

3. *The role crucibles play in shaping your leadership.* The way you deal with your greatest adversities will shape your character far more than the adversities themselves. Much like iron is forged by heat, your most significant challenges and your most painful experiences present the greatest opportunities for your personal growth.

As you gain greater clarity and insight about your life's journey, you will discover the focus of your True North.

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YOUR LIFE STORY

The reservoir of all my life experiences shaped me as a person and a leader.

—Howard Schultz, CEO, Starbucks

The journey to authentic leadership begins with understanding yourself: your life stories, crucibles, and setbacks. This knowledge gives you the self-awareness to discover your True North.

Howard Schultz's Leadership Journey

In the winter of 1961, 7-year-old Howard Schultz was throwing snowballs with friends outside his family's apartment building in the federally subsidized Bayview Housing Projects in Brooklyn, New York. His mother yelled down from their seventh-floor apartment, "Howard, come inside. Dad had an accident." What followed has shaped Schultz throughout his life.

He found his father in a full-leg cast, sprawled on the living room couch. While working as a delivery driver, Schultz's father had fallen on a sheet of ice and broken his ankle. As a result, he lost his job—and the family's health care benefits. Schultz's mother could not go to work because she was seven months pregnant. His family had nothing to fall back on. Many evenings, Schultz listened as his parents argued at the dinner table about how much money they needed to borrow. If the telephone rang, his mother asked him to tell the bill collectors his parents were not at home.

Schultz vowed he would do things differently. He dreamed of building “a company my father would be proud to work at” that treated its employees well and provided health care benefits. Little did he realize that one day he would be responsible for 191,000 employees working in 21,000 stores worldwide. Schultz’s life experiences provided the motivation to build Starbucks into the world’s leading coffeehouse.

“My inspiration comes from seeing my father broken from the 30 terrible blue-collar jobs he had over his life, where an uneducated person just did not have a shot,” Schultz said. These memories led Schultz to provide Starbucks employees access to health coverage, even for part-time workers.

That event is directly linked to the culture and the values of Starbucks. I wanted to build the kind of company my father never had a chance to work for, where you would be valued and respected, no matter where you came from, the color of your skin, or your level of education. Offering health care was a transforming event in the equity of the Starbucks brand that created unbelievable trust with our people. We wanted to build a company that linked shareholder value to the cultural values we create with our people.

Unlike some who rise from humble beginnings, Schultz is proud of his roots. He credits his life story with giving him the motivation to create one of the great business successes of the last 25 years. But understanding the meaning of his story took deep thought because, like nearly everyone, he had to confront fears and ghosts from his past.

Brooklyn is burned into Schultz. When he took his daughter to the housing projects where he grew up, she surveyed the blight and said with amazement, “I don’t know how you are normal.” Yet his experience growing up in Brooklyn is what enables Schultz to connect with practically anyone. He speaks with a slight Brooklyn accent, relishes an Italian meal, dresses comfortably in jeans, and respects all types of people. He has not forgotten where he came from or let his wealth go to his head: “I was surrounded by people who

were working hand-to-mouth trying to pay the bills, felt there was no hope, and just couldn’t get a break. That’s something that never leaves you—never.

“From my earliest memories, I remember my mother saying that I could do anything I wanted in America. It was her mantra.” His father had the opposite effect. As a truck driver, cab driver, and factory worker, he never earned more than \$20,000 a year. Schultz watched his father break down while complaining bitterly about not having opportunities or respect from others.

As a teenager, Schultz clashed often with his father, as he felt the stigma of his father’s failures. “I was bitter about his underachievement and lack of responsibility,” he recalled. “I thought he could have accomplished so much more if he had tried.” Schultz was determined to escape that fate. “Part of what has always driven me is fear of failure. I know all too well the face of self-defeat.”

Feeling like an underdog, Schultz developed a deep determination to succeed. Sports became his early calling, because “I wasn’t labeled a poor kid on the playing field.” As star quarterback of his high school football team, he received a scholarship to Northern Michigan University, becoming the first in his family to earn a college degree. His fierce competitiveness never faded; it just shifted from football to business.

Working in sales at Xerox, Schultz felt stifled by the bureaucratic environment. While others thrived in Xerox’s culture, Schultz yearned to go his own way. “I had to find a place where I could be myself,” he said.

I could not settle for anything less. You must have the courage to follow an unconventional path. You can’t value or measure your life experience in the moment, because you never know when you’re going to find the true path that enables you to find your voice. The reservoir of all my life experiences shaped me as a person and a leader.

Schultz encountered Starbucks Coffee during a sales call at Pike Place Market in Seattle. “I felt I had discovered a whole new

continent,” he said. He actively campaigned to join the company, becoming its director of operations and marketing. On a buying trip to Italy, Schultz noticed the Milanese espresso bars that created unique communities in their customers’ daily lives. He dreamed of creating similar communities in America, focusing on creating coffee breaks, not just selling coffee.

When he learned he could acquire Starbucks from its founders, Schultz rounded up financing from private investors. As he was finalizing the purchase, he faced his greatest challenge when his largest investor proposed to buy the company himself. “I feared all my influential backers would defect to this investor,” he recalled, “so I asked Bill Gates Sr., father of Microsoft’s founder, to help me stand up to one of the titans of Seattle because I needed his stature and confidence.”

