



PERFORMING WHILE TRANSFORMING

HOW TO MEET THE LEADERSHIP TEST OF OUR TIME

William C. Taylor

These days, leaders face two relentless sources of pressure.

The first is the intense demand to *perform*—to deliver excellent short-term results despite radical shifts in what customers need and want, where and how people choose to work, and whether supply chains work at all. The second is the urgent need to *transform*—to reimagine the future of your marketplace and workplace, given all these radical shifts, and to reinvent your company’s strategy and culture to win that future. Dealing with either source of pressure is tough, which is why so many leaders feel so anxious and stressed. But meeting both of them, at the same time, can feel truly daunting. The challenge of performing while transforming has become the leadership test of our time.

So how do leaders meet that challenge? How do they deliver for today even as they disrupt for tomorrow? By wrestling with four sets of questions that are hard to answer in the best of environments, but are especially hard in a period of such turmoil and uncertainty. What follows (I hope) are a set of useful ideas, a collection of practical techniques, and a few instructive stories about how to answer those questions and meet this defining leadership test.

MANAGING TIME

The first set of questions involve managing time: How can leaders handle the chaos of the present—the endless onslaught of Slack messages, customer crises, and people problems—and also create space to hatch the future? How do they avoid getting overwhelmed by day-to-day tasks that feel so *urgent*, at the expense of game-changing initiatives that are truly *important*?

Answering those questions starts with finding concrete ways, organizationally and individually, to literally make time for the future. Garry Ridge, CEO of WD-40, the iconic, old-school American brand, worried that his colleagues were so focused on crisp execution today that they were missing opportunities for game-changing innovations that could redefine tomorrow. So he created Team Tomorrow, a small group of senior executives from R&D, marketing, and finance, and tasked the team with identifying exciting new opportunities for the business. Their charter was to look far into the future (ten to 15 years down the road) as well as to identify nearer-term trends (three to five years) and figure out what technologies the company would need to acquire, what tests it would have to run, what skills it would have to develop, in order to reimagine its existing products and imagine whole new lines of business.

This was not a big-budget, stand-alone innovation department. It was a small group of executives who were relieved temporarily of their obligations to the present so they could find ideas that would shape WD-40 for decades to come. Executives cycled through the team, moving their focus from the present to the future and back again, and the result was a series of innovations that lifted the company's performance.

“Our job was to wake up every day and think about new sources of revenue for the future,” the leader of Team Tomorrow told me. “It would never have happened if we also had day-to-day responsibilities for the present.”

Rocket Mortgage, the huge online lender, devised a more grassroots approach to making time for the future. It created a scheduling innovation for its thousands of IT professionals called Bullet Time. Every Monday afternoon from 1 PM to 4 PM is explicitly set aside for the future. Programmers and app developers don’t return emails, update code, or do performance reviews—the daily grind that often feels so urgent. Instead, they work on ideas that have little to do with their current responsibilities and everything to do with future disruptions. The company helps people at all levels make time for the future by formally putting it on their calendars.

The lesson is as easy to understand as it is difficult to practice: Leaders cannot allow themselves to get so busy paying attention to the demands of today that they allow themselves to be distracted from the promise of tomorrow. The short-term urgency of performing should never overwhelm the strategic importance of transforming.

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MANAGING STRESS

The second set of questions involve the personal stress of leadership: How do CEOs, business-unit heads, or project managers solve problems that their organizations have never encountered before without burning out or giving up? How do they sustain themselves in roles that can feel bigger, harder, more unmanageable every day?

Answering those questions starts with rethinking your style of leadership, and rediscovering some leadership wisdom from more than a century ago. Mary Parker Follett, the highly respected (but often-overlooked) “prophet of management” from the early-twentieth century, famously distinguished between leaders who wield *power over* people and those who cultivate *power with* people. “That is always our problem,” she wrote, “not how to get control of people, but how all together we can get control of a situation.”

Steve Miller had a legendary career at Royal Dutch/Shell as a top executive whose business units were famous for both crisp execution and nonstop innovation. He championed a model of “grassroots leadership” that emphasized *power with* rather than *power over*. One of his many grassroots-leadership techniques was to charter a bus, fill it with colleagues from different levels and different functions, and do in-depth visits to customer facilities. After the visits, Miller and his colleagues would get back on the bus and discuss what they saw. Naturally, what people saw was a function of what they did and who they were. “You learn collectively,” he explained, “and you share the responsibility to fix the problems.” It’s a simple idea with big implications: Miller created an architecture of participation with his colleagues that allowed him to execute for today and innovate for tomorrow, without burning himself out in the process.

Edgar Schein, a legendary professor at MIT's Sloan School of Management, calls this kind of leadership mindset "here-and-now humility," and it is the mindset that he believes is required for executives and entrepreneurs who want to deliver killer results without killing themselves. What is here-and-now humility? It is "how I feel when I am dependent on you," Schein explains. "My status is inferior to yours at this moment because you know something or can do something that I need in order to accomplish some task or goal."

Most leaders are reluctant to embrace this mindset because executives and entrepreneurs with high standards and big ambitions "take it for granted that telling is more valued than asking." But it is important to understand, Schein insists, that humility and ambition need not be at odds with each other. Indeed, humility *in the service of ambition* is the most effective and sustainable mindset for leaders who aspire to do big things in a world defined by turmoil and uncertainty.

