

INTRODUCTION

This book is about leadership and the crucial role of the third opinion. It's about filling your leadership circles with the right expertise, wisdom, honesty, and diversity of view, creating an advisory network that can help you stretch beyond your individual reach. And it's about building the leadership circle that makes it possible for you to raise your bar of ambition and success—no matter how famous you are, or how insightful, or how often right.



This is what it takes to lead today: commitment, intelligence, compassion, curiosity, courage—and the wisdom of others.

Modern-day leaders have more to know and less time to learn than their predecessors. The pressure to act swiftly is relentless. It's likely that you are managing an increasing number of diverse areas that you need to understand and integrate if you are to excel at your job. Customer demands are greater than before, and there's a stronger sense of urgency to perform. Today's leaders must respond to quick-paced global marketplaces, ceaseless innovation, and a whole host of issues they cannot control.

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Given these challenges, you simply must be operating at peak capacity—every minute.

What enables people to reach and sustain peak performance? Training and coaching are key developmental tools, but they're not enough. You can't realize your full potential alone. And you cannot sustain full potential alone. The best leaders know this. Throughout history, great leaders have surrounded themselves with advisers, mentors, intellectual sparring partners, and confidants. *Working with a circle of the best thinkers—as advisers, experts, and questioners—is essential to successful leadership.*

Yet your inner circle must offer you more than expertise. It must also create trust and an external perspective to help you see what others around you are missing. Most executives understand how important it is to be able to accurately judge the personal trustworthiness of employees, colleagues, and bosses. Leaders also learn with time to calibrate quickly their trust levels of the experts whose advice they regularly need on many subjects, from markets to technology to the law. But there's a third kind of trust that's less well understood, one that trips leaders up all too often and that can even derail their careers: *structural trust*.

Structural trust is about the ways that job roles affect business relationships and their trust levels. Are people in roles where their judgment is likely to be significantly influenced by their need to advance their own self-interest? In light of their roles, are they structurally able (vs. personally able or willing) to be fully forthcoming and loyal?

Using outside insight does not imply any weakness in your organization's talent pools. And it's not something that can be bought on a moment's notice. A robust leadership circle is one that draws upon the best of your internal and external relationships. Particularly when you are thinking through tough issues, you can't suddenly hire

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this kind of loyalty, discretion, and access to expertise. You can only build it, one step, one relationship, at a time.



I didn't set out to become an adviser and thinking partner, working with business leaders around the globe to develop outside insight on the challenges they face. This aspect of my work didn't begin until after I had already had several successful careers: as a scientist, university professor, and senior business executive. I'm now the person leaders turn to after they've gotten second-opinion advice and feedback from key people within their organizations and extended teams. I'm the third opinion—the person they turn to with their most confidential questions, risks, and uncertainties. As a thinking partner, I help them develop alternatives and solutions. I provide outside perspective so that we can test their ideas, tear those ideas apart, looking for errors in information or missing pieces in logic, and put them back together again. The process allows these leaders to vet the tough calls while continuing to drive leaps in performance.

I've served in this role for more than ten years, and over that time, it has become evident to me that a few talented leaders naturally know how to assemble their advisory networks and incorporate them into their leadership team as powerful and well-utilized resources. But many promising leaders do not. In 2001, funded in part by a grant from the Monitor Group, I undertook a research project to understand the dynamics of leaders and their advisory networks, and to unlock the secrets of this powerful but, for many, elusive leadership resource.

For three years, I interviewed hundreds of executives and their advisers and thinking partners in order to understand these issues in depth. My research has led to two insights that form the heart of this book:

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Insight 1: Leadership today requires three new habits—Habit of Mind, Habit of Relationship, and Habit of Focus. Used together, these Habits will enable you to build a powerful leadership circle and take advantage of the benefits of outside insight. These Habits are vitally important to the kind of leader you will be. They will distinguish your leadership and your career trajectory.

Insight 2: You can start developing the three Habits and your advisory network at any time during your career. It's important to develop and use the three Habits in concert. While everyone will use them differently, there are guidelines to help you focus on perfecting the various parts of each habit as your leadership progresses.

But how do you find the right people with whom to develop the third opinion? How can you be sure you've assembled the best advisory network for your needs? This book is the practical guide to building the most powerful leadership team possible at each stage of your career. In Chapter 1 we will explore the essence of outside insight for business leaders. Studying examples of leaders at all levels, we will, in Chapter 2, give an overview of the three Habits—of Mind, Relationship, and Focus—that you must develop to successfully form an inner circle capable of finding and using the third opinion as an integral part of decision making. Then, in Chapters 3, 4, and 5, we will take up the full discussion of each habit in turn.

The models for developing your inquiry team vary depending on your career level and responsibilities. It's likely that you already have some sort of advisory network, though it may not be well developed or optimally tuned to your current leadership challenges.

