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# Leader to Leader



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MANAGING ON THREE PLANES: AN INTERVIEW

The point is to build strong institutions, not create heroic leaders

**JACK TROUT**

MARKETING: TOO IMPORTANT TO BE LEFT TO THE MARKETING PEOPLE

Find your strategy in the ebb and flow of the marketing battles occurring in the mind of your customer

**THOMAS S. BATEMAN**

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Even the charisma-challenged can achieve great leadership via sheer competence

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Apollo Tyres of India has gone through more than its fair share of upheavals and come out on top

**MICHAEL LEE STALLARD AND JASON PANKAU**

TO BOOST PERFORMANCE, CONNECT WITH THE CORE

How to build three bridges that connect people to the organization



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## FROM THE EDITORS

In this issue, we present essential articles on strategy, performance improvement, problem solving, and many other topics critical to leading organizations in today's environment.

Top performance is "a question of building strong institutions, not creating heroic leaders. Heroic leaders get in the way of strong institutions," Henry Mintzberg says in his interview with us. A contrarian and an iconoclast, Mintzberg is ranked as one of the world's top five management gurus by the *Financial Times*. In his interview, he focuses on his latest book, *Managing*, and describes how a leader manages on three planes, from the conceptual to the concrete: with information, through people, and directly to action. He also shares some frank opinions about the quality of management and leadership today.

Jack Trout is a longtime powerhouse in the world of marketing (he coauthored the marketing classic *Positioning* with Al Ries). The key to surviving in these difficult times, he says, "is not to stare at the balance sheet but simply to know where you must go to find success in a market. That's because no one can follow you (the board, your managers, your employees) if you don't know where you're headed." How do you find

the proper direction? Trout outlines a four-step process to pursue in forging the way ahead.

Charisma without substance and competence is meaningless, even dangerous, according to Thomas S. Bateman, who argues that the leadership field focuses so heavily on personality and interpersonal skills that the need for genuine competence is easily overlooked. Bateman explains three critical imperatives for leaders that some would say are obvious but that leaders and followers ignore all the time. "If leaders are willing to take the challenge," he says, "this process offers a clear, actionable, competence-based path to higher performance."

Tough times rarely come announced or follow a pattern. Each is different and requires varying sets of people to act. Apollo Tyres, headquartered in India, has gone through multiple sets of difficult times during its short history, including near-bankruptcy. Onkar S. Kanwar, chairman of Apollo Tyres, draws key lessons for all companies from how his company dealt with setbacks and challenges to become India's leading automotive tire manufacturer, with operations on three continents.

Michael Lee Stallard and Jason Pankau report that their research reveals that leaders whose organizations achieve high levels of performance are intentional about making core employees feel connected to them and to the organization. They have learned to build bridges that extend the sense of connection to the core of the organization—not just to the executives and star employees. These bridges come in three distinct forms that together create a *Connection Culture*. The authors detail how these three bridges work using examples from two vastly different organizations.

Other important articles in this issue focus on facing the challenges of business model innovation, negotiat-

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is meaningless.*

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# STRATEGIES FOR GROWTH IN HARD TIMES

*Onkar S. Kanwar*

ing effectively, dealing with organizational silos, and strengthening employee engagement.

Mark W. Johnson explains that business model innovation allows organizations to focus on where the world is going, unencumbered by existing systems and structures. He details how to make business model innovation a systematic, manageable process rather than one reliant (as it so often has been in the past) on luck, serendipity, and inspiration. Melanie Billings-Yun shows how relationship-based negotiation can develop the mutual trust, reliability, and future cooperation that will create value stretching far beyond the immediate deal. She describes the four central pillars of effective negotiation: a focus on relationships, outcomes, solutions, and fairness.

Many leaders struggle against the effects of the silos in their organizations, where the right hand doesn't know (or care) what the left hand is doing. Todd L. Pittinsky demonstrates how an organization's various siloed units can work with each other instead of against each other or in disregard of each other. Judith M. Bardwick warns leaders not to assume that people know what they need to know about what's going on in the organization—especially when it comes to their pay, benefits, and HR policies. She explains how relevant, focused information can be used to create and sustain high rates of commitment and engagement.

We welcome your thoughts and feedback. Please e-mail us at [editor@leadertoleader.org](mailto:editor@leadertoleader.org) or write to us at

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**T**ough times rarely come announced or follow a pattern. Each is different and requires varying sets of people to act. However, if a company goes through multiple sets of difficult times during a short history, is it possible for it to develop a corporate memory that allows it to nurture certain basic traits or strategies that come in handy during tough times? I think our experience at Apollo Tyres is instructive.

