOs and boards of directors provide leadership and inspiration; they focus on the best talent; and they put in place the right programs, done right. But even with these pieces in place, these companies' ultimate success may also depend on effectively managing the more subtle aspects of the process, five "little things" important for building great leaders.* © 2004 Hewitt Associates LLC

*Robert Gandossy and Marc Effron*

Our research and consulting with the Top Companies for leadership development are conclusive: the three fundamentals—leadership and inspiration, a focus on the best talent, and the right programs done right—count. But we felt there was still more. Something was missing. Maybe it's the small, seemingly insignificant patterns that make Top Companies stand out. But our research and experience have led us to discover that the little things are the big things. What separates the best companies, the best leaders, the best programs are often nuances, subtleties. It is the combination of little things that amounts to a very *big* difference in organizational life.

Here's what we mean. One of our clients spent some time with one of the Top Companies we studied to learn what they did. He heard about the

talent-review process, leadership development, and so on. But he came away unimpressed. "They weren't doing anything different or special. I didn't see it." That's our point. Sometimes it's hard to see, and you certainly won't see it by talking only to HR. We're not knocking HR, but if building great leaders is the job of leaders themselves, then you've got to talk to them—and those they lead—to really see what's going on.

The "little" differences we discovered somehow get lost in the tabulations of practices and programs. Some of this nuance and subtlety is hard to capture in words. The intensity, the feeling, or the collective sixth sense that some leaders or cultures seem to have, an instinct about what matters, cannot be easily conveyed or depicted through words. These leaders don't study what to do,

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they're the ones studied—it's part of their DNA, it's who they are.

We'll attempt here to capture some of that subtlety, which cuts across all the fundamentals and is the extra element that transforms an organization's capabilities to be great at developing leaders. We hope that what's captured here resonates with your experiences and provides you with a glimpse of what we've seen. As one executive we spoke with says, "Paying attention to little things all of the time can be just as important as paying attention to two or three big things a few times."

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There are five overlapping ideas that make a big difference:

- It's not just the programs, it's the underlying belief system.
- *How* you communicate is as important as *what* you communicate.
- Taking risks is less risky than not.
- Fostering reciprocity is not equal to an incentive scheme.
- Social networks pave the way.

Each of these five is discussed below.

### **IT'S NOT JUST THE PROGRAMS, IT'S THE UNDERLYING BELIEF SYSTEM**

Leadership isn't just about what leaders do. It's something that they are, which then drives what they do. Genuine leadership comes from within. It's authentic and based on values like honesty, integrity, and trust. Programs and practices are the manifestations of these beliefs and values. They become the embodiment of how leaders believe the enterprise ought to be run. Without this foundation, programs and practices become sterile exercises, lacking in meaning—modern-day bureaucracies that actually lower the credibility of leaders and further disengage associates.

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sonal values of leaders bring life to initiatives; they provide teeth and an in-your-gut feeling that the activities make a meaningful contribution both to individuals and to the organization. Deeply embedded in programs and practices, these values and beliefs provide enduring life that travels through the enterprise and over time; they represent how things are done.

CEOs must lead, inspire—provide their stamp, their imprint on talent development. Their drive, focus, and enthusiasm become pervasive—a way of operating that becomes institutionalized. But it goes beyond the top executive. Some may label this as "culture," the integrated knowledge, beliefs, and behaviors that are transmitted down to succeeding generations year after year. And although this may be where the consistency begins, we do not believe this is where it ends.

Many of the CEOs we met with are among the most visible and dynamic in the world. They wield enormous power and influence inside and outside the companies they lead. But focusing on them fuels the "cult of personality" arguments that are so prevalent in business and academic circles these days, that great companies are merely shadows of the great leaders who lead them. We think that's a mistaken notion.

Top Companies are not dependent on a single leader. Leadership is institutionalized. It's built into systems, practices, and, yes, the culture. The system of leadership lives beyond the CEO at the helm: Intel has had decades of success under the leadership of Gordon Moore, Andy Grove, and Craig Barrett; Southwest Airlines, under Herb Kelleher and now James Parker; IBM, from Gerstner to Palmisano; General Electric, from Welch to Immelt; Honeywell, from Bossidy to Cote.

There are reasons for these relatively smooth transitions. Sure, there are occasional bumps in the road, but over the long term the leadership at Top Companies will continually renew itself—as Jim O'Toole states, they have high leadership quotients.<sup>1</sup> The process of developing leaders is embedded; it surrounds and permeates the organization.

