

LEADING FROM THE INSIDE OUT

Lewis E. Frees, PhDⁱ

Actively disengaged employees -- the least productive -- cost the American economy up to \$350 billion per year in lost productivity according to the Gallup Organization's latest research into employee engagement levels in the U.S. workforce. This research suggests that 16% are actively disengaged. This seemingly small percentage will have disproportionate negative effects on any organization, but it need not. Instead, the 29% who are actively engaged can be encouraged and coached to inspire the 55% not engaged "fence-sitters" to create a high performance organization. This happens as a result of "change from the inside out" (MODFIO) the topic of this paper.

Kurt Coffmanⁱⁱ coauthor of Gallup's bestselling book First Break All the Rules, refers to the actively disengaged employees as the "cave dwellers." He observes that "they're consistently against virtually everything. They are not just unhappy at work; they *act out* that unhappiness. Every day, actively disengaged employees tear down what their engaged coworkers are building."ⁱⁱⁱ They cluster together and mutually reinforce their attitudes with each other. They are the negative influencers.

Coffman calls "engaged" employees the builders. They use their talents, develop productive relationships, and multiply their effectiveness through those relationships. They perform at consistently high levels. They drive

innovation and move their organization forward. They are the natural leaders.

The employees that are not engaged aren't necessarily negative or positive about their company. They basically take a wait-and-see attitude toward their job, their employer, and their coworkers. They hang back and don't commit themselves. They are the followers.

"The task of leadership is not to put greatness into humanity, but to elicit it, for the greatness is already here."

~ John Buchan

The lost opportunity is obvious -- but so is the opportunity for growth if you can move your employees from the not engaged to the engaged category. Whatever the business, the cost of a culture of low engagement becomes obvious. For all companies it degrades innovation and the multiple sources of resourcefulness. The employees that are not engaged aren't necessarily negative or positive about their company. They basically take a wait-and-see attitude toward their job, their employer, and their coworkers. They hang back and don't commit themselves. They are the followers. The lost opportunity is obvious -- but so is the opportunity for growth if you can move your employees from the not engaged to the engaged category. Whatever the business, the cost of a culture of low engagement becomes obvious. For hospitals it goes straight to patient experience and safety which, of course, goes straight to the bottom line. This can lead to lack

of follow through, distorting or misrepresenting information and dampened innovation. For all companies it degrades innovation and the multiple sources of resourcefulness.

But it need not be. Instead, the 29% who are actively engaged can be encouraged and coached to inspire the 55% not engaged “fence-sitters.” Engagement can become a form of contagion. A tipping point can be reached similar to a phase transition in the physical sciences. Formal leadership takes on a new form. The structures flex and become continuously adaptable and permeable. And that leadership is sustained from the inside out.

Getting to High Engagement

We have entered a new era. It is one in which organizational complexity, including shifting roles and responsibilities and a continuously changing environment, are indicative of organizational cultures in every sector. The environment for virtually all organizations has changed. It can be seen in health care, business and in virtually all government agencies. The new environment is

These qualities are:

- Making the right things matter most
- Fostering high quality connection among people in all directions with no boundaries
- Having a positive, happy, open-hearted attitude
- Making others better at what they do by triggering their best instincts
- Trusting emergence...moving together to create great outcomes

Making the Right Things Matter Most

Natural leaders refuse to get distracted by everything that comes their way. They know what really matters and it is to those things that they put their attention and energy. They don't chase everything that seems to demand their attention...which is, incidentally one of the causes of burnout. Instead they carefully choose and pay attention to the right things. Their days are personally fulfilling and their work products are accomplished with care and attention.