Regardless of who you are—Early Leader, Key Leader, or Senior Leader—this book can help. Indeed, small business owners and leaders in government, not-for-profits, and educational institutions will find the insights in this book useful as well.

In Chapters 6 through 9, we will show you how to create the unique network of resources that is required for your particular leadership challenges. We will discuss how to develop and use the most important aspects of each Habit at the different leadership stages of your career. Along the way we will outline a sequential set of practical steps, tools, and questions to guide you on your leadership journey.



Even with the normal tensions of competition and turf within organizations, people have a great stake in the success of their leaders. They are counting on their leaders' abilities to focus on the long-term, non-urgent, yet important issues in the broadest contexts with the best and most challenging thinking. A key factor in how employees at all levels perceive senior leaders is how broadly senior leaders think, whom they think with, and how committed they are to learning and change.

And yet one of the surprises in my research is the level of isolation that leaders at all levels are experiencing. While some leaders find a way to build trusted leadership circles that integrate outside insight and have a few confidants, many are on the other end of the spectrum and only experience greater isolation with each move up the leadership ladder.

Your full leadership circle is personal, unique, and critical to your success. My goal is to give leaders at all levels an insightful and practical guide to developing the fully powered leadership circle that is right for you. Throughout this book, we will be working with real

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stories of real leaders—disguised for reasons of confidentiality—who have faced a range of issues and challenges.

You will meet Matthew, who faces an accounting issue that suddenly threatens to become page-one news. He needs to move quickly, but does he take the story public or keep it close? You will meet Alyce, whose career in Operations has jump-shifted to the vice-presidential level and who suddenly has to learn to think in very new ways and to deal with pressing issues of structural trust. You will meet Jim, who finds an accidental thinking partner when he is assigned to run an overseas division and loses that thinking partner when he is brought back to run the entire U.S. division. He finds that his traditional leadership circle is no longer adequate. How does he recruit the thinking partners he now needs? And you will meet Andy, who gets the chance to run a division, after having worked his way up in headquarters roles. How can he win the trust of the line people he's working with now and deal with issues that previously had been mostly theoretical for him?

Taken together, the stories in this book cover a broad spectrum of issues that confront leaders today. As we explore these stories, we will see how the Habits of Mind, Relationship, and Focus work in real situations. We will see how advisory relationships develop, move, and change over time. And we'll see the enormous impact, in both business and personal terms, of key thinking partner relationships and the power of outside insight.

CHAPTER 1

The Essence of Outside Insight

Matthew Whalen picked up *The Wall Street Journal*, scanned the front-page news, and broke out in a cold sweat. A high-flying manufacturing company had participated in a series of investments that fraudulently disguised debt. One of the financial deals mentioned was familiar to Matt. Too familiar.

Matt settled back in his chair, steepling his fingers, his eyes straying to the floor-to-ceiling windows of his corner office and the impressive view of New York City beyond. He loved his job and the perks that still went with it. But that day he had a feeling he was going to grow a few gray hairs.

Some months ago, long before the stunning collapse of the high flyer, Matt learned that his firm had participated with several other firms in one of these debt-concealing investments. As the transaction wended its way through the usual checks and balances of his company's accounting and assurance process, it had ended up on his desk. After a thorough review, Matt concluded that the transaction looked like a loan in funny clothing and made sure it was properly accounted for as debt. This of course made the transaction an un-

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necessarily costly way to achieve debt financing for the company, but Matt was confident it was the conservative and appropriate choice. As senior vice president of U.S. Finance for a global commodities company, Matt was used to making these calls.

But now the media was having a feeding frenzy for even the faintest taste of corporate financial irregularities. His firm had worked hard to maintain its reputation as a highly ethical company that did things the right way for the right reasons. But no one this size was perfect.

The last thing Matt wanted was for this thing to blow up in the press. Even though he knew the corporation was technically clean on the transaction, he also knew the power of perception. If the company got dragged into the media spotlight on this issue, it could suffer even though it had done nothing improper.

Matt was pretty sure that the folks at global headquarters had no idea their U.S. subsidiary was involved in this transaction. In fact, he wasn't sure who in his firm knew. The lead person on the team who did the deal had since joined another firm. The auditor hadn't flagged anything—probably because of the conservative way Matt handled it. It wasn't a secret, but if it became known, especially in the current climate, it wouldn't be good news. He didn't know if the press knew all the investors in the deal, or what they would do if they did know. He thought it was privileged information, but that wouldn't help if it got out anyway.