When we looked for patterns in these belief systems across a number of Top Companies, at least three themes emerged that are institutionalized and become pervasive and evidenced in individual leaders.

***Possess an Element of Commitment and Passion to Growing Talent.*** In the Top Companies, the CEOs and some boards of directors have a focused drive around developing talent and growing leaders. The chief leader must pave the way, set the tone, model the behavior expected of others. However, the same drive and determination we saw in CEOs at Top Companies were pervasive throughout the management ranks; in fact, the levels of commitment and passion were sometimes even greater. When we asked leaders why they did the things they did to develop leaders, and why they spent 50 to 60 percent of their time doing so, we often received incredulous stares. They either didn't know or couldn't conceive of another way to run an enterprise. To them, these were dumb questions.

One COO we spoke with devotes much of her time and passion to developing future leaders, both informally and formally. Sometimes the more informal situations, she believes, are those that make the biggest impact. She invites young, high-potential employees to travel with her on business trips so they can spend time together, and she can get to know them on a personal level. She also arranges meetings with local high-potential employees when she travels so they have an opportunity to present to her. She gets to see them in action and see how they think. This COO not only believes this is essential, but sees it as fun—there's nothing better than to see people learn and grow and to help them in that process. Ian Cook, executive vice president of Colgate-Palmolive, agrees. "As a leader you have to give of yourself. . . . People connect with a number of things and want to emulate a style and set of values and behaviors. Leaders need to take more time and really connect with people."<sup>2</sup>

Many executives at these Top Companies showed a visible increase in their energy level and enthusiasm as they spoke about developing talented employees. Their eyes sparkled, they sat forward in their chairs, and they became more animated and intense. They find working with emerging talent refreshing and energizing and, yes, many described it as fun.

***Connect on a Personal Level.*** A number of years ago, one of us (Robert) was working in manufacturing at a microelectronics plant in Fishkill, New York, for IBM. In the bay for which Robert was responsible, dozens of silicon chips had fallen to the floor. A senior vice president for the division

happened to pass by. He pulled Robert aside, put his arm on his shoulders, and started to educate him about the quality and the value of each silicon chip strewn on the floor. Through his patience and line of questioning, he was teaching Robert important lessons. In the coming months, he invested more time educating and developing him.

Across the Top Companies for leaders, we heard numerous stories just like this. Leaders lead—and it's personal. Rod Adkins, general manager of Pervasive Computing at IBM, mentors more than 30 people beyond his own direct reports. He makes a point to spend at least 30 minutes each quarter with each of them. He also initiated a reverse mentoring process, whereby someone who's been with the company less than two years has the opportunity to coach him. He believes that this approach provides him the benefit of learning and receiving feedback from a different perspective, and finds this process personally motivating—and motivating for the younger coaches as well.

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***Subordinate the Unit for the Greater Whole.*** In an era when we constantly hear about executive greed, one of the most fascinating—and encouraging—themes that surfaced in a number of our conversations is that of leaders in Top Companies who consistently subordinate their business unit for the good of the larger organization. What leader truly wants to give away great talent once it's identified and nurtured? The answer is, surprisingly, all of them. John Kelly, senior vice president and group executive, Technology Group at IBM, says, "I would give up my best person today if I knew it would serve a group goal. . . . I would give him or her up this afternoon." Bob Johnson, CEO of Honeywell Aerospace, reiterated these sentiments. "It's a plus to move people, it's a minus to hoard them, . . . and we are keeping score. . . . It would be a bad thing for a leader to hold on to a great person. . . . It's like priming the pump: When you give up a good leader, you'll get another."

As simplistic as these three themes are, they are the critical and differentiating values and principles of the leaders at the Top Companies.

These leaders don't think twice about these things; this is the DNA of a well-oiled leadership development philosophy. We heard numerous anecdotes and examples of how these executives use their superior leadership skills to engage and develop future leaders, to foster an effective leadership culture within their organizations. What became increasingly evident as we spoke with these leaders is that they truly believe that if they choose the right people, set the right strategy, provide opportunities, coach, mentor, communicate, and set appropriate long- and short-term stretch goals, the cycle of great leadership will be maintained.

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The leaders we spoke with run some of the world's most successful organizations. What makes them so successful is that they recognize that running the business *is* building leadership capability. They have an underlying belief system in the importance and impact of developing leaders that relentlessly shines through time and again.

