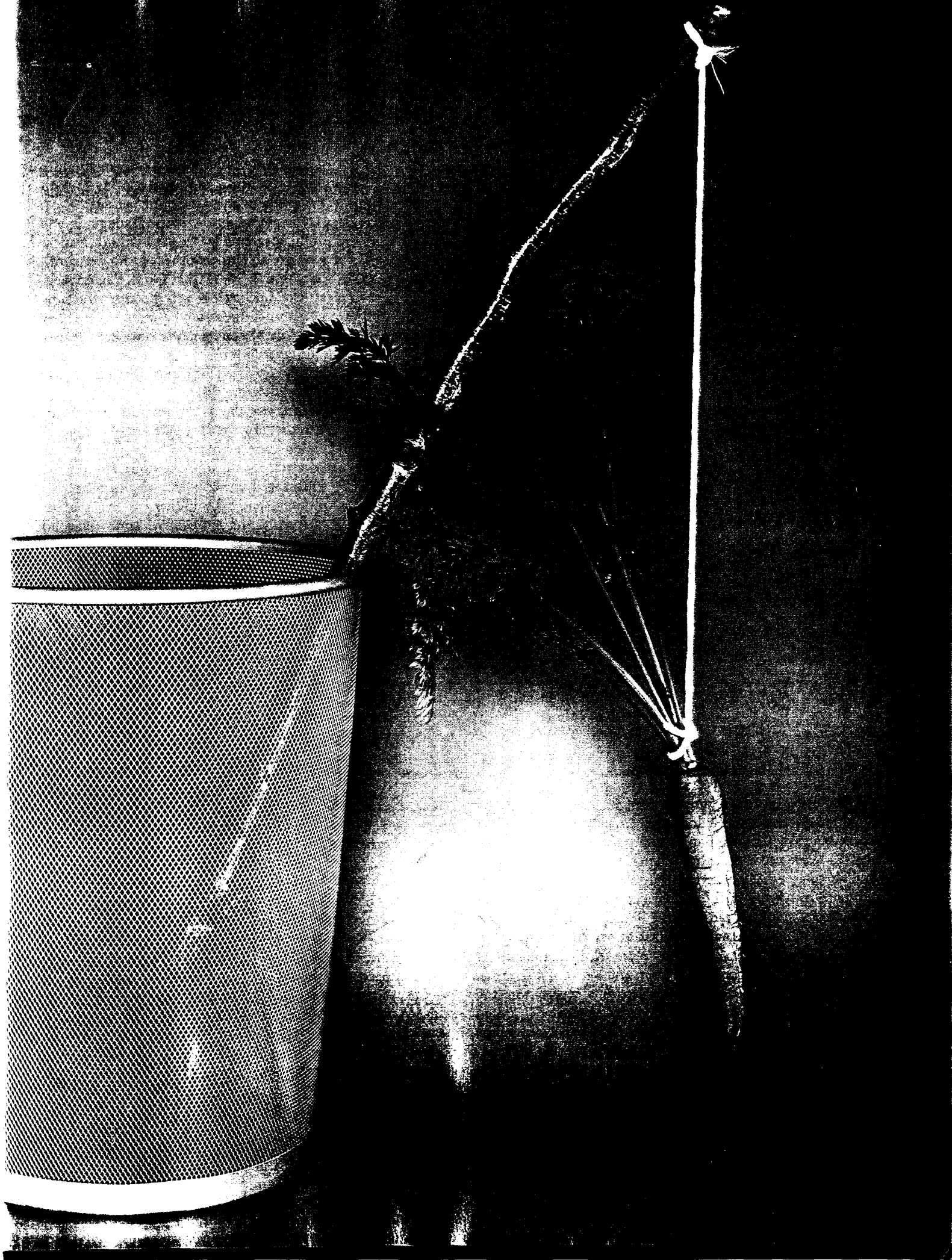


# HOW to lead NOW

**Getting Extraordinary Performance When You Can't Pay for It**

By John A. Byrne Photograph by Christopher Harting





She's half-joking, of course, but she did serve about 1,600 pounds of chicken wings to her crews for midnight snacking—not to mention the Friday-night themed dinners, ranging from New England clambakes to down-home southern cooking, or the full-blown Saturday morning breakfasts with pancakes, eggs, bacon, and sausage.

