

Human Resources Roundtable Meeting

Wednesday, April 1st

2:45pm – 4pm

*JW Marriot Desert Ridge Resort & Spa
Phoenix, AZ*

Discussion Leads:

Denise Dank, SVP-Chief HR Officer, Duke Realty
Corporation

Ellen Jacobs, SVP-Corporate Services, Digital Realty

AGENDA

REITWISE ROUNDTABLE: HUMAN RESOURCES

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Ellen Jacobs, SVP-Corporate Services & Human Resources, Digital Realty

- I. Introduction**
- II. Fostering Leadership**
- III. Mentoring/Motivating Staff**
- IV. Compensation Issues**

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Dear Colleague:

We're pleased to present you with the following copy of *Leadership Perspectives*. This feature FPL publication discusses the leadership qualities that drive success (and also lead to failure) in an organization. Topics of special interest include:

- Overvaluing the Wrong Leadership Attributes
- Entrepreneurial Personalities and the Ability to Scale Organizations
- Handling Adversity: The Most Reliable Indicator of True Leadership
- Lessons to Be Learned From Bad Leaders
- Strong Followers Can Be Toxic For Leaders
- The Proper Balance of Leadership and Organizational Management
- Emotional Intelligence
- When is a Narcissist Good for a Company?

We hope you find the following observations to be timely and of interest. We look forward to receiving your feedback.

Best regards,

FPL ADVISORY GROUP

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One of the most fundamental mistakes (in assessing leadership) is the tendency to overvalue certain characteristics, attributes, and skills.

Focus on Identifying Leaders, Not Leadership Development

In predicting which individuals are most likely to succeed in broader leadership roles, most organizations overvalue certain attributes and undervalue others. To make matters worse, these organizations do not have the right procedures in place to produce a complete and accurate picture of their top prospects. The best evaluation process is one in which each candidate is assessed by a group of others, including the individual's manager and other executives who have observed his/her behavior directly over time and in different circumstances. This process enables the group to probe a wide range of leadership criteria and obtain balanced and complete information. Think of it as an annual physical!

Overvaluing certain characteristics, attributes, and skills can be hugely problematic. For example, being a team player often ranks high on the list. But in fact, the best leaders are not usually team players. They feel little need to work in a group. They are independent thinkers and don't mind making decisions by themselves—decisions that set them apart from the pack. Team players are typically consensus managers. Exceptional leaders are willing to take risks by picking people who are unlike themselves.

Another common misconception is that leaders actively try to develop others through close mentoring relationships. In fact, many excellent leaders instead prefer to select strong people and delegate responsibilities fully to them. This provides them with various opportunities to grow through their own experiences and to make their own mistakes.

In addition, organizations often overvalue people who are good implementers and problem solvers. Often these proficient individuals rely too heavily on systems, policies, and procedures and rigidly expect everyone to operate in that same style. True leaders are adept at handling problems that are nebulous or

ambiguous. Thus, an ability to handle and even thrive in ill-defined and complex situations is critical. In short, exceptional leaders are comfortable acting in gray areas and, in fact, are often able to exploit ill-defined and complicated situations to their advantage.

Furthermore, too often organizations overvalue stand-up presentation skills. While these skills are certainly important, a more difficult shortcoming to correct, and one that people sometimes minimize, is a lack of one-on-one social skills. Leaders can't enlist people they need to support their cause without the ability to engage, convince, and inspire.

Raw ambition is seen by many organizations as a key criterion. Unfortunately, a person's ambition can be understated. In fact, many exceptional leaders are modest and display little ambition even though they are fiercely competitive on the inside. A high degree of personal humility is far more evident among exceptional leaders than is raw ambition.

In short, many top executives at organizations tend to favor those with backgrounds, experiences, and characteristics similar to their own. This is a fatal flaw! The best way to assess a person's capacity to lead is through a group evaluation that includes the individual's manager, his/her manager's manager, and several people senior to the individual who have worked with him/her directly. And while leadership development should never be undervalued, the real focus should be accurately identifying leaders in the first place. Some would argue that leadership talent is hard-wired in people before they reach their mid-twenties. By the time they arrive at the corporate doorstep, they are reasonably complete packages. In reality, these people don't change very much once they enter the corporate world, and those changes that do occur are mainly a matter of a consolidation of strengths.

Unfortunately, most entrepreneurs have four fatal flaws.