#### **HOW YOU COMMUNICATE IS AS IMPORTANT AS *WHAT* YOU COMMUNICATE**

Every senior executive everywhere knows that communication is important. Priorities, updates, and target goals need to be reinforced and communicated on a continual and consistent basis. They get it. And in the vast majority of companies, these things do get done, just not well. Too many leaders delegate these tasks to corporate communications specialists who spit out, with great regularity and consistency, messages, themes, and updates to a workforce already numbed by the banality of it all. *The Wall Street Journal* offers more passion and personal connection.

What differentiates the great leaders from the good ones? The innovative and passionate manner in which these essential messages are conveyed. These leaders have an incredible sense of timing; their points are clear, concise, and candid. There's an element of surprise in how they deliver key messages, not always in an outrageous way but

just enough to change what's expected, just enough to get the appropriate level of attention. They work hard at simple and repetitive messages—they eliminate corporate-speak. One senior executive reported that when he communicates either in written form or orally, he has a standard test for clarity: "If there are questions as to my intent, I was not clear enough."

Bob Joy, senior vice president of HR at Colgate-Palmolive, claims that Colgate's CEO, Reuben Mark, is the "best communicator" he has ever seen. What is it that Mark does to earn this compliment? "He takes complexity and simplifies it, and he demands this of all his leaders. He constantly reinforces the importance of focusing on simple but dynamic communication." A senior executive from another company reinforced this point regarding the importance of clear and simple communication: "Communicate, communicate, communicate—very repetitively, very simply—what we are trying to do. We are trying to figure out where we are going. No matter what is happening in the environment, to keep that clear, . . . keep a set of high-beam headlights on where we are going."

One of the important messages that we consistently heard through our interviews was that communication is about more than *what* is said, it's about *how*. It begins at the top of an organization. The CEOs who choose to send out the same predictable communications, to all employees, worldwide, time and again, are not likely to have their messages stick. These sterile, passionless messages, crafted by the corporate communication machine, will not increase engagement among employees or their connection to the company and certainly won't convey a sense of pride, passion, or commitment to the organization. On the other hand, there are the CEOs like the late Sam Walton, founder of Wal-Mart, who declared that if his company hit the numbers, he would do a hula dance on Wall Street. They did, and he did. Herb Kelleher, of Southwest Airlines, created an open and communicative environment at the company through agreeing to do some similarly zany things. Lou Gerstner "invited people to change" and encouraged the employees of IBM to change the way they thought and worked. These leaders practice what they preach and exemplify the art of motivational, committed, and passionate communication, all of which promote a strong leadership culture.

Leaders at the Top Companies also model or provide visible, tangible support for their priorities. For instance, many leaders struggle trying to empower employees—it promotes innovation, continuous improvement, and quality. There are an endless number of programs, campaigns, themes, and messages on the subject. One CEO implemented the Mission Project, which was an entirely different tactic. He pulled together two groups of high-potentials and told them, “We don’t have all the answers. I want you to go on a discovery mission. I want you to go around the company—all over the world. Talk to people. Talk to our customers. Observe. Discover the two or three things we need to do differently. Report back to the executive team in five months and we’ll get them done!” All the communication campaigns you can imagine would not break nearly as much ground as this did. There is just no substitute for such an initiative. “Employees don’t want to be ruled,” the CEO says, “they want to be involved and to make decisions. . . . We don’t tell them what to do, we ask them what is right.”

#### **TAKING RISKS IS LESS RISKY THAN NOT**

The concept of risk taking has existed in organizations for decades in many forms. Product development, innovative marketing, and customer service have all been fertile ground for new approaches that differentiate one company from another. Risk taking at Top Companies, however, is of a different kind. It involves taking their best people and consistently putting them outside their comfort zones. Doing so not only builds capability but, more importantly, also builds the necessary confidence to manage more complex leadership roles in the future. Annette Verschuren, division president of The Home Depot’s Canadian operations, says, “People have no idea how much capacity they have until you challenge them to higher standards, and they get there.”

There are two levels of risk that the Top Companies for developing leaders take. One is at the organizational level—moving the best people across the organization into functional areas or geographies for which they have little experience. But there is also a risk at an individual level, as employees choose to accept opportunities to move out of the comfort zone and into

functional areas or geographies for which they have little experience.

Surely, many companies move great talent, but there are differences in how the Top Companies tackle this. For example, Top Companies move their best people with much greater frequency. It was not uncommon for us to hear people talk about having a new position with the organization every 18 to 24 months. Top Companies are also more intentional in the moves they ask people to make. Not only do they have a clearer sense of the competencies and capabilities that emerging leaders need, but they also have more clarity around the experiences that are required for success. And IBM has done so much research on their leaders that they not only know what global and business-unit experiences are needed to develop their leaders but also can provide optimum sequencing on those moves.

