

## Speech by Deryk King to the IGEM in London, 18<sup>th</sup> February 2008

### Leadership

Good evening ladies and gentlemen. It's a pleasure to be here with you to share some thoughts on leadership, although it's also a somewhat daunting prospect as I review the illustrious list of past speakers at this forum.

Tonight I want to ponder a question that you may have asked yourself on occasion: are leaders born or made? The answer can be cruel in its simplicity, because if the answer is "born" then what hope is there for all of those - that is most of us - who are not born with a fully-fledged leadership gene in our make-up?

If you will allow me to work through this conundrum with you tonight:

- We will explore some characteristics of leadership.
- We'll then look at two decidedly different leadership styles in the form of some historical parallels.
- We will consider how those leadership styles translate into the modern workplace.
- We will look at the distinction between leadership and management.
- And consider the diverse characteristics of those we have to lead.
- I'll give you an idea of how we embed leadership behaviours into our organization at Centrica.
- And I will close with some recommendations on how to further develop yourselves as leaders.

So which is it to be? Are leaders born or made?

As Warren Blank, president of the Leadership Group, comments "the traditional viewpoint holds that natural born leaders are a rare commodity, implying that very few people have the "right stuff" to be leaders. The rest of us should just keep our heads down and hope that a real leader will come along and help us muddle through".

Putting my cards on the table immediately, I don't think this is remotely true! I believe that the specific set of skills required to be a good leader can be learned and developed. To the extent that individuals master these skills, they will come to be regarded as good, even great leaders. And perhaps those who work hardest at mastery will come to be regarded as "natural born leaders".

I'll talk tonight about why I believe this to be true, based on my experiences in both business and personal life. At one level, a hunger for personal development has led me to try and develop the skills necessary to lead others. But I quickly learned that it wasn't all about me, and that the greatest satisfaction of leadership is inspiring others

to achieve things that they did not think was possible, helping them achieve their full potential and, ultimately, developing them into the new generation of leaders that will carry the torch forward into the future.

Of course, to become an effective leader in this way requires an individual to have the desire and the willpower to become a leader. And this is perhaps where genetics plays its part. The fundamental *drive* to be a leader cannot be taught; it is either there or it isn't. But the two parts of the equation go hand in hand: you need the drive – something one is born with – to lead, but you have to develop the skills of great leadership along the way.

My very first company back in 1970, Air Products, captured these two thoughts in two words – empathy and ego-drive. All of Air Products' graduate trainees were recruited on the basis of just these two characteristics. In other words, they had to have the drive to develop and succeed, but at the same time they had to respect and be able to relate to people at all levels in the organization.

I'll refer again throughout the course of the evening to some of my own career experiences, so perhaps a very brief biography might help.

I am a scientist by education – a theoretical chemist to be exact – although I have never used this in my work career. This has caused my former professor at Oxford, John Albery, to be constantly critical of my wasted life, although, of course, it doesn't stop him asking me for donations to college funds!

I spent the first years of my career in sales and marketing, firstly with Air Products and then with ICI, who I was with for 23 years. I worked in a number of international roles with ICI including a 2½ year spell in Japan. My first general management role was running ICI's European fertilizer business and subsequently ICI's global polyester business. I left ICI in 1996 to join Powergen plc as Group managing director, left that job after falling out with my chairman (never a good career move), and joined Centrica in 1999. Soon after, I transferred to North America, in Roy Gardner's words, to "see what I could do" to open up a business there. I've been seeing what I could do ever since!

Throughout my career, as I took on responsibility for larger businesses and more and more employees, I asked myself what they needed from me in order to buy into the business strategy and perform to the best of their ability. What type of leader do employees want?

It's obviously not raw, unadulterated power. It's not brutal authority. And generally speaking, people don't want to be bossed around. So what is it that they do want? Maybe the internet can help. As I was collecting my thoughts for tonight, I expectantly typed the word "leadership" into Google, only to find 174 million websites

on the subject. Undeterred, I tried Yahoo. Even worse – 942 million websites on leadership! Something of a challenge to précis 942 million websites into a 40 minute talk!

So what *is* leadership? The best definition I can give is that “leadership is the wise use of power”. If this is too cerebral for you, Dwight D Eisenhower’s definition is a little more direct, “leadership is the art of getting someone else to do something you want done because he wants to do it”.

Or alternatively, in corporate-speak, “leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent”.

The key word in this definition is “influences” – so leadership is not about the raw exercise of power or authority. It comes instead from the ability to influence and persuade.

So we can add a third characteristic of successful leadership to the two we have already discussed. Not only do we need innate potential and drive, but we need to develop influencing skills. As Eisenhower said, the ability to get others onside with what you want done.