Thoughts raced through Matt's mind. Could he stop it? Mitigate it? Could he handle it by being there first, disclosing the truth before it was reported inaccurately? Wouldn't that look suspicious and create exactly what he was trying to prevent? If he ignored it, would it go away? Was that wise, prudent, or just plain stupid? As head of U.S. Finance, what was his role in handling this? How and when did global HQ need to know? How could he frame the issue and its con-

text so that he wouldn't alarm people in his own firm who might not handle this in the best way? He wasn't afraid of making the hard calls—but should he handle this one or pass it up to someone else? Was this a real crisis or a time for “steady at the helm”?

Matt was sure of one thing. The issue was complex, the stakes high. He knew this situation warranted pushing his own thinking hard and fast to see if he had missed any angle. He turned instinctively around in his chair as if to talk with someone—and then remembered that he was top dog now. He did his best thinking out loud, bouncing ideas off someone else, but whom could he talk to?

He wanted to thrash it out with someone who knew him, knew the firm, and had lots of experience under fire. Was there somebody on his staff? But he wanted someone who had no self-interest in the outcome. That ruled out his boss, too. And colleagues at equivalent positions around the globe. A call to one of them would probably flush the issue out in the open, because of the responsibilities that went with their roles. He was annoyed, a little overwhelmed, and under the gun. He reached for the phone.

The Complexity of Modern Leadership Demands New Thinking

Matt's problem is hardly unique. The twenty-first century has dawned, and something profound has happened: the requirements for leadership have fundamentally changed. Day after day, leaders around the globe face issues of complexity, uncertainty, and sensitivity, requiring precise thinking and judgment at warp speed. It has been a series of incremental changes, rather than a management Big Bang, but the incremental changes have accumulated over the years and finally pushed us into a new era.

In short, from the earliest stages of one's career, the leadership bar has been raised:

Speed is a given—and it has changed more than just time.

Many business processes are not just faster, they are fundamentally altered by operating in real time or near-real time. Technology has allowed for near-instant feedback. What still yields competitive advantage when your pricing, product mix, and game plan are known to competitors and customers alike?

Expertise is fleeting.

Most careers now require that people be able to learn, function, and lead in areas well beyond their educational background and experience. The half-life of expert knowledge is shorter than ever before.

Learning to deal with trust issues in an environment of change is trickier than ever.

Simultaneous cooperation and competition make for tricky navigation in the waters of trust. This is true at all levels: individual, intraorganizational, and external partnerships.

Cross-industry change and competition is the name of the game.

The rapid lowering of barriers to entry in many industries, the emergence of information and service in most product categories, and the increase of global interdependencies all lead to new threats, new mergers, and new forms of competition and opportunity.

Maintaining a profit margin is increasingly a matter of complexity.

Business is no longer a matter of simply pounding out the same widget or dealing with the same “billable buddies.” The competitive landscape is continually being redrawn, with temporary advantage shifting to a new competitor each time someone discovers how to exploit a new level of complexity in the offering. Maintaining your profit margins is increasingly a matter of being able to outplay your competitors in the complexity game.

Globalization is the norm in every business.

It’s a given that in order to survive and indeed thrive, you will have to do business in countries outside your own, with customs you’re unfamiliar with, and across multiple languages. Globalization means much greater interdependence of goods, economies, and risks.

Information and network complexity have increased.

There’s an overwhelming information deluge hitting everyone in the organization, creating increasingly complex relationships, boundaries, constituencies, geopolitical realities, and technological innovation. In today’s networked environment, being able to see several moves ahead is critical.

Authority has given way to influence.

The shared information and distributed decision making that began in software and financial services are now virtually everywhere, because every business today is, to some extent, information-based. Accordingly, leaders must get their organizations and their partners’ organizations to work together by exerting influence rather than solely by exercising authority in some prescribed sphere.

New technologies continuously disrupt marketplaces.

Moore's Law still prevails, and Moore-like laws extend well beyond the size of microchips to govern the pace of scientific discovery and technical innovation in many arenas. Relentless scientific innovation will continue to foster disruptive change that will transform your business in ways you can't predict.

Top talent is harder to come by.

Simple demographics, as well as increasing requirements in positions at all levels, imply that there is greater demand for top talent than there is supply. This means that winning organizations have to search harder for the talent they need and develop new ways to attract and retain it.

Corporate ethics are under increased scrutiny.

Competitive business practices and issues such as privacy, executive compensation, governance, intellectual property, and drug testing have all become headline news in turn.

Security is now a strategic business issue.

Post-9/11 issues of terrorism and global insecurity color almost every business decision. Relocating the corporate headquarters now raises questions of co-location, and phone and IT systems, as well as human safety systems that have to be scrutinized from the perspective of total failure in the event of a terrorist attack.

As Robert Kegan so aptly points out in *In Over Our Heads*,¹ leaders are facing increased orders of magnitude of complexity. As individuals, parents, family members, community members, citizens, professionals, and leaders, we face many issues where there

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were few before, and they interplay and create unanticipated ripple effects throughout various facets of our lives.