In its three-decade young history, Apollo Tyres, headquartered in Gurgaon, India, has gone through its more-than-fair share of upheavals: near-bankruptcy during the inception years, a family feud over control during the growth years, and phases of economic distress during downturns or unusual price volatility.

I believe that two such incidents in the company's corporate history best pinpoint the tactical or strategic initiatives that were taken to overcome the issues of the time and ensure the creation of a stronger entity. While each situation is unique, some of the actions taken create a common thread. These actions provide lessons for other companies and entrepreneurs in any country or region of the world.

## The Beginnings of Apollo Tyres

I was young and determined when I began work at Apollo Tyres. But what helped me more than anything else was the fact that I had no knowledge whatsoever of the industry that I had just entered. This was to be my biggest advantage in my life ahead—an uncluttered mind. And the fact that I had no idea what was awaiting me.

My father entered the tire business in 1977 by building and commissioning a small tire plant in the south Indian state of Kerala. He lived in New Delhi overseeing his other business interests, running the tire plant long distance. The technology was coming from the American company General Tires. Given that my father was not very interested in what was happening in faraway Kerala, by 1979, management and other problems began piling up in the company. Finally shop floor employees stopped work. It was then that I asked him if he would allow me to give this new business of his a shot. He agreed, and changed my future forever.

I arrived in Kerala and was welcomed with anti-management slogans. Businesswise, things did not look good. Tires were being returned faster than they were

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being produced. The books of accounts showed that in just two years Apollo Tyres had wiped out its net worth four times over. On a capital base of Rs 80 million, the losses were Rs 300 million! What had I taken on? But youth and determination came to my rescue. Giving up was not an option. I just had to find a way.

The next morning I called in all employees and put the facts before them—we had nothing, not even enough to pay their salaries. What we could do was close the plant and move on. But, I told them, shutting down was the easy option—not one I wanted to exercise. Did they? Or did they want to help me make Apollo Tyres a Rs 1 billion company in the very near future?

Many just laughed in my face. They asked me what I knew about running a company or making tires. I told them nothing at all, but I would give my all to make this venture a success. They had the tire-making knowledge that I did not, and I believed if we worked together we could create something. No one was really convinced, but neither did they have an option, and I could see more naysayers and fence-sitters than fellow travelers. So I took the next step forward and announced that I would want to work only with people who believed in my dream. I did not have the wherewithal to carry disbelievers along with me on this journey. Those who were not convinced could leave. We would part as friends. But I wanted those who believed to stay to make this journey together to hit the Rs 1 billion mark.

Many left. But thankfully many stayed and were excited about a new beginning. I found myself with a young team willing to stretch itself. Now, more than anything, we needed money to restart operations—a good Rs 25 million. So I hit the road and met the banks and financial institutions who had originally invested in the plant. I do believe that fate smiled upon me. I was able to raise the necessary finances after knocking on many doors.

Back at the plant we decided to stop producing the vast variety of tires we were manufacturing in the car and truck segments and just focus on the big ticket items—particular sizes of truck and agriculture tires that were the highest sellers. These comprised the majority of the Indian tire market, sold more than any others, and would bring us the highest margins.

The journey was not easy, but it was challenging and exciting. Every day we had a new problem and every day we had to come up with a fresh solution. Eventually, in October 1986—seven years after we set our sights on it—we hit the Rs 1 billion figure. Together we had not only saved Apollo Tyres from going belly-up but also created a successful new entity in the Indian business scene.

## A Struggle for Control

By the mid-1980s Apollo had made a name for itself in truck tires. Turnover was buoyant and profits were better than the industry average. The team could see a road ahead, but one that we would have to build to travel on. I was convinced we could do it. My father, then one of India's most well-known entrepreneurs, wanted to diversify the business and create a conglomerate. I did not. We had tasted success and now wanted to be India's #1 truck tire manufacturer, pushing out the legendary and multinational brands. We were close.

Sadly, for the next decade, we fought our own family battle—my father and I—in the Apollo Tyres boardroom. For 10 years my worst nightmare hounded me at every turn. This was the darkest, bleakest period of my life and that of the person I respected the most. A rather public and tragic battle for control followed,

changing lives and creating divisions within the family and among our employees. People had to choose sides and amid all this I had to ensure that we kept the business not only afloat but growing, to justify my leadership to the Board of Directors and my shareholders.

