

# Leading Up

Wharton Workshop  
January 26, 2016

Michael Useem



1

1. When does leadership make greatest difference?
2. What are the leadership capacities that make a difference?
3. Build leadership in others.
4. Take charge and lead change.
5. Lead up and out.
6. Lead up and out at the Wharton School.

Questions to conclude today's program:

1. What are the one or two most critical capacities for your upward leadership during the next twelve months at Wharton?
2. How will you strengthen those capacities?

2

## The Walt Disney Company



**Robert A. Iger**  
Chairman and Chief Executive Officer  
Corporate



**Ronald L. Iden**  
SVP, Global Security



**Zenia Mucha**  
EVP and Chief Communications Officer



**Thomas O. Staggs**  
Chief Operating Officer



**Alan F. Horn**  
Chairman, The Walt Disney Studios



**Andy Bird**  
Chairman, Walt Disney International  
The Walt Disney Company



**Kevin Mayer**  
EVP, Corporate Strategy and Business Development



**Jayne Parker**  
EVP and Chief Human Resources Officer



**Brent Woodford**  
SVP, Planning and Control



**James Pitaro**  
President, Disney Interactive



**Alan Braverman**  
SVP, General Counsel and Secretary  
The Walt Disney Company



**Christine M. McCarthy**  
EVP, Corporate Real Estate, Alliances, and Treasurer



**Jay Rasulo**  
Senior EVP and CFO



**Bob Chapek**  
Chairman, Walt Disney Parks and Resorts



### 1. When Does Leadership Make the Greatest Difference? And Is It the Top Person or Top Team?

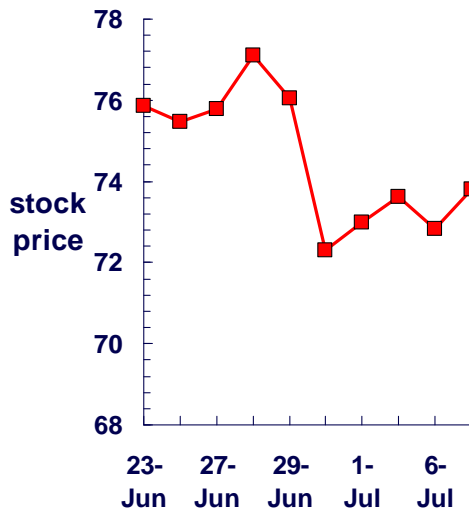
A study of 48 firms among the Fortune 500 largest U.S. firms -- asked two direct reports of CEO to assess the extent CEO was...

- a visionary
- showed strong confidence in self and others
- communicated high performance expectations and standards
- personally exemplified the firm's vision, values, and standards
- demonstrated personal sacrifice, determination, & courage

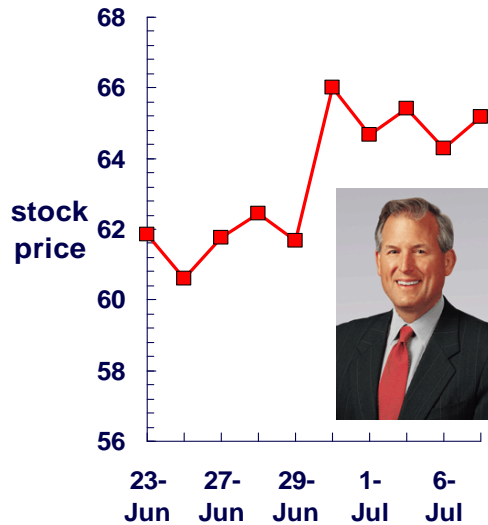
These leadership capabilities make greatest difference in company performance when the firm faces an **uncertain** and **fast-changing** environment.

Other research reveals that the quality of top management **teams** are better predictors of company performance than the CEO alone.