It wasn't just the chow. Cadagin is one of those relatively rare inspirational leaders who are able to get people to do extraordinary things. She is what Jon R. Katzenbach, an ex-McKinsey & Co. director who now heads up Katzenbach Partners LLC in New York, would call a pride builder: a leader who instills self-esteem in workers and builds unflagging support for remarkably tough assignments.

In truth, this is the stuff of Leadership 101: drawing the very best out of people by making the emotional bond every bit as important as the monetary one, feeding the soul as well as the wallet. But as profits have plunged and unemployment has soared, nurturing and innovative approaches to leading have fallen by the wayside, replaced by tougher, more autocratic, and more ego-centric styles. Inspirational leadership has come to be lumped in with the fripperies of the bubble: the snazzy dotcom digs, the office concierge, the take-your-dog-to-work days. In many workplaces, the message has changed from "What can we do to keep you happy and keep you here?" to "You're lucky to have a job, so sit down and shut up."

But if the recent period of excess and arrogance has taught us anything, it's that leadership must return to the principles that are practiced by people like 49-year-old

## It was one of those grunt jobs

that employees in any organization might have to do: move a computer center to a new location. Except mortgage lender Fannie Mae asked more than 550 employees to do their "day jobs" all week and then throw themselves into this new task over 13 consecutive weekends, pulling all-nighters on Friday evenings—without even the promise of extra pay.

To do it, the group had to bring down, move, and start up more than 300 business applications. It had to unplug, wrap, and box 577 computer servers, lay more than 1.8 million feet of copper cable and 35 miles of fiber, and perform more than a million separate tasks to transfer the data center from the Fannie Mae corporate headquarters in Washington, DC to an office park in Reston, Virginia, some 25 miles away. Remarkably, they did it flawlessly, without a single interruption to the company's business—and it was full-time Fannie Mae people who did almost all of the work.

How? "Napoleon said that an army marches on its stomach, and I fed the hell out of these guys," says Mary Cadagin, the Fannie Mae leader who spearheaded the move last summer.

Cadagin. Eight years ago, in its premier issue, this magazine proclaimed, "Work is personal." That statement is more true today than ever. Howell Raines, an autocratic, inaccessible, and arrogant leader, learned this from his recent undoing at the *New York Times*. In the aftermath of that newspaper's scandal over the plagiarism and fraud of a favored reporter, Raines quickly lost credibility with his own colleagues, partly because of his leadership style and partly because that style prevented him from understanding the enormity of the problem.

Katzenbach, who has long studied high-performing organizations, thinks that it comes down to one core issue: building pride. In bad times, when money is tight and people are highly skeptical of top leadership, building pride on the front lines of business is central to performance, says the silver-haired consultant and author of *Why Pride Matters More Than Money* (Crown Business, 2003).

If businesses are to grow their way out of the current economic malaise, they will have to get more productivity out of their people—not by cutting and slashing, but by nurturing,

engaging, and recognizing. Far from being the frothy excess of the boom years, these emotionally engaged leadership styles are enduring—not because they're new or good or interesting, but because they pay real economic dividends. In fact, there is far more of a payoff to "working the people side" than most managers think. In a study of 3,000 companies, researchers at the University of Pennsylvania found that spending 10% of revenue on capital improvements boosts productivity by 3.9%, but a similar investment in developing human capital increases productivity by 8.5%—more than twice as much.

Building pride is hardly a new idea. The most effective leaders have always known that the best work is inspired not by economics alone, but also by emotions, and they have engaged employees as allies, creating a sense of accomplishment, camaraderie, and emotional attachment that helps achieve big goals. Pride building is at the core of many high-performing organizations, ranging from the U.S. Marines to Southwest Airlines. What's remarkable is the degree to which we've lost sight of that fact, after a decade or more of squeezing productivity growth from layoffs, cutbacks, and technology investments. Too many leaders have focused their ambitions on themselves rather than on their organizations. Too many leaders are in it for personal enrichment or aggrandizement, a show-me-the-money style of leadership that has led directly to today's landscape of wrecked corporations and indicted CEOs.

It doesn't help that in most companies today, money is scarce, and stock-option plans are likely to be pared back as more corporations expense options on their income statements. Besides, the money is almost beside the point. If they are being paid reasonably, workers are far more likely to rank feeling fully appreciated and having interesting work as more important than high wages or job security. "Money attracts and retains people better than it motivates them to excel," argues Katzenbach.