Once again I fell back on my early lessons of communicating directly with key stakeholders like employees and business partners, sharing facts, and allowing the team the freedom to manufacture and sell what they saw as fulfilling a customer need. In fact, it was at this time that Apollo executed its first product marketing innovation—market segmentation—a standard practice in India today but one that gave us a five-year head start.

But most significantly, I introduced “employee schemes” of loans and down payments for two-wheelers and cars, scholarships for children's education, and other soft benefits. For a person who gave Apollo 8 to 12 hours of the day, it was the best that Apollo could do to show that it cared.

Eventually my conviction won when in September 1993 the Apollo Tyres Board of Directors decided to step in and passed a resolution where formal roles and responsibilities were marked out for my father and me. In effect, they gave me the control to run the company, reporting directly to the Board. This put to rest the corporate battle over ownership of Apollo Tyres. But in these few years, the company and its employees had taken a battering. We had to reestablish our credibility with banks, customers, media, and various other stakeholders.

## Key Lessons

Today, when I look back on what made Apollo survive and even gain strength out of these two instances, and others too, a pattern seems to have evolved. I am sure that similar or even the same set of patterns emerge in other entrepreneur-driven companies across the world. But for some reason a few of the early traits have become a part of Apollo Tyres' DNA. Variations of these traits are still counted upon during tough times—but mostly completely unconsciously by current employees.

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*Every day we had a new  
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fresh solution.*

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## Set Bold Goals

The first lesson is the characteristic that Jim Collins calls Big Hairy Audacious Goals. When I first read this, it sunk in that unknowingly that's exactly what we had been doing at Apollo since 1979! When the coffers were empty, we set a goal to be Rs 1 billion. When we were nobodies, we wanted to be the most trusted truck tire brand in India. When we had no capability to produce passenger car tires, we said we wanted to be the best in this category too. When we were doing revenues of US\$500 million, we said in five years we want to be US\$2 billion. When India was the only market we knew, and knew us, we said we wanted to be global in the next few years!

I believe goals need to be simple and clear. They must be capable of reaching out to every single employee—all of them, no matter what function they are in—and aligning their efforts, drawing them to the magical world of organizational transformation.

But let me also add, if there's a goal, there also has to be a process to achieve it. Dreams materialize only when we work to realize them. We too have learned through some hard knocks. At one time we had set ourselves an outrageous goal, which, needless to say, we did not achieve and had mud on our faces. But that taught us an immensely valuable lesson in taking responsibility for the promises we make to ourselves and commit our employees to.

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*Dreams materialize only when we work to realize them.*

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### Stay Detached in a Crisis

The second lesson involves taking a hard look at the business but with no attachments. When we faced Rs 300 million in losses and were almost forced to close the plant, my lack of identification with any product, process, person, or service allowed my team to make the hard decision to focus only on a single product type. During our second trial too, when my father and I were in a struggle for control, our ability to segment customer needs brought us the revenues. This sounds easy but never is, since someone conceptualizes the product, someone else designs it, the next manufactures it, and the other sells it. Everyone has a stake here, carrying an opinion that needs to be heard and considered. Again, my ability to take a hard look at the business with no attachments allowed us to leap ahead of our competition.

To let go of something one has nurtured is a tough call, such as to shut down a division, ask people to leave or to relocate themselves and their families. However, these are decisions best taken during a crisis, and effective leaders must stay detached and with facts in hand to make unpopular decisions.

A crisis is an opportunity to reinvent oneself with a fresh purpose and lease on life. It also allows room for execution of what could otherwise be unpopular decisions. A crisis is the perfect time to find ways to better the business—to trim it into shape, to shake things up, and to overcome resistance, and of course the most critical—to align teams and give them a sense of collective purpose.

Any hard time, local or global, that could have a negative impact on the business should, if possible, be taken advantage of to better the business. For some months prior to the recent slowdown, many employees at Apollo had been talking about feeling restless, things were too easy, too many things were not right . . . there was generally a sense of complacency and ennui. Then we entered the summer of 2008.

The possibility that Apollo's quarter-on-quarter growth could decelerate or even stop loomed large. As did the reality that we might go into the red for a while. A scarier thought probably does not exist in Apollo Tyres. It means a clear stoppage of our growth plans, an indefinite postponement of our training programs, and marginal, if any, payout on quarterly performance bonuses.