Why does this come naturally to them? Natural leaders are intrinsically motivated. They are driven by their own fulfillment, curiosity and satisfaction at dealing with the challenge at hand. Studies show that even mice learn to solve problems faster when the challenge is simply placed in front of them rather than providing a reward such as food. “The right things” are the

more complex, volatile and unpredictable. With it the skills needed for leadership have also changed. Top down, prescriptive leadership and management will no longer suffice in virtually any sector. It is a leadership challenge of a different order. Leadership must come from the inside out. It must exist in every part of the organization. The new environment requires people who are adaptable, boundary spanning, collaborative and network thinkers. To accomplish this they must own their own development and be self-aware. They must be natural leaders who are not only *engaged in doing the work, but also by their presence fostering an emergent workplace.*

Margin of Difference from the inside out is based on the principle that the most powerful and efficient way to create a culture of high engagement is to tap the natural leadership of highly engaged employees. Natural leaders exhibit five qualities which they are capable of fostering by their very presence.

authentic expressions of the essential and unique self. Whether it is writing code or taking care of a patient, it is these things that drive engagement. A natural leader makes the right things matter most. Everything else follows.

For an organization the right things are its mission and core values. They know that if this matters most, profitability will follow. But if they make profitability matter most, they will consistently erode their ability to deliver on their mission. Their critical success factors are aligned to what matters most and rigorously followed.

At his introductory annual meeting upon being hired as the new CEO of the then ailing Alcoa, Paul O'Neill stunned the investors and stock analysts. Rather than making the usual promise to boost profits and lower costs, he said that he intended to make Alcoa the safest company in America. He was going for zero injuries. The investors stampeded for the door. One recalls rushing to the nearest pay phone (yes, this was before cell phones) and telling his twenty largest clients to sell immediately.

Within a year, Alcoa's profits hit a record high and that was only the beginning: market capitalization increased by \$27 billion and annual income quintupled over the next few years. The drive for safety had driven efficiency and the very quality of aluminum to new levels. It had transformed the level of engagement at every level, including the line workers who could now stop the line if they saw equipment defects. It had unified the company. The union which had a toxic relationship with management was now working side-by-side with management to protect employees.^{iv} When you make the right things matter most, all else follows.

Creating High Quality Connection

Studies show that our social networks powerfully influence not only our habits but also our beliefs and attitudes. James Breckenridge has devoted considerable research to the psychology of terrorism. He is convinced that negative information is more contagious and "stickier" than information that is upbeat. He has shown that it explodes out more rapidly and is more difficult to turn around once it has momentum. The consequence of this for organizations is that the 16% of people who are actively disengaged -- and actively is the operative word here -- actually have a far greater negative influence on engagement than their numbers would indicate.

Natural leaders, however, are connectors. They not only build connections among others, they personally connect with each person with whom they interact. Connection is driven by attention and appreciation. Natural leaders are there, with that person, in that moment. In Buganda, one of the happiest countries in the world it is a cultural norm to use a two handed handshake with eye contact when greeting someone. No matter what differences may exist or how long they have known each other, in that moment their attention is on the other person. Attention does not require more time. It simply requires being here now. This is what creates connection.

We are hard wired to feel the satisfaction and fulfillment of good connection. Leveraging this natural inclination toward meaningful connections both among natural leaders and with those in their immediate purview is a core driver of *MODFIO*.

Having Positive, Happy, Open-Hearted Attitude

Happiness has been shown to spread to three degrees of separation. That means that natural leaders have a counterbalancing effect on negative influencers. And happiness matters. A wide field of research demonstrates the way in which attitude affects engagement. Positive attitudes heighten the ability of a group to deal with complex ideas and to formulate out-of-the-box solutions. Such attitudes have been shown to widen the scope of attention^v, broaden behavioural repertoires^{vi}, and increase both intuition^{vii} and creativity.^{viii} Marcial Losada has developed a mathematical model that shows what happens on business teams when a 3-to-1 ratio is reached between positive vs. negative attitudes as registered in actual behavior. At 2.901-to-1, a tipping point is reached when the team shifts into the creative elaboration and exploration of ideas vs. one that derails its ideas.^{ix} Positive attitude affects the range of behavioral options that people bring to everything from designing strategy to patient experience and safety. All of this powerfully influences the diversity of thought that drives innovation and the ability of teams to work together seamlessly.

