

Authentic leadership

Business is not just about the pursuit of profit for authentic leaders, says **Larry Reynolds**, they put people first

Anyone believing that business leaders are selfish and unpleasant will have found plenty of supporting evidence over the last 25 years or so.

When the Gordon Gekko character in the 1986 film *Wall Street* proclaimed “greed is good”, he seemed to be articulating the prevailing business philosophy of the 80s and 90s. Since then, we’ve seen an increasing focus on businesses as money-making machines. From business process re-engineering to lean manufacture, the emphasis has been on ruthless efficiency in the name of profit. Working hours have become longer and more intense, especially for managerial staff. For senior managers, this has led to great financial rewards. In 1970, the CEO of a Fortune 500

company earned 36 times the salary of the average worker. By 2008, this had risen to 365 times.

This ethos infected the public sector too. In education, health and local government, senior managers were awarded huge pay packages and told to achieve key targets. Hitting targets was the public sector’s proxy for making profit. Sometimes these targets make sense, but sometimes they don’t – are exam league tables really the be-all and end-all of education?

As human beings, many of us were always a bit uneasy about this approach to organisations. As Charles Handy observed back in the 80s, isn’t it strange that so many people are prepared to work so hard in order to make money for a small group of people – shareholders – who they’ve probably never met?

By the late 90s, things were starting to look distinctly dodgy. The final collapse of Enron in 2001 showed that perhaps greed wasn’t so good after all. Other companies – notably WorldCom and Tyco – followed, as their chief executives were marched off to jail for cooking the books.

Since then, as the world’s entire financial system has come close to collapse, it’s become clear that many institutions were too keen on chasing unsustainable profits. The fact that some of the leaders of these institutions have, nevertheless, received generous financial packages has rubbed salt in the wounds of the taxpayers who are now picking up the bill.

Business leadership has not covered itself in glory over the last quarter of a century, and it’s not surprising that there’s been a



yearning for a different approach to leadership. This approach is often described as authentic leadership, which certainly sounds good. Most of us would rather be led by an authentic leader than someone selfish, insincere and, well, inauthentic. But what exactly is an authentic leader? In this article I will explore the current thinking on authentic leadership, with a view to defining exactly what it is.

According to most dictionary definitions, authenticity in a person is closely related to trust. Trust, in turn, has four elements – competence, honesty, reliability and fairness. It's relatively uncontroversial to say that we want our leaders to be good at what they are doing, to tell the truth and to do the things they say they are going to do. But fairness is more problematic. What does it mean to say that a leader is fair?

At one level it's about financial reward. It doesn't seem fair that bankers have walked away from failed banks with huge pension pots. And it doesn't seem fair that MPs can claim thousands of pounds for second homes, even if it's within the rules.

But fairness in organisational terms goes beyond financial reward: it raises

some fundamental questions about what organisations are for. Is it fair that organisations exist solely to make money for their shareholders, when so many other people – employees, customers, suppliers and other partners, society as a whole – help create that wealth?

Bill George, former CEO of medical devices firm Medtronic, who has done much to popularise the term authentic leadership, certainly does not think so. For him, authentic leaders address the needs of all stakeholders¹: “We do not need executives running corporations into the ground for personal gain. We do not need celebrities to lead our companies. We do not need new laws.

“We need new leadership.

