The purpose of an organization is to enable ordinary human beings to do extraordinary things.

It is a means to make strengths productive and weaknesses irrelevant.

No organization can depend on genius; the supply is always scarce and unreliable.

It is the test of an organization to make ordinary people perform better than they seem capable of, to bring out whatever strength there is in its members, and to use each person’s strength to help all the other members perform.

It is the task of organization at the same time to neutralize the individual weaknesses of its members.

The test of an organization is the spirit of performance.

The spirit of performance requires that there be full scope for individual excellence.

The focus must be on the strengths – on what people can do rather than on what they cannot do.

“Morale” in an organization does not mean that “people get along together.”

The test is performance.

Human relations that are not grounded in the satisfaction of good performance in work are actually poor human relations.

There is no greater indictment of an organization than that the strength and ability of the outstanding individual threatens the group and that his or her performance becomes a source of difficulty, frustration, and discouragement for the others.

“Spirit of performance” in a human organization means that its energy output is larger than the sum of the efforts put in.

It means the creation of energy.

This cannot be accomplished by mechanical means.

A machine cannot deliver more energy than is put into it.

To get out more than is being put in is possible only in the moral sphere.

By morality I do not mean preachments.

Morality, to have any meaning at all, must be a principle of action.

It must not be speeches, sermons, or good intentions.

It must be practices.

Specifically:

1. The focus of the organization must be on performance.

The first requirement of the spirit of performance is high performance standards, for the group as well as for each individual.

The organization must cultivate in itself the habit of achievement.

2. The focus of the organization must be on opportunities rather than on
3. The decisions that affect people — their placement and their pay, promotion, demotion, and severance — must express the values and beliefs of the organization.

They are the true controls of an organization (see chapter 31, page 329).

4. Finally, in its people decisions, management must demonstrate that it realizes that integrity is one absolute requirement of managers, the one quality that they must bring with them and cannot be expected to acquire later on.

The Danger Of Safe Mediocrity

The constant temptation of every organization is safe mediocrity.

The first requirement of organizational health is a high demand on performance.

Indeed, one of the major reasons for demanding that management be by objectives and that it focus on the objective requirements of the task is the need to have managers set high standards of performance for themselves.

This requires that performance be understood properly.

Performance is not hitting the bull’s-eye with every shot — that is a circus act that can be maintained only over a few minutes.

Performance is rather the consistent ability to produce results over prolonged periods of time and in a variety of assignments.

A performance record must include mistakes.

It must include failures.

It must reveal a person’s limitations as well as strengths.

And there are as many different kinds of performance as there are different human beings.

One person will consistently do well, rarely falling far below a respectable standard, but also rarely excel through brilliance or virtuosity.

Another will perform only adequately under normal circumstances but will rise to the demands of a crisis or a major challenge and then perform like a true “star.”

Both are “performers.”

Both need to be recognized.

But their performances will look quite different.

The one person to distrust, however, is the person who never makes a mistake, never commits a blunder, and never fails in what he tries to do.

Either he is a phony, or he stays with the safe, the tried, and the trivial.

A management that does not define performance as a balance of success and failure over a period of time is a management that mistakes conformity for achievement, and absence of weaknesses for strengths.

It is a management that discourages its organization.

The better a person is, the more mistakes she will make — for the more
things she will try.

The person who consistently renders poor or mediocre performance should be removed from the job for his or her own good.

People who find themselves in a job that exceeds their capacities are frustrated, harassed, anxiety-ridden people.

One does not do people a service by leaving them in a job they are not equal to.

Not to face up to failure in a job is cowardice rather than compassion.

One also owes it to the manager’s subordinates not to tolerate poor performance in their boss.

They have a right to be managed with competence, dedication, and achievement.

Subordinates have a right to a boss who performs, for otherwise they themselves cannot perform.

One owes it, finally, to all the people in the organization not to put up with a manager who fails to perform.

The entire organization is diminished by the manager or career professional who performs poorly or not at all.

It is enriched by the one who performs superbly.

At first sight the Japanese seem to violate this rule.

For few, if any, people are ever fired for nonperformance in the Japanese organization.

Actually, the Japanese organization may be as demanding and even as competitive as any in the West.

The poor or mediocre performer is not fired.

He is quickly sidetracked and assigned to activities that are, in effect, “made work.”

And both he and the organization know it.

Moreover, while everyone advances in pay and title according to seniority, there is a day of reckoning at or around age forty-five, when the very few who will become top management are chosen over the many others who will, ten years later, retire as section managers or department directors.

The only thing that is proven by a person’s not performing in a given assignment is that management has made a mistake in giving him or her that assignment.

