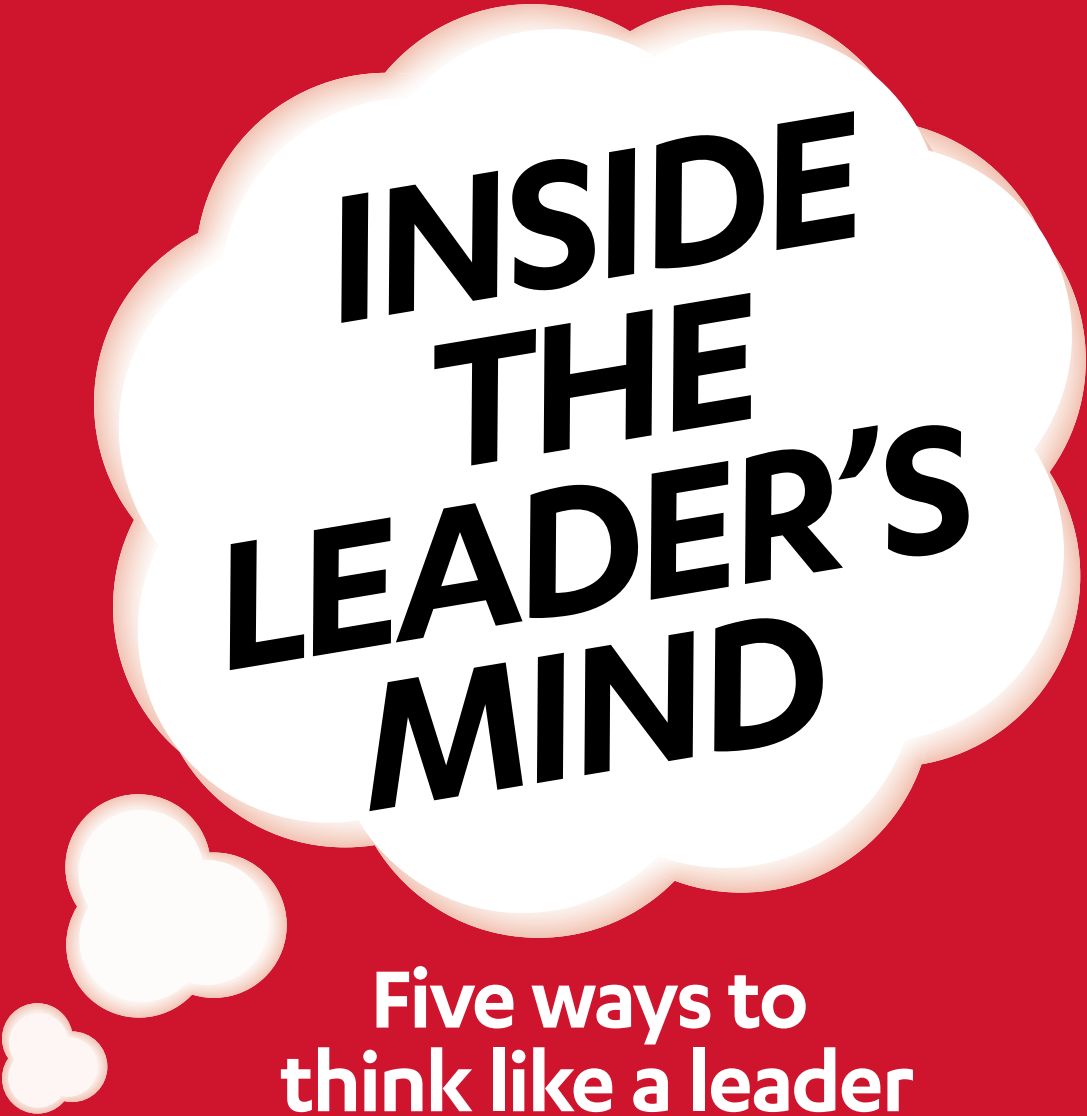


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INSIDE THE LEADER'S MIND

**Five ways to
think like a leader**

Liz Mellon

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'I believe in leadership books that offer practical advice. *Inside the Leader's Mind* achieves this in three ways. It allows aspiring leaders to share the real experiences of successful CEOs and chairmen and women. It also raises awareness of the issues that new leaders will face, and it's always better to go into new situations with your eyes wide open. And finally, and most importantly, it offers real advice on how to build your own authenticity as a leader. This book doesn't tell you how to be like someone else, who is already a famous leader. It helps you to become a skilled and authentic leader in your own right. For me, this ranks alongside Goffee and Jones' book *Why Should Anyone Be Led by You?* in its capacity to offer helpful guidance to leaders.'

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Inside the leader's mind



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Inside the leader's mind

five ways to think like a leader

Liz Mellon

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To Gary and Alexis

Contents

Acknowledgements / xi

Foreword / xv

Introduction / xix

1 Five ways of thinking like a leader / 1

2 No safety net / 19

3 Comfortable in discomfort / 49

4 Solid core / 79

5 On my watch / 109

6 I am the enterprise / 141

7 Keep on developing / 167

Endnotes / 187

Further reading / 193

Appendix 1: Overview of the five ways of thinking / 195

Appendix 2: Self-assessment questions / 199

Index / 203

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2010 WAS THE YEAR I SAID I'D GET HELP. So I found a trainer to help me run the London Marathon (4 hours 30 minutes – a respectable time – thank you, Sanjay). And a whole host of people helped me to write this book – my second marathon of 2010. It gives me enormous pleasure to thank them.

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- Kevin Kelly, CEO, Heidrick & Struggles;
- Rob Leith, CEO, Global Corporate and Investment Banking, Standard Bank;
- Ronnie Leten, CEO, Atlas Copco;
- Jacko Maree, Group CEO, Standard Bank;

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every day ‘How’s the book coming? Oh, good!’ Tim Last, Rosemary Mathewson, Devin Bigoness and Ian Turner introduced me to some of their favourite leaders.

I have the privilege to teach alongside some of the best executive teachers on the planet, a constant source of provocation and new ideas – Sudhanshu Palsule, Gary Latham, Nandani Lynton and Maarten Asser. (Nandani, Randy and I formed a Writers’ Advisory Group – wag.) Bob Rosen, John Viney, Gordon Hewitt, Maurice Saias, Paul Willman and Dennis Baltzley let me pick their brains in the early stages and compared notes with me about their own experiences. Maurice Duffy, Mara Green, Mike Canning, Cindy Emrich and Sara Nilsson DeHanas gave me a platform to try out my ideas. Bob Reinheimer, a dear colleague, kindly adopted my ideas to expand his already formidable teaching range.

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Tim Morris, Paul Willman and Lynda Gratton provided a hothouse for ideas.

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I have had such fun writing this book. Meeting new people, engaging in good quality debate and then sitting quietly, letting my thoughts evolve. I have discovered that I have endless patience for working and reworking ideas that I care about – I become engrossed for hours.

I shall miss the dogeared notebook that I have carried with me everywhere – literally, it has not left my side. And in the spirit of *on my watch*, let me close with a look to the future. I am already looking forward to the next book – with my daughter.

Foreword

LIZ MELLON CHALLENGES a central orthodoxy in the field of leadership development. Construct a list of leadership *behaviours* that are universally admired and consistently measure individuals against that list. They will eventually become highly effective leaders. In believing that we have found the holy grail, we have overlooked one of the most critical sources of a leader's competence – how they think. After all, how I think determines how I will act. So let's put the horses in front of the cart.

To help us understand how leaders think, Liz takes us into the minds of senior-most leaders who are succeeding in roles that are among the most demanding in today's fast paced world. Using rich examples, she lays out each of the states of mind that are trademarks of these remarkable individuals. As a reader, it is a privilege to peer into the minds of these masters of leadership and to learn from them. You will get a textured picture of how they really do think differently from many managers. For many of us, these states of mind will be challenging even to entertain. Yet they are products of the reality that enterprise leaders face every day – worlds so complex, so dynamic that even the most rigorously composed bar and pie charts cannot provide clear answers.