Entrepreneurial Personalities and the Ability to Scale Organizations

There is a common myth that the entrepreneurial personality and the executive personality can never meld together. This is simply not true. The problem is not so much one of leadership personality as it is of approach.

Unfortunately, most entrepreneurs have four fatal flaws. First, they tend to be too loyal to comrades. This blind loyalty can become a liability in managing more complex organizations. The second tendency, being task-oriented, is critical to entrepreneurs' success, but excessive attention to detail can cause a large organization to lose sight of its long-term goals. Next, the single-mindedness of an entrepreneur is important for launching a business, but this can limit a company's potential as it grows. Finally, working in isolation, which is typical of most entrepreneurs, is disastrous for a leader whose expanding organization increasingly relies on many other people.

Successful leaders who scale businesses deal honestly with problems and quickly weed out non-performers. They move past distractions and establish strategic priorities. They learn how to deal effectively with diverse employees, customers, and external constituencies. Most importantly, they make the company's continuing health and welfare a top concern.

Handling Adversity: The Most Reliable Indicator of True Leadership

There is a theory that one of the most common attributes found among successful leaders is that they have endured intense, often traumatic, experiences that transformed them and became the source of their distinctive leadership abilities.

These were points in time when they were forced to question who they were and what was important to them. These experiences made them stronger and more confident and changed their sense of purpose in some fundamental way. Most critical to these great leaders was an adaptive capacity and an ability to transcend adversity and emerge stronger than before.

These transformative experiences often lead to a new or altered sense of identity. For example, experiencing prejudice is particularly traumatic, because it forces an individual to confront a distorted picture of himself/herself and often unleashes profound feelings of anger, bewilderment, and even withdrawal. The experience of prejudice is often a clarifying event because it allows a person to gain a clearer vision of who they are, the role they play, and their place in the world.

Another transformative experience can involve episodes of illness or violence. However, not all experiences need to be traumatic. They often can involve a positive if not deeply challenging experience such as having a demanding boss or mentor.

In short, successful leaders find meaning in debilitating experiences. For example, they engage others in a shared meaning, diving into a chaotic work environment to mobilize employees. Secondly, they utilize a distinctive and compelling voice often to defuse potentially violent situations. Thirdly, they represent a sense of integrity where values often prevail even in emotionally charged situations. But most importantly, they embody this adaptive capacity where they transcend adversity with all its intended stresses to emerge stronger than before. They understand how to grasp the context of a problem and consider all the constituencies involved. In short, they have the perseverance and toughness to emerge from devastating circumstances without losing hope.

The reality is that most people, including leaders, prefer conformity to controversy.

Lessons to Be Learned From Bad Leaders

Machiavelli argued that the only truly bad leadership is weak leadership. He admired unscrupulous leaders who exercised power and authority with an iron fist. In contrast to Machiavelli, the Founding Fathers of the United States understood that leadership is easily corrupted and, therefore, went to extraordinary lengths to construct a Constitution that makes it hard for leaders to accomplish much without the negotiated consent of their followers.

Interestingly, business leadership is painted with a brush almost the polar opposite of many of the political tyrannies. Unlike power wielders, business leaders cannot treat people as things. In short, the model of business leadership is one of benevolence. However, leadership is not a moral concept. Leaders are like the rest of us: trustworthy and deceitful, cowardly and brave, greedy and generous! To assume that all good leaders are good people is dangerous. It is only when we recognize and manage our feelings that can we achieve greatness.

Leaders fall from grace when they are unaware of their darker sides and so fail to guard against them. The real problem is not so much that leaders have a dark side; rather it is that they (and everyone else for that matter) choose to pretend that it doesn't exist!

Strong Followers Can Be Toxic For Leaders

A particular problem can arise for strong leaders who attract and empower strong followers. Not only can well meaning followers become united and persuasive about a particular course of action, but followers can fool leaders with flattery and isolate them from uncomfortable realities. Hence, leaders

need to become more skeptical and set boundaries. Leaders need to make an extra effort to unearth disagreement and find followers who will pose hard questions.

The reality is that most people, including leaders, prefer conformity to controversy. This can be quite dangerous, especially in the American culture, where people form and express quick opinions. We are not a reflective society. Americans like to brainstorm and move on. Furthermore, leaders are sensitized to undermining their employees' commitment to a particular cause. Spending political capital and overruling employees one too many times can de-motivate them.

