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Toward a New Millennium: Dimensions of Leadership in the 1990s

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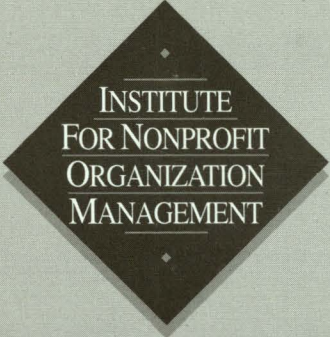
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I.

Good evening, ladies and gentlemen.

It is always a great pleasure to be here in San Francisco. What brings me to the West Coast is a judicious mixture of business interests: involvement with nonprofit institutions and causes and a commitment also to earn my keep by generating some revenue for AT&T.

On the first score, being in the Bay Area is always very special because of its tradition of nurturing vital nonprofit organizations and voluntary enterprise. The University of San Francisco's Institute for Nonprofit Organization is both a consequence of and a contributor to that vitality. To be invited here where so much good work is being done -- in teaching and learning, in research and convening and in community involvement of all kinds -- is a privilege.

On the second score, the for-profit part of my schizophrenic existence, I can't think of a single way to generate income for AT&T here and now. The next best thing, I suppose, is to call your attention to Mike O'Neill's nifty book, The Third America. It really is a splendid introduction to a thriving sector in the country.

Please heed this unsolicited plug. If you don't have a copy, buy one. If you do, consider purchasing several more as gifts. You and your relatives or friends will learn a lot. Mike can certainly use the royalties. And, no matter what else happens tonight, my chances of being invited back will have markedly improved.

I'm also glad to be here because in my role as President of the AT&T Foundation I usually follow Woody Allen's advice that 90% of life is just showing up. Rarely am I brought to any place by someone. A special note of thanks, then, to my colleagues at Chevron, Bank America and McKesson for underwriting this series and, therefore, I suppose, bringing me to you.

II.

Now to our subject. Leadership. I feel about it something like Mahatma Gandhi is reputed to have felt about another grand, intimidating notion. He was once asked for his opinion of nothing less than Western Civilization. And he allowed as how he thought it would be a great idea. So, too, the idea of leadership.

For a superb and sweeping essay on the subject -- one that pays appropriate homage to the work of leading sociologists, political scientists, psychologists and historians for much of its value -- one should really read John Gardner's On Leadership. Indeed, it

is a very great honor to follow John in this series. He, quite unlike me, is fully entitled to present the subject in two ways. By precept and by example. I'll just try to do my best to emerge occasionally from the shadow he casts.

In the face of such an awesome subject and predecessor, my offering will be very modest. I intend to test a few ideas about how leadership attributes and tasks play themselves out in different settings. I invite you to try these ideas on for size. In a while you'll have every opportunity to suggest drastic alterations, to exchange them for others of better fit or look and even to discard them. And, I'd welcome a vigorous exchange of views with you. Questions, observations, reactions, criticism -- on this or any other subject that comes to mind.

To offer a common context and vocabulary, let me remind you of Gardner's list of leadership tasks and attributes. The tasks of leadership he describes as these:

- o Envisioning Goals
- o Affirming Values
- o Motivating
- o Managing
- o Achieving Workable Unity
- o Trusting and Inspiring Trust
- o Explaining

- o Serving As Symbol
- o Representing The Group
- o Renewing

The attributes of leadership he categorizes as these:

- o Physical Vitality and Stamina
- o Intelligence and Judgement-In Action
- o Willingness (Eagerness) to Accept Responsibilities
- o Task Competence
- o Understanding of Followers and Constituents and Their Needs
- o Skill in Dealing With People
- o Need to Achieve
- o Capacity to Motivate
- o Courage, Resolution, Steadiness
- o Capacity to Win and Hold Trust
- o Capacity to Manage, Decide, Set Priorities
- o Confidence
- o Ascendance, Dominance, Assertiveness
- o Adaptability, Flexibility of Approach

My point of departure is that these tasks and attributes play themselves out in very similar ways no matter the sector in which you work. The coach of the local public high school football team and the coach of the mighty Notre Dame, or of the mightier still,

San Francisco Giants, face very similar challenges. Developing teamwork. Motivating players. Generating a climate of trust and confidence. Instilling discipline. One job. Three sectors. Those coaches have much to discuss about leadership over lunch. But it will be a conversation an orchestra conductor or the manager of a small business might well feel free to join comfortably as well.

