

For: Strategic Finance

“Level Five” Leaders

By
Robert W. Gunn

Conventional wisdom would have us believe that great companies are built on the strength of great CEOs who are charismatic, vocal, visible, and visionary. These are the stories the business press covers, lauding these CEOs to the point where some have become celebrities.

But that view is turning out to be dead wrong now that Jim Collins has published the results of his five-year study into the secrets of companies that achieved outstanding performance. His new book, *Good to Great*, empirically examines the reasons why only 11 companies (of more than 1,400 sampled) managed to transform themselves from “above average,” i.e., good, to “superior” – outdistancing their peer group in terms of market capitalization by better than 3:1.

What he concludes, based on the empirical evidence, is that these 11 firms had leaders who exemplify what he calls “Level Five” leadership characteristics – great personal humility coupled with a strong will to achieve professionally. These people, most of whom you will have never heard (can you name the CEOs of Kroger, Nucor, Walgreen, or Kimberly-Clark?), led good businesses, often through wrenching change, and achieved excellent performance – sustained for at least 15 years!

It is not the “Level Five” but the “Level Four” leaders who get all the press and recognition. People like Larry Ellison, Larry Bossidy, or Michael Eisner personify this kind of celebrity CEO. No doubt they get results, but as Collins states, “Not one of the top performing companies had a Level Four leader.”

With the evidence in hand, a question remains: Why is it that “great humility” combined with “a fierce professional will” generates such powerful outcomes? In other words, what is really at work here? The leaders themselves had a hard time articulating the reasons for their success, often citing luck as the key.

Actually, humility is probably the crucial attribute. People who are genuinely humble are freed from the tyranny of their ego – tyranny in the sense that it is egotism that:

- Causes leaders to refuse to face facts – surely you have seen bosses cling to a rosy view of conditions, fearing that to admit otherwise would, in some way, discredit them;
- Isolates leaders from others – business is a collective game, not an individual pursuit, but what happens to morale and teamwork when leaders invoke rank in small ways and large?
- Makes it hard for leaders to ask the right questions – in fact, leaders often pride themselves on knowing all the answers;
- Undermines teamwork – its hard to work collaboratively when someone wants to hog the credit;
- Paralyzes leaders when novel situations arise – insights are hard to come by when fear takes over; and,
- Moves leaders to refuse to share credit – causing the best people to move on.

Perhaps you know people who have been given superlative gifts yet have the grace to wear those gifts lightly. Isn't it wonderful spending time with them? When talented people like this see themselves as being just ordinary, they somehow bring out the best in everyone else.

I once knew an Olympic skier who would call up from time to time and ask if I wanted to take a few runs. He could fly down any hill, skipping across the tops of moguls, turning quickly in the worst crud, or taking the fall line down the steepest pitch. His joy was contagious. There is little doubt that I skied better with him than I ever did with anyone else. His nonchalance about his extraordinary ability made it possible for me to think that I could ski beyond the limits that my ego kept “reminding” me I was capable of doing.

Humility can be a potent foundation for faith and hope – “faith” in the sense of knowing that something is true in the absence of any facts to prove it and “hope” in the sense of realizing that possibilities can exist that reach beyond your own personal experience.

Companies that attain superlative performance may also depend on leaders who take faith and hope as givens – in the sense that they have learned to rely on them. Exceeding past levels of performance means leading the organization where it has never gone before. No one can prove that the chosen course will succeed, and no one can use past results as guideposts to future outcomes.

Leaders pushing for outstanding performance know that their people will need to do new things today that could not necessarily have been foreseen yesterday. Level Five leaders have faith in people's capacity to take action that pushes the boundaries, and they have hope that things will work out.

My present company, Exult, is a start-up that was launched in late 1998. We have been remarkably successful. In three short years we have signed seven clients, booked a backlog of \$3.3 billion, and grown to 1,500 people, who will generate revenues of \$450 million in 2002.

In the face of these spectacular results, our leaders have managed to remain unassuming – standing aside and acknowledging the fact that, time and time again, the staff has created whatever was necessary, often out of thin air. It would be pure hubris for us to think that any one of us could have accomplished 1/100th of this through his or her own individual efforts.

Collins also points to Level Five leaders as having a “fierce will to perform.” Interestingly, to these men and women performance means collective, not individual, accomplishment. What matters to them is how the organization as a whole is doing, not how good their own performance looks.

So often the words “will power” are translated to mean having power over others. When Jack Welch speaks about “getting under the skin of every employee at GE” in his book, *Straight from the Gut*, he is talking about his need to exert his personal will in guiding and directing others. Clearly this worked out for him since GE achieved tremendous outcomes during his tenure (although it did not meet Collins' criteria, falling short on the stock market performance measure).

But to Level Five leaders “will power” means something far different. They know that tapping the “collective” will unleashes energy that can generate stunning results. They see their task as learning how to release this latent capacity.

These leaders seem to have an utter clarity and conviction about what the company is capable of doing as well as faith people's ability to rise to a challenge. Their clarity provides the necessary focus, otherwise the collective energy could easily be dissipated, with people chasing down various rabbit trails. Their conviction comes into play in the sense that they know that talented people will find a way to overcome whatever obstacles lie in their path. Their assurance, certainty, and sincerity build confidence and erase fear – the most destructive force in any organization.

In fact, Collins remarks on how often these leaders attribute success to the efforts of others and failures to their own shortcomings. Well, when the boss is calling himself to account for mistakes, it's difficult for the staff not to try even harder.

As you read this, you may be thinking, "How can I become a Level Five leader?" Collins muses that perhaps each of us has the capacity to lead with commonplace humility and a fierce will, but he is at a loss to tell us how to do it. That is the 64-thousand-dollar question for all of us.

Greatness comes from one source – goodness. By goodness, I am pointing to the journey all of us are on – to experience immortality and connect to a larger purpose. Finding that goodness means transcending your ego, for it is your ego that keeps you from seeing the larger purpose of life and becoming united with others. Transcending your ego means knowing that no matter what you accomplish, you are nothing more than one person among the billions who are alive at this moment, all of whom are trying to do the best they can.

When you are feeling kindness, compassion, or love, you automatically connect with humanity and rise above your ego. In fact you might even stand in awe of your own insignificance in the face of all that life.

With this consciousness, it then becomes possible to see how your talents may serve a larger purpose than simply meeting your own needs. The joy in that is what gives you the energy to attempt the impossible – just as those Level Five leaders did in turning good companies into great ones.