Two of the mind states deeply reflect the demands of our hyper-competitive global landscape – *no safety net* and being *comfortable in discomfort*. The first is a high wire act. As a senior leader, you have to have the courage to step out first on the high wire – the wire of change, the wire of future opportunity. It is a wire with no net to capture

you underneath. You could fail. The odds are good that at a minimum you will face significant setbacks. On the other hand, you realise that nothing will happen within your organisation unless you make that first move. Liz will powerfully remind you that you cannot delegate away change leadership to a group of middle management or front line leaders. It must start with you. As Liz importantly notes, this state of mind is not an impulsive one. It is a state where you have done your homework. You have listened to wise counsel. The second mind state – *comfortable in discomfort* – is a necessity in a world where you always have imperfect and incomplete information. Successful top leaders have learnt to love ambiguity rather than be frozen by it. You and I have to learn to move forward, to be decisive in a world where multiple solutions may work. These are not easy states of mind to cultivate. If you have been rewarded for rigorous analysis and meeting your ‘plan’ year after year with great precision, these mind states will seem foreign.

The third state of mind – *solid core* – captures the fact that leaders must have character, integrity, and a sense of humility. If you are going to lead well, you must be grounded in a set of core values that ensure your decisions and actions are consistent and that they set standards that others aspire to. Liz makes a wonderful comment about the fact that when managers in the business world are asked to identify leaders they turn to societal leaders like Mandela or Gandhi, not business leaders. Why? It is because they are exemplars of a society’s greatest values. They live out in remarkable ways codes of conduct we hold dear. In an age where our images of business executives are shaped by cartoons such as Dilbert and TV shows like *The Boss*, you can begin to grasp why we hunger for the business leaders who possess genuine character and humility. Humility is one of a leader’s greatest allies. It keeps you open to learning and keeps the sycophants at bay.

The fourth and fifth states of mind – *on my watch* and *I am the enterprise* – are about institutional leadership. I love Liz's notion that senior-most leaders have to think in terms of their organisation's past, its present, and its future. These are the three 'time zones' you lead across. Given daily demands, it is all too easy to imagine yourself in the middle zone – the present. I see all too many executives lost in this zone. It is rare to find the executive who is thinking out five years to a decade. It is rare to see the executive who is courageous enough to make short-term sacrifices that in the longer run ensure a healthy future for their organisation. This mindset also depends on the fact that you recognise your own mortality. As a result, you start developing the next generation to replace yourself as soon as you step into the role. The *I am the enterprise* state of mind is a bit of a contradiction. While you need humility to lead, you also need a robust ego. In Buddhism, there is a story that captures the paradox. A young monk asks a very wise and enlightened monk about the path to enlightenment. The wise monk says simply that one needs ego to even believe one can make the journey to enlightenment. Ego not only gets you started on the road, it gives you the determination to persist. But just before you can achieve actual enlightenment, you must give up your ego. You need the self-confidence and resilience that comes with the *I am the enterprise* mind state to even assume you can lead a global enterprise. But to stay adaptive in that journey, you will also need humility to change course at critical junctures. The *I am the enterprise* mindset also pushes us to accept accountability for not only our own actions but those of the organisation. The 'I' also powerfully reminds us that we set the example, that our actions set the tone and the standards. After all, these will be the measuring sticks that our employees use to assess our leadership. At the same time, can you accept the fact that the enterprise is more important and more enduring than you are? This book highlights that

leading at the top is full of paradoxical states of mind. But exceptional leaders are able to keep these states in a healthy tension with one another.

My hope is that Liz Mellon's book will make you feel uncomfortable. That's exactly what she is hoping too. If you can get accustomed to that state by the time you finish reading this provocative and inspiring book, you will have achieved at least one of the mind states you need to succeed as a leader.

Jay A. Conger

*Kravis Chaired Professor of Leadership Studies, Claremont
McKenna College, California*

Visiting Professor, London Business School

*Author of Boardroom Realities and The Practice
of Leadership*

Introduction

never thought I would write another book on leadership. So why was I compelled to do so?

After all, a reservoir of ink has been spilt on the subject. Everyone has an opinion about what leadership is. We may not be able to agree on a description, but, like fine art, we all know a good leader when we see one. If you are in the spotlight as a leader, everything you do is dissected. And in today's globally wired world, we don't miss a thing.

And let's be clear – leadership is universal, whether you are the chief executive officer of a global company or the director of a local volunteer charity organisation. It makes a difference to lives and to organisations.

Leaders, would-be leaders and researchers have mulled this over for years. We've thought about the personality of a leader and we have concluded that personality alone can't explain why one person is a leader and another person is more likely to be a follower. We've spent a lot of time thinking about how a leader behaves, too. There is a profession that is dedicated to producing lists of leadership behaviours, so that we can literally measure effective leaders by watching them in action.

What is missing?

Yet, after 25 years devoted to leadership development, working throughout the world, I had a nagging feeling that something was missing. Somehow, I thought, we still haven't captured the essence of leadership.

I wasn't alone. Many leaders shared my views. In classroom session after classroom session, as I debated leadership with highly skilled, thoughtful and effective executives – all practising leaders – we constantly returned to a handful of important questions:

- Aren't some leaders naturally born to the task with innate qualities, which work and life experiences bring to the fore?
- If leaders can be developed, and we think we know which behaviours they should demonstrate, don't we risk producing clones?
- How does being developed to a menu of behaviours fit with authenticity? Isn't being true to yourself, the real you, a vital characteristic for every leader?
- Why do about 60 per cent of leaders derail?
- Where do morals, ethics and good character fit into all of this?

For all the books and all the analysis, the questions surrounding leadership are substantial and important. As I have tried out these questions and discussed them with leaders all over the world, I have, slowly but surely, seen a new idea emerge.

We have overlooked how leaders think. Yet it is how we think that determines if and how we act. And I have found that effective leaders, irrespective of race, age or gender, think in remarkably similar ways.

Inside the Leader's Mind is your guide to my global journey, my restless questioning of leaders and the resulting ideas which, I hope, will accelerate your own leadership journey.

Liz Mellon, London, November 2010

chapter 3

Comfortable in discomfort

Dr Arthur Jensen is a Professor Emeritus of educational psychology at the University of California, Berkeley. You become an Emeritus Professor if you have contributed so much intellectual capital to your research area that they never want you to retire. It's like having a permanent key to the boardroom. Dr Jensen is a somewhat controversial figure (he believes that genetics trump nurture in how we end up as human beings) and has published over 400 scientific papers. In 1981, he published a book setting out his research showing that executives tend to have an IQ of 125 or above, putting them in the top 3 per cent of the population.¹⁴

You are in this band.

You are decisive. You have a capacity for data and synthesis. You can hold a lot of information in your head and analyse it to draw conclusions. You may even have an MBA degree, in which case you have certainly learnt the black art of 'scientific' analysis. You can crunch the data, find the flaws and make the call. And if there isn't enough data, you have learnt the hard way to hold out for more. Sometimes, you feel it's too early to decide and so you set about gathering more information for dissection. You are looking for patterns and trends that give a hint to the future and you are good at it. Not everyone can see 'the matrix', the themes inside the data, but you can. You have the horsepower.

This chapter introduces the second way of thinking, a new trick. To have the courage to take the decision when you don't have all the information, when you are struggling to find the answer but you know that you have to move – now. And to live with the discomfort it brings, the uncertainty, the nervousness, the tension. And not to mind. Think *comfortable in discomfort*. This story describes it.

Meeting the CEO

The room is packed and it's hot. People at the back open the door to let in the cool night air and the exotic sounds of the African evening seep in alongside. Nothing breaks the concentration in the room. For some, it's the first time that they have met their CEO and they are intent on understanding more about the strategy and their role in it.

They are also intent on understanding more about him. The company has global ambitions and has been expanding internationally through acquisitions, throughout Africa, but also as far afield as Argentina. These executives want to see if their CEO has the mettle to lead them. You can hear it in their questions. Some are thinking 'what does a South African know about Argentina?'

Ambitions for expansion

Jacko Maree, the Group CEO of Standard Bank, has been CEO for over 10 years and is highly regarded in South Africa, both within and outside the bank. Why? Because he takes his role in helping to build South Africa as a nation seriously and he is successfully taking Standard Bank global. Both of these help to put South Africa on the map.

Jacko's current strategy is to move from a comfortable and successful South African bank, to leading a complex organisation that spans the Urals to the Andes. As we heard

briefly in Chapter 2, his bank is also one of the early adopters of the accelerating South–South connection. This is the growing trade and partnership between companies based in the Southern Hemisphere, for example between Africa and China. The largest deal in South Africa was when the Industrial and Commercial Bank of China (ICBC) paid 5.5 billion Rand for a 20 per cent stake in Standard Bank in 2008.