Schultz had a searing meeting with the investor, who told him, “If you don’t go along with my deal, you’ll never work in this town again. You’ll never raise another dollar. You’ll be dog meat.” Leaving the meeting, Schultz broke into tears. For two frenzied weeks, he prepared an alternative plan that met his \$3.8 million financing goal and staved off the investor.

If I had agreed to the terms the investor demanded, he would have taken away my dream. He could have fired me at whim and dictated the atmosphere and values of Starbucks. The passion, commitment, and dedication would have all disappeared.

The saddest day of Schultz’s life came when his father died. Schultz shared with a friend the conflicts he has had with his father, and his friend remarked, “If he had been successful, you wouldn’t have the drive you have now.” After his father’s death, Schultz reframed his image of his father, recognizing strengths such as honesty and commitment to family. Instead of seeing him as a failure, he realized his father had been crushed by the system. “After he died, I realized I had judged him unfairly. He never had the opportunity to find fulfillment and dignity from meaningful work.”

Schultz channeled his drive into building a company where his father would have been proud to work. By paying more than minimum wage, offering substantial benefits, and granting stock options to all its workers, Starbucks offered employees what Schultz’s father had never received and used these incentives to attract people whose values are consistent with the company’s values. As a result, the employee turnover at Starbucks is less than half that at other retailers.

Among Schultz’s greatest talents is his ability to connect with people from diverse backgrounds. He tells his story and the Starbucks story at special events and visits two dozen Starbucks stores per week. Each day he gets up at 5:30 AM to call Starbucks employees around the world. He said, “Starbucks gave me the canvas to paint on.”

Starbucks is the quintessential people-based business, where everything we do is about humanity. The culture and values of the company are its signature and its competitive difference. We have created worldwide appeal for our customers because people are hungry for human connection and authenticity. Whether you’re Chinese, Japanese, Spanish, or Greek, coffee is just the catalyst for that connection. I don’t know if I was drawn to this business because of my background, or whether it gave me the opportunity to connect the dots, but it has come full circle for me.

In 2000, Schultz turned the reins over to a new CEO, Jim Donald, but remained as board chair. In 2007, a controversial e-mail he wrote to Donald and Starbucks’ executive committee expressing his concerns that the Starbucks experience was becoming commoditized was leaked to the press. This created a firestorm in the media and among Starbucks’ customers and employees. In January 2008, Schultz returned to Starbucks as CEO. One of his first moves was to shut down all U.S. stores for a half day of employee training to emphasize Starbucks’ need to restore its original culture. Starbucks’ spectacular results since then have validated the effectiveness of Schultz’s leadership.

Howard Schultz is one of dozens of authentic leaders who traced their inspiration and success directly to their life stories. Like most leaders, Schultz deals with both positive and negative thoughts that compete in his mind. I call this phenomenon "dueling narratives," a phenomenon that influences even the most successful leaders.

Schultz's positive narrative keeps him focused on his dream. Yet he retains a deep fear of failure emanating from his father's experiences. Rather than let his negative narrative drag him down, he uses it in conjunction with his positive narrative to keep Starbucks focused on succeeding.

Your Life Story Defines Your Leadership

The leaders we interviewed discovered their True North by understanding their life stories. Their stories cover the full spectrum of experiences, including the impact of parents, teachers, coaches, and mentors; the support of their communities; and leadership in team sports, scouting, student government, and early employment. Many leaders were influenced by difficult experiences, such as personal illness or illness of a family member; death of a loved one; or feelings of being excluded, discriminated against, or rejected by peers.

These leaders found their passion to lead through the uniqueness of their life stories.

Not by being born as leaders.

Not by believing they had the characteristics, traits, or style of a leader.

Not by trying to emulate great leaders.

Simply by being their authentic selves, they became great leaders, using their gifts to help others. Some outstanding leaders, such as Regeneron chair Roy Vagelos, did not see themselves as leaders at all. Instead, they wanted to make a difference and inspire others to join with them in pursuing common goals. If that isn't leadership, what is?

As former secretary of Health and Human Services John Gardner once said, "I guess I had certain leadership qualities that life was just waiting to pull out of me." Have you examined what leadership qualities life wants to pull out of you? Let's focus on the life stories of two more leaders. As you read these stories, think about the ways your life story inspires you and defines your leadership.

Dick Kovacevich: From Grocery Store Clerk to Premier Banker

For 20 years as chairman and CEO of Wells Fargo, Dick Kovacevich compiled the most successful track record of any commercial banker. In his interview for this book, however, he did not focus on his professional success but talked instead about how his experiences growing up in a small town in western Washington shaped his leadership philosophy.

Kovacevich was raised in a working-class family and interacted with people of all incomes and education levels. The dairy farmers, loggers, and workers that he knew at the local Weyerhaeuser sawmill were intelligent people who worked hard and had high ethical standards but lacked college educations. His teachers had a tremendous influence on him, encouraging him to do well academically and go to college.

From the age of 11, Kovacevich worked in a local grocery store, which stimulated his interest in business. After school he played sports, then rushed home so that he could eat before heading to work from 6 to 9 p.m. In the summers, he ran the produce department when the manager went on vacation, handling displays, pricing, and ordering. Those experiences taught Kovacevich the importance of customer relations. He noted, "There I developed the intuition and leadership skills, more than in business school, where there weren't any leadership courses."