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The leaders we spoke with emphasized the importance of taking people and stretching them in a role where they need to develop. “If you keep doing the same thing, you’ll likely get pretty good at it, but you’re not likely to become a leader,” says Mike Lawrie of IBM. “Becoming a leader requires a variety of experiences, honing a number of skills and capabilities, and, as importantly, building confidence along the way.” These are risks that some organizations and individuals would not be willing to take, but building great leaders requires that these risks be taken. Another executive believes that risk taking is a big part of his company’s great leadership culture. “You talk to many leaders in the company, you know they’ll throw out any number of big risks they took . . . some successful, some not. I remember sitting with the CEO and the senior team, . . . the CEO looks you in the eye-balls and says, ‘If I give you this money, are you going to deliver? And remember, I have a long memory.’ That’s a serious bet.”

The ability and willingness of these organizations to continuously throw opportunities at their employees requires taking chances. These opportunities foster a different kind of learning than any

formal education program could possibly address, but developing leaders on the job is risky for both the individuals and the institution. What we heard is that this is not just about the risk; it's also about trust and confidence on the part of the organization and the individual. Maria Fernanda Meija, Colgate-Palmolive's general manager in Spain, shared her perspective on this topic when she said, "Once you have common beliefs, it makes it easier to take these risks. . . . You understand and accept that moving to New York or Hong Kong is an essential part of what we do and how we run the company."

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and desire to give something back to  
the organization***

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When presented with such challenges, people often rise to the occasion knowing that a certain level of trust and confidence in their capability must exist. Realizing your leaders are supporting you can be incredibly motivational. "It's inspiring to know you've been singled out. I wouldn't have picked me for the job," one person told us. "And I wasn't going to let them down." Succeeding also fosters the necessary self-confidence to take further risks and the confidence to take on larger, broader roles. This is, according to one senior vice president and group executive, "the only way to get to the top."

**FOSTERING RECIPROCITY IS NOT EQUAL  
TO AN INCENTIVE SCHEME**

According to *Webster's Dictionary*, reciprocity is established when there's a "shared feeling on both sides." It implies a "mutual or equivalent exchange or giving back of what has been received." In many leaders' eyes, this sense of giving back is emotional; it is a duty, an obligation to give back more than was given.

"I felt privileged to be singled out—to be moved into key jobs early in my career," one group leader reports. "They sent me to Harvard and to our own executive development programs. My mentors are now running the company. I had the benefit of great coaches. Of course, others in the company were singled out, too. But somehow you were made to feel it was just you, it was personal. It's now my turn to give back."

"I came to this place and never in my wildest dreams did I expect to accomplish what I have," says John Kelly, global head of technology for IBM. "But this company just kept throwing opportunities at me, and every time I believe I've got to return their investment in me. I've got to do this for the company and its people." Kelly continues, "The relationship I had with my manager was really special. He took a lot of personal interest, he helped me, coached me, started explaining the company to me, and I didn't understand half of what he was saying, but I guess through osmosis, I absorbed some of that stuff. . . . I observed early on that senior people were willing to spend a lot of time with me and take a risk. They didn't have to say it, I sensed this company was different. . . . They're going to give this kid out of school the 'jewels to the kingdom'? I took that pretty seriously."

Over and over again we heard executives describe the opportunities given them, the risks their bosses took with them, and the faith and confidence others had—thereby obligating them, solidifying a relationship that no incentive scheme can replicate. There is a key difference between an incentive or reward scheme and the kind of emotional, obligatory sense of responsibility that their reciprocal arrangements bring. Both are effective and both are probably necessary in organizations today. But the latter is more enduring and, in the end, more powerful.

Both are based on an exchange—an exchange of monetary rewards or opportunities for current or future performance. Reward schemes can be motivational and have been shown to change behavior, but the recipient believes he or she has earned what was given. In these reciprocal arrangements, on the other hand, the recipient feels special, "hand picked," not yet deserving of the offer bestowed. In these reciprocal relationships, there is a genuine caring about the whole person, the individual. It is less mechanical than reward systems.

Reciprocity instills a strong sense of pride and desire to give something back to the organization—to foster what was provided for you. One executive we interviewed talked at length about his "responsibility to make sure that the company is optimizing the talent identified to make sure that we are establishing the future technical or management leaders." The leaders we spoke with

view their jobs as twofold: to meet a set of financial objectives and to *build an organization*, not just their own unit but the larger whole, that can get the job done. There is a sense of pride on the part of the employees that is created in an organization that has developed its leaders, presented them with challenging opportunities, and invested not only time and money in them but also confidence and trust in their capability to bring the business to the next level. All of this leads to a desire to give back to the organization through building and growing the next generation of great leaders, and to a determined spirit that fosters confidence and fortitude throughout the organization.