The deals being struck are big. In June 2010 the Chinese state firm Jinchuan invested almost 900 million Rand in the platinum industry through a 51 per cent stake in Wesizwe. Standard Bank, South Africa’s largest bank by assets in 2010, is at the head of this wave and reaping the commercial benefits. In August 2010, the bank signed two agreements to be financial advisor to two giant Chinese companies, the China Railway Group and Guangdong Power Company. Jacko says: ‘There has been no question that we have now a completely different interface with China than we had before. For us, the immediate short-term opportunity is to help Chinese companies, most of whom are developing some kind of Africa strategy.’¹⁵

This series of ‘firsts’ has taken Jacko Maree well into the discomfort zone.

Like many other CEOs, his intellect distinguishes him, but more than that, he is quite simply a happy man. He has a healthy, rosy complexion and he smiles most of the time. He loves engaging in debate and he has a clear and certain view of the world that he communicates easily. He is dedicated to Standard Bank and employees respect him. Jacko answers question after question; he is relaxed, warm and affable, but you can hear the sharp intellect that whirrs just underneath. Over 10 years as CEO has given him plenty of practice with these events.

The diversity in the room is unexpected at this senior level, where often organisations find the room full of executives that represent only the country of origin.¹⁶ Here we have South

Africans, Argentinians, Russians, English and Nigerians among others. The questions probe thick and fast: why this investment, why that move, what did that decision mean? It's not just that he's comfortable under this quickfire onslaught; this is how he thinks about the business.

I recall his words from one of our many conversations over three years of working together. 'Often I don't know where I am going. Being comfortable in discomfort is a critical dimension for a leader. There is lots of grey, lots of ways to solve a problem, often no one way is right. You live with the problem for a while. Most people can't deal with this, they are always looking for THE answer. You are checking your gut feel, if it fits with the company, getting other inputs. You need self-confidence to be comfortable here. I was a mathematician. This has come to me with maturity.'

What is comfortable in discomfort?

Let's unpeel some of the layers here. Jacko thinks being comfortable in discomfort is a critical dimension for a leader, so that's a big tick for the concept itself. He is also, unknowingly, laying out some of its foundations that are found in more detail in this chapter. He tells us that he doesn't always know where he is going and he has to live with the uncertainty. How does that sit with the leader's job of having a vision and giving the organisation direction? Especially if he's right and most people can't live with the uncertainty, they need to hear the answer (from him) straight away. He thinks that there's lots of grey and not one right answer.

Jacko's first degree was in economics, accountancy and mathematics. So he explains that he has grown into this way of thinking over the years. You can imagine that a young mathematician might not have been so comfortable with the possibility of multiple potential answers. That's a big shift

in thinking. And what's he doing while he's living with the uncertainty? He's checking out the feel of the thing. Not the facts, not the data, but the feel. How well does it sit with his instincts? What do others think? Does it work with the way the organisation does business now, or should it change its approach?

The metaphor is a traveller

If you think about it, it's a bit like being a traveller. You have a destination in mind, but you're not quite sure what it is like or how the journey will be. Sometimes the bed (or the campsite, or plane) isn't as comfortable as you might have expected – but it's an adventure, so you live with it. And the more you travel, just like Jacko, the more comfortable you get with the unexpected.

Books on management will tell you that managers are paid to take decisions.¹⁷ Early in their careers, they are rewarded for crunching the data, analysing the pros and cons, presenting the case and making the call. Yes or no. In fact, most MBA courses emphasise the importance of decisiveness (they even have courses on decision theory). If you can't decide, you are deemed to suffer from 'analysis paralysis' – and that is seen as a disadvantage.

What we hear from Jacko is that leaders are sometimes paid for the opposite; not deciding immediately, so they may delay a decision even though, on the face of it, there is enough data to decide. It's not analysis paralysis – they could call it, but they consciously take the decision to delay. Something about the timing just doesn't feel right, or maybe stakeholders haven't had a chance to buy in, or they sense something else in the wind that has to be allowed to play itself out first. And they can withstand the pressure to move to a conclusion.

Interestingly, this way of thinking is also about the opposite. It's also about being able to decide despite there being insufficient data to make the decision clear cut.

As executives become more senior the decisions get bigger and more complex. Sometimes there is insufficient information, but if you wait until you have all the data the decision will never be made. Globalisation has brought with it giant organisations that outrank small and medium-sized national governments in revenue and power. The way forwards is often unclear and strategic thinking, which we should re-title ‘the ability to peer through fog’, has replaced strategic planning, because there are just too many variables in play.

if you wait until you have all the data the decision will never be made

Leaders are paid to make judgements

Managers are paid to take decisions. Leaders are paid to make judgements. Can you hold the tension?

There are five aspects to *comfortable in discomfort*.

The first is that, as a leader, sometimes you will have to operate in a grey area, where you may not have all the data you need to take a decision. It's about instinct and speed – but it's not about assuming that the future will be the same as the past.

Second, you need to learn to love ambiguity – today we live in a ‘yes, and’ world, rather than an ‘either-or’ world.

The third idea is that, paradoxically, sometimes it's about delaying a decision – keeping an open mind. Whether you have enough data or not, the timing of the decision has to be right and sometimes this means keeping a decision open, even when others are urging you to decide.

Fourth, you need to be comfortable with surprising people from time to time – you won't always be predictable.

And lastly, despite all the uncertainty, you have to be able to explain your decisions in a way that makes sense to others, even though the logic may not even be clear to you. Your followers need a sense of direction and purpose.

Let's start with what it feels like to take decisions when you know you don't have as many facts as you would like.

Living with grey

Let's check back in with our former CEO and now seasoned Chairman, Dennis Nally, from Chapter 1. What does he think about the role of facts in decision-making at the top? 'Today, you make a left turn, a right turn, you don't know the route, but I have to take a decision or I will fall behind. I am not 100 per cent right all the time. Often you can't take the time to do all the analysis. You can be informed and thoughtful but you don't have all the facts. This puts risk into the thought process. You can analyse nine ways to Sunday, but you don't have time and the world is too complicated.'

You may not have all the facts

Think about what Dennis just said. The first proposition is that you may not have all the facts. Imagine the situation where you decide to set up in, well, let's stick with China, for the first time. You can scope the decision so that you reduce the uncertainty as much as possible. You can buy market data reports, you can hire locals with special insight, you can run trials, but you will never have all the information you need. Let's take a real example. More than one company trying to enter China has found that litigation becomes part of doing business there – but if you win the court battle you can lose the market war. What does this mean? If the court finds in your favour, the government is then, paradoxically for a Western mind, likely to be even stricter in its dealings with you to

avoid any stigma of favouritism. This is not something you can predict or build into a decision tree. It's unexpected, counter-intuitive and real in its impact.

The Rio Tinto story

Tom Albanese became CEO of the mining giant Rio Tinto in May 2007. In his short, but turbulent, time as CEO, he has often found himself in a situation where he did not have all the facts. Founded in 1873, Rio Tinto is now one of the four largest mining companies in the world. Tom's first three years as CEO were eventful, to say the least. Within a month of taking the job, he started the process of acquiring Alcan, the Canadian aluminium company as big as Rio Tinto itself at that time. As the world moved into recession, streamlining the assets of the co-joined companies to reduce debt became a priority. (In the commodities business, any downturn has immediate impact – business falls off the cliff.) BHP Billiton then launched a hostile takeover, a campaign that would last an exhausting year before being dropped towards the end of 2008. In 2009, the Chinese government-owned resources group Chinalco (already a major shareholder in Rio Tinto) started talks to take a bigger stake. In the same year, four Rio Tinto employees were arrested in Shanghai accused of corruption and espionage. In terms of CEO induction, this has to rank as one of the most challenging series of events – a CEO boot camp.

As we build up a picture of the character of the leader, it is unsurprising to note that Tom is dedicated to Rio Tinto and, luckily for him, an optimist with a sound constitution. How else would he deal with such enormous levels of uncertainty with equanimity? He comments: 'The toughest decisions are where you have the least amount of data. For example, the decision to get closer to China as a strategic relationship – you can't put that on a spreadsheet.' So he makes the point that, in big strategic decisions, there are some investments to be made that are unquantifiable.