It is a mistake that managers cannot avoid, no matter how carefully they work on the placement of people.

“Failure” in such a case may mean only that a first-rate career knowledge professional has been miscast as a manager.

It may mean that someone excellent at running an existing operation has been miscast as an innovator and entrepreneur.

Or it may mean the opposite: that a person whose strength lies in doing new and different things has been miscast to head a continuing, well-established, and highly routinized operation.
Failure to perform on the part of an individual who has a record of proven performance is a signal to think hard about the person and the job.

And sometimes, of course (see the discussion of the “widow-maker” job in chapter 23), it is the job rather than the person that is at fault.

George C. Marshall, chief of staff of the U.S. Army in World War II, was an uncompromising and exacting boss who refused to tolerate mediocrity, let alone failure.

“I have a duty to the soldiers, their parents, and the country, to remove immediately any commander who does not satisfy the highest performance demands,” Marshall said again and again.

But he always asserted, “It was my mistake to have put this or that man in a command that was not the right command for him.

It is therefore my job to think through where he belongs.”

Many of the men who emerged in World War II as highly successful commanders in the U.S. Army were once in the course of their careers removed by Marshall from an early assignment.

But then Marshall thought through the mistake he had made – and tried to figure out where that man belonged.

And this explains, in large measure, why the American army, which had gone into World War II without a single one of its future general officers yet in a command position, produced an outstanding group of leaders in a few short years.

“Conscience” Decisions

The toughest cases, but also the most important ones, are those of people who have given long and loyal service to the company but who have outlived their capacity to contribute.

There is, for instance, the bookkeeper who started when the company was in its infancy and grew with it until, at age fifty or so, she finds herself controller of a large company and totally out of her depth.

The woman has not changed – the demands of the job have.

She has given faithful service.

And where loyalty has been received, loyalty is due.

But still, she must not be allowed to remain as controller.

Not only does her inability to perform endanger the company, her inadequacy demoralizes the entire management group and discredits management altogether.

What can be done with such a person?

Many executives would “kick her upstairs.”

Yet this only buys trouble if you put a person into a bigger job for which she is even less competent.

So she must be removed, but thirty years of service creates its obligations.

So one must both get her out and treat her right.
A creative solution is required.

One option is to identify whatever strengths she has and either find a position in which she can be effective or provide substantial assistance to her to start a new career in another organization.

Such cases – fortunately they are not too numerous – challenge the conscience of an organization.

To keep the controller in her job would be a betrayal of the enterprise and of all its people.

But to fire a person who has given thirty years of faithful service is also betraying a trust.

And to say, “We should have taken care of this twenty-five years ago,” while true, is not much help.

The decision in such cases must be objective, that is, focused on the good of the company: the person must be removed from the job.

Yet the decision is also a human decision that requires utmost consideration, true compassion, and an acceptance of obligations.

That Henry Ford II could revive the moribund Ford Motor Company after World War II was in large measure the result of his understanding the crucial importance of these “conscience cases.”

At that time, none of the nine management people in one key division were found to be competent to take on the new jobs created in the course of reorganization.

Not one was appointed to these new jobs.

Yet, for these nine men, jobs as technicians and experts were found within the organization.

It would have been easy to fire them.

Their incompetence as managers was undisputed.

But they had also served loyally through very trying years.

Henry Ford II took the line that no one should be allowed to hold a job without giving superior performance, but he also held that no one should be penalized for the mistakes of the previous management.

The company owed its rapid revival largely to the strict observance of this rule.

The frequent excuse in a conscience case, “We can’t move him; he has been here too long to be fired,” is bad logic and rarely more than a weak-kneed alibi.

It harms the performance of management people, their spirit, and their respect for the company.

But to fire such a manager is equally bad.

It violates the organization’s sense of justice and decency.

It shakes its faith in the integrity of management.

“There, but for the grace of God, go I” is what everybody will say – even though they would be quick to criticize if management left an incompetent in a position of importance.
What is done with such a person will largely determine whether you have an organization or not.

A management that is concerned with the spirit of the organization therefore takes these cases exceedingly seriously.

They are not too common, as a rule – or at least they should not be.

But they have an impact on the spirit of the organization way beyond their numbers.

How they are handled tells the organization both whether management takes itself and its job seriously, and whether it takes the human being seriously.

**Focus On Opportunity**

An organization will have a high spirit of performance if it is consistently directed toward opportunity rather than toward problems.

It will have the thrill of excitement, the sense of challenge, and the satisfaction of achievement if its energies are put where the results are, and that means on the opportunities.

Of course, problems cannot be neglected.