It's the cumulative effect of all these changes acting together that has raised the bar on leadership. As Matt's example shows, you need new skills and a new approach to leadership in order to be able to lead a global corporation today.

All of which raises two important questions that Matt and every other business leader must ask themselves as they navigate their way through these treacherous management waters:

1. What kind of leader do you have to be to deliver results and succeed today?
2. What kind of team do you have to assemble to work with you in this new era?

Before we begin to answer these questions, let's look at a few more examples of the kinds of challenges people are facing today.

Learning Trust

Alyce Cunningham was trying to figure out why Harry was sitting across from her. Was he just the latest person management had sent to check up on her? She was wary, a feeling that had become all too common since her promotion a year ago. She was tired of the second-guessing, frustrated, and wondering if management was just setting her up. "The only reason I'm still here is that my numbers are better than anyone else's," she said to herself grimly, and settled in for what she expected would be yet another tricky conversation.

Twelve months ago, Alyce had been promoted to vice president,

operations, Midwest region, for a packaged goods company. She had started almost sixteen years ago in an entry-level position in the procurement department of what was then a small manufacturing company headquartered in Kansas City. Through a series of acquisitions and consolidations, her company now had plants throughout North and South America and, more recently, Asia.

At the time of Alyce's promotion, her company was completing an acquisition that would add seven new manufacturing sites to her region and had decided to consolidate the operations function (procurement, logistics, invoicing, and security) into one centralized function in each region. Although Alyce had worked in each of the areas in Ops, she had never managed a large group or led a consolidation. She was chosen only because her old boss, who was in line for the job, had been unexpectedly recruited to join another company.

Her current boss, Bob, was a senior player who had come up the ranks in manufacturing. Bob put her in the role half expecting her to fail. He viewed her experience and education as weak, but he also knew that he could count on Alyce to get things done and that she was all about the detail. And there was something about her energy and determination he always admired.

Alyce had made it through the first six months in her new position on sheer energy, drive, survival instincts, and long hours. While she wasn't winning popularity contests, her hard work was beginning to pay off. After one year, she had the consolidation behind her, her region had the best performance numbers, and she was making progress putting together a team of direct reports she felt were up to the task.

But Bob was considering replacing her.

Alyce ran a very closed shop and didn't work well with peers in other divisions. The relentless pressure for performance, the com-

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pany's growing globalization, and recent developments in supply chain management were requiring all of the leadership to be able to coordinate, cooperate, rethink, and work across boundaries and cultures as never before. And Bob was beginning to get complaints about Alyce.

Trying to help her out, he'd given her Brad, a very savvy and senior guy from Manufacturing to head up her strategic planning group. He was hoping Brad could help Alyce fix her growing problems with Manufacturing. And he had brought in someone from Corporate to work with her performance measurement group—in part to audit and in part to help bridge her successes to the rest of the organization.

Alyce had not responded well to these two assignments. She felt they were a sign of mistrust. Instead of listening to them and the rest of her new management team, she felt she needed to be on guard. Their presence made her less willing to explore tough choices with the team, and more concerned about proving she could handle it all.

Bob saw Alyce's potential and believed that if he had the time, he could be a powerful mentor to her. Given the global nature of his responsibilities, though, it was out of the question. He decided to make one more effort before taking drastic action and replacing her.

He asked his admin to find the current number of Harry, a former senior vice president of another manufacturing firm, who had retired five years ago. Bob first met Harry when they were in business school, and they had always hit it off. They had stayed in touch over the years and had recently served on a commission to study some pending regulatory issues. While Harry was enjoying his time off, Bob knew he would sometimes take on special mentoring assignments—if he thought highly enough of the individual and the company.

Alyce has hit the wall of structural trust. Her experience of how trust changes is typical of key leaders.

Outside Thinking Partners Are Too Important to Be Left to Chance

When Jim Corliss moved to London in the 1970s to head the UK business for a multinational company, he was excited about the opportunity and what lay ahead. Although the UK business was currently small, his company believed that this was an area of great potential.

One of the biggest constraints to growth had been a long-standing regulatory environment that made major investments in the UK relatively unattractive. Now, there was a sense in the industry that there was a win-win way to change this environment and that the government would be willing to consider these changes. Jim knew this assignment was a critical one for him. Success would put him squarely in the senior leadership ranks of his company.

When Jim arrived in London, Derek Waddington was already a key player in the company's new lobbying effort within the British government. Derek, Cambridge educated and with a passion for service, had spent the first fifteen years of his career rising to the top of regional government. About ten years ago, Derek decided it was time to step down from government and start a firm focused on bridging government and industry.

