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What Great Leaders Do [Entire Talk]

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In this lecture that parallels his book Good Boss, Bad Boss, Stanford professor Bob Sutton unpacks the best habits of beloved and effective managers, and details the worst habits of those who fail to lead. The best leaders develop and nurture those who work for them. However, when bosses gain more power, they can easily grow oblivious to the needs of those they lead.

Transcript

It is my sincere pleasure to introduce our fabulous speaker today. Bob Sutton is a colleague of mine and I have great admiration for him. He is a professor in the Department of Management Science and Engineering and also at the business school. He is also a world-renowned author. He's written books like "Weird Ideas that Work"--in fact, it's a book I use in my class; it's all about creativity and innovation organizations--a book called "The Knowing-Doing Gap", about how companies often know what to do but don't quite figure out how to make it happen, and another book that I call "Dangerous Half-Truths" about how companies often are misled by things that aren't really true in real life. And today, he's going to talk about his new book, which is called "Good Boss, Bad Boss". And it is really terrific and look forward to hearing it. Thank you, Tina. So it's an honor to be here. This is the third time that I've taught in...

Is this still called Entrepreneurial Thought Leaders? Oh, good. But it was even before it had all that NASCAR sponsorship. I feel like I'm at a NASCAR race when I do this. And so what I'm going to do today is, as advertised, I'm going to talk about my new book "Good Boss, Bad Boss". And let me start out and describe the process by which this book came out. One book that Tina did not mention--perhaps she doesn't like to swear--is a book I wrote, which is my last book, called "The No Asshole Rule". I guess I had to say it, not you. So the reason I bring up the "The No Asshole Rule" in addition to the fact that that way we get an 'Explicit' next to the podcast and we get more listeners--I've been told that--is that it really was sort of the springboard for this book. So when I wrote the "No Asshole Rule", it's one of those books that sold very well. And the book business is like the movie business; when you write a best seller, they want a sequel.

So I was under severe pressure to write a sequel. And I guess the highlight of this was when my French editor, because it sold well in Europe as well, wrote me a postcard that I thought said--there's some confusion about what it actually said, but it looks like--I think I'll put it in my blog so people can see the translation--"Dear Bob, when do we see 'The Asshole Shits Again'?" And despite that pressure, and maybe because of that pressure, I decided not to do a sequel and started thinking. And as I looked through the effect of the "No Asshole Rule", and this is something--everyday in my life I still get between three and 20 emails from somebody in the world who's got some sort of asshole problem of some sort. And they just sort of roll in. And I think I'm up to about 5,000. I haven't counted in about a month. And the theme that really struck me when I looked at those emails and hear those stories--everywhere I go, people tell me a story about their asshole boss or how they try not to be an asshole boss or something--was, as I'm implying here, the boss. The boss was a central figure in just about all of these stories. In fact, it was 80-some percent; I counted at some point compulsively. And I realized two things.

First of all, people wanted to not be the asshole bosses. They wanted a boss who wasn't an asshole. And besides wanting somebody who is civilized, they also wanted to be competent and to work for someone who is competent. And in fact, if you go back to the string of books that Tina suggested, I sort of didn't really mean to write "The No Asshole Rule" for most of my

career. I've been sort of a management professor, so this is more consistent with what I actually know about. So that's how this book came about. And let me start out and do a little what I would call 'mental provisioning' to give you a sense of my perspective. So, for better or for worse--sometimes I think for worse--I still spent most of my career doing research, being an editor of academic journals, and so if you did like a time and motion study of how I wrote a book, probably 60% to 70% of the time I'm reading peer review journal articles. So most of the ideas in this book and most of the things that I write are based on peer review journal articles. But one thing everybody in this room knows is that peer review journal articles are really boring to read and nobody remembers them.

So what I do is I sort of get the idea from peer review journal articles and I make claims, and I can show you an empirical basis for it. That's why there's a lot of end notes in this book. But I tell stories to help sort of carry the idea. And one other thing that I do I think is very important, and this is where the Jimmy Buffett quote is. So how many people in this room do not know who Jimmy Buffett is? OK. So thank you. I appreciate your honesty. So he's an old fart sort of rock singer. When I did this at Facebook, the number was actually much higher. So this is one thing I guess I've got to sort of find somebody younger.