Athletics had a significant impact on Kovacevich's development as a leader. He played a team sport several hours every day, becoming team captain in baseball and football. "On the athletic field I learned

people can perform so much better as a team than the sum of their individual talents. By trial and error, I learned skills I could apply in business."

If you had 11 quarterbacks on the field, you would lose every game. Just as quarterbacks are overrated, CEOs are too. You can't be an all-star quarterback unless you have some great linemen, outstanding receivers, and good running backs. Diversity of skills is an important element of any effective team. There is no way that leaders who surround themselves with people just like them can be effective. We need to recognize our weaknesses, but not amplify them, and then surround ourselves with people whose strengths complement our weaknesses.

Kovacevich used that principle at Wells Fargo, surrounding himself with talented executives who built the bank's individual businesses. He gave them authority to lead in their own way, while acting as quarterback of the team.

His life experience growing up in a small town profoundly influenced his banking philosophy. While other banks were using computers to eliminate customer service personnel, Kovacevich endeavored to make Wells Fargo the most client-friendly bank in every community. The primary concern of its employees is helping clients meet their financial needs. Because Kovacevich and his handpicked successor, John Stumpf, surrounded themselves with highly talented executives, Wells Fargo navigated the 2008 financial crisis better than any commercial bank.

Reatha Clark King: From Cotton Fields to the Boardroom

Reatha Clark King's roots trace to a rural community, where many encouraged her to become a leader. King acknowledged, "I didn't get here on my own. I am standing on the shoulders of the giants who helped me get launched."

King grew up in Georgia in the 1940s, the daughter of farm laborers. Her father left the family when she was young, so her mother worked as a maid to support her three children. Her family

was so poor that she often had to leave school to work in the cotton fields for \$3 per day so that her mother could pay the bills. "Those were bitter moments in my experience, because white children didn't have to leave school," she recalled. "That contrast was so clear and so wrong."

Her church was a haven amid constant poverty and discrimination. "I have fond memories of going to church every Sunday morning. I can still close my eyes and see my grandmother praying." The older women of the church identified King's special abilities, noticing her intellectual potential, initiative, work ethic, and dependability. "The sisters, teachers, and people in the community kept an eye on me, and encouraged me to overcome unjust barriers against black people."

King credited her grade school teacher and the school librarian with influencing her development. They encouraged her to go to Clark University in Atlanta, where she won a scholarship and worked in the library for 35 cents an hour to pay for room and board. While King studied at Clark, the chair of the chemistry department mentored her, stimulating her interest in becoming a research chemist.

She applied to the University of Chicago's doctoral program, a bold step for a poor woman from Georgia. After earning her PhD in physical chemistry, she worked at the National Bureau of Standards and taught at York College in New York City. Even there, things were not easy. "One black faculty member called me an Uncle Tom for trying to resolve issues," she recalled. "That was one of the most hurtful moments of my life."

She got her first opportunity to lead when she became president of Metropolitan State University in Minneapolis. Even then she did not see herself as a leader.

Others thought of me as a leader, but I saw myself as someone doing what needed to be done. My reasons for leading were not centered on my needs but on the needs of women, my people, and my community. I saw compelling challenges to be met. If no one else is willing or capable of leading, then it is my

obligation to step up to the challenge. My inspiration comes from the sisters and teachers who had such great influence on my life.

While at Metro State, King was recruited by the CEO of General Mills to be president of its foundation. Using this platform, she pioneered programs to help young people of color. Since retiring from General Mills, she has devoted her energies to corporate boards. Her reputation grew as she was elected a director of Exxon-Mobil, Wells Fargo, and other companies. An advocate for strong corporate governance, King currently chairs the National Association of Corporate Directors, which named her director of the year in 2004. "I enjoy serving on corporate boards because diversity should be at that table," she said.

Throughout her life, King has used the inspiration of her life story to stay on course to her True North. She reaches out and helps others as she quietly walks past barriers of racial and gender discrimination, without ever succumbing to anger. As comfortable in the boardrooms of the world's largest corporations as she is in creating opportunities for the poor, King still worries whether she is doing enough. "I'm leading toward a cause: to get more opportunities for people. It is in my blood to remove unjust barriers and help people appreciate themselves and be who they are."

What Is Your Life Story?

What can you learn from the stories of Howard Schultz, Dick Kovacevich, and Reatha Clark King? All of them, like the other leaders interviewed, found the inspiration to lead in their own life stories. By understanding the formative experiences of their early lives, they have been able to reframe their understanding of their life stories and shape their leadership around fulfilling their passions and following their True North.

At this point, you may be asking, Doesn't everyone have a life story? What makes leaders' stories different? Many people with

painful stories see themselves as victims, feeling the world has dealt them a bad hand. Some get so caught up in chasing the world's esteem that they never become genuine leaders. Or they lack the introspection to connect the dots between their life experiences and the goals they are pursuing now. Often this causes them to repeat the mistakes that led to earlier problems.

The difference with authentic leaders lies in the way they frame their stories. Their life stories provide the context for their lives, and through them, they find the passion to make an impact in the world. Novelist John Barth once said, "The story of your life is not your life. It is your story." In other words, it is how you understand yourself through your story that matters, not the facts of your life. Leaders who have reflected on their stories understand how important events and interactions with people have shaped their approach to the world.