But the problem-focused organization is an organization on the defensive.

It is an organization that feels that it has performed well if things do not get worse.

A management that wants to create and maintain the spirit of achievement therefore stresses opportunity.

But it will also demand that opportunities be converted into results.

A management that wants to make its organization focus on opportunity demands that opportunity be given pride of place in the objectives and goals of each manager and career professional.

“What are the opportunities that, if realized, will have the greatest impact on performance and results of the company and of my unit?” should be the first topic to which managers and knowledge professionals address themselves in their performance and work plan.

Every product, for example, should be looked at about once a year or so to make sure the organization doesn’t put its efforts and resources where there are no results.

And there are at least six classes into which products fall:

1. Yesterday’s breadwinners.

These are the products we all love because we grew up with them.

And now they are over the hump and going down fast, and all we can do by defending them is allow them to die a little more slowly.

They ought to be deprived of all resources fast.

2. Today’s breadwinners.

These products are at or near their peaks, and now the job is to make sure we don’t put more resources into them.
3. Tomorrow’s breadwinners.

This is where people should go and where promotion, sales, and technical efforts should go.

4. Specialties.

These specialties can be numerous.

Here the test is, Do we get paid well for them?

Or are they defended by the sales manager on grounds that “we have to have them to have a full product line” and the controller says, “We have to have them because they absorb overhead”?

5. The sleeper product.

This is the product that is doing so much better than anybody ever expected, but nobody pays attention to it; this is the product to run with.

6. The investment in managerial ego.

The product that everybody loves; the product that everybody knows is the best quality; the product everybody knows is going to set the world on fire next year, but next year never comes.

That is the product that bleeds a company to death, and yet it is the most difficult thing to face up to and get rid of, because everybody has got such an emotional investment in it.

One has got to face up to a very simple, very brutal, very harsh rule – one starves the problems and one feeds the opportunities.

And above all, one puts the resources into tomorrow, where the results are, and not into yesterday, where the memories are.

“People” Decisions – The Control Of An Organization

An organization that wants to build a high spirit of performance recognizes that “people” decisions – on placement and pay, on promotion, demotion, and firing – are the true “control” of an organization.

They, far more than the accountant’s figures and reports, model and mold behavior.

For the people decisions signal to every member of the organization what it is that management really wants, really values, really rewards.

The company that preaches, “Our first-line supervisors are expected to practice human relations” but that always promotes the supervisor who gets paperwork in on time, neatly done, will not get “human relations.”

Even the dumbest supervisor will learn very soon that what the company really wants is neat paperwork.

Indeed, an organization tends to overreact to the people decisions of management.

What to top management may look like an innocuous compromise to remove an obstacle or to solve a political impasse may well be a clear signal to the organization that management wants one kind of behavior while preaching another.
Placement and promotion are the most crucial people decisions. They, above all, require careful thinking and clear policy and procedures with high standards of fairness and equity.

They should never be made on the basis of opinions or on a person’s potential. They should always be based on a factual record of performance against explicit goals and objectives.

But the best placement and promotion procedures do not by themselves ensure that these crucial decisions strengthen the spirit of the organization rather than impair it. For this, top management must build itself into the promotion process.

Above all, it must make sure that it participates in the key decisions on promotion, the decisions that spell out to the organization what management’s values and beliefs really are and at the same time determine – often irrevocably – the top management of tomorrow.

All top managements take an active role in the decisions on promotion to the jobs directly below or in the top-management group: promotion into the position of general manager of major divisions or into the position as the head of major functional areas, such as operations or marketing.

But few top managements, especially in larger businesses, take much interest in the promotion decisions just below the top group, that is, into such jobs as head of market research, operations manager, or even marketing manager of a division.

They leave these decisions to the top people in the respective functions or divisions.

Yet these upper-middle-management jobs are truly the management to the organization.

People further down, and especially the younger managers and career professionals, know very well that their own careers depend on these upper-middle people rather than on the big boss.

And it is the decision on filling these upper-middle spots that, in effect, determines who, a few years hence, will be eligible for a top-management assignment.

Above all, these promotional decisions have great symbolic value.

They are highly visible and signal to the entire organization, “This is what this company wants, rewards, and recognizes.”

For this reason, old and experienced organizations, such as the U.S. Army and the Catholic Church, focus their main concern on upper-middle-management promotions – in the army, on promotion to the rank of colonel, and in the Catholic Church, on selecting an auxiliary bishop.

**Integrity, The Touchstone**

The final proof of the sincerity and seriousness of an organization’s management is uncompromising emphasis on integrity of character.