In any event, so he had this song, Jimmy Buffett, for those of you who may or may not know who he is, there's this great line which is, "Some things are still a mystery to me and other things are much too clear." And in looking through the peer review journals, there are certain topics I've avoided because there's just a lack of clarity in the research. One is, you may have heard of something--since this is an entrepreneurial class--the first mover advantage. Right? It sounds like it's an advantage. If you actually look at research in the first mover advantage, it's like a random scatter plot. There's no evidence that if you start anywhere sort of in the process that being first helps at all. So I think Facebook was fourth, for example. And Amazon was like eighth in books, even though people always say Amazon was the first mover. Google, in search engines, they must have been 155th or something. But the fact is there's no clear pattern there. Another thing, which I avoid completely, if you ask me how to do a good performance evaluation and whether or not performance evaluations work, just based on the evidence, I really can't give you any information.

Performance evaluations, if it was a drug, it would not receive FDA approval. About half the time it makes things better, half the time it makes things worse. So those are the things I stay away from. The book is mostly, as I say, almost completely based on areas where it's more clear to me, at least based on my biased reading of the peer review research about what the patterns are. Here is the main point. So if you don't remember anything else, remember this. Some of you are actually taking this as a class. The main point of this book, and to sort of back off, there's this thing that they sometimes say, and I've got examples of famous people like Jack Welch and one of the former deans of the business school saying that "When you're a boss, it's not all about you." Well, in fact, I think what that is is a useful half-truth. If you look at the evidence, when people are placed in a position of authority over others, actually, a number of things happen that in some ways it kind of is all about them. And so let me give you kind of two things.

One is the quote implies there's a lot of evidence of what's called the 'magnification effect' sometimes, the notion that when you're in a position of power, the people who you lead watch your every move very closely. I'll talk about that in more detail in a second. And then there's also evidence--and this is the lot in life for every leader on earth--if you're in a position of authority over others--especially a senior executive, but it happens to everybody--you will get more blame and more credit than you deserve for organizational performance. And so sort of like backing up, so the numbers are sort of--and I tried to guess. I read a lot of articles and there's so much ideology around this it's hard to tell, but it sort of looks to me on average leaders are good for about 15% of performance of a group or organization, which is shockingly low given how much people talk about leadership, and on average they get about 50% of the blame and credit. So if you go back to being a leader, essentially, when you're in a leadership position over others, just a few people, a lot of people, one, it is all about you because they're paying a lot of attention to you, and two, your lot in life is you're getting more credit and more blame than you deserve. So the point, and kind of the main point of the book, is that the best bosses realize in some ways that it is a lot about them, and they work very hard to be in tune with how others are responding to them. So not for egotistical reasons, but because that's kind of like one of their core job responsibilities. One of the problems, though, and one of the reasons this is hard to do is because of something that I call the 'toxic tandem'. So what the toxic tandem means is that when people are in positions of authority--remember, people are looking at them and watching their every move, but there's something about being in a position of authority that when you're the boss, people tend to not pay much attention to their underlings.

They call it an 'asymmetry of attention effect' in the literature sometimes. And to give you an example of this, in early 2009... Everybody here remembers early 2009, right? That wasn't long ago. It was right after the giant meltdown and it just kind of sucked everywhere. Everybody I knew, well, except for John Lilly of Mozilla--he's now a venture capitalist--everybody I knew was doing layoffs. Every executive, every manager, they're all doing layoffs, they were getting laid off. And so I wrote an article for the Harvard Business Review called "How to be a Good Boss in a Bad Economy". I gave some talk. That's what happens when you're a management professor. You sort of capitalize on other people's woes, I suppose.

So as I was giving this talk, and I gave a talk on the article, but the most striking thing about it--this was a talk at an

executive program right over here. It was on Project Management. And afterwards, one of the project managers started talking to me about an incident that occurred in his office. And the incident was as follows: one of the secretaries walked up to an executive vice-president and said, "When are the layoffs coming?" and this guy was shocked because, number one, the layoffs were planned, and number two, it was a very well-kept secret. But the reason they figured it out--they see if the guy is looking at his shoes--was because the EVP was having what they called in the office an interesting 'shoes day', which meant that there was something bad happening and he could not stand to look people in the eyes, and because there was financial trouble, they inferred it. And he did not know that he had this kind of leakage or 'tell', like they say in poker. And so if you look at it, if you go back to this toxic tandem or asymmetry of attention effect, they all knew he had it. He had no idea he suffered from this or enjoyed it, whatever you want to call it. So this is the toxic tandem. I already explained it.