Reframing our stories enables us to recognize that we are not victims at all but people shaped by experiences that provide the impetus to become leaders. Our life stories evolve constantly as we shape the meaning of our past, present, and future.

Can you connect the dots between your past and your future to find your inspiration to lead authentically? What people or experiences have shaped you? What have been the key turning points in your life? Where in your story do you find your passion to lead?

Having considered how our life stories provide the basis for our leadership, we are ready to embark on the journey to authentic leadership.

The Journey to Authentic Leadership

When I graduated from college, I had the naive notion that the journey to leadership was a straight line to the top. I learned the hard way that leadership is not a singular destination but a marathon journey that progresses through many stages until you reach your peak. I was not alone. Of all the senior leaders we interviewed, none wound up where they thought they would.

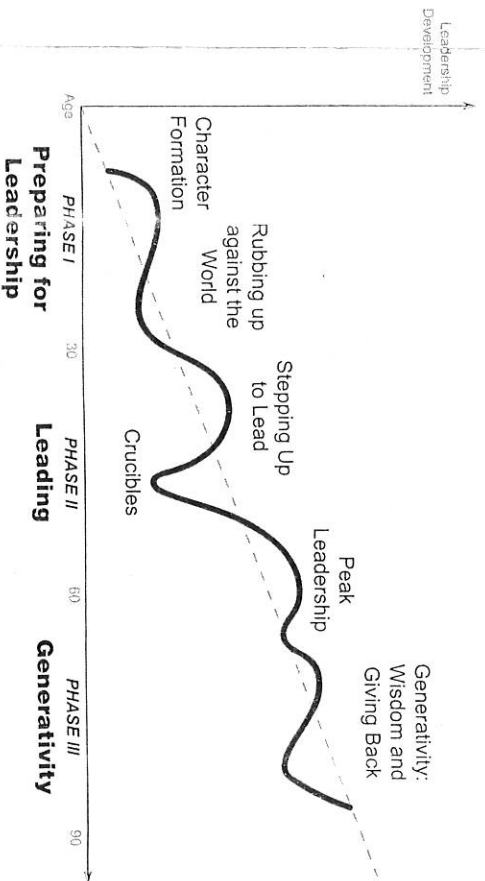


Figure 1.1 The Journey to Authentic Leadership

Former Vanguard CEO Jack Brennan believes that the worst thing people can do is to manage their careers with a career map: “The dissatisfied people I have known and those who experienced ethical or legal failures all had a clear career plan.” Brennan recommended being flexible and venturesome in stepping up to unexpected opportunities. “If you’re only interested in advancing your career, you’ll wind up dissatisfied,” he said.

The idea of a career ladder places tremendous pressure on leaders to keep climbing ever higher. Instead, Sheryl Sandberg, chief operating officer (COO) of Facebook, favors the idea of a career operating officer (COO) where you can move up, down, or across. Realistically, your development as a leader is a journey filled with many ups and downs as you progress to your peak leadership and continue leading through the final stage (see Figure 1.1).

The leader’s journey follows the new span of life, which often runs into the nineties. Individuals move through three periods of leadership with different types of leadership opportunities unfolding in each. There will be differences in the pace at which leaders navigate the timeline, but there are many commonalities among their experiences.

Phase I is “Preparing for Leadership,” where leaders develop through education and studying, as well as extracurricular experiences and early work as individual contributors. Phase II, “Leading,” begins as individuals take on more responsibility for leading others and culminates in their peak leadership experience. Phase III is “Generativity,” a stage of human development psychologist Erik Erikson identified. It begins when leaders have completed their principal career leadership roles, and it continues for the rest of their lives. In this phase, authentic leaders look for opportunities to spread their knowledge and wisdom across many people and organizations, even as they continue an active learning process.

Phase I: Preparing for Leadership

Phase I is preparing for leadership, when character forms and people act as individual contributors or lead teams for the first time. Today, very few leaders make career commitments in their twenties. Increasingly, they use the time following college to gain valuable work experience, oftentimes changing jobs every 18 to 24 months to diversify their experience. Many young leaders are interested in going to graduate school in business, law, or government. Even some who complete their master’s degrees prefer individual contributor roles in consulting or finance before committing to a specific company or industry.

There is a natural amount of self-absorption in this phase. Measures of success in your teens and twenties are based primarily on what you accomplish as an individual. Your performance determines what schools you are admitted to and how well you do in your work. Here’s how Kleiner Perkins Caufield & Byers’s Randy Komisar described it:

We begin life on a linear path where success is based on clear targets. Life gets complicated when the targets aren’t clear, and you have to set your own. By rubbing up against the world, you get to know yourself. Either do that, or you’re going to spend your life serving the interests and expectations of others.

He acknowledged that the start of the journey is particularly hard for young people. "They look at me and say, 'Hey, man. All I want to do is to get a good job, buy a house, get married, and have kids.'" Komisar said he wished life were so simple. Instead, he tells them:

Let me just plant this seed. Keep it alive and come back to it in 10 years, but don't flush it. Ask yourself the question "What do you want out of your life?" I want to empower you for that time when it's relevant to you.