This, above all, has to be symbolized in management’s people decisions.
For it is through character that leadership is exercised; it is character that sets the example and is imitated.

Character is not something managers can acquire; if they do not bring it to the job, they will never have it.

It is not something one can fool people about.

A person’s coworkers, especially the subordinates, know in a few weeks whether he or she has integrity or not.

They may forgive a great deal: incompetence, ignorance, insecurity, or bad manners.

But they will not forgive a lack of integrity.

Nor will they forgive higher management for choosing such a person.

Integrity may be difficult to define, but what constitutes lack of integrity of such seriousness as to disqualify a person for a managerial position is not.

Someone whose vision focuses on people’s weaknesses rather than on their strengths should never be appointed to a managerial position.

The manager who always knows exactly what people cannot do, but never sees anything they can do, will undermine the spirit of the organization.

A manager should, of course, have a clear grasp of the limitations of subordinates, but should see these as limitations on what they can do, and as challenges to them to do better.

A manager should be a realist; and no one is less realistic than the cynic.

A person should not be appointed if he or she is more interested in the question, “Who is right?” than in the question, “What is right?”

To put personality above the requirements of the work is corruption and corrupts.

To ask, “Who is right?” encourages one’s subordinates to play it safe, if not to play politics.

Management should not appoint anyone who considers intelligence more important than integrity.

This is immaturity – and usually incurable.

It should never promote a person who has shown that he or she is afraid of strong subordinates.

This is weakness.

It should never put into a management job a person who does not set high standards for his own work.

For that breeds contempt for the work and for management’s competence.

A man might himself know too little, perform poorly, lack judgment and ability, and yet not do too much damage as a manager.

But if he lacks in character and integrity – no matter how knowledgeable, how brilliant, how successful – he destroys.

He destroys people, the most valuable resource of the enterprise.

He destroys spirit.
And he destroys performance.

This is particularly true of the people at the head of an enterprise.

For the Spirit of an organization is created from the top.

If an organization is great in spirit, it is because the spirit of its top people is great.

If it decays, it does so because the top rots; as the proverb has it, “Fish rot from the head down.”

No one should ever be appointed to a senior position unless top management is willing to have his or her character serve as the model for subordinates.

Leadership And The Spirit Of Performance

This chapter has to this point talked of “practices.”

It has not talked of leadership.

This was intentional.

There is no substitute for leadership.

But management cannot create leaders.

It can only create the conditions under which potential leadership qualities become effective – or it can stifle potential leadership.

The supply of leadership is much too uncertain for it to be depended on to create the spirit that the enterprise needs to be productive and to hold together.

Practices, though seemingly humdrum, can always he practiced, whatever a person’s aptitudes, personality, or attitudes.

Practices require no genius – only application.

They are things to do rather than to talk about.

And the right practices should go a long way toward bringing out whatever potential for leadership there is in the management group.

They should also lay the foundation for the right kind of leadership.

For leadership is not magnetic personality – that can just as well be a glib tongue.

It is not “making friends and influencing people – that is flattery.

Leadership is lifting a person’s vision to higher sights, the raising of a person’s performance to a higher standard, the building of a personality beyond its normal limitations.

Nothing better prepares the ground for such leadership than a spirit of management that confirms in the day-to-day practices of the organization strict principles of conduct and responsibility, high standards of performance, and respect for individuals and their work.

Yet, “leadership qualities” are all the rage just now!
Leadership “Qualities”?

“We’d want you to run a seminar for us on how one acquires charisma,” the human-resources VP of a big bank said to me on the telephone — in dead earnest.

Books, articles, and conferences on leadership and on the “qualities” of the leader abound.

Every CEO, it seems, has to be made to look like a dashing Confederate cavalry general or a boardroom Elvis Presley.

Leadership, as we have just described, is something different from what is now touted under this label.

It has little to do with “leadership qualities” and even less to do with “charisma.”

It is mundane, unromantic, and boring.

Its essence is performance.

In the first place, leadership is not by itself good or desirable.

Leadership is a means.

Leadership to what end is, thus, the crucial question.

History knows no more charismatic leaders than the twentieth century’s triad of Stalin, Hitler, and Mao — misleaders who inflicted as much evil and suffering on humanity as have ever been recorded.

The Undoing Of Leaders

Effective leadership doesn’t depend on charisma.

Dwight Eisenhower, George Marshall, and Harry Truman were singularly effective leaders, yet none possessed any more charisma than a dead mackerel.

Nor did Konrad Adenauer, the chancellor who rebuilt West Germany after World War II.

No less charismatic personality could be imagined than Abe Lincoln of Illinois, the raw-boned, uncouth backwoods man of 1860.