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MANAGING SETBACKS

The third set of questions involves how organizations react to reversals and disappointments: How can leaders encourage people to face up to big problems, and experiment with bold innovations, when the stakes feel so high and the consequences of failure seem so dire? How do we convince people that “playing it safe” has become the riskiest choice of all, especially in an environment with so much pressure to perform and transform?

Answering these questions starts with persuading people that there can be no success without setbacks, no breakthroughs without false starts and outright failures. Plenty of leaders talk this talk. A few years ago, for example, right after he became CEO of Coca-Cola Co., James Quincey called upon rank-and-file managers to get beyond the fear of failure that had dogged the company since the “New Coke” fiasco of the 1980s. “If we’re not making mistakes,” he insisted, “we’re not trying hard enough.” But it is the rare leader who understands how to transform a culture paralyzed by fear of failure into one that sees failure as a building block for success.

Patrick Doyle, who as CEO of Domino’s Pizza engineered one of the great transformations in business history, used breakthrough ideas about strategy, branding, and digital ordering to reinvent a 50-year-old company that had lost its way. But all of his organization’s triumphs, Doyle insists, were based on its willingness to face up to the likelihood of mistakes and missteps. He argues that there are two great challenges that stand in the way of companies and individuals being more honest about failure.

The first is what he calls “omission bias”—the reality that most people with a new idea choose not to fight for the idea because if they try something and it doesn’t work, that failure might damage their career. The second challenge is what he calls “loss aversion”—the tendency for most people to play not to lose rather than play to win, because for most of us, “The pain of loss is double the pleasure of winning.”

Creating “the permission to fail is energizing,” Doyle says. Ultimately, he argues, with apologies to the movie *Apollo 13*, “failure is an option”—because it is the necessary precursor to success. It is “a lot more fun to work for a company that is trying things, that is doing things,” Doyle said about the new Domino’s. “We love mistakes. It’s an important part of moving the business forward.” It took years of working on the culture before people at Domino’s learned to love mistakes, but it was their capacity to handle failure that allowed them to perform and transform.

MANAGING MORALE

The fourth set of questions involve rank-and-file morale: How do leaders encourage people to stay upbeat when it is so easy to feel beaten down? How do we keep our colleagues focused on the excitement of what’s possible rather than on the grim realities of what’s wrong?

Answering this set of questions starts with giving colleagues a reason to believe, a cause that can keep them energized when work feels draining. John Venhuizen, CEO of Ace Hardware, the humble Main Street retailer that delivered record results during the pandemic, is brutally honest about the crisis of morale that afflicts so many organizations.

That crisis existed long before COVID-19, but the past two years have made it even more urgent. “The vast majority of the people who do the heavy lifting in business are aimless, purposeless, bored, and disengaged,” he told me. “Leaders have to paint a picture of the future that creates passion,” to “rally people to go somewhere that is better than today.” Being named an essential business created huge challenges for Ace’s 100,000 front-line personnel in terms of safety and stress. But it also reinforced the meaning of their work. The pandemic “accentuated our purpose,” the CEO said. “If people ever wondered if their work mattered, they don’t have to wonder anymore.”

There is a second big drain on morale, one that connects back to the challenges of reckoning with failure. Experts on human psychology don’t agree on much, but nearly all agree that people respond more viscerally to bad news than good. When it comes to individual hearts and minds, “Bad Is Stronger than Good.” That’s the title of a landmark paper published by social psychologist Roy F. Baumeister and three colleagues. Their conclusion: Negative events or experiences have “longer lasting and more intense consequences than” positive events. As Baumeister writes, We “are devastated by a word of criticism but unmoved by a show of praise.” We “see the hostile face in the crowd but miss all the smiles.”

The way to defeat the power of bad is to emphasize—indeed, to over-emphasize—the promise of good.

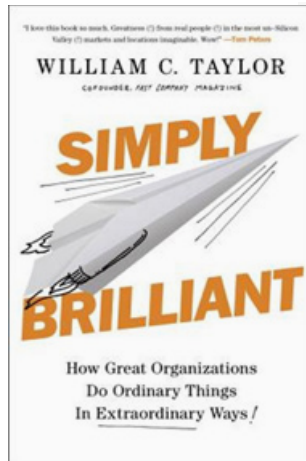
This built-in “negativity bias” has huge implications for leaders at every level—not just because it exists, but because it can be overcome, even when, as in the past few years, all the news that’s fit to print seems to be bad news. “Bad is universally powerful,” Baumeister argues, “but it is not invincible.” The way to defeat the power of bad is to emphasize—indeed, to over-emphasize—the promise of good. Baumeister calls it the Rule of Four: “It takes four good things to overcome one bad thing.”

So pop a (virtual) cork whenever one of your teams hits an important milestone. Hold a department-wide Zoom bash when you land a new client. Distribute a weekly or monthly newsletter that highlights what’s going well, to help people compensate for what’s gone poorly. Bad news, of which there has been plenty in the past year, doesn’t have to drag down your company or your team. But it does require leaders at every level to infuse even the best-designed strategies with a healthy dose of psychology. When it comes to both performing and transforming, it’s hard to get to the good unless you overcome the power of bad.

I’m not sure there has ever been a tougher time to be a leader, whether that means running a big company or heading a small team. It takes focus and discipline to execute crisply in the face of ever-changing customer needs and an ever-morphing pandemic. It takes energy and imagination to reckon with the long-term implications of these short-term pressures, and to unleash innovations that will endure long after Covid is a painful memory. **By devising ways to manage time, handle stress, overcome setbacks, and sustain morale, executives and entrepreneurs can meet the challenge of performing while transforming—and pass the leadership test of our time. 📌**



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