Wendy Kopp: Stepping Up at 21

As a student at Princeton, Wendy Kopp developed a passion to transform K-12 education. Growing up in a middle-class family in an affluent Dallas suburb, she lived in a community that was "extraordinarily isolated from reality and the disparities in educational opportunity." Kopp was influenced by her freshman roommate at Princeton, who was from inner-city New York. Kopp described her roommate as brilliant but unable to keep up with her studies because her high school had not prepared her for the rigors of Princeton. Ultimately, her roommate dropped out of school.

As a senior, Kopp burned with desire to transform education but didn't know how to get there. Not wanting to pursue the typical corporate-training track, she went into "a deep funk." As she explored teaching, she realized many others also believed that depriving kids of an excellent education was a national tragedy.

So she organized a conference of students and business leaders to examine ways to improve K-12 education. During the conference, an idea came to her: "Why doesn't this country have a national teacher corps of recent college graduates who commit two years to teach in public schools?" Her rhetorical question inspired her to found Teach For America (TFA), the most successful secondary educational program of the past 25 years.

Kopp's journey wasn't easy. Lacking management experience and permanent funding, Teach For America was constantly short of cash, lurching from one crisis to the next. Time and again, Kopp

threw herself into fundraising as she restructured budgets and financing to cover deficits. After working 100 hours a week for five years to build TFA to 500 new teachers per year, Kopp felt overwhelmed by the financial pressures of raising money to keep the organization going.

When many initial funders decided not to continue funding the organization, losses mounted to a cumulative deficit of \$2.5 million. A blistering critique of TFA in an influential educators' journal said, "TFA is bad policy and bad education. It is bad for the recruits. It is bad for the schools. It is bad for the children." Reflecting on the article, Kopp recalled, "It felt like a punch in the chest. I read it more as a personal attack than an academic analysis of our efforts." When some of her original team left TFA, Kopp thought about shutting it down. "Yet my passion for our cause and fear that we might let the children down kept me going," she said.

Kopp's experience at such a young age is the essence of authentic leadership: Find something you are passionate about, and inspire others to join the cause. TFA's crisis accelerated her development as a leader. Twenty years after founding TFA, Kopp's tireless efforts and passionate leadership have paid off. Today the program has 11,000 corps members who are teaching more than 750,000 students.

Ian Chan: Creating a Scientific Revolution

Ian Chan is another young leader who discovered his passion to lead at an early age. As his college graduation approached, he knew he wanted "an opportunity that would get me excited to jump out of bed every day and go to work." After uninspiring experiences in investment banking and private equity, he and his younger brother focused on the human genome revolution.

The Chan brothers founded U.S. Genomics to revolutionize medicine by delivering personalized genomics on a broad scale. They attracted noted advisers, such as scientist Craig Venter, who originally mapped the human genome, and Bob Langer, a renowned technologist. They began with a \$100,000 credit card loan, and

subsequently raised \$52 million from venture capitalists, several of whom joined the board as the Chan brothers gave up more than half their ownership.

Over the next five years the company's work attracted attention in the scientific community and venture capital world as U.S. Genomics became a pioneer in its field. When the founders presented the company's exceptional performance in December 2001, the board gave them a standing ovation. Yet, as the full potential of the board gave them a standing ovation. Yet, as the full potential of U.S. Genomics became apparent to the venture capitalists, they decided they needed a more experienced executive to lead it. Four months later, Chan was shocked when his board told him he was being replaced as CEO. "To this day, I have no idea why this happened when things were going so well," he said.

I put my heart and soul into it for many years, and then boom, it's all gone. It was gut-wrenching to have something taken away that I created and believed in deeply. I still had some shares, but I wasn't part of the enterprise anymore with its mission I believe in. I wanted to continue fighting, but I felt helpless.

In hindsight, it was a rich experience I can build on for the next journey. I had been working crazy hours and was very tired. I didn't have a personal life and needed more balance. To regroup, I spent two years getting my MBA. That provided time for self-reflection and opportunities to interact with some of the world's top business leaders.

I realized I was still fortunate to have my health, family, and the privilege of living in a free country. These should never be taken for granted. My heart is still in entrepreneurship and biotechnology because there are so many untreatable diseases that provide opportunities to make broad impact.

Chan was a victim of his own success. Yet for all the heartache and pain, he had an invaluable experience that has been formative on his leadership journey. He and his brother, Eugene, rejoined forces in 2007 to found Abpro, focusing on producing proteins used in life sciences. They raised \$1.5 million in seed capital but have retained more than 50 percent ownership to avoid repeating the same experience. Chan said he learned from these

experiences "the importance of pursuing your passion to make scientific breakthroughs" but also "not to give up control to outsiders."

Unfortunately, fear of failure keeps many young leaders from jumping into opportunities like Kopp and Chan did. Ann Fudge offered a priceless point of view, noting, "Struggle and tough experiences ultimately fashion you."

Don't worry about the challenges. Embrace them. Go through them even if they hurt. Tell yourself, there is something to be learned from this experience. You may not fully understand it now, but you will later. It's all part of life, and life is a process of learning. Every challenging experience develops your core of inner strength, which gets you through those storms. Nothing worth doing in life is going to be easy.