Making Others Better at What They Do by Triggering their Best Instincts

Best instincts are our most lofty natural inclinations. They range from our ability to love and experience appreciation to our own resourceful use of our mental acuity. A core difference between natural leaders and negative influencers is in what they focus upon in both themselves and others. That focus becomes a trigger, bringing forward the best or the worst natural inclinations in others. It influences values, attitudes and behaviors, and it also affects intellectual prowess and individual effectiveness.

Triggers can be sent and received in a fraction of a second. We pick up the information in these thin slices subliminally and trust the information even more than the words that are being spoken. Studies show that the signals that we send through thin slices and as a result of mirroring,^x dramatically affect the mental acuity of others.

For example, a group of Dutch social scientists decided to see if simply focusing on soccer hooligans vs. a college professor would affect the outcome of a “trivial pursuit” competition between two groups of college students. Those who focused on a college professor chose the right answer on just over 57% of the questions. Those who focused on soccer hooligans answered just over 42% correctly. That’s the difference between an A and a C in school: between good enough to get by and breakthrough thinking at work! It was caused by nothing more than a difference

in focus. Soccer hooligans represent chaos, college professors bring to mind disciplined thinking. *All of the work habits, activities and other signals in the workplace that bring to mind chaos and confusion actually make people less intelligent!*

The ability of natural leaders to recognize and trigger the best instincts of another is not just about being nice. It also affects both individual and team performance. Natural leaders not only powerfully influence the competence and intellectual acuity of individuals but also whether teams are riven with divisiveness and confusion or bonded with mutual respect and appreciation as well as whether they fend off or welcome diversity of thought. The simple matter of triggering the best instincts of others has a dramatic effect on innovation.

Trusting Emergence...Moving Together to Create Great Outcomes

Emergence is a phenomenon used by biologists to describe the leaderless organization of flocks of birds, schools of fish and countless other species as they move together. Studies have shown that this same dynamic occurs among people even with habits as difficult to shake as smoking. Nonsmokers influence others to three degrees of separation. "When one person stops smoking it has a ripple effect on his friends, his friends and his friends, friends, friends." Researchers discovered that, "There is a kind of synchrony in time and space when it comes to smoking cessation that resembles the flocking of birds or schooling of fish.^{xi}"

This same phenomenon of self-organization can drive the spread of the attributes of natural leadership from natural leaders to followers and on to ever wider concentric circles of relationships. *Your beliefs, your attitudes toward work, your work habits, your mood...virtually everything that you bring to the job, affects the people that work beside you. These attributes also ripple out to three degrees of separation to your suppliers and ultimately the delivery to your customers. Natural leaders know that they are not just isolated people doing their particular job. They are part of an emergent organization that...as one system...delivers on what matters most.*

The Power of Natural Leadership

The influence of natural leaders does not stem from their formal position in the organization although the qualities of natural leadership are critical to those in any level of formal leadership from the Chairman of the Board to a foreman or team leader. Their influence stems instead from the informal influence that they have on those within their purview. It is determined by the way in which those five natural leadership qualities affect their personal approach to the challenges they face, whether it is agreeing on corporate strategy, writing code or managing a project.

Natural leadership, when shared and encouraged among people in the workplace, moves them forward collectively in multiple

ways. They see options and opportunities that others miss. They leverage the entire range of diversity of thought that exists both within units and across the organization. They send signals to one another that actually improve their intellectual and behavioral competence.

Because the positive behaviors emerge naturally, a culture of natural leadership makes it less necessary to be prescriptive about the ways people should behave toward one another and toward their customers, clients and other stakeholders.

There are Six Best Practices of natural leadership:

- The Thinking Process
- Using Pull
- Building Social Networks
- Investing in Social Capital
- Engaging in Inspired Conversation
- Creating Engagement Processes that Flow

How Natural Leaders Think

Natural leaders refuse to get stuck in fears, limitations and toxic negative thinking even when it is aimed at them. They are adept at pivoting their own thinking whether it is about their own performance, other people or outcomes.