What many of the corporate scandals confirmed, Katzenbach believes, is that systems of reward that are purely monetary can feed self-serving behavior and foster avaricious cultures that more easily self-destruct. But while the Marines, Marriott, and Microsoft have pride-based cultures, such organizations are relatively rare. "There are probably never going to be many Southwest Airlines," says Niko Canner, a Katzenbach partner who is helping lead a major research effort to learn more about the impact of pride building. "Most of these organizations are more short-lived than we hope."

Such cultures are unusual due to a particularly intriguing aspect of pride building. The push often comes from individuals within organizations—and not from the organizations themselves. Pride builders understand that most employees feel alienated from companies that spend years trimming their health benefits and laying off their friends. "Employees today are no longer loyal to organizations as much as they are loyal to people," says Bob Nelson, president of Nelson Motivation Inc., a management-training firm. "[Employee] recognition is more powerful when it's personal and heartfelt." That is why, unlike many management ideas, pride building is not a CEO-led phenomenon, but rather a task for frontline leaders, who are closest to the real work of a corporation. These leaders believe that commitment and loyalty derive solely from the

relationships that they strike with the people who report to them. So they personalize the workplace, cultivating close-knit communities inside large, often impersonal corporations.

And that means that their efforts can be a bit transgressive. When they make work personal, pride builders often launch minirevolutions, breaking the rules set by human-resource departments and getting involved in the private problems of employees. They have a tell-it-like-it-is philosophy of communication, keeping employees informed about everything that affects them, good and bad. And these exceptional leaders may even encourage thinking that pits their group or division against the corporation itself—with the ultimate goal of gaining better performance for the company.

**"I had no life for six months, and yet I was sad about seeing it end."**

MARY CADAGIN

A good example of the sometimes insurrectionist nature of pride building is the turnaround at General Motors' huge assembly plant in Wilmington, Delaware. In the early 1990s, the automaker dispatched a group of executives from Detroit, assembled all of the 3,500 employees in a vast area of one building, and told them that GM had decided to shut down the place by 1996 to reduce costs. "There is nothing you can do to affect this decision," a visiting GM suit proclaimed from the podium.

After the execs left, plant manager Ralph Harding made an impassioned speech to the shell-shocked workers, whose morale was at its lowest ebb. "There may be nothing we can do to affect this decision," Harding said. "But there is something we can do: We can make them feel really stupid! Because they are going to be closing the best plant in General Motors!" Harding then galvanized the workforce to make the Wilmington plant a model for every factory in the GM system.

Motivated by his challenge, the employees become newly engaged, working in problem-solving teams with managers to tackle quality-control problems and reduce costs. "Be the Best!" became a rallying cry to embarrass GM's top brass. It was printed on posters throughout the plant and sewn onto jackets given to employees. More important, union leaders and managers worked together more closely than ever to come up with ideas to improve quality and lower costs. Harding kept everyone informed of the plant's weekly progress on quality and costs. And the families of employees were invited to the plant for a luncheon in the spring and for a picnic in the summer. "When your family is engaged, it makes you feel good about what you do," says Harvey G. Thomas, the plant's current manager.

Within two years, the workers made the factory the lowest-cost producer in GM, with the lowest warranty costs as well. Car dealers began specifically requesting the Chevy Corsica and Beretta models, which were made by the Wilmington plant. The employees succeeded in making the corporation's decision look foolish—and GM reversed itself in 1996 and kept the plant open.

"There was no financial reward," recalls Thomas. "It was their sense of self-esteem more than anything else. Nobody wants to walk out of a closed plant."

Thomas, a towering man who learned how to raise bonsai at a Zen monastery in Kyoto, knows the awful sadness that comes with the shuttering of a factory. During his quarter-of-a-century career with GM, he was head of the chassis department in the company's Clark Street plant in Detroit when it shut down in the late 1980s. "It's a devastating thing," he says. "This assembly plant is like a little town of friends and neighbors. They know each other extremely well. A plant closure is like the breakup of a family."

Whenever this same plant and this same family are facing another difficult challenge, Thomas now trots out the videotape showing the executive visit, along with Harding's defiant retort. One tough assignment came in 1999, when employees were asked to build the new midsize Saturn model. "It was a very difficult launch, because the car was complicated to build, and morale was down because we weren't successful early on," says Thomas. "We broke out the tape, and groups of 40 to 50 people would see it. By the time each meeting was over, the energy level changed immediately. People said, 'Yes, we can do this.' They remembered that feeling of being successful, of facing a difficult challenge and succeeding."