Each sectoral setting offers special opportunities and constraints. And these differences shouldn't be denied or slighted. In the nonprofit environment surely among the distinctive challenges for professionals is working productively with lay board members and through a cadre of volunteers. In government, a dominant reality of leadership is having respect for the political clock. When the primary or general election is to be held often determines whether and how a social problem will be addressed. In the private sector, the relative clarity of the results to be achieved -- otherwise known as profit -- and the accountability for reaching them -- otherwise known as authority -- is widely recognized.

But such differences, if validly stated, come down to matters of degree not kind. They call for emulating management and leadership styles not for junking entirely the skills learned in one sector if and when one moves to another.

For almost seven years, I found myself in the position of directing the affairs of the 92nd Street Y, a large, multi-function community and cultural center of some distinction, located on the Upper East Side of Manhattan. When I left it in 1984 to join AT&T, the reaction of many was to ask publicly how I would adjust and to muse privately about the unlikelihood of my faring well in what was presumed to be an environment quite alien to my prior experience.

How would I move from a nonprofit organization ridden with process, plagued by a lack of clear authority, afflicted with the absence of accountability and troubled about the vagueness of expected outcomes to its converse in the for-profit world? Well, what I found in coming to AT&T was not its converse at all, but almost the mirror image of the Y's situational setting. The reality didn't conform to the stereotype -- for either place.

For example, it is often said that the raison detre of business is profit. Moreover, the measures for its achievement are pretty clear. Quarterly earnings reports. Earnings per share. Measured operating income. Gross and net margins. Stock price. It follows that the availability of such milestones engenders rigorous, professional management.

By contrast, nonprofits are said not to have a firm and clear financial bottom line. Its absence naturally gives rise to lax management, to amateurism.

Well, I've rarely been associated with such a nonprofit animal. Most I know care about and measure carefully their financial picture. The state of their cash reserves and cash flow. The size of their endowment -- by the percent of the operating budget its income produces; by its size per student in the university, per bed in the hospital, per seat in the concert hall. Whither unit costs of service -- up or down and why and wherefore. The state of subsidy -- per student, per patient, per subscriber, per therapeutic session...

In sum, containing deficits, reducing subsidies, lowering unit costs and enlarging endowments hardly constitute either no financial measures or "soft" ones. Nonprofits don't distribute annual surpluses to share owners, to be sure. But they do grapple with real bottom lines that reflect their position with customers, investors and competitors. And, they too deal with product development, pricing, market share and variable and fixed costs.

In fact, then, my movement from the Y to AT&T had less to do with adjusting to differences between sectors than to anticipating the impact of changes in the sheer size and scale of institution.

Karl Marx once aptly noted that differences of degree if large enough can approach differences of kind. And being part of an institution employing 400,000 people, owning assets of about \$80 billion and generating \$36 billion of revenue annually has enormous implications for the exercise of leadership. For how one motivates and sets priorities. For the complexity of achieving workable unity and inspiring trust. For the tasks of communication across geography, across management and union lines, across professional disciplines, across organizations inside the company and across at least a couple of generations of employees.

In the sense of scale, then, Bob Allen, the Chairman of AT&T, has a lot in common with John Bradamas, the President of New York University, this country's largest private university, or with Dick Cheney, the U.S. Secretary of Defense, or with the Governor of Michigan. Sectoral differences notwithstanding, as managers and leaders these men traverse common ground.

That's important to keep in mind. For this Third Sector is huge and complex. It spends almost \$300 billion each year and represents 6% of the U.S. gross national product. Here in San Francisco nonprofit expenditures are roughly double the size of the City's budget. In Atlanta, the ratio is closer to 5:1. The sector employs 7.7 million people. More than those on the federal and all state payrolls combined. It owns 11% of the value of real property in the country and generates impressive quantities of volunteer contribution in money and time.

In 1989 cash philanthropy to nonprofits totaled \$104 billion. \$104 Billion. That's roughly equal to the net profit of the Fortune 500 last year. Of that sum, individual Americans contributed \$94 billion or 2.8% of their disposable income. In the same year Americans saved only a little more than twice as much as what they gave away -- \$206 billion or 5.5% of disposable income.