Tom continues: 'We muddle accuracy and precision; accuracy is getting the right answer, precision is getting the numbers in the cash flow model right, to the decimal point. The system drives towards precision, but from the CEO perspective, the information only gets you to solve one part of the puzzle.' This is a very helpful distinction. Don't confuse figures (which can be calculated with apparent accuracy) with the right answer. There is broader information to be taken into account. If you let the data that you can collect drive the decision, you may end up driving in the wrong direction.

You can't wait

Back to Dennis Nally. His second proposition is that, even if you could get hold of all the data, you just don't have the time. The world is moving too fast to wait for you to get comfortable. Don't sit and wait while others overtake you, live with the discomfort and make the call.

Sometimes executives cling to the data because it gives them comfort. In an uncertain world, it adds up, when nothing else may do. Here's an example. In a meeting with the executive group of a multinational company in the late 1990s, I heard that their economic performance compared with their global competition was dire. Their return on investment was running at about 19 per cent compared with the competition's 30 to 35 per cent range. We were trying to help them see the disparity, to create the legendary 'burning platform for change'. They didn't even believe that the platform was smouldering. The executives fixated on the analysis of 19 per cent and spent a large part of the meeting arguing about whether, in fact, it should be 20 per cent. They were clinging myopically to unreality and were frozen into inaction. The following year, their industry ranking plummeted – it was a dramatic fall. Only in crisis were they goaded into action.

Dennis's third proposition echoes Jacko Maree's. You may not know where you are going, or even if you do know where you are going, you don't know how to get there. You don't know where and you don't know how, but you have an instinct around 'what'. This was a theme that was repeated by the leaders over and over again.

It's about instinct

One leader had a particularly forthright view about the usefulness of facts in big, complex, strategic decisions. For this individual, while it's about balanced risk, it's also about instinct – and instinct that builds the business for the long run, not the short haul. 'It's not about a 22 per cent internal rate of return, that may get you through to the next quarter, or even the quarter after, but then you are gone. You have to build the business for the longer term, not just rely on measuring short-term results, or you will be caught out by the business cycle. You have to recognise that there is no truth or objectivity in what you do as a manager. Sometimes if the data tells you it's 49/51, screw it, we'll take the 49!'

The past is not a good predictor of the future

It's time to meet another leader. We came across Paul Thurston briefly in Chapter 2. Paul is a Group Managing Director with the HSBC banking Group, and Chief Executive, HSBC Retail Banking and Wealth Management. Paul has responsibility for HSBC's consumer and commercial banking businesses in the UK. He has 35 years' experience in the banking industry with the HSBC Group, both in the UK and around the world. He is known for three things: strategic leadership; getting (big) stuff done; and a passion for developing people. He has absolute strategic clarity. He can step back and look at the business and know what it needs. And for him, developing people to enable them to move the business forward is top and centre of his agenda. He is masterful at gaining buy-in through the way he engages with people.

‘You have to be comfortable operating in discomfort. Most of the decisions that I make are in areas of uncertainty that don’t have easily discernible, guaranteed, right or wrong answers. You won’t find answers in policies or rule books. If it were that easy someone else would already have made the decision. And in a changing world, the past is not always a good predictor of the future, so you can’t simply rely on historical evidence.’

We hear a similar but different theme. Paul is counselling against building a picture of the future based on what has happened in the past. He almost seems to be telling us to expect the unexpected. So in the absence of data, don’t be tempted to expect a straight line move from where you are today. It might make you comfortable, but it’s unlikely to keep you successful. And again there is that refrain about not necessarily knowing where you are going, uncertainty about how you are going to get there – but knowing what the enterprise needs to be.

■ don’t be tempted to expect a straight line move
■ from where you are today

Think about your own leadership for a moment. Do you find yourself extrapolating next year’s revenue from this year’s figures? Is what you call strategic planning more like budgeting in reality? Do you spend time thinking about what your organisation needs to become, rather than extending current reality into the future? Can you learn to love ambiguity?

Learn to love ambiguity

‘We are good at execution, but we are not good enough in dealing with super flux.’ This quote from a Group Head of Human Resources says it all. She was commenting on the need to develop the talent in her organisation to be better at dealing with the huge amounts of change hitting the business. Today’s

world is about major and unexpected shifts in the tectonic plates of business. We need to be able to keep our balance and to stay upright.

In the previous section we talked about letting go of the spurious comfort that data can provide. Data can lock you into complacency – ‘we’re no worse than anyone else’. Facts can give you a false sense of security. While the game changes around you, if you continue to measure your success by looking at the old way of doing business, you will eventually fail. There is also a personal side to this. You personally need to be able to live with the ambiguity.

One CEO talked about living not just with grey, but with shades of grey. In addition, he offered this advice. ‘Live with shades of grey successfully and you move up higher than those who can’t. There is greater ambiguity the higher up the chain you go, it can be 51/49, so data alone doesn’t decide. You take the decision and there is tension in it that you have to absorb and can’t pass on. Eat the uncertainty.’

The discomfort stops with you

What does this advice tell us? We hear the familiar theme of insufficient facts, but we also hear the idea that personal success can depend upon how well we can live with the discomfort that uncertainty brings. And there’s more. The counsel is to ‘eat the uncertainty’. That means that the ambiguity and uncertainty sit inside you and that you don’t pass them on. You live with the ambiguity and any tension you feel doesn’t transmit itself to others. For the people who follow you, you look comfortable in the situation and so they in turn feel comfortable to follow you. Coping with the ambiguity is one thing, but wouldn’t it be great if you could actually relish and enjoy it?

It's worth pausing here to ask yourself a few more questions.

- How well do you cope with ambiguous situations?
- Can you tolerate the tension and uncertainty that comes with situations that span shades of grey?
- Do you value control too much to be able to be flexible?
- Can you see that, as a leader of leaders, you are out of control, while in command?

It's a 'yes, and' world

It has been unfashionable recently to talk about the intellectual horsepower it takes to lead an enterprise, but it is clear that you have to be pretty smart to handle the complexity of the job, especially in a global context. Recall from the start of this chapter that executives in general have well above average IQs (getting up to around 135 for the chief executive) and so have a huge capacity for analysis. You need to deal with large amounts of data and competing concepts. You have to be able to hold two opposing ideas in your head at the same time. Gone are the days where you could solve a problem for a single 'answer' – as a leader, you are continually faced with 'and' issues that you have to work through. You know many of these well, for example, profit *and* growth; short-term quarterly results *and* long-term investment. The simple truth is that you have to handle an increasing amount of cognitive complexity.

As the leader, you execute very little; others do that for you. You can only guide and hope to do so in a way that makes it work. And you have to live with the resulting ambiguity.

■ as the leader, you execute very little; others do
■ that for you

Encourage from the sidelines

One CEO, who has run countries and territories for a technology company all over the world, explained how he settled the question for himself. 'I am more strategic myself now and coach my people to execute like I used to. The paradox is that the more senior I become, the more I step out rather than step in. If I step in I will be a block; operating from the edge I am a catalyst and must ask the right questions.'

Let's be clear about what he is saying. The more senior you become, the more you rely on others to execute. This is a big step into uncertainty. Rather than acting yourself (and your track record shows that you are good at getting stuff done), you have to make space for others to execute on your behalf. Your role moves from the comfort of doing a good job yourself, to encouraging and steering the action from the sidelines. You are accountable for more, but in control of less. It's a bit like being a basketball coach. You are committed to winning and you give it your all – but you don't get to touch the ball once.

Can you learn it?

Suppose you are high on control and like structure more than free flow. Can you change and learn to become more comfortable with ambiguity? Jasmine Whitbread from *Save the Children* thinks so. 'I talk of the years I spent at Thompson as formative in my career. My boss was like that; in technology, we made it up as we went along. I feel fortunate because I am comfortable in uncertainty and was allowed to welcome ambiguity – this can be taught and facilitated.'

The point she's making is that you can learn to be more comfortable with ambiguity and that a good boss, who gives you leeway, can help.¹⁸ So if you don't feel so comfortable here, think how you can develop this further. Can your boss help? And as a boss yourself, how can you help others to be more at ease with uncertainty?