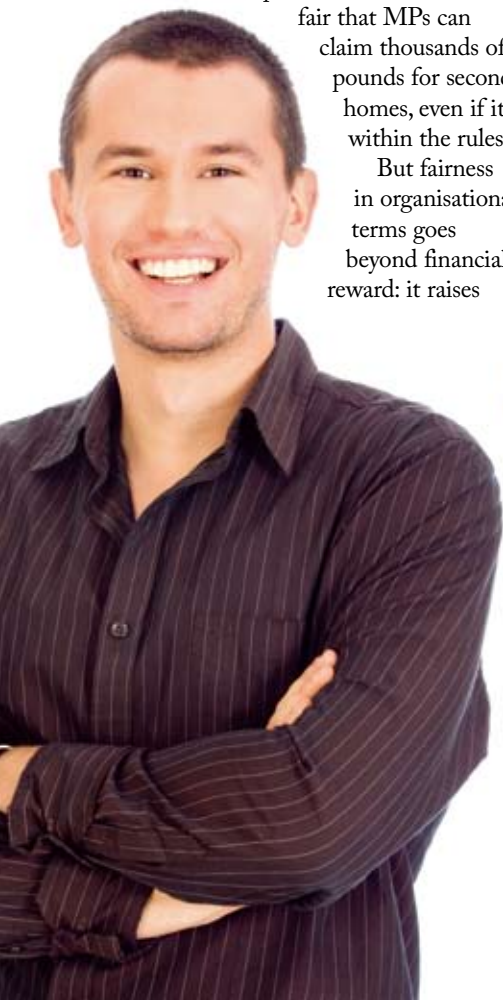
“We need authentic leaders, people of the highest integrity, committed to building enduring organizations. We need leaders who have a deep sense of purpose and are true to their core values. We need leaders who have the courage to build their companies to meet the needs of all stakeholders, and who recognize the importance of service to society.”

Authentic leaders differ from traditional business leaders in three significant ways.

First, they see the purpose of their organisation as meeting the needs of all the stakeholders – employees, customers, suppliers and partners, society, as well as owners. In contrast, traditional business leaders see the purpose of the organisation as making money for the people who own it. Traditional business leaders have but one measure of organisational success – shareholder value.

It's true that in order to deliver *shareholder* value you have to meet, at least to some extent, the needs of the other *stakeholders*. Without customers, and with highly disgruntled employees or unreliable suppliers, your business is likely to fail. But for a traditional leader, if there appears to be a conflict between shareholder value and meeting the needs of another group, it's shareholder value that triumphs every time.

A traditional leader will make people redundant if it's cheaper to outsource the work somewhere else in the world; an authentic leader will take into account the needs of existing employees. A traditional leader will drive a hard bargain with suppliers to keep costs low and profits high; an authentic leader will develop mutually beneficial





and fair long-term relationships with suppliers.

The second way in which authentic leaders differ from traditional leaders is their time frame. Traditional business leaders are often quite short-term in their thinking – understandably so given the pressure to deliver short-term financial results. Authentic leaders tend to think longer-term. They are more interested in creating sustainable businesses than in making a fast buck.

This is especially true when facing the challenges of global warming. If you are a traditional leader, you do just enough to avoid the negative PR that might affect the share price. If you are an authentic leader, you do what you and your organisation can to sustain the planet for future generations.

Thirdly, authentic leaders understand that wellbeing is more important than money. Traditional CEOs are usually financially well-rewarded – 365 times the average salary in the case of Fortune 500 companies. Steve Tappin and Andrew Cave interviewed 150 global chief executives while researching their book *The Secrets of CEOs*. They concluded that being a CEO should come with this health warning²: “There is a high risk that while in the [CEO] role you will

have limited life outside work and that the job will put tremendous strain on your health, happiness and close family relationships and friendships.”

Authentic leaders, on the other hand, know that happiness and fulfilment isn’t to be found solely in work and achievement. Bill George talks about staying grounded and integrating the four main areas of your life – professional, personal, family and friends, and community.

This all sounds very well in theory, but is it achievable? Is it really possible to be an inclusive, long-term leader at work and enjoy wellbeing in all areas of your life?

In 1998, Emma Goss-Custard started cycling round Oxford, delivering her home-made cakes. Now her bakery business, Honeybuns, is turning over nearly £500,000 and sells yummy cakes to John Lewis, Morrison’s and Sainsbury’s. Most of her 26 staff walk to work. Despite the huge demand for her products, Goss-Custard turned down numerous offers of investment for expansion.

Goss-Custard’s personal wellbeing is more important to her than running a huge corporation. She doesn’t get up at 4am each morning to bake cakes as part of a long-term plan to earn

huge amounts of money: she does it because she loves baking, she loves being part of the small team that makes up the Honeybuns workforce, she loves seeing the smile on the faces of her local customers at the post office store, and because she loves having the time to support local tree planting and hedgehog projects. Values are more important than profit.

Richard Reed founded Innocent Drinks in 1999 with two college friends, with the explicit purpose of making the world a little bit better. As all three liked a good long soak in the bath, but hated it when the water went cold, their first business idea was an electrically-powered self-heating bathtub.