After several meetings at which Derek was in attendance, Jim was glad Derek was on the team. There was something about Derek's way of thinking that, while very different from Jim's, was extremely compelling. And Jim had noticed the way Derek skillfully

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handled a few potentially difficult conversations. Jim realized that Derek was someone of high integrity, possessing much wisdom when it came to navigating complex interpersonal dynamics.

As the months progressed, Jim and Derek found that despite their very different backgrounds, they worked well as a team. Jim had never let anyone challenge his thinking quite the way that Derek did. Derek had opened his eyes to a new, much broader way of thinking about the relationships between business, government, and community, and to a much more nuanced understanding of what it takes to pull off big change. He realized that while working with Derek he had learned to look for the unexpected. And that was sharpening his overall leadership style as well.

Two and a half years later, with a hard-won, major legislative victory in hand, Jim was promoted and returned to the U.S. to head the North American business. It was only back in the U.S., facing a new and very different set of business decisions, that Jim fully realized just how much he had benefited from having Derek, not just as a political operative, but also as a thinking partner. Jim no longer needed Derek's specific expertise in dealing with Parliament, British regulators, and local officials, but he felt the absence of the kind of broad, challenging, and candid inquiry he and Derek had engaged in.

As the flurry of the initial months settled down, Jim realized that without Derek, his leadership was not the same. His current inner circle couldn't provide the kinds of conversations and critical thinking he had come to depend on. Six months into his new position, Jim began to search for a few key people outside the organization with whom he could discuss the wide range of strategic issues facing him in his new assignment.

Most leaders, once they have experienced the benefits of think-

ing partners, never go back to leading without these kinds of resources on their team. Instead, they continue to look for and develop a broad advisory network throughout their careers.

Today's leaders need to start early and think systematically about the kind of team they want to assemble.

The Role of a Key Leader Demands Rapid Assimilation and Growth

Andy was the kind of key leader every organization looks to have on its management bench. Andy began his career in one of the leading Fortune 100 high-tech companies, excelling in several line and staff roles. Six years ago, he joined a highly regarded professional services firm, where he was widely viewed as an up-and-coming leader. Four of those years he had spent in the field leading casework, and then two years ago he was asked to co-lead an internal team focused on strategy, growth, and organization. In this role, he worked closely with both the president and the CEO.

While he was highly successful at headquarters and learned a great deal from his exposure to the top executives, he realized that he wanted to get back to leading in the trenches. His opportunity for line responsibility came when his firm acquired a midsized creative boutique.

Andy played a key role in the due diligence and deal process, and he developed rapport with the new people. Part of the deal was for the creative firm's current leader to step down. Andy was everyone's choice to step into the role of leading this newly acquired business unit.

Six months into the job, however, things were not going as well as he had hoped. Andy found himself facing increasing challenges.

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Pressure from corporate to meet the numbers had accelerated just as the business was facing its first downturn in a decade. The overall market downturn had exposed the boutique's very high cost structure. He had kicked off several initiatives, each under the leadership of one of his key executives, focused on branding, new products, and people. But even these new programs weren't helping the company cope with changing business conditions.

No longer in the center of senior management, Andy was getting confusing signals from the CEO about the long-term strategy for the new acquisition. Inside his new group, Andy felt his every move was being scrutinized. While he had gone the extra mile to get to know people and develop friendly working relationships, he was still the corporate guy, the noncreative outsider.

Andy could see that they were going to have to quickly find a very different way to think about the business. He had hoped for a longer runway of consistent business performance to enable him to really get to know the business and its people. But now he had to take action, and he didn't have time for lots of trial and error.

The combination of challenges Andy faced is not an unusual one for Key Leaders. Young, quickly promoted managers prove themselves at one level only to find that they have to learn a whole new set of competencies at the next.

While each of these cases presents different challenges, they do have several things in common: These leaders are facing more complexity, sooner, and more often, than leaders of the past. They need to lead in areas in which they are not expert. They are regularly confronted with issues that are highly sensitive and need to be handled with great care and sophistication. And, finally, these leaders need expert input and a safe place to ask hard questions where they do not have to constantly filter for spin, self-interest, and other agendas.

What Kind of Advice and Counsel Do Leaders Require Today?

People in high places have always been able to seek advice and counsel from the best and brightest. From the pharaoh's counselors in biblical times, to President John Kennedy and the Cuban missile crisis; from Medieval royal courtiers to Bernard Baruch, Eleanor Roosevelt, and Vernon Jordan; history is full of wise counselors whose primary role was to be a sounding board and intellectual foil for the one in charge.