Let’s go back in time and examine this difference between two contrasting individuals, who are both still viewed as great leaders in their countries decades after their deaths.

Let’s start with this young chap. Any guesses as to who this is? Here he is in mid-career and here again towards the end. Winston Churchill is still revered in the UK as a great statesman and our greatest wartime leader. Born with all the advantages of the British upper class, you might think that Churchill merely fulfilled his obvious destiny. But this is far from the truth. Before 1940, Churchill was widely regarded as a rebel, a maverick and a loose cannon. His schooldays have been described as undistinguished, troubled and unhappy. His career in politics was chequered and he was regarded as reckless in his early days. But there was something in his make-up that delivered the right man for the hour. The point is that Churchill was not a *born* leader, but he was born with the *potential* to be a great leader. His subsequent upbringing, his family circumstances, his parliamentary experiences, all served to develop him for high office.

Unfortunately, we don’t all get the flying start of being born into the Churchill family. So let’s look at someone born into very different circumstances. Who do you think this is? Maybe this helps a little. Or this. This Andy Warhol print should leave no doubt.

The contrast between Mao Tse Tung and Churchill is stark. What was it that made this son of a humble peasant farmer from Hunan province in central China into the supreme leader of the world's largest nation? Well, it's clear that there was no family or peer group expectation that Mao would rise to high office. But what he did possess was a fierce inner drive, a lust even, for power. Sadly, his development, as Jung Chang puts it in her biography of Mao, is a chilling portrait in tyranny, degeneracy, mass murder and promiscuity. He ultimately became China's greatest tragedy, a genocidal despot responsible for the deaths in peacetime of perhaps 70 million of his own people.

Despite these differences, Churchill and Mao shared two of the common characteristics – the innate *potential* to develop as a leader, the *drive* to achieve this potential. The ego-drive was there, but there, the similarity ends.

Churchill was a great wartime leader, but by all accounts not a terribly competent manager. Despite this, and despite the fact that he was often impaired through his love of fine cognac, he was a man able to inspire the nation and millions of troops in Britain's darkest hour. He instilled a sense of pride, duty and followship in the nation.

Mao was the complete opposite. He was a ruthless, cunning manager, a manipulator prepared to sacrifice any and all in the pursuit of power. Rather than followship, he instilled fear and dread in his subordinates by repeatedly using the sanction of murder, not only against his opponents but also, in many cases, against his supporters.

Let me try and translate these thoughts into today's business environment. Whilst I'm not suggesting that today's managers employ Mao's extreme methods, we all know or know of managers who rule by fear. They have been given authority by dint of appointment into a managerial role and by god they are going to use it!

They can reduce subordinates to tears with a few well-chosen words. As one of my old bosses at ICI used to say "if you can't do it Deryk, then I'll just have to bring in someone who can". Whilst this didn't move me to actual tears, it wasn't the greatest motivation and it was only when I confided in a colleague that we found out he said this to all of his people. His credibility was destroyed at a stroke!

Now, I said that Churchill was not a terribly competent manager, inclined to recklessness. How is this consistent with great leadership? The answer lies in the fact that leadership and management are two quite different skills. Let's dwell for a moment on the distinction between the two.

This is the first of three books I will recommend tonight. It's a rather ancient (1990) text by Harvard Business School professor John Kotter. Kotter has written a number

of books on the same theme since 1990, but for me this remains his seminal work, and the one that kick-started my own leadership journey.

Kotter draws some critical distinctions between leadership and management, shown here. He draws the distinction between the management task of establishing detailed steps and timetables for achieving desired results and the leadership task of articulating a vision of the future and the changes required to achieve that vision.

He distinguishes between creating organizational structures staffed by employees with the required skill sets, and the leadership task of creating teams and coalitions that buy into the vision.

And he contrasts the management tasks of monitoring results and identifying deviations from plan with energizing people to overcome barriers.

Kotter summarizes by saying that management is the art of producing the predicted outcomes expected by stakeholders, whereas leadership is all about challenge to the status quo and change.

So, am I saying that great leaders can get by without good management skills? Of course, the answer is “no” in today’s unforgiving world, when highly developed management skills have become table stakes. But I will defend the thesis that great managers are ten a penny, whereas great leaders are a rarity.

I spoke earlier about mastering leadership skills and attributes. There are many ways of describing these, but these five words encapsulate to me the attributes a great leader must possess if he or she is to gain willing followers without coercion. They are: values, character, ethics, knowledge and skills. Churchill had most if not all of these attributes. Mao had a quite different set of values shown here: self-serving, the rule of fear, ruthless, despotic and ultimately megalomaniacal.