Phase II: Leading

The second phase of your leadership journey begins with a rapid accumulation of leadership experiences. As you take on greater responsibilities, you will likely face personal and professional setbacks that test you to your core. These periods transform your understanding of what leadership is all about and can dramatically accelerate your development. Typically, your successive leadership assignments will culminate in your peak leadership experience.

In Phase II, many leaders face experiences at work that dramatically test their sense of self, their values, or their assumptions about their careers. I call this "hitting the wall," because the experience resembles a fast-moving race car hitting the wall of the track, something most leaders experience at least once in their careers.

Jeff Immelt: Hitting the Wall

General Electric (GE) CEO Jeff Immelt was a rising star in his mid-thirties when he faced his toughest challenge. Asked to return to

GE's plastics business as head of worldwide sales and marketing, he had reservations about accepting the move because it was not a promotion. Jack Welch, the current CEO, told him, "I know this isn't what you want to do, but this is a time when you serve the company."

Facing stiff competition, the plastics division had entered into several long-term, fixed-price contracts with key customers, including U.S. automakers. When inflation spiked and his division's costs soared, Immelt's operation missed its profit target by \$30 million, 30 percent of its budget. Welch did not hesitate to reach down by phone to pepper him with questions. Immelt tried to increase prices, but progress was slow, and his efforts negatively affected GE's relationship with General Motors (GM). This intensified the pressure on Immelt to produce results and required Welch to resolve issues directly with GM CEO Roger Smith.

For Immelt, the year was a remarkably difficult one. As he looked back at this experience, he noted, "Nobody wants to be around somebody going through a low period. In times like that you've got to be able to draw from within. Leadership is one of these great journeys into your own soul." Immelt lost the external validation that comes from success during this assignment, yet demonstrated the inner qualities—tenacity and resilience—necessary to lead through hard times.

He needed these qualities as he faced far greater challenges as Welch's successor. The September 11, 2001, attacks occurred during Immelt's first week as CEO, negatively affecting several GE businesses, including jet engines, insurance, and financial services. During the 2008 financial meltdown, GE's balance sheet became so precarious that Immelt telephoned President George W. Bush to ask for financial support.

More than a decade later, Immelt is reinventing GE with a clear focus on product innovation in health care, energy, and transportation. In those sectors, he is building on GE's traditional manufacturing and services strengths to include big data and advanced analytics solutions. He is further reshaping GE by divesting major businesses

such as NBC Universal and parts of GE Capital that don't align with his strategy.

Hank Paulson: A Life of Service in All Sectors

Hank Paulson has contributed to the private, public, and philanthropic sectors with fervor and determination. I have known him since he worked as assistant to the assistant secretary of defense (comptroller), sitting at the same metal desk I'd sat in just two years before. After two years, he moved to the White House staff of President Richard Nixon as assistant to John Ehrlichman. In 1974, he joined Goldman Sachs in its Chicago office, eventually running its investment banking business before becoming COO in 1994. In 1998, he became CEO and led the company's first public offering the following year.

Paulson was in the midst of a highly successful era at Goldman Sachs when President George W. Bush asked him to become treasury secretary. Initially, he turned the position down, preferring to continue running Goldman, but Bush's chief of staff, Josh Bolton, was persistent in recruiting him. Torn between his options, Paulson asked former Goldman Sachs co-CEO Steve Friedman for advice. Friedman simply asked, "Hank, if you turn down this opportunity to serve your country, will you regret it later in life?" Paulson realized just how committed he was to public service and decided to accept the position.

For the sake of his country, it was a good thing Paulson accepted. When the financial crisis hit, Paulson aggressively took charge, working through the bankruptcy of Lehman Brothers; nationalizing Fannie Mae, Freddie Mac, and American International Group (AIG); bailing out Citibank; and finding new owners for Merrill Lynch, Bear Stearns, Wachovia, Washington Mutual, and Countrywide Financial. Throughout the crisis Paulson partnered with Federal Reserve Board Chair Ben Bernanke to reopen credit markets and capitalize the strong banks with the controversial Troubled Asset Relief Program (TARP).

This was a stressful time for Paulson. An extremely responsible leader, he fore-saw the risk of a 1929-style financial collapse and resolved to do whatever was required to avoid it. Paulson is a dedicated Christian Scientist who does not drink or smoke, and was an Eagle Scout. At Dartmouth, he was Phi Beta Kappa and played offensive lineman on Dartmouth's football team, winning All-Ivy, All-East, and honorable mention All-American honors. His college nickname was "the Hammer." In person, he is aggressive, blunt, and physically intimidating. Nevertheless, in his book *On the Brink* he described four times he had to excuse himself during speeches or key meetings to go into the men's room because he had stress-induced dry heaves.

Throughout the financial crisis, Paulson made hundreds of telephone calls, trying to understand what was happening, negotiating solutions with private-sector leaders, and urging political leaders to stay calm in the midst of the presidential campaign. He told me he had full support from President Bush to take aggressive actions that normally Bush would have opposed and to hold regular calls with then Senator Barack Obama.