One of the best known masters of inner-circle advice was Clark Clifford, who during the second half of the twentieth century served as an adviser to several American presidents, most notably John Kennedy and Lyndon Johnson, as well as an adviser to many top corporate leaders. In his memoir, *Counsel to the President*, Clifford describes the vital importance of having well-placed and well-prepared outsiders in a leader's inner circle:

Even if he ignores the advice, every President should ensure that he gets a third opinion from selected and seasoned private citizens he trusts. (The second opinion should come from Congressional Leaders.) Though Cabinet members and senior White House aides often resent outside advisors, a President takes too many risks when he relies solely on his own staff and the federal bureaucracy for advice. Each has its own personal or institutional priorities to protect. An outside advisor can serve the role of a Doubting Thomas when the bureaucracies

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line up behind a single proposition, or help the President reach a judgment when there is a dispute within the government. They can give the President a different perspective on his own situation; they can be frank with him when White House aides are not.²

As should be clear by now, the risks to the organization—and the career—of the individual leader who is determined to go it alone are greater than ever. It is not enough to have a brilliant team of direct reports—what I call your action team—working with you. The history of business in recent years is littered with smart executive teams that didn't see it coming—or if they did, were unable to change the course of the organizational ship in time to do something about it. Leadership in the modern era demands external thinking partners in addition to a top-notch internal team.

As I have worked with leaders at many levels across diverse industries, it has become evident to me that a few talented leaders naturally know how to assemble their advisory network and incorporate it into their leadership team as a powerful and well-utilized resource. But many promising leaders do not.

In the past three years, I've researched the issue intensively, interviewing hundreds of leaders and their advisers and thinking partners in order to understand these issues in depth. This research has led to two insights that form the heart of this book:

Insight 1: Leadership today requires three new habits: Habit of Mind, Habit of Relationship, and Habit of Focus.

Insight 2: You can start developing the three Habits and your advisory network at any time during your career.

Now we will explore each of these insights in depth.

Insight 1: Leadership today requires three new habits: Habit of Mind, Habit of Relationship, and Habit of Focus. Used together, these Habits will enable you to build a powerful leadership circle and lead with the benefits of outside insight. These Habits are vitally important to what kind of leader you will be. They will distinguish your leadership and your career trajectory.

1. Habit of mind.

Leaders today must master a new level of thinking. I call this *exponential thinking*. Exponential thinking allows you to see all sides of a complex issue; it's the process of examining context, looking for interrelationships, exploring assumptions, and asking questions that reveal the full truth and potential of a situation, like a prism revealing the full spectrum of color within white light. Leadership requires both mastery of exponential thinking and the ability to develop and lead teams of people capable of their own exponential thinking.

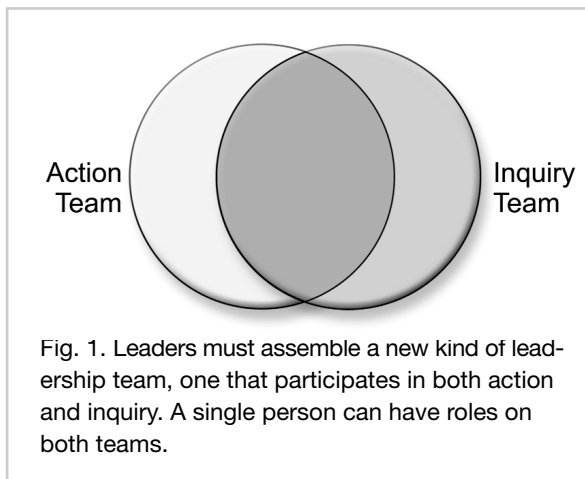
As my research reveals, successful leaders need to regularly spend focused time with thinking partners they trust *because exponential thinking is best done with others*. The successful leaders then translate these insights into vision that drives action and results. Exponential thinking plays a particularly important role in decisions where there is high ambiguity, uncertainty, and risk.

Exponential thinking is not really new. Many of the advances of civilization rest on the exponential thinking of great minds. What is new is that exponential thinking is required today for leaders at all levels—and that increasing levels of mastery are required as leaders progress to more and more senior positions. It is a critical leadership capability that we will explore fully in Chapter 3.

2. Habit of relationship.

Leaders today must assemble a new kind of leadership team, one that ensures that they undertake the right kind of exploratory thinking and are challenged by multiple perspectives.

As Figure 1 shows, essentially, this team must be made up of an action team and an inquiry team—which we'll define more thoroughly in Chapter 4—that are capable of translating exponential thinking into useful action. Leaders need external thinking partners on the team so that they can explore sensitive and edgy issues with high trust and external perspective. There is not a fixed, one-to-one correlation between roles and people. One person can, and often does, play different roles (moving, say, from subject expert to thinking partner, and sometimes to action team member) at different times, depending on circumstances, expertise, and interest. Your ability to get results in increasingly boundaryless organizations depends on how well you can orchestrate your network of important relationships.



To fully develop your Habit of Relationship, you will need to master different aspects of building trust and understand how your trust in others changes (as does theirs in you) as your career progresses.