This situation becomes increasingly dangerous with narcissistic leaders, who will often leverage their leadership positions to further their personal interests. However, an even more serious problem is that leaders who invite flattery insulate themselves from the bad news they need to know.

So the question becomes – how does one guard against this problem? Most importantly, leaders can protect themselves from their companies by setting good examples. Followers tend to model themselves after their leaders. Straightforward leaders are less likely to be manipulated, and effective leaders won't condone or encourage unethical behavior in their ranks. In short, honest followers have just as great an investment in unmasking manipulative colleagues as their leaders do.

To avoid being misled by one's followers, leaders should keep their vision and values front and center so no one gets distracted. People must be encouraged to disagree, and truth tellers must be cultivated. Leaders should set a good ethical climate for their organizations. Also, while delegating responsibility is important, leaders need to stay involved. Finally, leaders need to honor their intuition and guard against being manipulated.

In contrast to managers, leaders are wired differently.

The Proper Balance of Leadership and Organizational Management Drives Business Success

Businesses must find ways to train good managers and develop leaders at the same time. Without a solid organizational framework, even the most brilliant leaders will spin their wheels, frustrating co-workers and accomplishing little. But without an entrepreneurial culture, a business will stagnate and rapidly lose competitive power.

Managerial development focuses on building competence, control, and the appropriate balance of power. In contrast, the essential leadership elements of inspiration, vision, and human passion drive corporate success. Managers embrace process, seek stability and control, and distinctively try to resolve problems quickly. In contrast, leaders tolerate chaos and a lack of structure. In this sense, they are more like artists than scientists. The reality is that organizations need both managers and leaders to succeed.

In contrast to managers, leaders are wired differently. They tend to work from high-risk positions. For managers, a survival instinct dominates, and hence, they have an ability to tolerate mundane, practical work. In contrast, leaders sometimes react to mundane work as an affliction. Furthermore, managers prefer to work with people. They avoid solitary activity because it makes them anxious. They like to collaborate. In contrast, human relations in leader-dominated structures often appear turbulent, intense, and at times, even disorganized.

While leaders work in organizations, they never belong to them. Their sense of who they are does not depend on memberships, work roles, or other social indicators of identity. They bring about change to profoundly alter human, economic, and political relationships.

There are certain common threads among great leaders. Most are indifferent students. The reason for mediocrity is not the

absence of ability but normally the inability to pay attention to ordinary tasks. Secondly, leaders form important one-on-one apprenticeship relationships which accelerate and intensify their development. And gifted people repeatedly demonstrate the important part a teacher plays in developing an individual. Great teachers take risks. They bet initially on talent they perceive in younger people.

Emotional Intelligence

According to research completed by the psychologist and author, Daniel Goleman, among others attributes, emotional intelligence may be the key attribute that distinguishes outstanding performers. The chief components to emotional intelligence—self-awareness, self-regulation, motivation, empathy, and social skills—all need to be integrated into one complete package. This is not to say that technical skills and native intelligence are not also key drivers behind success, but emotional intelligence seems to be a differentiating factor.

Of the chief components of emotional intelligence, self-awareness is all about having a deep understanding of one's emotions, strengths, weaknesses, needs, and drives. People with strong self-awareness are neither overly critical nor unrealistically hopeful. Rather, they are honest with themselves and others.

Biological impulses drive our emotions. We cannot do away with them, but we can do much to manage them. Extraordinary leaders find ways to control bad moods and emotional impulses, and even channel them in useful ways. Controlling one's feelings and impulses allows a leader to create an environment of trust and fairness. Leaders who have mastered their emotions are able to roll with the changes, especially with everything that happens in such a competitive role. Finally, self-regulation enhances integrity because many of the bad things

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that happen in companies, whether it's exaggerating profits or abusing power for selfish ends, are a function of compulsive behavior.

All effective leaders are driven to achieve beyond expectations—their own and everyone else's. And these leaders are motivated by the drive to achieve rather than by external rewards. These are people who have the passion for the work itself. Such people seek out creative challenges, love to learn, and take great pride in a job well done. They also display an unflagging energy to do things better. People with such energy often seem restless with the status quo. They are persistent with their questions about why things are done one way rather than in another. They are eager to explore new approaches to their work. And if you set a high performance bar for yourself, you will do the same for the organization when you're in a leadership role.