Don't close down too early

So far the idea has been about reaching a judgement without definitive support from the data and then living with the uncertainty this creates. As one Chairman put it, 'If the data is so smart, it can have the seat on the Board!'

But sometimes it's about NOT deciding. Let's reflect on something that Jacko Maree said earlier. 'You live with the problem for a while. Most people can't deal with this, they are always looking for THE answer.'

One refrain over the years, in hours and hours of classroom discussion, has been about this tension. Mid-level executives will exclaim 'Why can't they just tell us where we are going and what we need to do! Then we would be able to get on and execute against it.' 'They' in this sentence means the CEO and the Executive Committee. Very senior executives have a slightly different refrain, about the same 'they'. 'Why can't they just be clearer about the strategy?' Why, indeed?

It's very complicated

Imagine yourself in the following situation. This is a real, but disguised situation (and it's not the Standard Bank story). As business moves east, you have decided to invest in China. This is the coming trend. Before the 2008 global recession, the emerging economies were growing much faster than the developed ones and in 2010, they were recovering faster. The business proposition is attractive. Your executives now understand that investing in China is part of the company's core strategy. It will not be clear to them exactly what this means or how it will be achieved.

You have decided that the best way to be welcomed into the market is to accept a large shareholding from a Chinese company. This will give you superior access to limited local resources in China and access to opportunities not afforded

to other foreign companies. Your Western shareholders are anxious about this investment, because they see it diluting the value of their shareholding and are also worried about what it means for how the company will be run in the future.

You have the opportunity to invest in a big project jointly with your Chinese investor, but you are uncertain whether this is a good idea. This has to be handled delicately, because the Chinese do not want to lose face. Meanwhile, the government in your home country starts threatening to pass legislation, because they don't want to 'lose' you to China. At the same time, you can see parallel opportunities for a big joint deal with one of your biggest competitors. You can probably handle the complexity of one complicated deal, but maybe not both at the same time. What should you do?

The timing has to be right

Well, what you shouldn't do is rush to close any decision! Maybe the deals can be achieved in parallel, or maybe one has to be chosen over another. There are big stakes for both governments involved and you have to work out how they might react to either or both deals. You also know that your phone is being tapped and so you have to be very cautious. There are delicate private and public negotiations to be done. This is the real world of uncertainty that CEOs inhabit. Being decisive is still a good thing – just not always immediately. You have to get the timing right.

People decisions are the hardest

Let's take another example where the stakes are equally high, but it's a people decision that is at stake. These are some of the most difficult decisions¹⁹ that CEOs grapple with – who to keep on the team, who doesn't fit, the most likely successors and how to develop them. It's not just a question of scarce talent, although that features prominently. It's also that the talent

may or may not be loyal, may have specific foibles that need attention, and will almost certainly have strong views about what they will and won't do.

In conversation with one leader, it was apparent that he had in mind a slot that he considered a promotion and a big signal to the organisation. The individual he wanted to move had a different view – he had to be persuaded to take it. It's a difficult juggling act.

In this new scenario, as CEO you want to undertake a major restructuring of the business. This will not only signal to the markets and to your employees that you are moving from a regional to a global player, it will also turn the business model on its head. You need to persuade one very senior executive to take on a new global role. The challenge is that your executive is suspicious about the move. He sees it as a lateral move, while you believe that it is a step up. It puts him in a different relationship with his peers, who also have to be persuaded to see this as an important move, not a sideways step. The reality is that, if this executive performs well in the global role, he will slowly rise to become more important than his regional peers. A further complication is that his successor is not completely ready to take over. More than that, the Group CEO needs to buy into the restructuring and a whole slew of company policies need to change to match the emerging global model.

There are lots of stakeholders

What does our executive say? 'I go into it with a bit of angst. This is a game-changing move for us.' It's also one that doesn't happen fast. Many stakeholders need to buy into the decision in parallel. Although the CEO may have a plan, he is ready to flex it if something unexpected happens. He is not closing down or announcing the central decision until he has positioned the move for success.

Can you think about what this means for you? You have a favoured route you see ahead, but you can't close down on the options. If you do, you could offend key stakeholders or lose key constituents. It's like a good game of chess – you can't move too early. Can you live with an open-ended situation, or do you find yourself moving to close down the uncertainty? As Jacko challenges us, can you live with the problem for a while?

can you live with the problem for a while?

So far, we have looked at three aspects of *comfortable in discomfort*. As a leader, you need to live with grey and shades of grey, because in big, complex decisions, it's highly unlikely that you will be able to get hold of all the information that you need. You need to be comfortable with ambiguity because it's a mistake to pass on any of the tension you may be feeling while you delay. Followers need to feel sure that you are delaying for a reason, not prevaricating. And you have to get the timing right. Sometimes you don't want to decide, even if you have all the information that you need, because you sense that it's the wrong time to make a move.

The next section is very new. Leaders get a lot of advice about being clear and over-communicating to get their point across. Sometimes, it's about the opposite – it's about surprising people. It's about not being predictable.

The power of surprise

Let's pause and think about how this must feel to followers. Few people have the confidence to 'eat the uncertainty' and not to pass the tension on to others. The leaders we admire seem to be at ease with the job, however big and challenging. When we are uncertain, they are available for a conversation, or to take part in a town hall meeting or a video conference to reassure us. We follow them because they seem to know what they are doing

and we think they are good at the job. We listen carefully to their messages, watch their behaviour and gain assurance from this. We form a view of where we are headed next. So a big part of their job is about reassurance and giving followers certainty.

But that's only part of the story.

Be unexpected

Paul Thurston has a view on this. 'Part of leadership is being consistent but retaining the ability to come out with the unexpected at the same time. It's about the power of surprise. True leaders will take the conversation in a different direction – to take us to a new level – we got here, so now we are moving on. They constantly take you forwards. They are never satisfied with themselves – you can't read or anticipate them.'

So being comfortable with discomfort also means being ready to make the unexpected move, a lateral arabesque that no-one expects.

As you hold the tension and live with the grey, as you pause before you decide – suddenly a new opportunity presents itself. Or you see a different combination of events that could move you in an unexpected direction. And you are happy to go there. To the rest of the world, it can feel like a surprise. The whole idea of a strategy that gets you from A to B is turned on its head, as the strategy may get you from A to L instead, with a curve back to D.

A lateral arabesque²⁰

In Chapter 6 we will hear Richard Fleck's story – this is by way of a prequel. Richard was, until 2005, a lead partner at Herbert Smith, the law firm. He is widely credited with taking Herbert Smith international, from a strong UK base. He has surprised people throughout his career, from proposing counter-intuitive strategic moves (going into Russia in 1998, just as everyone

else was leaving) to unexpected manoeuvres in litigation. One partner practically exploded with frustration when he pulled off a coup that she had not foreseen despite many hours of preparation. On another occasion, his whole litigation team (including Counsel) signed a letter advising him that it would be negligent if he didn't adopt a particular legal tactic – he didn't and the result was an amazing legal victory. People don't get so surprised or indignant today when Richard makes a counter-intuitive move, because they know it is likely to be successful.

Richard says: 'This comes from totally immersing yourself in a situation, so that your antennae can pick up things that logical analysis doesn't expose. I will never do an important negotiation by video, because I want to be able to pick up intangible facets through the dynamics in the room.'

'If you are genuinely leading, you are by definition on an uncertain journey. As a leader you cannot worry about doing what everybody else is doing. That is not leadership, that is a herd mentality.'

Richard is attributing his capacity to surprise people, to take the unexpected direction, to a deep intuition grounded in immersion – essentially doing lots of homework and then carefully observing the dynamics in the room. And to not worrying about adopting a different point of view – as a leader, his view is that you should expect your ideas to be different and unusual.

It's not about poor communications

The lateral arabesque has to be intentional. The power of surprise should feel to followers like an unexpected yet interesting proposition that they had not foreseen. A creative opportunity that they had not spotted. It should not be the result of poor communication. One CEO said: 'I was warned that I am cleverer than most people and I go straight to the conclusion

without walking people through it stepwise, so I come across as arrogant.’ There then followed a story about how you can’t act in this way even with your peers, because they also need to follow you and support you as you take on the unknown.