At Centrica, we have tried to build our leadership team around the core values on the left. However, whilst we found we could support these at an intellectual level, we struggled with what they meant in practice, day-to-day. So we converted our values into what we call leadership behaviours. These leadership behaviours describe *how* we set about achieving our objectives, as opposed to *what* those objectives are. We have 5 leadership behaviours:

- One team, where everyone counts; in other words, we always do what’s best for the whole company, not just for our own individual businesses.
- A positive environment, where people *want* to work; few people in Centrica turn up just for the pay. We believe in what we are doing and that it has a worthwhile purpose. Interestingly, a quite different ethos than you would imagine from reading the tabloid press.

- Putting the customer first, where *they* define excellence; in other words keeping the people who pay our wages front of mind.
- Seizing responsibility, to deliver on our commitments; I wouldn't want you to think that we are just a "touchy-feely" organization. We are hard driving and dedicated to achieving our goals.
- And finally, seeing beyond these goals; bringing a sense of wider community into our workplace, be it local community support, charitable giving, health and safety, climate change and so on.

I don't pretend that this is a complete list, or necessarily appropriate for your own organizations. However, it works for us and I would commend any approach that converts theoretical concepts into practical advice. In Centrica, assessment of leadership behaviours is a critical part of performance assessment. All of our managers are assessed on *how* they achieve their objectives as well as *what* they achieve. And we have a hierarchy of training modules, from the first steps in management right up to the most senior roles, what we call "leader of leaders".

Fortunately, for all of us, there are more than a handful of academics, economists, scientists and theologians who can give us their theories on how to be a good or even great leader. This leads me to my second recommended reading – "Good to Great" by Jim Collins. Jim is a former professor at Stanford Business School. Unlike most management gurus, Jim researches his subject in great depth – five years with a staff of 21 in the case of "Good to Great", which is the best selling management text of all time.

"Good to Great" isn't a book on leadership *per se*. It speaks to what makes some companies highly successful and others in the same field dismal failures by comparison. What *is* special about "Good to Great" is not the stories about the companies themselves (interesting though these are), but the embedded insights into leadership. Jim talks about five levels of leadership that were identified during the course of his research. These are progressive stages in a successful leader's development and you'll appreciate that this reinforces the thesis that leadership can be developed, coached and learned.

Here is a brief snapshot of Jim's five levels of leadership, starting at the first level by becoming basically very good at what you do; what he calls becoming a highly capable individual. At the top we have the level 5 executive, a status achieved as the terminus of a lifetime journey of leadership development.

We haven't got time unfortunately to discuss this journey in great detail, but you may all want to consider for a moment where you sit on this scale. And note that Jim's thesis, as we discussed earlier, is that management skills (Level 3) are table stakes on the way to becoming a great leader.

Let's stay with Level 5 for a moment. Those of you who haven't read Jim's book may be surprised how he characterizes Level 5, as here.

He says that Level 5 leaders embody a paradoxical mix of professional will and personal humility. They are ambitious, to be sure, but ambitious first and foremost for their organization and not themselves.

Level 5 leaders have unwavering resolve, but exercise this in a quiet, determined manner and not by threat or coercion.

Most importantly, Level 5 leaders look out of the window to apportion credit when things go well. At the same time, they look in the mirror to apportion responsibility when things go wrong, never blaming bad luck or others.

So Jim's definition of great leadership is not about the great "I am" but is more around what the team accomplishes and how leadership supports this.

But there is a paradox in all this, which is perhaps why Level 5 leaders are rare. The paradox is that drive, ambition and humility are uncomfortable bedfellows. There is another trap, and it's this. In organizations where management doesn't embrace this Level 5 philosophy, if you give credit to others when things go well and take the blame when things go wrong, it can be a career-killer! So be aware of your environment.

Collins also points out that larger than life, so-called charismatic leaders seldom operate at Level 5. This in turn can encourage a cult of personality that the company or organization comes to believe it cannot function without them. Decision-making is centralized to an extraordinary degree and the enterprise becomes dysfunctional and is almost set up to fail when the leader passes on. One or two of you might remember Bob Horton, who was John Browne's predecessor at BP. Horton was the guy, even pre-Enron, who claimed he was always the "smartest guy in the room" – he always got to the right conclusions faster than anyone else. He ended up getting ousted by his no doubt less smart colleagues!

Great leaders are the opposite. They seek to surround themselves with people who are *smarter* than themselves. They don't feel threatened by having strong team members around them, indeed they thrive on creating succession options that will lead their company to even greater success when the time comes to hand over the baton.