Of all the dimensions in emotional intelligence, empathy is the most easily recognized. But it doesn't mean a leader should adopt other people's emotions as his/her own or try to please everybody. Empathy means thoughtfully considering employees' feelings—along with other factors—in the process of making intelligent decisions. For business leaders empathy is increasingly important as globalization becomes a reality for most organizations. Cross-cultural dialogue can easily lead to miscues and misunderstandings. Empathy is an effective antidote. And finally, empathy plays a key role in the retention of talent, which is extraordinarily important in today's information economy where the company's assets "head up and down the elevator" every day.

Like empathy, social skills are about a person's ability to manage relationships with others. It is friendliness with a purpose—moving people in the direction you desire. Leaders tend to be very effective at managing relationships where they can understand and control their own emotions and can

empathize with the feelings of others. After all, a leader's task is to get work done through other people, and social skills make this possible. A leader who cannot express his/her empathy may as well not have it at all. A leader's motivation will be useless if he/she cannot communicate passion to the organization. Social skills allow leaders to put their emotional intelligence to work.

As is true of the debate as to whether leaders are hard-wired at an early age, the question remains as to whether people are born with certain levels of empathy or if they acquire it as a result of life's experiences. The answer appears to be both. There is a genetic component to emotional intelligence. But emotional intelligence increases with age. Some maturity is a key driver in developing emotional intelligence as well. However, for those who want to build their emotional intelligence, it can only happen with sincere desire and a concerted effort. A casual solution simply won't work.

When is a Narcissist Good for a Company?

Narcissists are good for companies in extraordinary times, those that need people with the passion and daring to take them in new directions. But narcissists can also lead companies into disaster by refusing to listen to the advice and warnings of their managers. Narcissists personify the phrase "Only the paranoid survive." Recommendations about creating teamwork and being more receptive to subordinates don't resonate with narcissists. They didn't get where they are by listening to others. So why should they listen to anyone when they're leading an organization? Narcissists must work hard to overcome the limits of their personalities. One solution is to find a trusted sidekick who can point out the operational requirements of the narcissist's overly grandiose vision and hence keep him/her rooted in reality.



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Freud described narcissists as “people who impress others as being personalities.” They are leaders especially suited to give fresh stimulus. However, narcissists also have a dark side. They can be emotionally isolated and highly distrustful. And achievements can feed feelings of grandiosity. But the reality is that we are all somewhat narcissistic. And there are productive narcissists. These are people that can see the big picture and find meaning in the risky challenge of changing the world and leaving behind a legacy. They have the audacity to push through the massive transformations that society periodically undertakes. They’re also charmers who can convert the masses with their rhetoric. However, narcissism can turn unproductive when narcissists become unrealistic dreamers who nurture grand schemes and harbor the illusion that only circumstances or enemies can block their success.

Narcissistic leaders bring both strengths and weaknesses to the role. They have compelling visions for organizations and have an ability to attract followers. In fact, they are quite dependent on their followers—they need affirmation and preferably adulation. However, this charisma is a double-edged sword and fosters both closeness and isolation. As he/she becomes more successful, the narcissist listens even less to the words of caution and advice. Rather than try to persuade those who disagree with him/her, the individual feels justified in ignoring them and thus creates further isolation.

The downside to narcissists is extreme as well. They are sensitive to criticism and will typically become emotionally isolated. As the more independent-minded players leave or are pushed out, succession becomes a particular problem. In addition, narcissists are poor listeners because they often feel threatened or attacked because of their sensitivity to criticism. Narcissists are furthermore not particularly empathetic and in fact are more street smart. Because of their

lack of empathy and extreme independence, narcissists find it difficult to mentor or be mentored. And finally, narcissistic leaders are relentless and ruthless in their pursuit of victory. Hence, their organizations are generally characterized by intense internal competition.

In short, narcissists thrive in chaotic times. They like risk and often ignore the cost. In this age of innovation, there is no substitute for narcissistic leaders. They don’t try to anticipate the future as much as create it. But narcissistic leaders can also self-destruct and lead their organizations terribly astray. With a trusted sidekick, who will keep them grounded, narcissistic leaders can recognize their limitations and ultimately lead a business successfully. For those who don’t recognize their limitations, it could be the worst of times! ■

We hope you find the thoughts and insights provided here to be valuable. We look forward to receiving your comments and observations.