The payoff from pride building is becoming so clear that GM is now trying to institutionalize the process. Based on an internal study of pride builders at 20 of its factories, General Motors is putting together training and development programs to spread the concept. "I believe it's a teachable skill," says Jay C. Wilber, executive director of the UAW/GM quality network. "Pride building isn't a way to manipulate people to get results. It's a way to work with people to get the most from them."

Even the new leadership team at struggling fast-food giant McDonald's believes that pride is essential to its comeback. "Our founder, Ray Kroc, said, 'Happiness is a by-product of achievement,'" says Mats Lederhausen, president of the company's business-development group. "I believe that pride, happiness, and feeling good come from being part of the winning team. Pride is hugely important. We have obviously lost some of that

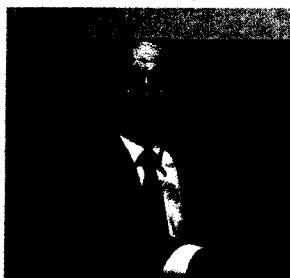
because we haven't been as successful in recent years."

Sometimes even the simplest gesture can get great results. Consultant Nelson recalls how a Westinghouse manager in charge of a sales office with 16 staffers agreed to pay for and cook lunch for all of his direct reports if they met their sales quotas. They subsequently outdid their goals in 18 out of 19 months, a performance so impressive that it attracted attention from headquarters. Corporate higher-ups volunteered to foot the bill for the luncheons, but the manager steadfastly refused the offer. The incentive worked, he said, because he personally went to the supermarket to buy the steaks with his own money and because employees got a kick out of seeing the boss become a cook and a waiter. "You're going to kill this thing if you pick up the bill," he told his bosses.

At service provider Aramark, pride building took a different shape. Roy Pelaez, 42, leads a workforce of 426 people that cleans airplanes for Delta Airlines and Southwest Airlines in New York, Boston, and Manchester, New Hampshire. The Bronx-born son of a concrete laborer, Pelaez first got the job at JFK airport in 1996, when turnover of the low-paid staff of largely immigrant employees exceeded 100% a year. Morale was low, and wallets and other valuable items that passengers left on planes had a funny way of disappearing.

To turn the operation around, Pelaez believed that he had to break some rules. "Managers are not supposed to get involved with the personal problems of their employees, but I take the opposite view," he says. "Any problem that affects the employee will eventually affect your account. If you take care of the employees, they will take care of you and your customer."

That is exactly what he did. Besides the typical "Employee of the Month" recognition programs, he did the extraordinary things: He brought in an English-language teacher to tutor employees twice a week on their own time. He added Friday citizenship classes to help employees become U.S. citizens. To keep single mothers showing up for work, Pelaez arranged for certified baby-sitters subsidized by government programs.



# Pride Builder

Tom Peters' advice: "Keep it simple, stupid." But how do you motivate people? The answer is to build pride. It's not about money or status. It's about making people feel like they are part of something bigger than themselves. It's about recognizing their contributions and giving them a sense of ownership. It's about creating a work environment where people are proud to work and proud to be part of the team. It's about building a culture of pride that starts from the top and trickles down to every employee. It's about making sure that every employee feels valued and appreciated. It's about creating a sense of purpose and meaning in their work. It's about building a team that is proud to work together and proud to achieve their goals. It's about building a culture of pride that is the foundation of a successful organization.

Tom Peters' advice still applies: "Keep it simple, stupid." A good story for motivational purposes is one that is honest, it recognizes imperfections and mistakes... and Tom Peters' advice still applies: "Keep it simple, stupid."

To help his employees take advantage of the earned income tax credit for low-income earners, Pelaez invited a representative from the IRS to come in and give free tax advice. He brought in another government representative to tell the employees how to get free health insurance for their children. And he even created a small computer lab with three used computers so that employees could get free training in word processing and spreadsheets from their fellow plane cleaners. "All of these things are important, because we want employees who really feel connected to the company," says Pelaez.