**3M's Stock Price Falls After Appointment of 3M CEO James McNerney Jr. as Boeing CEO**



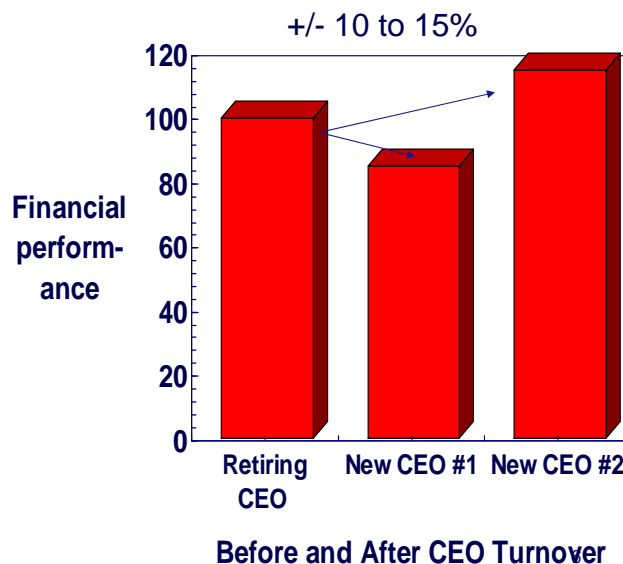
**Boeing Stock Price Rises After Appointment of James McNerney as Chief Executive**



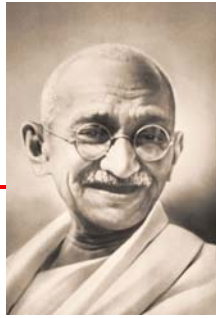
Market Cap, June 30 v. June 28: 3M, -\$3.69 billion, Boeing, \$2.93 billion

Taking a cross-section of companies in many industries over a long period of time, we ask what happens to earnings 1 to 3 years after a CEO has voluntarily stepped down.

Assess the impact of the CEO turnover on company financial performance, net of firm size and sector and economic trends over which the CEO has no control.



## 2. What Leadership Capacities Make the Difference?



7

IBM acquires Lotus Development Corporation for \$3.5 billion, an acquisition first resisted, then embraced

- Lotus chairman Jim P. Manzi to become IBM senior VP and remain as Lotus CEO.
- Lotus intends to proceed with plans for cost-cutting and layoffs (\$50 million to be cut from budget after quarterly loss, 15% of managerial ranks to be trimmed; director Richard Braddock is working part-time to supervise reductions).
- IBM promises Lotus autonomy to run own business.
- IBM chairman Louis Gerstner is to meet 2,200 Lotus employees the day after the acquisition announced.

8

## IBM & Lotus Development, continued

As Louis Gerstner, what will you say to the Lotus employees? What should be stressed, and how will you say it?

Develop a presentation in discussion with several others, and be prepared to give the speech and answer questions from Lotus employees.



## The Leader's Checklist

1. Articulate a vision	9. Embrace the front lines
2. Think & act strategically	10. Take charge and lead change
3. Identify personal implications	11. Manage relations and emotions
4. Convey your character	12. Strengthen leadership in oneself and others
5. Honor the room	13. Dampen over-optimism
6. Communicate persuasively	14. Build a diverse top team
7. Decide decisively	15. Place common interest first
8. Motivate the troops	16. Lead up and out, not just down



### 3. Developing Leadership in Oneself and Others

When asked how they developed their leadership, senior managers typically identify three factors:

1. Self-conscious self-study of leadership through witnessing others, reading history, taking programs.
2. Mentoring by many others whether explicit or not.
3. Opportunities taken or given to experience assignments outside comfort zone.

11

### 4. Take Charge and Lead Change



Above: Chinese Premier Zhu Rongji and U.S. Trade Representative Charlene Barshefsky, Beijing, March 30, 1999



Above: Zhu Rongji and President Bill Clinton at the White House, April 9, 1999



Left: Charlene Barshefsky and Trade Minister Shi Guangsheng, Beijing, November 15, 1999