Let's look into this a little further, what Collins calls "getting the right people on the bus". I think it's self-evident that the "right people" must possess the appropriate range of skills and experience to do their jobs. What is less evident is that benefits accrue from having a *variety* of styles on the team, and avoiding the temptation to

surround oneself with people who share similar characteristics. There are numerous ways in which styles are defined and equally numerous techniques for assessing individuals and teams against these styles. The Myers-Briggs test is one such technique. No doubt we have a few ENTJs in the room tonight!

Let's delve into this issue of "styles" by looking at the spectrum of people we are asked to manage – *who* it is we are meant to be leading. Maybe this will give us further clues about how to develop our leadership skills.

Unfortunately I have bad news – although we talk about managing a team as if it were a single entity, in fact most teams are made up of people with very different characteristics; they are far from homogeneous. In a sense, we need to understand and empathize with all of the *individuals* in any team – a bit of a challenge if your team, like mine, is 5,000 strong.

Maybe we can get some help by looking at generational groupings. Many of you will have seen these descriptions before. They relate to the birth dates of cohorts of people who are judged to have similar characteristics and attitudes. So you have the post-war baby boomers such as me. We were the generation as we grew up who, as prime minister Harold MacMillan said in 1957, "had never had it so good". I can tell you it certainly didn't feel like it at the time. We also grew up with the first transistor radios, rock and roll, the Beatles, mods and rockers, Woodstock, the summer of love, the Paris riots and the Vietnam war.

Generation Jones, named after the phrase "jonesing", which is slang for a yearning or craving, is a follow on from the boomers. They were led to have great expectations as children in the optimistic 60s, only to get a harsh dose of reality as they came of age in the troubled 70s. This is the generation of the Rubick's cube, MTV, Barbie dolls and the very first video games – remember Pong and Space Invaders? Barack Obama is a Generation Jones.

The generation X-ers form an important core of today's workforce, between 28 and 45 years old. They were first characterized in the UK as a generation of teenagers who "sleep together before marriage, don't believe in God, dislike the Queen and don't respect parents". My daughter is generation X and I can tell you this description is spot on! They were also the first dot.com generation. They appeared on TV as "Friends". They listened to punk rock, grunge and early hip hop. My generation – the boomers – see generation X-ers as self-centred, fickle and impractical. The X-ers see the boomers as responsible for creating all of the world's problems – environmental destruction, climate change, AIDs and the rest.

Then there are the Millennials, or generation Y. Young, university-educated, techno-savvy, they consider themselves to be in great demand on the job market. I've heard the term "graduate divas" used. They make generation X-ers seem like pillars of self-

restraint and responsibility. The Ys want it all, and they want it now. They have been brought up to believe that competition is a bad thing, that no-one loses, and that everyone gets a trophy just for turning up. They like reality shows, Facebook and Russell Brand. And they want to shape their jobs to fit their lives, rather than adapt their lives to the workplace.

And who on earth knows what we're in for next? Here's what the Sunday Times had to say a couple of weeks back. "Britain's cult of individualism, greed and selfishness has so blighted children's lives that families and pupils need basic training in love and moral responsibility"!

Of course, these are all gross generalizations, and I hope I haven't offended anyone in the room tonight. And by the way, don't make the mistake I once did in an interview by tagging the interviewee as generation X and getting a sharp rejoinder "I'll have you know I'm not that old; I'm generation Y"!

Dealing with these diverse generations is clearly going to be tricky. But senior leaders have no option – they must seek to understand the generations, and must know the hot buttons that have to be pressed. Great leaders must be generation-savvy. They must take the trouble to understand these characteristics I have talked about. They might hate hip hop, but they remember that their parents thought the Rolling Stones were the end of civilization as they knew it. Now it's *Sir* Mick Jagger!.

Getting back to teams, if we take basic competence as a given, it is the mix of styles on the team that can make a huge difference to its effectiveness. When the chemistry works, it's possible to achieve the elusive goal of a team whose capability and performance is greater than the sum of the parts. I have only achieved this once in my career, although I have had many teams that have performed at sum of parts level.

Team-building is especially difficult in an environment that is fast-growing or changing. In Centrica North America we started in August 2000 with three guys in Toronto living out of suitcases, who acquired a small Toronto-based company called Direct Energy. Last year, Direct Energy was Canada's 40<sup>th</sup> largest company, exceeded \$11 billion in sales and has over 5,000 employees. Only two of the leadership team have survived the whole experience and we are now on what I would call our fourth generation leadership team.

The pay-back is that I have worked with some great people, who have achieved things I would never have thought possible as we started our journey. And when I hang my boots up, I know that we have succession options that will take the company onto even greater success.