He became desperate while he was trying to persuade Congress to pass the \$700 billion TARP authorization because both Democrats and Republicans had politicized the legislation. As Paulson described the chaotic meeting President Bush called on September 25, 2008, with Senators Obama and John McCain and Congressional leaders:

It got so ridiculous, I'd never seen anything like it before in politics or business—or in my fraternity days. Finally the president said, "I've clearly lost control of this meeting. It's over." Appalled and disheartened, I approached the Democrats gathered in the Roosevelt Room and urged moderation. They shouted at me to leave. I didn't know what to do. In an attempt at levity, I walked over to (House Speaker Nancy) Pelosi and dropped down to my knees. "Don't blow this up," I pleaded.

Ultimately, Paulson was successful in pushing through the controversial TARP, which played a key role in averting a second

Great Depression. Despite criticism for being "bailed out," financial and automobile institutions in the end paid back the investments with interest, enabling the Treasury to earn a profit on its investment.

Concluding his government service in early 2009, Paulson could have retired, but that would have gone against his nature. After writing his memoir, he founded the Paulson Institute at the University of Chicago, funded with his own money, to strengthen relations between the United States and China. His new book, *Dealing with China*, provides unique insights into U.S.-China relationships. An avid birder, he continues to support the Nature Conservancy, an organization he chaired in 2004 when it was in crisis.

Few leaders would have had Paulson's tenacity and courage to take such bold actions, knowing he would be severely criticized. History may well credit him with saving the U.S. financial system.

Phase III: Generativity

The last phase of a leader's journey can be the most rewarding of all. These days many leaders are foregoing conventional retirement to share their leadership and wisdom with multiple organizations. They serve on for-profit or nonprofit boards, mentor young leaders, take up teaching, or coach leaders. Many of these leaders work across all three sectors: for-profit, nonprofit, and public service.

In *Geeks and Geezers*, Warren Bennis described his philosophy of the third phase of leadership with the little-known term *neoteny*, "the retention of all those wonderful qualities we associate with youth: curiosity, playfulness, eagerness, fearlessness, warmth, energy."

Undefined by time and age, older people with neoteny are open, willing to take risks, courageous, hungry for knowledge, and eager for each new day. Neoteny keeps older people focused on all the marvelous undiscovered things to come, rather than on past disappointments. Neoteny is a metaphor for all the youthful gifts the luckiest of us never lose.

It is a philosophy worthy of consideration throughout our lifetimes, but especially in the final third. Let's look at how some leaders are using the third phase of their leadership journeys.

Erskine Bowles: Connecting Public Service and Private Sectors

Few leaders have moved as smoothly from the for-profit arena to the political and educational domains as has Erskine Bowles. Early in his career, Bowles built one of the first midmarket investment banks, which was sold for \$300 million. Next he served as President Clinton's chief of staff, where he led negotiations to produce the first balanced federal budget in 40 years. Later he became president of the 16-institution University of North Carolina system.

Throughout his varied career, Bowles has exemplified authentic qualities of leadership. "I'm not a visionary," he said. "I'm about organization, structure, focus, and timeline." He uses his strengths to create high levels of employee engagement, setting high expectations, building teamwork, and ensuring intended outcomes.

In the last five years, Bowles emerged as the leading national voice on fiscal reform as cochair of President Obama's National Commission on Fiscal Responsibility and Reform with Senator Alan Simpson. Bowles worked closely with Democrats, including President Obama, and Republicans to forge consensus on fiscal recommendations. Meanwhile, he serves on important corporate boards, such as Facebook, Morgan Stanley, Norfolk Southern, and Bell, which strengthens his ability to influence public issues. "At 69, I want to stay relevant to what's going on in the economy and continue to learn," he said.

Michael Bloomberg: Going His Own Way

Mike Bloomberg is a leader who has always gone his own way. When I knew him in business school, he was so brilliant that he

didn't need to study the cases like the rest of us. He tells the story of getting called on in class when he hadn't even bothered to glance at the case.

Called out for not being prepared, I suggested to the professor he should first get inputs from several students and then I would summarize and draw conclusions. With that, the professor dismissed the entire class and told us to come back prepared the next day. When he called on me the next day, I offered a radical solution that he and the rest of the class completely rejected. Years later, the company did exactly what I suggested and was highly successful.

After graduation, Bloomberg went to work at Salomon Brothers. He was a rising star and head of equity trading at Wall Street's hottest firm 15 years later. When Salomon merged with Phibro, he was ushered into Chairman John Gutfreund's office and abruptly fired. He was surprised and hurt. "There I was, 39 years old, terminated from the only full-time job I'd ever known and the high-pressure life I loved. Was I sad? You bet, but as usual, I was much too macho to show it."

His firing still gives him something to prove 30 years later. He decided he no longer wanted to work for someone else, so he used \$4 million of his \$10 million termination settlement to found a company he named Bloomberg. There, he created the Bloomberg Terminal, still the most ubiquitous tool in the financial industry.

When we were in graduate school, I thought he was one of the least likely of my classmates to go into politics. Was I wrong about that. In 2001, he was elected mayor of New York, and became the most successful big-city mayor in the country. Direct, practical, and completely unafraid of confrontation, he took on tough issues and powerful groups, such as teachers' unions and the National Rifle Association. During his tenure, he improved K-12 education, reduced rates of obesity, and controlled guns. Now an independent after switching political parties twice, many believe he would be an excellent candidate for president. He says he couldn't win as an independent, joking that he's too short to be president.