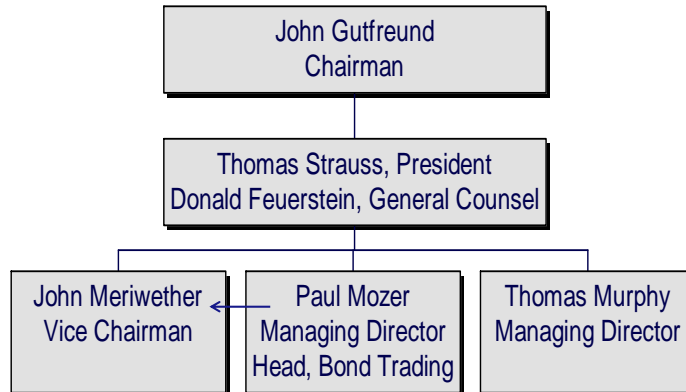
12

## 5. Lead Up and Out



John Meriwether (left)

Paul Mozer (below)



**Salomon Brothers**

## U.S. Government Treasury Auction

Interest rate offered	Amount offered (\$ billions)	Bonds sold (\$ billions)	Sold as % of offer
7.50%	\$3.9	\$3.9	100%
7.51	9.4	5.1	54
7.52+	15.8	0	0
Total	29.1	9.0	



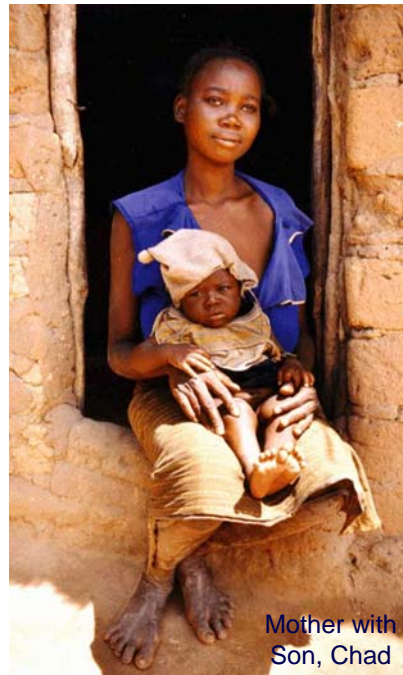
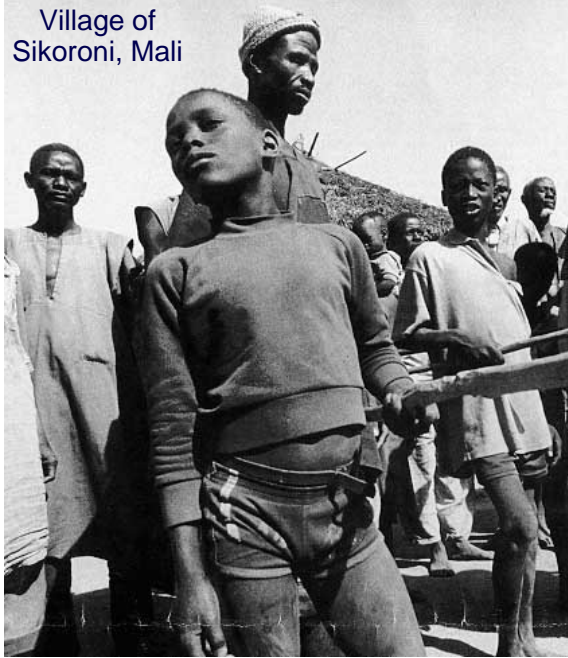
Nicholas Brady  
Treasury Secretary



Warren Buffett

## Roy Vagelos Develops a Drug for River Blindness at Merck

Village of  
Sikoroni, Mali



Mother with  
Son, Chad

1. What price should he set for the drug?

2. Should Roy Vagelos tell his board about the decision to develop the drug?

3. What should Roy Vagelos say to a major investor who asks why Merck had developed a drug that has little or no prospect of financial return?





## The After Action Review

- Focus on all stakeholders, not just shareholders
- Leading up is as important as leading down
- Focusing on the long-term is as vital as looking short-term
- Thinking like a marketing executive, HR executive, and other functional managers can be critical for all positions



Geneva headquarters of the World Health Organization (left). Similar statues appears at the headquarters of Merck, the World Bank (right), the Carter Center, and elsewhere.