If three of every four Americans give cash to charity, 50% donate time and half of those -- one of every four of us -- volunteer every week. The annual total is estimated at 15 billion hours of volunteer service work.

These figures suggest enormous variety in the some 900,000 nonprofit organizations functioning in the U.S. today. They also should suggest that nonprofits are not separate and distinct from commercial and government entities. Rather, they are mutually dependent. How could it not be so when: (a) government represents 25% of all nonprofit income; (b) when companies donate some \$5 billion to nonprofits and purchase \$3.7 billion of goods and services from them while, in turn; (c) serving as suppliers to nonprofits which purchased \$42.6 billion of goods and services from commercial enterprises.

Such significant transactions and relationships incent mutual understanding across sectoral boundaries. Leaders must not only

learn to function inside their vocational setting but outside of it as well. For beyond the borders of an institution can be found an environment filled with opportunities and threats. You shouldn't be surprised to hear me say, then, that nonprofits are not predominantly grantees as they should be viewed by for-profits. They are also customers. Suppliers. Sources of employees and ideas. A large field of learning and social action.

It is in those roles that nonprofits are attractive to company researchers offering contracts, to cause-related marketers offering deals, to salesmen and women offering product discounts and to recruiters seeking to form long term relationships as between the world of commerce and university.

It is little wonder, then, that similar leadership themes are being stressed in all sectors. Leadership as the power to persuade not to compel. Leadership as empowering people. Accentuating worker participation. Focusing on teams. Yielding control from the top. Hierarchy gives way to "lowerarchy." Spans of support are substituted for spans of control. Wisdom resides, it is now believed, in those closest to the challenge, be it the challenge of the assembly line, the laboratory, or the customer. And, leadership is needed throughout the organization, not simply from on high.

Why? One is reminded of these lines from T.S. Eliot.

Between the idea and the reality
Between the motion and the act
Falls the shadow

For sunlight to replace the shadows cast by institutions failing to redeem their promises, nothing short of a leadership renaissance in quality and quantity will be required.

III.

The qualities of leadership we've been reviewing this evening are far from academic concerns. They are desperately needed in abundance throughout all sectors of society and in all layers of its constituent organizations. Such a conclusion becomes apparent by selecting only a few daunting challenges for mention. They alone call for the mobilization of the very best human effort that can be mustered to wrestle problems to the ground. To prevail calls time and again on that marvelous capacity to lead.

For both the federal government and U.S. companies, there's little question but that America's competitive economic posture is disappointing. Some of the declining U.S. share of gross world product is a natural consequence of the success, indeed, the realization of the hopes of those who directed two generations of

American foreign policy. For example, helping to foster the economic maturation of West Germany and Japan has strengthened each as a major actor on the world commercial scene. Their rapid emergence as industrial and technological powerhouses are tough realities with which the U.S. must better reckon.

But much of the challenge of keeping economic pace with other nations and maintaining a high standard of living for U.S. citizens is self-imposed. In public and private life, Americans have focused on the short-run. We've mortgaged the future. For evidence one needn't look much beyond the stubbornly and staggeringly high twin deficits in budget and trade. Or to the excessive borrowing -- by governments, by business and by the consumer. Compared to other nations, we've over-spent and under-invested. We've become experts at financial transactions -- mergers and acquisitions, program trading, junk bond financing -- while competitor states have focused more on generating enduring improvements in economic productivity and efficiency.

As a result of these forces, among others, America's physical infrastructure is deteriorating and its educational achievement is foundering. As a result, America is relatively slow to move from a good idea to development, to design, to manufacture and, finally, to marketable product. And, as a result, the U.S. has lost its once leading position in consumer electronics, merchant shipping, silicon chips, steel, shoes, clothing and runs the real

risk of repeating history in autos, banking and supercomputers, to cite but three industries at risk. What's more, new technologies like high definition television may pass us by for want of adequate and timely public and private investment.

To reverse these trends and the behavior that leads inevitably to them will demand leadership of a very high order. For government officials, it will call for capitalizing on the marvelous opportunities afforded by Perestroika, Eastern European democracy and a united Germany. To identify a peace dividend. To recognize that new sources of revenue are needed to offset deficits and build an additional pool of resources to invest wisely and well. To reorder national priorities when and as necessary. Such neglected features of national development as transportation, primary and secondary education, civilian research and development and the environment might well be the beneficiaries.