### SOCIAL NETWORKS PAVE THE WAY

There's a critically important by-product of this "movement" of talent—the consistent, regular movement of people across geographies and functions, the deliberate efforts of leaders to spend time with people as they travel, or in executive education forums—and that's the social network that's formed. Leaders should not underestimate the organizational power this brings. One high-potential leader we spoke with said, "We are so network and relationship driven. Networks are a very powerful part of our leadership culture. I would have to start all over again if I were to leave this organization tomorrow. . . . As long as I'm here, this network I've acquired follows me."

Social networks pave the way for the belief systems, the communication, the risk taking, and the reciprocity. Through the continuous movement of people, mentoring programs that extend beyond one's own organization, leadership sessions at Crotonville or P&G's "Diaper University," employees have an opportunity to build relationships with people all over the organization. There are a number of benefits. These networks allow great companies to better identify talent—everywhere. Decision making and, more importantly, execution are faster. A common language and framework for tackling problems allow people to quickly move through issues and challenges. Individuals are better able to take pride in accomplishments of the larger enterprise if they have some connections across organizational boundaries—a mentor, a coach, or a sense of connection from having worked in a number of areas. Re-

flecting on her career this far, one executive says, "The opportunities I've had to work with different teams of people and travel all over the world have allowed me to create a strong network of friends and colleagues. . . . We all continue to support each other."

One executive, talking about the programs at his company, says, "Very early on leaders meet their peers, spend time with them in both formal and informal forums, and have the opportunity to build a rapport with this group of people. This is as important as the [leadership development] classes themselves." Lois Juliber talked about similar experiences and opportunities at Colgate-Palmolive through leadership development classes that expose high-potentials both to their peers and to senior executives. Through leadership training programs, moving around within the organization, and meeting peers and mentors in both informal and formal venues, these social networks are created and shape the relationships that employees have throughout their careers. "We all know each other," one executive notes. "What differentiates this organization is a tremendous sense of global cohesiveness."

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General Electric has more than 300,000 employees—13 businesses in wide-ranging industries from aircraft engines to light bulbs to financial services. It could be a highly fragmented, difficult-to-navigate operation. Its performance-driven culture could breed internal competition, the hoarding of ideas and people. General Electric is not this way at all.

Instead, GE is remarkably informal—and connected. The company fosters communities of practices—functional alignments across business units, Crotonville, special task forces, project teams, and the movement of talent within and across business units. "If you're here long enough," says one GE executive, "it's amazing how many of our 300,000 people you know." Pay and promotions are tied to "boundaryless behavior." Six Sigma and Workout, Session C, and operating and budget reviews are common processes across GE, creating a single

vernacular and way of looking at the world of business. It's unlikely that there's another company as successful that is open to ideas—from anywhere—and there's certainly no company its size that can implement ideas as quickly. In 1999, a GE Capital manager in London told Jack Welch that younger employees were teaching older executives how to use the Internet. Within a few days, Welch issued an edict that every senior manager—himself included—would find an Internet mentor.<sup>3</sup>

Ultimately, the little things are the big things. Beliefs and behaviors of individuals form patterns in these organizations. These little things become institutionalized. Leaders experience what was

done for them. They observe. They perpetuate a system, a culture, and the network allows it to travel through time and across boundaries. It is powerful and enduring. It is cultural and, indeed, difficult to replicate through the mechanical application of practices. Through a strong belief system and values that support strong leadership development, these organizations have ensured a legacy of developing and encouraging the growth of great leaders long after their current leaders are gone. They have ingrained these processes and mindsets into the next generation, enabling the leadership culture to continue indefinitely. In the end, as one leader told us, “ya gotta believe.” ■

#### NOTES

1. See, e.g., J. O'Toole, When leadership is an organizational trait, in *The future of leadership: Today's top thinkers speak to tomorrow's leaders*, ed. W. Bennis, G.M. Spreitzer, & T.G. Cummings (San Francisco: Jossey-Bass, 2001), 158–74.
2. Lou Gerstner and others have made this point; see L.V. Gerstner, *Who says elephants can't dance? Inside IBM's historic turnaround* (New York: Harper Business, 2002).
3. J. Micklethwait & A. Wooldrige, *A future perfect: The challenge and promise of globalization* (New York: Random House, 2003).