But the point is clear. This is not about being a poor communicator – after all, you need them to come with you. Instead, it’s a bit like reading the tea leaves in the bottom of a cup (or maybe the grounds of coffee) and seeing a different picture than most others can see. And it’s about doing this on a regular basis. As Paul says, good leaders constantly move you forwards. Just at the point when everyone else is just getting to grips with something new, they are ready to move on again.

|| good leaders see a different picture than most
|| others can see

Are we talking about creativity here? Maybe. Or perhaps it’s experience, or the ability to see emergent themes or read weak signals. Maybe it’s a combination of all of them. What we know is that the underpinning is how you think. If you are comfortable in discomfort, you will not always be predictable, because you will be comfortable in embracing the unexpected.

The final aspect to this way of thinking is about trying to signal the future direction, even when it is grey and unclear.

The vision thing

This wouldn’t be a book on leadership if it didn’t contain this word, would it?

We know that leaders hold up a vision to give a sense of direction, to seek alignment and to stop daily squabbles by providing a goal that is bigger than individual concerns. The paradox here is that you still have to hold up a vision, even if you don’t know exactly where you’re going. But think about it.

Isn't one of the reasons that executives complain about lack of clarity in the strategy that the CEO is not always sure what is coming next? And only the good ones can make apparent order appear out of chaos.

Let's take an example. Here is Paul Thurston again: 'You have to be comfortable dealing with a lot of the unknown yourself and at the same time be able to provide coherent leadership to your business and all of its stakeholders. Having a clear vision enables you to engage your stakeholders in that vision and helps you to gain support for the decisions you make along the way. You have to have clarity of vision for the enterprise.'

This is complicated, so let's be clear what Paul is saying. As a leader, you face a lot of uncertainty. You also have to manage the many and divergent views of a variety of stakeholders. A stakeholder is literally anyone who has a stake, or interest, in the outcome of your work. For a business, typical stakeholders among others would be shareholders, employees and local communities where you are based.²¹ For a charity, they might be volunteers, the individuals or organisations that the charity supports and employees. These stakeholders will all have an opinion about how you are organised and what you do. And it is unlikely that they will agree amongst themselves what this should look like.

Despite the fact that you are trying to move forwards, but not always sure exactly where, and despite the fact that your stakeholders want different things from you, you still need to compile a credible and coherent story about where you are headed. You need to hold up an exciting picture of the future to engage others along the way.

A 102-year vision

The Alibaba Group, an e-commerce company that has its own version of an online payment system, is now larger than PayPal in terms of global users. It was started in 1999, established by

18 founders, led by Jack Ma (now Chairman and CEO) working out of an apartment in Hangzhou, in the Yangtze River Delta and just over 100 miles from Shanghai. It now has 18,000 employees in more than 50 cities throughout the world.

Alibaba's operations include Taobao, the largest online retail site in China with 82 per cent of the domestic online consumer market; Alipay, China's leading online payment platform; Alibaba Cloud Computing; and China Yahoo, acquired in October 2005 in a strategic deal with Yahoo!.

Alibaba.com remains the founding star of the Alibaba Group. It is built around three marketplaces: a global trade marketplace for importers and exporters, a marketplace for domestic trade in China and a Japanese marketplace. These marketplaces have more than 47 million registered users drawn from over 240 countries. Alibaba.com was floated on the Hong Kong Stock Exchange in 2007. Its initial public offering was worth \$1.7 billion and it was the biggest Internet IPO since Google's arrival on the NASDAQ in 2004.

David Wei became Alibaba.com's chief executive in October 2007 after joining the Alibaba Group a year earlier. He is robust about the importance of holding up a 102-year vision for the Group. 'We really truly believe [in the timeline], and we count how many years we have to survive,' he says. 'For Alibaba, it's a vision-driven strategy. It's what happens in 5 years' time or 10 years' time. That's all we think about.'

Leadership is full of paradoxes. This one requires the leader to hold up a coherent picture of the future, when it isn't clear at all.

Imposter syndrome

Another paradox is that you need to look confident – that's why we follow you – but at the same time you have to live with all this uncertainty. Let's think about what this means. Your ambition got you the job, but now that you've arrived, it's all a

lot more difficult than it looked from the outside. And you are still just you, but having to handle a whole lot more complexity than you have before. As you reach inside yourself to find the resources, it's not surprising that you feel more vulnerable than you ever have in the past. You feel like an imposter,²² playing in the leader's role.

Blair Sheppard is the Dean of Duke University's Fuqua School of Business. He is also the former CEO and current Chairman of Duke Corporate Education. Blair is an innovator and a constant source of surprise. He always has a smile on his face and takes time for a conversation with everyone, from the janitor to the CEO. He cares genuinely for people and they love to follow him because he takes time to ask each individual how they are doing and to try and make their job a little better through each conversation.

Blair's reflection on leadership is 'you drove like crazy to get here and then you feel like the emperor with no clothes'. Because it's still just you, only now you are wearing the leader's suit. If you've seen the 2010 film *The Special Relationship*, which dramatises former UK Prime Minister Tony Blair's term in office from 1997 to 2007, you may recall the advice that former US President Bill Clinton is supposed to have given to Blair. He effectively told Blair that he should expect to feel completely overwhelmed by achieving the position of Prime Minister. However many years he has spent in preparation will not actually help him once he arrives. All the briefing and advice will have been about how to land the job – not about how to execute the job.

It's just the same for the leader. Getting the job and doing the job are two different things. It's common to feel uncertain once you are in place.

There is no 'right' answer

Leaders feel vulnerable. So if, inside, you sometimes find yourself thinking 'it's only me, I'll be found out soon enough' – don't worry, you are in good company. Remember what Ronnie Leten, the CEO of Atlas Copco, told us in Chapter 2? 'If the business isn't going well, you question yourself – is it me, or us?'

You need to accept that you will make the wrong decision from time to time and that you need to look confident despite this. In reality, in the complexity of today's global jungle, there is no one right way. There is a multiplicity of routes you could choose. The important thing is that whatever route you choose, when you set off, as you look over your shoulder, you see that people are actually following you. Many a 'right' decision has failed because no-one wanted to follow the leader.

■ it's your job to be a convincing leader, whatever
■ you feel like inside

It's not your job to be right all the time. It's your job to be a convincing leader, whatever you feel like inside.

By the way, if you are trying to manage upwards²³ with your CEO, it's a good idea to remember how vulnerable he or she might really be feeling. Be kind – and supportive. Understand that they don't have all the answers. When we put the leader on a pedestal, we aren't helping them to be as effective as we need them to be.

What if you don't think like this?

On a personal level, if you feel the tension and can't contain it, you will lose the loyalty of followers. Either they will try to avoid you, because of the tension you create, or they will lack confidence in your ability to steward them.

But there are bigger governance issues. If the Board to which the CEO reports is not *comfortable in discomfort* then there is the possibility for a dispute. If the Board needs facts, data and all the analysis before it will approve any decision, then its members are unlikely to approve a decision taken by the CEO based on this way of thinking. They will be looking for data and the CEO will tell them that there is insufficient. The CEO may push for a decision now, because to delay would mean falling behind, but they will want to wait until more facts are available. They will think that the CEO is ill-prepared. The CEO will think that they are moving too slowly and the enterprise may miss the moment of opportunity.

I wonder how many CEOs have lost their job through a dispute like this? (Or maybe it was the chair of the Board who lost out.) It would be interesting to re-visit some boardroom battles with this lens.

A final thought

Let's give the last word to an executive. A global world means that negotiations or important deals often take place by video or phone conference during the night. One leader, on one such call at 3 a.m., told the other side that, unless they hung up and called back at 3.45 a.m. with an agreed way forward, he was going to court to put the company into liquidation at 7 a.m. After much consternation and bluster ('that's a bit strong, isn't it?'), they called back at 3.45 a.m., in agreement. This leader's comment was: 'I can't remember the last time I wasn't "discomfortable".'

Developing *comfortable in discomfort* thinking: self assessment

As you reflect back on the ideas in this chapter, consider the following questions honestly for yourself:

- Can you live with grey, rather than the immediate certainty of a black and white answer? Can you call it even when the data isn't there?
- Can you learn to love ambiguity? Can you move forward effectively in ambiguity and not become frozen by uncertainty or driven to repeat earlier routines?
- Can you resist the temptation to close down the debate and decide? Can you hold back and stop yourself from driving to a conclusion? Can you create and hold the tension to reach a better answer?
- Can you retain the power of surprise? Can you hold your mind open to new ideas and change direction in a way that creates more value?
- Can you hold up and speak to an exciting future vision, even if the way forward isn't crystal clear? Can you hold your own vulnerability in check so that others have the courage to follow you?