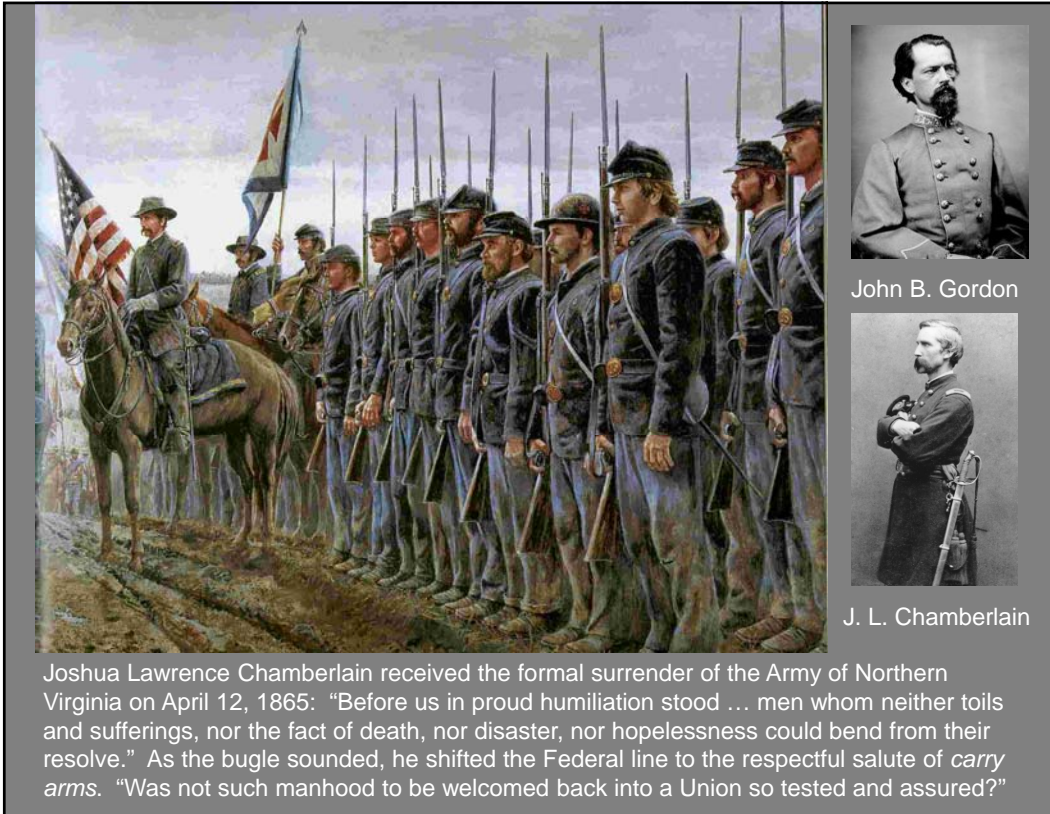


## Surrender at Appomattox



Robert E. Lee and Ulysses S. Grant at Appomattox Court House, Virginia, April 9, 1865





Joshua Lawrence Chamberlain received the formal surrender of the Army of Northern Virginia on April 12, 1865: "Before us in proud humiliation stood ... men whom neither toils and sufferings, nor the fact of death, nor disaster, nor hopelessness could bend from their resolve." As the bugle sounded, he shifted the Federal line to the respectful salute of *carry arms*. "Was not such manhood to be welcomed back into a Union so tested and assured?"

## 6. Leading Up and Out at the Wharton School

In discussion with one or two others, review the two questions below:

1. What are the one or two most critical capacities for your upward leadership during the next twelve months at Wharton?
2. How will you strengthen those capacities?

## Summary

- ❑ Leadership makes greater difference in dynamic, risky or uncertain environments as seen in Wharton research.
- ❑ A leadership checklist comprises mission-critical items, is as simple as possible but not simpler, and is customized around your unique challenges.
- ❑ The leadership checklist includes strengthening leadership in oneself and others, taking charge and leading change, and leading up and out.
- ❑ Develop upward leadership through 1) self-directed study of leadership decisions, 2) mentoring and coaching of leadership decisions, and 3) stretch experiences requiring new decision skills.
- ❑ Take charge even when you're not fully or formally in charge, as seen in Charlene Barshefsky.
- ❑ For upward leadership, think and act strategically, decide decisively, focus on the far horizon, think like a president, and focus on the common purpose, as seen at Salomon, Merck, and Appomattox.