After a while, they realised that this was an extremely stupid idea and decided to experiment with fresh fruit smoothies instead. The business now employs 200 people and turns over more than £75m.

Innocent is keen to grow its business, while maintaining its core values – procuring ethically, reducing and offsetting carbon emissions, recycling and putting something back through charitable giving. Ten per cent of its profits goes to the Innocent Foundation, which supports charitable projects mainly in countries where Innocent sources its fruit.

Larry Page and Sergei Brin founded Google in 1996 with the slogan 'do no evil'. It now employs around 20,000 people, with a turnover of about \$20 billion, and has been voted the best place to work in America by *Fortune* magazine for the last two years running. In 2004, Google set up its philanthropic wing – Google.org – with an initial funding of \$1 billion, to address issues of climate change, global health and poverty. (Incidentally, Google.org's director is called Larry Brilliant. Brilliant, Custard – what is it about authentic leaders and their names?)

Both Innocent and Google are authentic in that they strive to address the needs of all their stakeholders. Both are known as great places to work. Both make serious contributions to society and the communities in which they operate. And both organisations have been criticised for some of the decisions they've made. Arguably, becoming truly authentic is something you strive towards, rather than ever achieve.

If authentic leadership is about thinking long term, one of the best living exemplars must be the banker Muhammad Yunus. He founded Grameen Bank, an institution that began life lending Bangladeshi women very small amounts of money to help them start and sustain their own businesses. The micro-credit model, as it is known, has helped more than 7m Bangladeshi women out of poverty.

The Grameen Bank is not a charity, but a business. As Yunus observes, poverty is created by institutions. Poverty is best eliminated by institutions. That is his vision – a world free of poverty.

Although I've given examples of authentic leadership at the top of organisations, leadership isn't the preserve of the CEO – organisations need leadership at all levels if they are to address the complex, and sometimes conflicting, needs of all the different groups involved in the business.

Whether you are leading

a team, a department or an organisation, you can put these three principles into operation – addressing the needs of everyone involved, thinking long-term and understanding that wellbeing is more important than money.

Here then, is my definition of authentic leadership:

Authentic leaders create wellbeing for themselves, for their organisations and for society.

If that's what authentic leaders do, what skills do authentic leaders need? If there was a competency framework for authentic leaders, what would it look like? Echoing Bill George's comment that we need new leadership, I believe we also need a new approach to developing leaders – and a competency framework is not the way to do it.

Authentic leaders are leaders who address the needs of all stakeholders

Authentic leaders certainly share some characteristics. Integrity and courage would be on the list, as would be the ability to articulate, and engage people with, a vision. According to Rob Goffe and Gareth Jones at the London Business School, most authentic leaders are very good at being able to read a business situation and decide when to blend in and when to challenge³.

But the differences between authentic leaders are probably as striking as the similarities. Some, like Mohammad Yunus, are great storytellers and communicators. Some are highly intellectual – the Google guys spring to mind. Some are highly creative, like the blokes at Innocent, and some are just passionate about producing an exceptional product, like Emma Goss-Custard.

To look for a common set of characteristics in a person is to misunderstand the nature of

leadership. Leadership isn't a set of competencies in a person. It's what happens when a particular person (whom we call the leader) engages with a particular group of people, in a particular context, to achieve a particular purpose.

Trying to develop leaders through some kind of competency model that ignores the people, the context and the purpose is like trying to produce a wonderful meal with no one to cook it, no kitchen and no one to eat it. Developing authentic leaders is more about enabling people to play to their strengths in a particular context than it is about remedying their deficiencies as defined by some competency model.

Is authentic leadership the next big thing in leadership, or just wishful thinking?

Much of the culture of our organisations today is set by the beliefs of the people at the top, many of whom are the Baby Boom generation – broadly, those in the 45-65 age group who valued hard work and material success as a route to wellbeing.

Increasingly, both the employees and the leaders of 21st century organisations will be made up of Generation X (the 25- to 44-year-olds) and Generation Y (the under 25s) who have a very different set of values.

If you add into this mix the challenges of continuing globalisation and addressing climate change, authentic leadership is set to become very important indeed. ■

References

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