Employees who had perfect attendance over a six-month period or who turned in a wallet or pocketbook filled with cash and credit cards got a day off with pay. Workers in the "Top Crew of the Month" were rewarded with movie passes, telephone calling cards, or "burger bucks." The upshot? Turnover fell to 12% per year—an astonishing level for jobs that pay only \$6 an hour to start. And crews started to recover large amounts of money off of the airplanes, returning some 250 wallets with more than \$50,000 in cash to passengers who had left them on board. Meanwhile, Pelaez increased the company's revenue in his area to \$14 million annually, from just \$5 million in 1998. "He's created a group of people who will do anything in the world for him," believes Katzenbach's Canner.

Pride is a powerful motivator not only for low-income or factory workers, but also for white-collar employees at some

of the most successful and most admired corporations. Pfizer, the leading pharmaceutical maker, had a problem common to lots of organizations: Many of its most senior sales reps—some who had been in the field as long as 30 years—were feeling somewhat disenfranchised. "Sometimes it's low motivation or burnout or the lack of opportunity for career advancement," says James Shumsky, a longtime Pfizer sales rep. "Most companies look toward younger people for middle-management positions." In fact, most senior reps reported to less experienced district

**"If you take care of the employees, they will take care of you and your customer."**

Roy Pelaez

managers, and they were surrounded by younger go-getters who sometimes treated them as relics. One result: Pfizer's most experienced people in the field were underperforming the sales force in the early- to mid-1990s.

Shumsky, now 64, joined Pfizer as a sales rep in 1965, in Wichita Falls, Texas, with the job of selling antibiotics, tranquilizers, and vitamins to doctors in 25 counties. Over the years, he noticed that the veteran reps were becoming increasingly frustrated on the job. The vast growth of the company and of the industry brought many opportunities, but it also brought many new and younger staffers who were eager for promotion.

Many of the most experienced reps were less motivated and had even become socially isolated in settings with younger district managers. In 1994, Shumsky joined a pilot program, initially called "The Second Wind," that had been designed to change that dynamic. At first, the program didn't work all that well, in part because the younger district managers didn't buy into it. But then, Shumsky says, "some incredible things happened. The sales of each person in the program just took off and accelerated dramatically. Many times, the veterans led the nation in sales of certain drugs."

Rick Burch, a senior vice president, saw the program as a powerful way to reengage the older members of the sales staff. The idea was to create self-reinforcing peer groups of four to seven senior reps throughout the company, connect them via email and phone calls, and then have all of the teams compete with each other and with the rest of the sales force.

The program was more than a competition, however. The veteran sales reps were regularly asked to give talks to groups of new management trainees and to speak at conferences of district managers. They were also assigned mentoring roles with the younger staffers. "It means so much when you're a younger rep and you get advice from a more experienced peer rather than from a manager," says Burch.

The program was all about re-creating pride in people who still had far more to contribute to the organization, Burch says. He called the program the Master's Group, after the famous golf tournament, and each of the masters was given a green jacket that resembled the jackets awarded at the Master's Tournament.

Roy Pelaez  
(center)  
of Aramark



All of the masters—and there are now some 700 of them—meet once a year in San Diego, and each team also gathers once or twice annually. The upshot: Masters in Burch's division have exceeded sales quotas and beaten overall sales-force averages in seven out of the past nine years. "It was like recharging a battery," says Shumsky. "A lot of energy and enthusiasm came out. What makes it go is that it's accepted that senior people are now respected for what they bring to meetings, and their mentoring is invaluable."

Then there's Cadagin, at Fannie Mae. She is a high-spirited MBA and former Deloitte Touche consultant who exudes positive vibes. Cadagin had been at Fannie Mae for some eight years when she was asked to lead the relocation of the data center in July 2001. Most thought that it would be a relatively small project that could be accomplished by Labor Day. "At first we thought we could pull up 30 or 40 moving vans and do it over the weekend," she says. "But we had to lay over very complex calendars to see what businesses were running on the weekends and minimize the impact."

Her team finally settled on 13 separate moves over 13 weekends, starting in February 2002 and ending the following July. A core group of 175 data-center engineers would work on the majority of those weekends, though the entire effort would involve 550 employees. Each move had a project manager who wore a red baseball cap, which became a badge of distinction

Like a football coach preparing the team for a play-off game, Cadagin used humor to psych up the group. "Have no fear," she told them. "Whatever happens, report it. I know you guys. If a server gets dropped on the floor and breaks into seven pieces, you're going to think, 'A little Super Glue, a little duct tape, and no one will know.' We have plenty of people to help. . . . Be friendly. You won't know everyone on this project. I know how introverted you geeks are. Introduce yourself, and make new friends." Each meeting ended with her giving the sign-off made famous by the TV series *Hill Street Blues*: "Let's be careful out there."