## SUGGESTED READINGS ON LEADERSHIP

- Norman R. Augustine and Kenneth L. Adelman, *Shakespeare in Charge: The Bard's Guide to Leading and Succeeding on the Business Stage*. Hyperion, 2001.
- Larry Bossidy and Ram Charan, *Execution: The Discipline of Getting Things Done*. Crown Business/Random House, 2002.
- Peter Cappelli, Harbir Singh, Jitendra Singh, and Michael Useem, *The India Way: How India's Top Business Leaders Are Revolutionizing Management*. Harvard Business Press, 2010.
- Jim Collins, *Good to Great: Why Some Companies Make the Leap...and Others Don't*. HarperBusiness, 2001.
- Jim Collins and Morten Hansen, *Great by Choice: Uncertainty, Chaos, and Luck – Why Some Thrive Despite Them All*. Harper Business, 2011.
- Amy C. Edmondson, *Teaming: How Organizations Learn, Innovate, and Compete in the Knowledge Economy*. Jossey-Bass, 2012.
- David H. Freedman, *Corps Business: The 30 Management Principles of the U.S. Marines*. Harper Business, 2000.
- Howard Gardner, *Leading Minds: An Anatomy of Leadership*. Basic Books, 1995.
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- Bill George with Peter Sims, *True North: Discover Your Authentic Leadership*. Wiley, 2007.
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- Belle Linda Halpern & Kathy Lubar, *Leadership Presence: Dramatic Techniques to Reach Out Motivate, and Inspire*. Gotham, 2003.
- Daniel Kahneman, *Thinking, Fast and Slow*. Farrar, Straus, and Giroux, 2013.
- Steven Krupp and Paul J. H. Schoemaker, *Winning the Long Game: How Strategic Leaders Shape the Future*. Public Affairs, 2014.
- Alison Levine, *On the Edge: The Art of High-Impact Leadership*. Business Plus, 2014.
- Stanley McChrystal, with Tatum Collins, David Silverman, and Chris Fussell, *Team of Teams: New Rules of Engagement for a Complex World*. Portfolio/Penguin, 2015.
- David S. Pottruck, *Stacking the Deck: How to Lead Breakthrough Change Against Any Odds*. Jossey-Bass, 2014.
- Sheryl Sandberg, *Lean In: Women, Work, and the Will to Lead*. Knopf, 2013.
- Michael Shaara, *The Killer Angels*. Random House, 1974.
- Michael Useem, *The Leader's Checklist*. Wharton Digital Press, 2011.
- Michael Useem, *The Leadership Moment: Nine True Stories of Triumph and Disaster and Their Lessons for Us All*. Random House, 1998.
- Michael Useem, *The Go Point: When It Is Time to Decide*. Crown Business/Random House, 2006.

[Wharton Leadership Program](#), Wharton School, University of Pennsylvania.

“[Leadership in Action](#),” SiriusXM Channel 111, Business Radio Powered by Wharton, Thursdays, 7 to 9 pm Eastern time.

Michael Useem, Center for Leadership and Change Management, Wharton School, University of Pennsylvania  
Philadelphia, Pa., 19104-6370, USA. ☎ 1-610-348-0937 ✉ [useem@wharton.upenn.edu](mailto:useem@wharton.upenn.edu)

## **PRESENTATION OF LOUIS GERSTNER, CHIEF EXECUTIVE OF IBM**

### **to employees of Lotus Development Corporation**

Thank you, Jim. Thank you very much. That was a great welcome we got when we came on this stage. I hope a little of it was for us. I'll say a little more about Jim in a moment. I want to take a few minutes and describe to you why we think this joining of Lotus and IBM makes so much sense. Some of you may have seen some of the excerpts from the press conference that was literally, I guess almost to the hour, a week ago. There are a number of things happening in this industry. In fact every day, lots of things happen. But there are a few things that are very central. And one of them is that the industry is definitely moving to a new phase of how the customer wants to use this technology.