For American corporations, winning in the marketplace will require a new emphasis on employee participation, education and training. On restoring some equilibrium as between results in the next quarter and doing what appears needed for the long term health of the firm. On reemphasizing service to the customer and total quality in all manufacturing and service processes. For many, it will also be desirable to move along this continuum: from being a domestic company, to becoming a U.S. based firm with foreign operations, to achieving distinction as an international business

and finally to reaching the transformed state of a genuine multinational. Progress on such fronts constitute very long journeys and the road is strewn with obstacles. AT&T is one of hundreds of firms faced with them. And, only leadership from many places gives one confidence that we can overcome formidable barriers.

Will the challenges ahead for nonprofit institutions demand any less of its leadership? I think not. Permit me to enumerate a few. We'll refer to them as imperatives. The imperative of convergence -- at home and overseas. The imperative of diversity. And, the imperative of justice.

If there is something to the notion that in managing institutions scale not sector is destiny, then those who run large nonprofit hospitals may have at least as much to learn from their counterparts in proprietary or public institutions than from other smaller 501(c)(3)s in the field of health. The transfer of knowledge and experience between sectors has become as much an imperative as high expectations for learning within any one of them.

Advances in medical technology and diagnostic technique. Acceleration in the capability to move and manage clinical data and medical histories. More efficient medical care, leading to a lower average length of hospital stay. These developments respect

no sectoral boundaries. They sweep over fields with great speed. And, as they do, experiences in very different settings begin to converge. Such consequences cry out for leadership attention, understanding and action.

Is there any reason why commercial theater or movie houses cannot borrow a page from the impressive capacity of nonprofit ensembles to sell tickets by subscription and to extensively use direct mail and telemarketing as potent sales tools? To turn the table, is there any reason why nonprofit arts groups fail to use 800 numbers or to develop relationships with travel agencies to promote ticket sales much as do hotels and touring services? In for-profit parlance, customers and investors are the king-pins. In the nonprofit vocabulary, clients and donors are indispensable. Symmetry and convergence compel learning across, what are for many purposes, artificial boundaries.

There are, of course, some frontier examples of fruitful experimentation. After all, the lyrics "kiss today good-bye and point me to tomorrow" are familiar to millions who have seen the longest running Broadway play -- Chorus Line -- either in New York or on the road. This change in venue from the stage of the New York Shakespeare Theater Festival to the platforms of commerce has yielded millions of dollars of net surplus to support other theatrical ventures of the inimitable Joe Papp. And, today, it is common for the Nederlanders and the Shuberts to incubate

commercial productions in nonprofit venues or to convert American and English nonprofit vehicles to mutual commercial gain.

Knowledge transfer happens. With more leadership, such examples will multiply many times over and no longer symbolize a lagging indicator of great but largely untapped potential.

The imperative of convergence expands exponentially the range of knowledge expected of a nonprofit leader. It suggests an extraordinary openness to learning. It implies a nimble management capability, enabling one to move quickly to new forms of relationships within the nonprofit setting and between a voluntary agency and government or a corporation.

But there's more. For the expansion of places from which to draw new knowledge and inspiration isn't confined to the U.S. It has its international analogue. Convergence is also an overseas phenomenon.

In many important respects, Japan, the nations of Western Europe, Canada, Australia and the U.S., among others, are becoming remarkably similar. In situational circumstances, they are converging. They share in common a large middle class of relative affluence. They are, in varying measures, becoming more aware of the limitations as well as the possibilities and promises of the welfare state. And, they are shaped by very similar environmental forces.

The explosion in communication technologies from phone to fax, voice to image, data to wordprocessor. The rapid expansion of business and leisure travel. The ready availability of consumer goods owing to the enormous growth in the world's trade and the rapid accessibility of ideas, owing to the ubiquity of television among many other transmission media. The astonishingly fast pace of women's entry into the workplace.

These developments and others have engendered great curiosity about America's Third Sector. What is its impact on the quality of our politics, on the efficiency and effectiveness of our service delivery and on the principles of equity and justice? What in the notion of a nonprofit institution, of encouraging voluntarism, and of corporate and individual philanthropy is adaptable to countries of different cultures and traditions? And, how does all of this connect to the changing role of government?

These questions are increasingly asked over much of Europe and Asia. What are our questions? Do we ask as insistently and with as much curiosity about alternative national approaches to child and elder care, to treating the mentally handicapped, to unemployment compensation and to the costs and benefits of different health insurance schemes? I fear not.