Some see hurdles and think about how hard it will be to get over them. Natural leaders are able to see what it is like to be over them. As a result, what others may believe to be impossible, they know to be possible.

Natural leaders focus on and appreciate the positive inclinations of other people even when they are not self-apparent, rather than thinking of others as objects of critique and competition. This kind of thinking emerges from a well-honed ability to sense and appreciate the very attributes that others most value about themselves ... to see their unacknowledged qualities and potential. Natural leaders look for ways to expand the boundaries of their own ideas. They view themselves as learners rather than learned. They prize their ability to inch toward new understanding, by letting their ideas evolve in the presence of diverse thinking and dissent.

Natural leaders easily let go of attachment to former intellectual stances. Not that they suddenly reject all of the old in order to take on the new. They instead evolve forward with their thinking, letting go of the unnecessary and appreciating those ideas that add value in a new context. They also divest themselves of the assumption that if they engage in collective thought, they somehow erode their individual identity. Natural leaders recognize that even their most personal contributions ride on thoughts that have been spun by others and that all who contribute, deepen and further define their own uniqueness even while they experience their connectedness to the larger group.

Using pull rather than push

Pull refers to the tendency of anything that matters to us to draw or attract both ideas and events. One of the most subtle but powerful practices of natural leaders is their tendency to influence others through pull rather than push. Natural leaders send signals that create pull because they remind people of something they already care about. They sense and build on the best instincts of others.

Push is an attempt to impose ideas and/or behaviors on other people rather than connecting them to their own ideas, values and beliefs: to *override* the natural inclinations of other people by influencing

them toward intents and purposes for which they can find no connection within themselves. The most egregious forms of push include coercion, control and outright force. But push can be attempted through more subtle manipulative processes. For this reason, the impact of push is sometimes hard to read. Push inevitably produces resistance, which may surface in multiple ***“All meaningful and lasting change starts first in your imagination and then works its way out. Imagination is more important than knowledge.”***

~ Albert Einstein

ways or be driven underground where it gains strength and cohesiveness and then blows back. It may also produce compliance which can easily be mistaken for buy-in. Push subtly diminishes another, the antithesis of better instincts. Push also often attempts to draw boundaries around ideas restricting access among disparate viewpoints.

The pull employed by natural leaders fosters cohesion and emergence rather than separation. It signals appreciation which is why it is a core best practice of natural leadership.

Building Rich and Diverse Social Networks

"It was unbelievable...It's not science the way most of us have practiced it in our careers. But we all realized that we would never get biomarkers unless all of us parked our egos and intellectual property noses outside the door and agreed that all of our data would be public immediately."^{xii}

A social network is the web of potential contributors to an intellectual outcome or product. At their best, social networks are the engine of nimble, innovative out of the box thinking. At their worst they produce cascades in which people that know and trust each other mutually reinforce misinformation.

Natural leaders tend to have rich and diverse social networks and they connect to people and information in a way that leverages that diversity of experience, knowledge and even dissent across boundaries and professions. Because their personal identity is not tied to their own intellectual stances, they find it easy to explore contrarian ideas with others.

Even though they invite ideas that are contrary to their own, they are drawn to others who, like themselves, trigger the best rather than the worst inclinations in others. So they are not pulled into toxic networks such as cliques, triangles and exclusionary sub groups.

Investing in Social Capital

Social capital refers to the residual value of trust, respect, rapport and appreciation in a relationship. It is called social capital because