As a leader, there will never be enough clarity, you often won't know the exact right next step for the enterprise, your decisions may be flawed and you will make mistakes. Yet, if you can think in this way, you will be able to make a good decision in the moment, without all the data. Or you will be able to delay taking a decision, even with all the information available to you, to get the timing right.

You won't be driven by the data. You will be in the driving seat.

Index

- ABN Amro 40
accountability 10, 23, 46, 100, 105, 145, 161–4, 165
adversity, developing in 178
advice, taking 46
AIG 26, 135
Albanese, Tom 28, 58–9, 148
Alcan 58
Alibaba Group 72–3
Alico (American Life Insurance Company) 26–7, 135
Alipay 73
alone, being 7, 24–7, 46
‘always on’ 145–8, 186
ambiguity, learning to love 8, 56, 61–4, 68, 77
Amgen 41–2
analysis paralysis 55
‘and’ issues 63
Anderson, N.H. 97–8
Apple 45
Aristotle 87
arrogance 41, 71, 104
artefacts 122–4
Atkinson, Lieutenant 35
Atlas Copco 25–6, 152–3
authenticity 8, 15, 85, 86, 97–9, 107
- BankBoston Argentina 28
Bannister, Clive 21–3, 133
Barclays 83
BBC 42, 122
BBC World Service 42, 133
being yourself 98–9
BHP Billiton 58, 148
Bing Nursery School 128–9, 185
Birt, John 42, 122
- Blair, Tony 74
blame, taking the 105, 145
Blockbuster 45
boardroom disputes 76
Bond, Sir John 91–2
boundaries, pushing the 7, 24, 41, 46
BP 161, 162–4
bravery
 and accepting failure 41–4
bubble, risk of living in a 170
Buffett, Warren 161
- Cable, Vince 88–9
capitalism 89
 responsible 97
Carr, Nicholas 125–6
Causey 105
challenger, accepting the role of 27–8
Challenger (film) 84–5
Chambers, John 161
change 11, 16, 27, 33–4, 35–6
character
 need of by leaders 14, 84–5
charisma 134
China/Chinese 133
 and litigation 57–8
China Railway Group 53
China Yahoo 73
Chinalco 58
‘chip on their shoulder’ 104
circus act metaphor 7, 23
CISCO 161
Citi 161
Clinton, Bill 74, 94
closing down 65–8, 77
Clough, Brian 121
coaching 171, 174–6

- Code of Business Principles 91
- cognitive psychology 128
- Colao, Vittorio 150, 158–9, 170
- Collins, Jim 101, 186
- comfort zone, being outside your
 - 16, 41, 43, 53, 176
- comfortable in discomfort thinking
 - 7–8, 14, 51–77, 177, 199–200
- Compaq 136, 137
- complacency 41, 62
- confidence 8, 54, 73, 75, 82, 99, 106
- continuing development 169–85
- conviction leadership 82–3, 97
- corporations, power of 84
- courage *see* bravery
- Crick, Francis 118
- culture 112–13, 118, 160
 - see also* DNA
- Culture Wall exercise 120

- data
 - and complacency 62
 - and decision-making 7, 8, 51, 55–6, 57–61, 77, 177
- Day by Day* 42
- decisions
 - delaying of 8, 55, 65–8, 77
 - explaining of 57
 - making of with insufficient information 8, 55–6, 57–61, 77
- decisiveness 7, 51, 55, 66
- denosumab 41
- development programmes 178–80
- discomfort, being comfortable in
 - 7–8, 14, 51–77, 177, 199–200
- DNA 118, 119, 120–1, 160–1
- Dorner, Irene 45–6, 145–6, 147, 148, 149
- Dudley, Bob 163
- Duke Corporate Education (Durham, North Carolina) 122–3, 131–2
- Dweck, Carol 184, 185

- Eden, James 40
- Edison, Thomas 147
- ego
 - balancing humility with strong 86
 - retaining a well developed 100–1
- emotional intelligence 127–8
- empathy 133
- Enron 105, 106
- Euripides 87–8
- experiential learning 179
- ExxonMobil 132

- facts
 - and decision-making 57–9, 60
 - giving you a false sense of security 62
- failure 104–6
 - bravery in accepting 41–4, 46, 47
 - learning from 176–7, 178
- fairness 98
- far ahead, getting too 24, 33–7, 46
- Fastow 105
- fear, culture of 96
- fearlessness 46
- feedback 45
 - getting good 103–4
 - 360 degree 173
- financial services crisis (2008) 97, 126–7, 134
- Fiorina, Carly 136–8
- first step, taking the 24, 27–33, 46
- FitzGerald, Niall 85, 88, 91, 93, 106, 145, 148, 157, 170, 176
- five ways of thinking 3–17
 - comfortable in discomfort 7–8, 14, 51–77, 177, 199–200
 - example of 12–15
 - I am the enterprise 10–11, 143–65, 183, 201–2
 - on my watch 8, 9–10, 111–39, 200–1
 - no safety net 7, 14, 19–47, 125, 178–9, 199
 - origins of 11–12
 - overview of 195–7

- solid core 8–9, 14, 81–107, 77, 200
- ways to develop 171–85
- fixed mindset 183–5
- Fleck, Richard 69–70, 151–2
- Ford, Bill 36–7
- Ford company 36–7
- Ford, Henry 36
- Fortis 40
- forward planning 130
- Fournier, Dominique 132, 157, 172–3, 180
- free riders 98
- Fujitsu 119
- future 9–10, 116–17, 129–31, 139
 - engaging others in the 130
 - past as predictor of 60–1
 - redoing your calendar to spend quality time on the 129–30
 - see also* past, present and future
- Gandhi, Mahatma 94–5
- Gerstner, Lou 111–13, 160, 161
- Gladwell, Malcolm
 - The Tipping Point* 171
- globalisation 11, 56
- Goleman, Daniel 127–8
- good 95
 - individual capacity for 89
- Goodwin, Freddie 39–40
- Google 84, 85
- gratification, delayed 128–9, 185
- Green, Stephen 88–9, 95–6, 106
- grey, living with 55–6, 57–61, 68, 77
- growth mindset 184
- Grupo Santander 40
- Guangdong Power Company 53
- halo effect 43–4
- Hawthorne Studies 128
- Hayward, Tony 28, 105, 158, 161, 162–4
- Healey, Dennis 94
- Heidrick & Struggles 33–5, 158
- Herbert Smith 69–70, 151
- here and now 9, 125–7
 - see also* present
- heritage 9, 115, 120, 125, 138
 - see also* past
- Hewlett, Bill 123, 136
- Hewlett-Packard (HP) 123–4, 136–8
- Hewlett, Walter 136, 138
- hiding away 102–3
- history *see* past
- honesty 97, 98, 106, 173
- hot advocates 35–6
- HSBC 21, 22, 27, 45–6, 60, 88, 145–6
- humility 86, 100–4, 107, 157, 186
- I am the enterprise thinking 10–11, 143–65, 183, 201–2
- IBM 111–13, 119, 160, 161
- Idestam, Fredrik 116
- immersion 70, 155, 161
- imposter syndrome 73–4
- Industrial and Commercial Bank of China (ICBC) 28, 53
- Infineum International Ltd 132, 157
- inner compass 9, 14, 82, 85–90, 106, 107
 - sharing of with others 90–3, 107
- inner conviction 87–8
- instinct 60, 82, 85, 93, 105, 177
- integrity 8–9, 81, 85, 88–9
- internet 126
- IQs 51, 63
- isolation 7, 24–7, 46
- Jensen, Dr Arthur 51
- Jinchuan 53
- Jobs, Steve 45
- judgement calls 8, 14, 38–9, 56–7, 65
- Kelly, Kevin 33–5, 158
- lateral arabesque 69–70
- Laubscher, Richard 39
- Lay 105
- leadership assignments, taking on
 - big 176–7