Early in their careers, people confront the issue of trust. At first, it's a relatively straightforward matter of developing personal trust—the kind of trust that means you feel comfortable talking in confidence. Or knowing that the people around you will get their jobs done so that you can do yours effectively.

Soon enough, as you rise in the ranks, you will begin to understand the second kind of trust—expertise trust. This is the essential matter of knowing that the advice you're getting is sound. As leaders gain experience, they must become good at making judgments about people's expertise—and doing so quickly and accurately.

Beyond personal trust and expertise trust, there is a third kind of trust—structural trust—and this is the one that often trips up leaders as they take on their first big responsibilities. Structural trust is involved when you've risen to a level above your early career friends and colleagues and your relationships with them shift. They now have agendas or turf to protect—and you can no longer trust them in quite the same way. This is not because your colleagues are bad people or because they wish you ill, but because your position changes the dynamics between you. They want something from you. Or they may have loyalties to other leaders. Or they may be competing with each other (or you) for the same job at the next level.

In short, your relationships are now laced with the self-interest, advocacy, competition, and multiple loyalties that are inherent in organizational life. Now, self-interest in itself is not a problem. Indeed, it often is a powerful force for good. The problem comes when leaders fail to understand that the input they're getting is lim-

ited or biased—or, conversely, they sense the limits and, in response, retreat from even second-opinion conversations, becoming further isolated in their thinking.

Structural trust concerns raise a key question: how do other people's current or future roles affect their relationship to you? In light of their responsibility to their roles, their organizations, or their own careers, are they structurally able (vs. personally able or willing) to be fully loyal to you? Having a relationship of highest structural trust means that there is no doubt in your mind that the people you choose as your thinking partners do not have, and will never have, an agenda that competes with your own. Building the right leadership circle means that you will need to develop the ability to seek out and attract people of high personal, expertise, and structural trust to your inner circle. Without these resources, you will be left with a critical hole in your leadership team.

3. Habit of focus.

Leaders must have the skill and discipline to focus on the essential non-urgent issues. Today, leaders are faced with information overload and ever-increasing demands for speed. In this environment, more and more daily work has become urgent. But just getting the daily work done is not what your leadership is about. Leaders must be able to create and execute strategies to carry out their leadership agendas. They must be able to use their inquiry teams and advisory network to get this critical work done right.

Mastery of the Habit of Focus—that is, to function effectively in your high-pressure environment and make progress on the big, longer-term issues that still need your attention—is required of all leaders. Your sustained focus on the non-urgent important issues defines the core of your leadership; it is what ultimately differentiates your unique contributions and your ability to deliver value no

one else can. Your Habit of Focus is what gets results, distinguishes you, and builds your career.

Developed over a lifetime of leadership, these three Habits, like all good habits, become part of your character and are a source of strength in trying times.

Insight 2: You can start developing the three Habits and your advisory network at any time during your career. It's important to develop and use the three Habits in concert. While everyone will use them differently, there are guidelines to help you focus on perfecting the various parts of each habit as your leadership progresses.

Where do today's business leaders turn for outside insight to help them navigate the leadership terrain successfully? Each leader's sources will be different. For you, it will probably be a mix of formal and informal networks. For John Brown, managing partner at a worldwide recruitment firm, the key to outside insight is an informal network of fellow executives who have gotten together on a regular basis for years. One member of the group is a consulting partner John met in business school. Another runs a CEO consulting practice. One manages investments, and another is a contrarian marketing genius known for consistently offering what John calls "bundles of ideas, three of which are completely insane, but one of which is always a total 'Ah hah!'"

According to Brown, "Some people might just want to pick your brain. In our group, everyone brings ideas and issues and topics. We make sure that the benefit flows in all directions."

There is a range of models for developing a properly balanced advisory network, and they vary depending on your career level.

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Most likely, you already have some sort of advisory network, though it may not be developed to its potential or well tuned to your current leadership challenges.

In Chapters 7, 8, and 9, we will fully explore the practical steps to creating the unique network of resources that is best for you. We will discuss the development and use of the most important parts of each of the three Habits as your career progresses from Early to Key to Senior Leadership. You will develop a full understanding of the resources, tools, and networks you have at your disposal. And you will learn a set of sequential steps and questions to ask yourself that will serve as your road map for the journey.

Important Inner-Circle Conversations

Conversations with inner-circle thinking partners are broad ranging and typically fall into one or more of four basic categories.

1. The visionary conversation.

The primary purpose of this kind of dialogue is to imagine the different possible futures that one might create, and use that insight in the present. In this kind of conversation, you and your thinking partners consider world trends—micro- and macroeconomics, global and political realities, scientific and technological developments—sometimes as much as seven to ten years into the future. If this is the future you want to commit to creating (or to avoiding), what are the steps you should take now to influence the desired outcome?