And there was amazingly little charisma to the bitter, defeated, almost broken Winston Churchill of the interwar years; what mattered was that he turned out, in the end, to have been right.

Indeed, charisma may become the undoing of leaders.

It may make them inflexible, convinced of their own infallibility, unable to change.

This is what happened to Stalin, Hitler, and Mao, and it is a commonplace in the study of ancient history that only Alexander the Great’s early death saved him from becoming an ineffectual failure.

Indeed, charisma does not, by itself, guarantee effectiveness as a leader.

Nor are there any such things as “leadership qualities” or a “leadership personality.”

Franklin D. Roosevelt, Winston Churchill, George Marshall, Dwight
Eisenhower, Bernard Montgomery, and Douglas MacArthur were all highly effective — and highly visible — leaders during World War II.

No two of them shared any “personality traits” or any “qualities.”

Leadership is work — something just stressed, and stressed again and again by the most effective leaders:

Julius Caesar, for instance, or General MacArthur and Field Marshal Montgomery, or, to use an example from business, Alfred Sloan, the man who built and led General Motors from 1920 to 1955, and most recently Level 5 leaders in Jim Collins’s *Good to Great*.

The foundation of effective leadership is first, thinking through the organization’s mission, defining it and establishing it, clearly and visibly.

The leader sets the goals, sets the priorities, and sets and maintains the standards.

He makes compromises, of course; indeed, effective leaders are painfully aware that they are not in control of the universe.

(Only misleaders — the Stalins, Hitlers, Maos — suffer from that delusion.)

But before accepting a compromise, the effective leader has thought through what is right and desirable.

The leader’s first task is to be the trumpet that sounds a clear sound.

What distinguishes effective leaders from misleaders is their goals.

Whether the compromise a leader makes with the constraints of reality — which may involve political, economic, financial, or people problems — is compatible with his mission and goals or leads away from them determines whether he is an effective leader.

And whether he holds fast to a few basic standards (exemplifying them in his own conduct) or “standards” for him are what he can get away with determines whether the leader has followers or only hypocritical time-servers.

The second requirement is that the effective leader sees leadership as responsibility rather than as rank and privilege.

Effective leaders are rarely “permissive.”

But when things go wrong — and they always do — they do not blame others.

If Winston Churchill is an example of leadership through clearly defining mission and goals, General George C. Marshall is an example of leadership through responsibility.

Harry Truman’s folksy “The buck stops here” is still as good a definition as any.

But precisely because an effective leader knows that she, and no one else, is ultimately responsible, she is not afraid of strength in associates and subordinates.

Misleaders are; they always go in for purges.

But an effective leader wants strong associates; she encourages them, pushes them, indeed glories in them.

Because she holds herself ultimately responsible for the mistakes of her
associates and subordinates, she also sees the triumphs of her associates and subordinates as her triumphs, rather than as threats.

A leader may be personally vain – as General MacArthur was to an almost pathological degree.

Or he may be personally humble – both Lincoln and Truman were so almost to the point of having inferiority complexes.

But all three wanted able, independent, self-assured people around them; they encouraged their associates and subordinates, praising and promoting them.

So did a very different person:

Ike Eisenhower, when supreme commander in Europe.

An effective leader knows, of course, that there is a risk in this: able people tend to be ambitious.

But he realizes that it is a much smaller risk than being served by mediocrity would be.

He also knows that the gravest indictment of a leader is for the organization to collapse as soon as he leaves or dies, as happened in Russia the moment Stalin died and as happens all too often in companies.

An effective leader knows that the ultimate task of leadership is to create human energies and human vision.

Earning Trust is A Must

The final requirement of effective leadership is to earn trust.

Otherwise there won’t be any followers – and the only definition of a leader is someone who has followers.

To trust a leader, it is not necessary to like him.

Nor is it necessary to agree with him.

Trust is the conviction that the leader means what he says.

It is a belief in integrity.

A leader’s actions and a leader’s professed beliefs must be congruent, or at least compatible.

Effective leadership – and again this is very old wisdom – is not based on being clever; it is based primarily on being consistent.

After I had said these things on the telephone to the bank’s human-resources VP, there was a long silence.

Finally she said, “But that’s no different at all from what we have known for years are the requirements for being an effective manager.”

Precisely

Summary – The Spirit of Performance

The purpose of organization is to enable ordinary human beings to do extraordinary things.

The test of an organization’s leadership is, therefore, the spirit of...
performance.

302 This requires specific practices rather than preachment or charisma.

303 It requires, above all, the realization that integrity is the one absolute requirement of managers and leaders.