- leadership legacy 133–4, 139
- learning from others 86, 176
- learning mindset 183–5
- Leeds United 121
- legacy, leadership 133–4, 139
- Lehman Brothers 105, 134
- Leten, Ronnie 25–6, 75, 152–4
- Lever, William Hesketh (later Lord Leverhulme) 82–3, 97
- liars 98
- lucid development 172–4

- Ma, Jack 73
- Mandela, Nelson 29, 94
- Maree, Jacko 52–4, 60, 65, 115, 155, 156, 157, 160, 164
- Marks & Spencer 159–60
- marshmallows experiment 128–9
- Martin, Rod 26–7, 135
- Matryoshka doll 144–5, 158
- MBAAs 41
- MetLife, Inc. 26, 135
- mindset 183–5
 - fixed 183–5
 - growth 184
- Mischel, Walter 128–9
- mistakes, making 44, 77, 96, 184
- Mother Theresa 95
- Mulally, Alan 36

- Nally, Dennis 12–14, 57, 59–60, 129, 130, 180–2
- Nasser, Jacques 36
- Nedbank 39
- NetFlix 45
- networking 102
- no safety net thinking 7, 14, 19–47, 125, 178–9, 199
- Nokia 116, 125

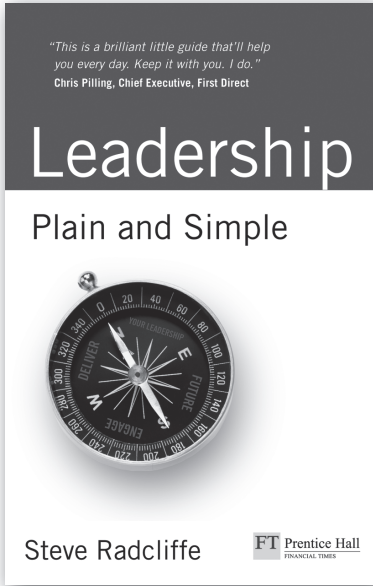
- obsession 149–51
- on my watch thinking 8, 9–10, 111–39, 200–1
- organisation
 - aligning of personal values with 92–3
 - as bigger than you 154, 155–8, 165
 - coming in from outside 158–61, 165
 - embodying of 10, 145–8, 165
 - identifying with 144
 - representing of 10–11, 14, 144, 145, 157, 161, 164
 - sybiotic relationship with 149–55, 165, 185
 - understanding your 10, 126–7, 152
- outside, coming in from the 158–61, 165

- Packard, Dave 123
- past 117–25, 138, 139, 161
 - and artefacts 122–4
 - and Culture Wall exercise 120
 - and DNA 118, 119, 120–1, 161
 - learning from the 115–16
 - letting go of gently 124–5
 - as predictor of the future 60–1
 - respecting of but not being restricted by 116, 121, 124
 - understanding of
 - organisation's 122
- past, present and future 113, 114–17
 - balancing and integrating of 9–10, 115–16, 117, 131–3, 139
 - and different nationalities 133
 - drawing circles exercise 116–17, 133
- patience 129
- people decisions 66–7
- personal life 104
- personal values
 - aligning with organisation 92–3
- politics, rising above the 96
- Port Sunlight 82–3, 97
- Powell, Ian 13
- present 12–30, 125–7, 139
 - see also* past, present and future
- PricewaterhouseCoopers (PwC) 12–14, 130, 180–1
- public sector 42–3

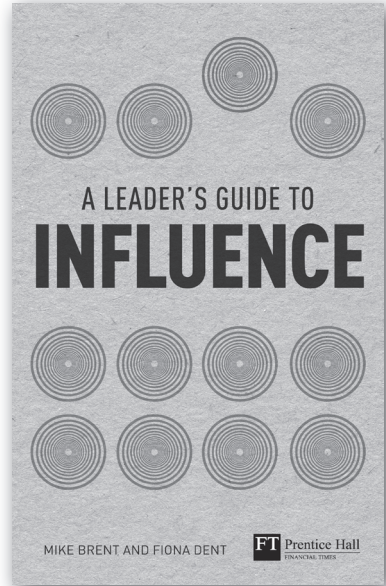
- Quaker principles 82–3
- RBS 40
- reflection 90, 99, 126, 173, 174,
175, 176, 183
- right thing to do 9, 82, 83, 85–6,
93–7, 106, 107
- Rio Tinto 58–9, 148
- risk-taking 23, 25, 29–30
- Rose, Sir Stuart 159–60
- safety net, lack of *see* no safety net
thinking
- Save the Children 32, 64, 92, 93,
124, 154, 160
- self-assessment questions 199–202
- self doubt 37–41, 47
- self insight 172–3
- self-reflection *see* reflection
- self-sacrifice 164
- selflessness 154–5
- Sharer, Kevin 41–2
- Shell 132
- Sheppard, Blair 74, 131–2
- sidelines, encouraging from the 64
- Skilling 105
- solid core thinking 8–9, 14,
81–107, 177, 200
- Sony 45
- soul 9, 81, 85, 88
- South Africa 28–31, 53, 94
- South-South connection 28, 53
- Special Relationship, The* (film) 74
- Spurling, Martin 103
- stakeholders, divergent views of 72
- Standard Bank Group 28–31, 52–4,
87, 116, 117, 155
- stewardship 134, 135–6
- supersize it 171, 176–7
- surprise, power of 56, 68–71, 77
- taking it on the chin 161–4, 165
- talent development 129, 130
- Taobao 73
- Taylor, Frederick Winslow 128
- teams 100
- technology
and the present 125–6
- teenagers 99
- thinking directly, changing your
way of 171, 172–4
- thinking, five ways of *see* five ways
of thinking
- Thurston, Paul 27, 60, 69, 71, 72
- time zones *see* past, present and
future
- transparency 81, 157
- traveller metaphor 55–6
- Truman, President Harry S. 161
- trust 98, 160
- Tshabalala, Sim 28–31, 87,
117–18, 155
- Tusa, Sir John 42–3, 122, 133
- Tutu, Bishop Desmond 29
- uncertainty 8, 54, 62, 64, 70, 72, 73
- unchartered territory, moving
organisation into 7, 14, 23,
32, 43, 46
- unexpected 69, 71
- Unilever 91
- unknown, stepping into the 7, 24,
31, 37–8
- unlearning 175
- upbringing 85, 106
- values 85, 106
aligning personal values with
organisation 92–3
see also inner compass
- vision 71–5, 77, 86
- Vodafone Group 150
- vulnerability 74, 75, 77, 101–2
- Wagener, Hans 13
- Watson, James 118
- Wei, David 73
- Weill, Sandy 161
- Wellington, Duke of 35
- Wesizwe 53

- Whitbread, Jasmine 32–3, 64, 85,
92–3, 100, 106, 124, 154, 160
- Witty, Andrew 28
- Wooden, John 178
- Worldcom 105
- Yahoo! 73
- Yamamoto, Masami 119
- Yang, Silas 13

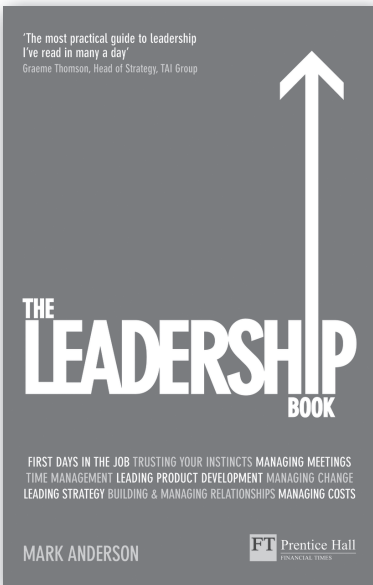
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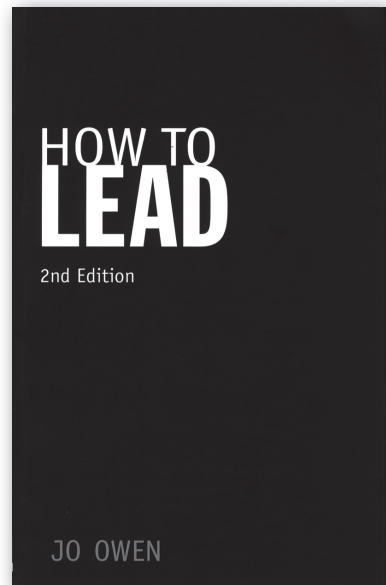
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