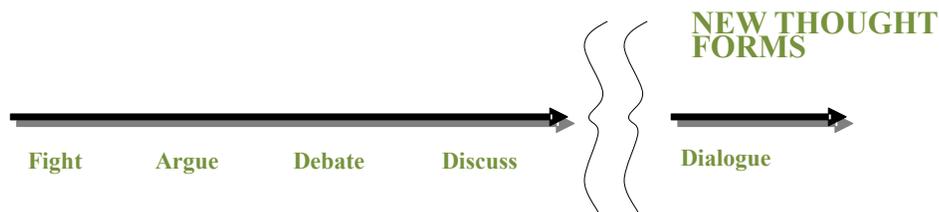
Engaging in Conversations

Optimal conversations trigger the best thoughts and instincts of everyone in the interchange. They access and peel open ideas and insights that would easily be missed. Natural leaders tease out ideas in a mutual process of discovery rather than simply defending a current stance. Their conversations are naturally collaborative because they focus on exploring and understanding. Natural leaders are comfortable with the wobble of ferment that occurs when a set of ideas has not yet popped into a new understanding. They are relentlessly focused on creating new thought forms. They therefore land on the dialogue end of the continuum illustrated below.

in every interaction people either withdraw from or invest in this bank account, which then affects the next interchange. Social capital creates a generative environment that encourages people to move out of intellectual comfort zones to see ways to continuously improve and refine execution. The broader and more diverse the thinking, the greater the bank account of social capital required.

Natural leaders build social capital through appreciation, rapport and trust. Appreciation is more than a skill. It is also an attitude. The skill of building rapport ... the bond of empathy and understanding is built through attentive connection. Trust is built through reliability, competence and sincerity.

The Continuum of Conversation



Fighting is an attempt to destroy either the ideas or even the personhood of another. It is aggressive, often mean spirited and usually toxic. Arguing has the same purpose to win with one stance against another. It is “arguably” a bit more civilized but can often sink into a high degree of toxicity. In a debate each attempts to undermine or destroy the validity of an opposing stance. The word discussion comes from the same root word as that for percussion. Through discussion there is often a winner and a loser. Its focus is advocacy of a current stance, the tendency to push information at each other. The outcome of discussion often is clarity of current stances and in fact can result in enhanced understanding and agreement in preparation for decision.

Dialog is a different form altogether. Its purpose is not to win and lose but to collaboratively share information in a way that enables people to not only increase their understanding but to create an intellectual outcome that is a new form. Dialog is the most effective engine of innovation; it includes appreciative inquiry and other forms of listening as well as a form of advocacy that engages in sharing ones best thoughts and ideas about a subject non-defensively.

The Flow of their Engagement Processes

The engagement process consists of the settings, events, venues, methods, activities and organizational design that support human interaction. Natural leaders enjoy the process itself for its own sake, not only the outcome. For this reason their processes, even though they are often intense, are not marked by stress and hubris. They flow and the people who work beside them mirror and often emulate this quality.

Natural leaders spot when they are out of flow. They recognize the telltale signs. Everything seems hard. There is high stress and struggle rather than intensity that is fulfilling. Glitches, rework and other non-value-added activity keep occurring. Natural leaders keep engagement processes open, straightforward, simple and lean. Every contribution adds value.

The Never Ending Reach for Mastery

A music critic once observed to Jascha Heifetz, one of the greatest violinists of the 20th century, that his mastery of the violin was beyond the ability of critics to find flaws. He responded that he hears the flaws and never stops improving because it is in improvement that he takes his greatest satisfaction. The reach for mastery never ends...including the mastery of natural leadership.

i

This Paper is based on the book in current development: Align: Leading from the Insight Out, by Lew Frees PhD. ii

First Break all the Rules by Marcus Buckingham and Curt Coffman, Simon and Schuster, New York, 1999 iii

ibid

iv

Charles Duhigg, The Power of Habit: Why We Do What We Do in Life and Business: Random House, New York pp 97- 100. v

Herbrickson & Branigan, 2005 vi

ibid

vii

Bolt, Goschkey, and Kul, 2003 viii

Isen, Daubman, and Nowicki, 1987 ix

For a summary of the wide array of studies from which these findings are derived see Barbara Herbrickson and

Marcial Losada; Positive Affect and the Complex Dynamics of Human Flourishing; American Psychologist, October 2005, pp 678ff

xii

Dr. John Q. Trojanowski in a New York Times article [Sharing of Data Leads to Progress on Alzheimer's] by Gina Kolata, August 12, 2010.