She certainly made good on the promise she had made to feed them throughout the whole process. On Friday at 5 PM, the move would start—not with packing, but with eating. More than 100 people would dine together first. Between 9 PM and midnight, all of the gear would be packed and moved. In Reston, snacks would be served at midnight. On Saturday morning at 8, the full breakfast would come out. And they would continue to work, sometimes into Saturday evening.

In short, Cadagin made it a fun project. She created a sense of community around it. And throughout the move, she made herself conspicuous. She was always there and always visible. She'd walk the floors throughout the night, constantly thanking people for helping out. "I had an incredible amount of respect for what I was asking these people to do," she says. "I couldn't ask them to work these hours and then just check in during the morning." At the end, she convinced the company to hand out bonuses to all employees involved in the relocation.

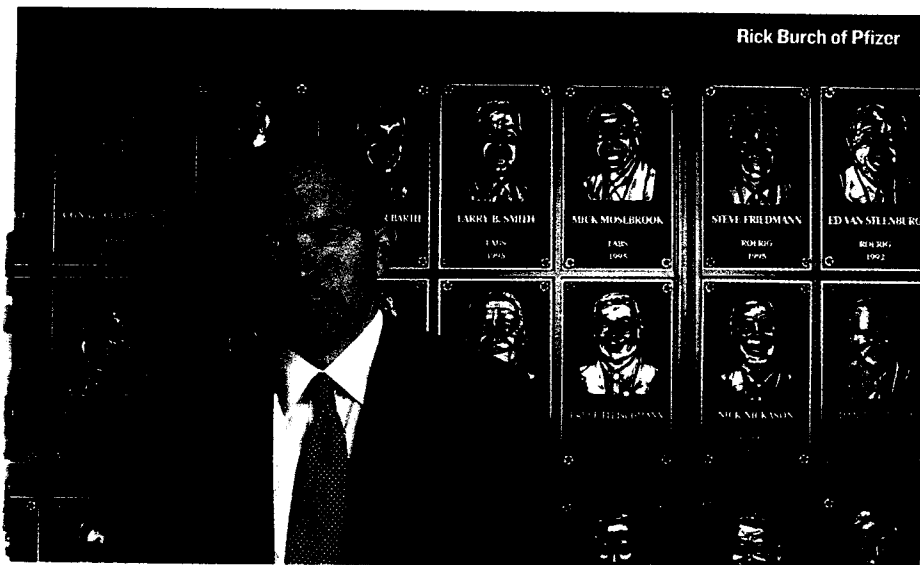
When the project was finally completed, she threw a picnic for everyone who had worked on the move, along with their families. There was face painting for the children, and the red hats took their turns in the dunk tank. "We did tours of the data center so that the kids could see what had kept their fathers or mothers away for the weekend," says Cadagin. "I had no life for six months, and yet I was sad about seeing it end."

Fannie Mae's CEO, Franklin Raines, delivered the ultimate accolade at a cocktail party that was thrown last September for everyone involved in the relocation. "You performed open-heart surgery on the company for 13 weeks in a row," he said, "and we didn't even know we were operated on."

For Cadagin, it wasn't "building pride" as much as "creating engagement" that made the difference in the project. "Pride is closely related to arrogance, which is closely related to hubris, which is closely related to downfall," she says. "While I take a tremendous amount of pride in the work I do, we would never talk about being prideful. I would more likely tell people how much I appreciated what they did."

Amid the current recessionary gloom, when headlines still scream of the leaders who got it wrong, pride builders like Cadagin teach that outstanding performance is possible in virtually any endeavor, under inspired leadership. Work is indeed personal, as it always has been. ★

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for everyone who got one. The project-manager jobs largely went to people who had never before assumed managerial responsibility. "These people all got bigger jobs," says Cadagin, now vice president of finance and portfolio technology. "I told them, 'You own it. You run with it. Come back and tell me what you want to do.'"

A ritual was quickly established. On the Wednesday before each move, Cadagin gathered the team for a 3 PM kickoff. She divided the group into teams, spelled out assignments, introduced project leaders, and set rules. She shared her fears about what service interruptions would do to the business. She said that if the workers were too tired to drive home after their work, the company would foot the bill for an overnight hotel stay. "Don't take risks," she'd say. "We need you too much."