The nonprofit leader of the future will pose such questions.

In the quest for a still better San Francisco Symphony, for a still more creative Berkeley Rep, for an academically strengthened University of San Francisco and for better ways to attract economic development to the Bay Area, one can learn not only from rock promoters, from the Steppenwolf Company in Chicago, from American corporate training and education and from the techniques of Atlanta and the Twin Cities, but also, by turns, from the Berlin Philharmonic, the Royal Shakespeare Theatre, the University of Utrecht and the phenomenal business growth in Osaka, Japan.

In one sense, I suppose, the potential for leading by learning across borders is not new. It was ever thus. But the relevance of such inquiries and their potency have never been as great, I'd submit. And the rewards to those who vigorously conduct them will prove handsome in many cases.

From the imperative of convergence to the imperative of diversity. Nonprofit challenges require flexible institutions. That relish the prospect of serving immigrants in large numbers from many nations. That rise to meet unprecedented problems head on. Like AIDS. Like the scourge of drug use. Like global warming. That recognize the compelling need to serve more than the healthy, the privileged and the comfortable.

For institutions to embrace diversity means overcoming fears and lowering barriers to entry or helping actively to improve the prospects of potential employees or consumers who wish access. Doing so facilitates adhering to a single standard of service delivery. It is a well-worn and well deserved axiom of social work that services to the poor alone inevitably become poor services. Doing so will also accentuate a quintessential American strength -- tapping new sources of energy, initiative, knowledge and enterprise.

We are a nation of immigrants. That has been our strength in no small measure. Only the colors of the faces change. Only the languages spoken are different. But openness to the foreigner, to diversity -- give me your tired, your poor, your huddled masses yearning to breathe free -- has been a key to this nation's dynamism. Some contend, the key.

Let us not neglect the sector's obligation to the poor, to the new disadvantaged and afflicted and to the "foreigner."

Is there danger that we will? Already some economists have been referring to two classes of nonprofits -- the charitable 501(c)(3) and the commercial 501(c)(3). Already some economists conclude that nonprofit adaptation to the relative austerity of the Reagan Administration came at a heavy cost. By emphasizing increases in

earned income and by reducing, containing or eliminating deficits and the services that generate them, that cost may well have been borne most by the poor and the needy.

To manage nonprofits through the tough financial challenges they face and preserve the essence of their mission is the litmus test of leadership.

Which moves us to the imperative of justice. It is essential both to the moral integrity and the philanthropic appeal of the nonprofit sector that service to and advocacy on behalf of the poor, the disadvantaged and the underdog be maintained. Indeed, emphasized.

In its absence, much of what motivates those who wish to share their bounty with the less fortunate fades away. There are a limited number of Americans whose philanthropic impulses can be fully satisfied by subsidizing the true cost of a \$110.00 opera seat, or of a \$25,000 per year for schooling at a private university, or \$600 per bed per day at the local nonprofit hospital. To sustain our rich philanthropic tradition, there must be more.

Fusing private wealth and public purpose. Helping the truly needy. Making a difference to the less fortunate among us.

These sentiments are fundamental to maintaining the strength of the Third Sector.

That is precisely why establishing a standard for personal philanthropic leadership like Give Five is so important. The Independent Sector's effort to encourage all Americans to volunteer 5 hours a week to the social cause of their choice and 5% of their annual income to charity raises the expectation of what it means to be a generous citizen. That expectation can be met if nonprofits mobilize to ask far more of their constituencies and to seek imaginatively to broaden their appeal.

For the next growth stage in the Third Sector will not come principally from greater government support. Rather, it awaits leaders who can aggregate and articulate compelling needs, communicate them well to Americans who respond generously to the appeal and manage skillfully the new and enriched support. A number of the nation's environmental organizations have crossed exactly this threshold. Others will follow.

Give Five teaches that Ogden Nash could not have been more inappropriately cynical when he uttered these words: "Progress may have been alright once, but it has gone on too long..." It and similarly inspired efforts understand how enduring are such values as compassion, equity, fairness and justice. They resonate strongly with Americans who are eager to help realize them, but

wary of government. Through such open doors, new leaders will purposefully stride. Of that I am confident.

Thank you very much.

Now to your questions.

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