After completing his third term as mayor, Bloomberg intended to focus on philanthropy and run his foundation, while giving away his entire \$38 billion fortune. Within months, his passion for his business brought him back as CEO to the firm he founded. An entrepreneur at heart like Howard Schultz, Bloomberg realized the call of continuing to build this very successful company.

He told me recently he will continue to focus on the big public-sector issues: obesity, tobacco cessation, gun control, entrepreneurship, and the environment. He said, "At this stage what do I have to lose?" adding, "I intend to give it all away. The best financial planning ends with bouncing the check to the undertaker." In Bloomberg's third phase, he is blending together his philanthropic, public policy, and business passions to make an enormous difference in the world.

Exploring Leadership after Phase II

Early in life I adopted the philosophy of an old Schlitz beer commercial, "*You only go around once, and you've got to grab for all the gusto you can.*" My goal was to lead a major organization doing important work, turn it over to my successor, and then move on to new and equally meaningful opportunities.

When I was elected CEO of Medtronic in 1991, I told the board I should not serve more than 10 years, because that was sufficient time to accomplish the organization's goals and develop a well-qualified successor, who turned out to be Art Collins. At the conclusion of my term, I was 58 and lacked a clear vision of what was next for me. I spent six months exploring wide-ranging opportunities in government, education, health care, and international relations. Each field was interesting, but none seemed just right.

Meanwhile, I stayed active in the business community by serving on the boards of Goldman Sachs, Novartis, and Target, and later ExxonMobil and the Mayo Clinic. Viewing these corporations from the board's vantage point has been a superb education into the

challenges leaders face in such vital industries as financial services, health care, energy, and retail.

In 2002, Penny and I moved to Switzerland for a "working sabbatical," as I had appointments to teach leadership at two outstanding Swiss institutions. It was quite an adjustment to go from leading an organization of 26,000 people to being completely on my own: creating my own courses, developing syllabuses, learning how to teach—even getting my students to help me create PowerPoint charts.

I vividly recall my first day in the classroom, when I taught 90 MBA students from 35 countries. It was a scary feeling to stand in front of these very bright and demanding students. Talking about Medtronic was easy, but leading a case discussion on Intel that engaged all 90 students was a great challenge. I learned I loved teaching and enjoyed counseling students. Returning from Switzerland, I did a four-month stint at Yale School of Management, then joined the Harvard Business School (HBS) faculty as professor of management practice. At Harvard, I taught Leadership and Corporate Accountability and then created an elective called Authentic Leadership Development, based on the ideas I wrote about in *True North*.

Shedding the constant pressures of running a large organization gave me the opportunity to creatively explore how to develop a new generation of authentic leaders. At Medtronic, I often had 15 tightly scheduled meetings per day. As I transitioned to Phase III, I created room to think deeply. One product was my first book, *Authentic Leadership*. Through it, I discovered writing as a means of sharpening my own ideas and sharing them with others. I have since written five other books, including this one. My 12 years at HBS have been the most creative years of my life, replete with opportunities to integrate all my interests.

As someone who has led many organizations, the irony is that I have not led anything in the past decade. Instead, I have discovered a new purpose for my leadership: to develop authentic leaders following their True North who are dedicated to making a positive

impact on society. During the past two years, I have focused on developing global leaders, a topic that is the focal point of Chapter 12.

Regardless of where you are in your journey—just getting started, looking for a new challenge, or reaching the top of your organization—each leadership experience enables you to grow and to discover your authentic leadership. As Angen's Kevin Sharer said, "You are the mosaic of all your experiences." Just as you conclude one portion of your journey, another opportunity emerges, so you can take what you learned from previous experiences and apply it to new situations. If you embrace your life story and learn its lessons, your leadership journey will never end.

Exercise: Your Life Story and Journey to Authentic Leadership

After reading Chapter 1, it's important to examine your life story and leadership opportunities to this point.

1. Looking at patterns from your early life story, what people, events, and experiences have had the greatest impact on you and your life?
2. In which experiences did you find the greatest inspiration and passion for your leadership?
3. Do the failures or disappointments you experienced earlier in your life constrain you, even today, or have you been able to reframe them as learning experiences?
4. Do you think you need to make any adjustments to your personal and leadership development as a result? If so, what are they?

2

LOSING YOUR WAY

Money is very seductive . . . However much you say that you will not fall into the trap of it, you do fall into the trap of it.

—Rajiv Gupta, former worldwide managing director, McKinsey

All of us have fears, anxiety, and confusion—these are an integral part of the human condition. By understanding our life stories, we begin to recognize and accept these qualities. Howard Schultz fully embraced his life story, learning respect for all people from his experience growing up in poverty. He also reframed his negative image of his father from a poor family provider to someone who never had the right opportunities. This ultimately motivated Schultz to build Starbucks into the type of company where people like his father would be proud to work.

Unfortunately, many leaders do not ground themselves in their life stories. Instead, they try to bury their past, and put on a new mask. Or they get caught up in chasing the world's esteem by trying to accumulate money, fame, and power, rather than pursuing their intrinsic motivations. Perhaps they fear vulnerability or lack close friends who can help them reflect on their experiences.

The consequences of denying or repressing your life stories, your crucibles, and your fears can be severe. It magnifies your shadow side that shapes your behavior but operates hidden from view. Many leaders with great potential lose their way because they do not face their shadow sides and wind up way off course from their True North.