The last facet of great leadership I want to talk about is what Jim Collins calls “facing up to the brutal truth”. This is something that we all find very hard to do, because we want things to turn out alright. In the middle of my career I spent six years “company doctoring” ICI businesses that had fallen on hard times after decades of unbroken success. In 1988, I joined ICI’s European fertilizer business, a business long regarded as one of the jewels in ICI’s crown, but one that the previous year had lost £60m on £400m turnover! I found a business with its head still firmly anchored in the glory days. There were two brutal truths. The first was that the glory days were not going to return and that a total restructuring of the business was necessary. The second was that there hadn’t really been any glory days – over 10 years of exceptional profitability in the business had been based on luck – a raw material contract (for natural gas at 1p/therm) signed just before the 1973 oil embargo.

The old guard couldn’t bring themselves to take the necessary action so new people climbed aboard the bus, we halved the product range, reduced the workforce very significantly and restored profitability and a future to the business. It wasn’t fun but it was rewarding to rescue a business that faced total closure. And telling the ICI Board the brutal truth was a risky path to take, as ICI’s chairman, Sir Denys Henderson, had been the division’s commercial director during these so-called glory days.

This brings me to my final recommended reading “Winning” by Jack Welch, former Chairman and CEO of General Electric. This book has two quite contrasting characteristics. Firstly, it has perhaps the most irritating style of any management book I have ever read. Shrinking violet is not a description that applies to our Jack! However, it’s worth tolerating Welch’s prose for the gold nuggets contained therein. And, although he expresses his thoughts in different language to Collins, he nevertheless shares similar concepts. For example, in his words the importance of “values, candour, and voice and dignity for all”. I found it intensely interesting that the philosophies underlying Welch’s management of GE – where he was known as “neutron Jack” because of his inclination for cost cutting – are so similar to those of Jim Collins.

OK, let’s take stock. We have mastered the essentials of management. We have glided effortlessly through Collin’s five levels of leadership and are operating competently at the five level, we have risen to the heady heights of business leadership and we have been asked to give the keynote speech at the IGEM. What is it *really* like to be a CEO?

Here’s the dream. International travel, chauffeur-driven limousines, private jets, never-ending golf, luxury hotels and so on.

Here’s the reality. Lost luggage, flight delays, traffic jams, and risking life and limb in far-flung places.

And then there is the impact on family life. Whatever people tell you, you *cannot* have it all! It's not wrong to want to work 40 hours a week and spend lots of time with family or friends, but please don't combine this with the ambition to be a top business leader. It doesn't work like that. If you are driven to seek high office, understand the consequences for family life – long hours, nights away from home and so on. I calculated recently that, in 37 years of marriage, I had spent around 2,500 nights away from home. That's equivalent to almost 7 years, or 19% of my married life. You need a very understanding family to deal with this and, even so, this doesn't prevent the odd stress from time to time – but no more than weekly!

My other piece of advice is that, although being a CEO is richly rewarding in both the personal and financial sense, it carries many burdens. You have a tremendous responsibility for the welfare of others – employees, customers, the general public. The media love to build CEOs up and then knock them down. And the media has developed its own lexicon to do this. Who would enjoy labels like fat cats, snouts in the trough, discredited, disgraced and, most recently “world's worst banker”. The best you ever get from the Press is a grudging “respected”. A pretty tough hide is required to deal with all this.

Finally, and paradoxically, being a CEO is sometimes a very lonely job. Paradoxically because you are surrounded by people and perpetually busy, but lonely because the buck does truly stop in your office. You have to weigh the evidence and take the advice of colleagues, but the hard calls are your unique responsibility.

I have to confess that I've made many, many mistakes along the way, but the interesting thing is that the biggest ones have been when I failed to back my judgment, my gut instinct. And I remember times when I have blamed “them”, be it the Board, my boss, the weather, or just life in general. The truth is that it's seldom “their” fault and it's really all down to us. So today, as I never tire of telling my team, my mantra is: “if we don't do it, then no-one else will do it for us”. If you take nothing else away today from my talk, take this essence of leadership back to your teams: “if we don't do it, then no-one else will do it for us”.

In closing, I am one of those who believe that leaders can in fact be made. If you are prepared to take the time to work on your personal and professional development, to consider what skills you need to develop along your way, and to accept the responsibility that comes with the buck stopping in your office.

As that legendary golfer Gary Player used to say, “You know, the more I practice, the luckier I get.” I think the same applies to leadership development.

Thank you for listening and, if we have time, I would be happy to take some questions.

Deryk King©  
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