2. The sounding board conversation.

This conversation takes place when you want to work with someone who has the right expertise, wisdom, and experience to take a third-

opinion look at a new strategy or a set of ideas. You and your thinking partner look together at the implicit assumptions involved in the course of action, check them against external reality, and vet the decision in a variety of ways, including legal, political, and environmental implications. You want to ask the “what-and-why” questions. (“What if we looked at it this way?” “Why do we believe that this is right?” “What’s the sacred cow that we might not be willing to touch?”)

In leadership, the little things need to go right as well as the big things. The sounding board conversation is the place to explore actions and decisions of all sizes and importance, as well as to explore doubts and, perhaps, to discover the wisdom behind the doubts. It is a place to explore certainty and to find the limits of that certainty.

3. The big picture conversation.

In this conversation, a leader and a thinking partner step back and look at all the things that are going on, making sure that where you intend to go is aligned with all the complex and interdependent moving parts involved in getting there. The purpose is to make sure that nothing has been left out, that your thinking hasn’t become blinkered by a too-narrow corporate focus.

4. The “expertise in inquiry” conversation.

In these dialogues, the leader is looking for more than an expert problem-solving conversation. You are looking not only to develop your knowledge, but also to develop fundamental models and new ways of thinking about the terrain. You need a thinking partner who is an expert, an expansive thinker, and someone who can help you learn the new information in ways that are highly relevant to your current situation.

The leadership terrain is complex, and the thinking required to

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master that terrain is concomitantly demanding. Thus, learning what you are *not* a master of is just as important as developing your thinking skills. To be a successful leader today you need, perhaps above all, to know your own limits. And then you need to know how to go out and find others who can take you the rest of the way.

By this point you may be wondering, Is this book a book about executive coaching? No, and yes. Within this broader discussion of advisers and thinking partners, where does the executive coach fit in? Probably the best way to think about it is this: executive coaches are one species within the genus of thinking partner. While there is no one definition of exactly what an executive coach is, typically they are a highly specialized group with expertise in inter- and intrapersonal dynamics, communications, and, often, organizational development. The top executive coaches typically work as thinking partners with their clients on issues in these areas. In addition, they often explore areas of personal leadership, thinking with leaders about their purpose and authenticity.

The rapid development of executive coaching points to the more general need leaders have for entirely confidential, external thinking partners to help them explore the issues with which they are confronted. What's often lost sight of is the inherent limitation in the types of business issues that executive coaches can help with. Given their expertise and resulting bias toward human dynamics, you need to be highly cautious in turning to your executive coach for exponential thinking on, say, business strategy. Would you turn to a psychologist when who you really need is a Jack Welch?

What Do You Look for in Your Most Important Advisers and Thinking Partners?

Thinking partners are exponential thinkers who are able to offer you new information and new lines of sight. They explore existing mental models and work with others to challenge and expand their own mental models. They are skilled at looking for hidden assumptions, in testing and validating, and in challenging the status quo. They are appropriately wary of thinking by analogy.

The best thinking partners have a well-developed ability to think across parochial boundaries. They have an aptitude for detecting interdependencies and they know how, fundamentally, to see a problem at several different levels—and have the ability to pick the right level for the best solution.

The capabilities of your inner-circle thinking partners should reach well beyond categories of expertise, such as finance, global strategy, product development, or organizational dynamics. In short, here's what you look for:

- The ability to see all sides of a complex issue (exponential thinking).
- Someone who asks great questions and listens closely—including for what isn't said.
- Someone who doesn't offer advice.
- Someone who has a reputation for integrity.
- Someone who has high-quality expertise and experience relevant to the key issues you need to resolve.
- A person who can provide unique perspective.

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- Someone who has the ability to tailor content to challenges and questions at hand.
- Someone who clicks with you intellectually as well as personally.
- Someone who has an intuitive understanding of your strengths and meshes well with them.
- A person who possesses authentic curiosity and empathy.
- Someone who is free from conflict of interest, both personal and structural.
- Someone who reciprocates in choosing you.

It's hard to imagine leaders who would not want to have people like this on their team. It's powerful, interesting, fun, and a safety net, all at the same time. Beyond that, it's deeply satisfying to build and sustain these kinds of lifelong leadership relationships.

It's Unique to You

Your inner-circle advisers and thinking partners are the most unique and personal part of your network and leadership team. There is no substitute for the leadership work of seeking the third opinion and incorporating outside insight. You have no obligation to work with anyone not of your choosing. And there are no set formulas. How you develop and call upon your network of relationships can and should reflect your style and what's best about your leadership.

The remaining chapters of this book provide you with the path and the tools to build your lifelong network and full leadership circle. You can start at any time. The rewards are well worth the effort.