The global slowdown of 2008, I believe, could not have come at a better time for Apollo Tyres. It once again kicked off a stream of smaller audacious goals in independent geographies to counter the situation. Teams rallied together. E-mail crisscrossed the globe with inputs and information. Across the board there was a trimming of fat we did not even know existed. Modern tools of communication and data management were a boon. Being an IT-driven company helped in acting quickly on daily demand situations. Apollo's basic premise—"we're unstoppable"—kicked in, this time rather naturally. Clearly, maintaining a performance-driven culture helps.

In a year of ample willing suppliers and a handful of buyers, where OEM demand had fallen dramatically, corporate performance was surprisingly far above what others in the industry were reporting. All the other Indian tire giants, and many globally, went into losses for a quarter or two. Apollo did not. In fact, when the slowdown had hit its lowest, we decided to commission a US\$500-million greenfield project and in May 2009 acquired a high-value European tire brand.

That's the other aspect of a performance-oriented culture where initiative is encouraged and performance is openly acknowledged and rewarded. People feel they can make a difference and therefore look for challenges that bring out the best in them. Conflict decreases automatically and leads to higher alignment.

### Transparency and Communication

The third lesson I would mention is transparency and communication. This is often not talked about, or is taken for granted, but is critical in getting almost anything achieved. In the early days, I had no option but to be transparent. The banks knew their losses. The employees knew their products were failing or that there was a tussle for control. The external world was waiting for a corporate failure.

Nowadays, there is often an overload—but with information of the wrong kind—and therefore the need to communicate. During the recent global financial crisis, employees were reading every day about other companies laying off people, of the falling sales of vehicles, rising joblessness and loan defaults and so on. . . . In such situations, uncertainty leads to unnecessary panic. It is then best to update employees about exactly where the company stands on performance compared to competitors or the

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### KEY LESSONS FOR GROWTH IN HARD TIMES

- Set audacious but simple and clear goals.
- Put a process in place to achieve the goals.
- Make goals relevant to each employee, so that people can align themselves with them.
- View the business in a detached manner and with facts in hand, so you can make unpopular decisions.
- Find ways to better the business during a crisis.
- Identify your competitors clearly.
- Maintain transparency—especially during hard times.
- Communicate. Communicate. Communicate.
- Build a reward and recognition process that helps drive performance.
- Institute "people" initiatives that make your staff feel part of a larger whole.

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*A crisis is an opportunity to reinvent oneself.*

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company's own projections, what is possible given the new reality and what can be done next, along with time lines and responsibilities. A call to action galvanizes people and eases doubts. Employees need to know the correct picture of what exactly is happening, to enable them to make the right short-term decisions.

Simple communication works. Targeted and simple communication works even better, especially so when senior leadership speaks directly to its teams. But that's not a one-time affair. The communication then needs to be two-way and continuous. What also works well, and we never used it in the olden days but do so now, is internal branding—giving a new initiative a name, a look, color, and feel, to allow it to become vibrant, visual, and a constant reminder like a clarion call for action.

### Focus on People

The fourth and final lesson and probably the most important component in business, beyond profits and revenues and anything else, is a focus on *people*. ROIs don't come from machines. They come from people, because people want to return an investment that the company has made in them. While we end up talking a lot about how we went about setting a goal or target, that is realistically only 5 percent of the job. Implementing it is 95 percent of the job and people are integral to this 95 percent. Therefore how employees are treated, the reward and recognition process, the voice they have, whether their families know about what's happening in the company, whether their families ever meet other colleagues, whether they feel they are part

of a larger whole; all this matters immensely. But they matter most during hard times and that's exactly when the investments are returned many times over. My advice is to institute "people" initiatives that make your staff feel part of a larger whole *before* you experience a crisis—when they can do the most good for your company—not after.

## Navigating the Future

The sidebar highlights some of the key lessons we have learned at Apollo Tyres. In addition, I would quickly like to touch upon an essential ingredient that might not have been apparent in the examples I've discussed so far.

In business, everything is in context. The goals that each company or individual sets are actually derived from our operating environment. Identifying our real competition is critical when setting a goal or target. And this competitor changes with different sets of goals as a company or entrepreneur undertakes the growth journey. To me, it has always been imperative to aspire for that #1 spot, and then set goals that gradually take the company to that position. This is what constantly moves us forward as we navigate our future.



*Onkar S. Kanwar is the chairman of Apollo Tyres Ltd., India's leading automotive tire manufacturer, with operations on three continents. He has been active in Indian government think tanks and headed India's largest industry association—FICCI, and other industry bodies. With the establishment of a state-of-the-art research and health care facility called Artemis Health Institute, Onkar Kanwar has recently also moved into the health services industry.*