And we've gone from the phase of highly-centralized, post-base systems, although they still play a very important role in large enterprises, to the stand-alone PC world that has exploded for a decade around the world. But increasingly, customers, be they the owners of the enterprise or the end users, are finding that the model is not working as it should, and that there is a need to both integrate host and client computing, but much more importantly -- as companies go through reengineering and changes in the way they think about how they're managed, and as how people begin to work away from central sites -- that there is an extraordinary need for two things. First, a horizontal ability to communicate across the organizations, which is very much a technology that Lotus leads and is almost synonymous with. There are other things that are needed, and that is a very significant increase in software that provides systems management across these heterogeneous distributed platforms, and that is something that IBM has spent a great deal of time and has a great deal of resources.

But this new model of computing calls for, from IBM's perspective and Lotus' perspective, an open platform -- an open platform that recognizes and respects the heterogeneity of most enterprises in terms of what exists in those enterprises. Multiple systems, multiple operating systems. Multiple networks. And so as we move into this new model, there's two choices emerging in the world. There's the model led by Lotus, and now I hope IBM-Lotus. And there's another guy out there. There's another guy out there who has a different solution, and his solution is: "Well, it's very complex and it hasn't worked, so just put it all on our proprietary system. And it'll be closed, front office, back office, on our operating system, our APIs."

And over the next couple years, a huge battle will be waged for where this industry is going to go. Now, I was a customer of this industry for 20 years, and I want to tell you what the customer wants and what the customer needs is an open, interoperable platform. And I think we have a chance between Lotus and IBM to set that standard, not because we want to own standards. Because that's what the customer deserves. That's what the customer needs. And in order to do that, we need to send a signal to the world that the leadership in this industry changed yesterday. It is going to be our responsibility and our opportunity to provide that leadership. And I think that the marriage of Lotus and IBM will do that in ways that no other individual company, be it ourselves or any other combination, can do. So, I am very excited to be here today, because you represent the leading edge of fundamental change in this industry, and we think, combined with our resources, we can make sure that your success happens.



Now, let's talk about the events of last week. It was interesting that I did place a call myself to Jim at 8:25 and he answered his own phone and I said, "This has got to work. I'm placing the call; he's answering the call." (*Laughter*)

His reaction wasn't quite as positive as that. (*Laughter*)

But he was incredibly polite. (*Laughter; applause*)

And I had been thinking about this phone call all night or all the previous night, and I was sort of thinking how I would have reacted if I had been in his shoes, and so I was really prepared for a different reaction, but it was the first sign of a man I got to know over the last week that is truly remarkable. I said at the press conference when asked why were we doing a hostile (takeover), I said, "We don't want a hostile. We are hopeful that the steps that we have taken will lead to a negotiated transaction in which both sides are excited about the future."

I said that at eleven o'clock a week ago, I did not expect it to be quite as successful, and I give all of that credit to your CEO, Jim Manzi. His call to me on Tuesday took a lot of guts. It took a lot of sophistication in terms of focusing on what was important for Lotus and not what was important for Jim. And throughout the discussion that took place, not only were our discussions always very civil, but they were always focused on what's right for Lotus, its customers, its shareholders, its employees, and they never focused on what's right for Jim.

So, I couldn't be more pleased that he's agreed to stay. He's agreed to stay as the CEO of your company, and we will work together -- Jim, John, and myself -- to really make this thing work. Let me close with just a comment that I made this morning to the senior group of Lotus executives that we met with briefly before this session. My expectations for Lotus are very simple. I want you to win in the marketplace. I want you to beat our competitors. I want you to grow fast. I want you to execute a set of strategies brilliantly to deliver what we all want, which is leadership for our customers.

We did not purchase Lotus because we feel like we're good at downsizing. We're hopefully done downsizing at IBM. There is no way we can get our 3.5 billion dollars back by downsizing Lotus. We want all parts of Lotus, not just Notes. We want all parts of Lotus to grow fast, to take advantage of a competitor who is looking in 10 different directions at once and who is on the wrong side of the issue in terms of what customers should have. We want to make the term Windows an opportunity in the next 18 months that will be huge for both of us. Those are my expectations. That you succeed, that you execute well and that we find ways to work as a team without in any way destroying what's important to you as a group of people and as a culture. Thank you very much.