This happens to baboons, too. So the typical member of a baboon troupe glances up at the alpha male every 20 or 30 seconds. So there is something biological or genetic going here. Now to make matters worse, it's bad enough there's asymmetry of attention, another thing that makes it difficult to be for leaders to be in tune with their people is something that I call for shorthand 'power poisoning'. There is now a large literature, a couple of hundred studies. One of the main researchers is a woman named Deb Gruenfeld, who's at the Stanford Business School. Some of you may know her. Another one is Dr. Keltner at my alma mater and Tom Byers' alma mater, UC Berkeley. And to give you sort of a shorthand, I could go on and on, but essentially, independently a personality, when you put human beings in power over other human beings, three things happen pretty reliably: one, they focus more on their own needs and concerns; two, they focus less on the needs and concerns of others; and three, they act like the rules don't apply to them.

There's also some bits of evidence that are more indirect--this is experimental evidence--that when performance is really great for a CEO or a senior executive, that's when they especially become clueless, self-absorbed and act like the rules don't apply to them, and to get in trouble, since part of my--I believe as a tenured university professor I should say what I want since it's harder for me to get fired than most people. Let's look what happened to our friend Mark Hurd at HP. I don't know what happened. Maybe he did not have sex with that woman, to use the Bill Clinton line, but something funny happened with sex and something funny happened--or attraction at least--with the expense report. It happened right at the time where HP was doing absolutely awesome. He was about ready to get a hundred-million-dollar contract. And that's sort of a warning for everybody in this room. When you become successful is when you should be especially wary you're going to turn into an idiot, and there's a lot of evidence to support that. All right. So turning back to the experimental literature, my favorite example or summary of this research is the UC Berkeley cookie study.

And essentially here's how the setup works. Randomized experiment, three UC Berkeley students. They were brainstorming about how to write a position paper on things like how to make the UC Berkeley campus more green, issues like that. But the key manipulation is two of them were randomly assigned to be sort of brainstormers, the worker bee, and the third one was assigned to be sort of the evaluator, the boss. The real manipulation, since psychologists always lie to you--everybody who's had Introduction to Psychology probably--nobody's had Introduction to Psychology in this room? Hopefully most of you had. Anyway. Psychologists always lie to their subjects. The real intervention was that the experimenter, about halfway through the experiment, brought in a plate of five cookies. So we all know the social norm against taking the last cookie. So the cookie in play was cookie number 4, OK? And so you've got this consistent effect that people in power tended to take the fourth cookie.

So you got that? Then, they tended to eat with their mouths open. And they tended to leave more crumbs. Three items scaled, disinhibited eating, intercorrelation about 0.8. So now let's go back to my three indications when you put people in power. Number one, they focus more on their own needs. Number two, they focus less on the needs of others. And three, they act like the rules don't apply to them. Now this is just a little tiny manipulation of the laboratory. Just imagine if you're the CEO and everywhere you go, you're empowered and everybody's kissing your ass everywhere you go. That's one reason to get so bad, and that's one reason it's hard to be in tune with the people that you lead.

OK. What did I just do? All right. So I pressed the wrong button, right? So Forrest is going to save me--so this is what happens when you give me a remote control. I mess it up. We'll be back in a second here. Thank you, Forrest. You better stand guard. I could do it again. We're cool. OK.

So, what I want to do now is to turn to sort of the hallmarks of in-tuned bosses. So these are some of the main things that you as a boss have to do to be effective, to be in tune with people, and some of the main ideas in the book. The first one is being perfectly assertive. So there's this kind of cool literature and one of the main researchers here is a guy named Frank Flynn at the Stanford Business School. And what they find is that when they do surveys of a boss--so "Would you want to work for the boss again?" "Who would you like to be like?" "Did the best make you do your best work?" things like that--the thing that starts coming out in a number of studies, more powerful than charisma, by the way, is the notion that the best bosses are rated roughly average by their followers in terms of things like assertiveness. And some of the measures you can see here: competitive, aggressive, passive. And it's not that the best bosses are medium all the time. Rather, what it is is the best bosses

have that ability to sort of turn up the volume, to be pushy, to get in people's faces when they need it, maybe to give them some negative feedback, and to back off when it's the right time to do that as well. So this, again, this notion of being in-tune with what it feels like to work for you, and also being in tune with the needs of the person they're supervising and the group that they're leading. This will teach you.

All right. So...anyhow. So 26 years as an Engineering professor and I can't operate a remote control. Thank you, Forrest. You might-- OK. So this leads us to Tommy Lasorda. Tom Byers and I were just saying the only time we've seen each other lately is the Giants game, so we're sort of out of practice in being a Giants fan. I hate Tommy Lasorda, but he had a great quote the first day that he took over as manager of the Dodgers, which was, "I believe managing is like holding a dove in your hand: if you hold it it too tightly, you'd kill it; if you hold it to loosely, you lose it." And that is, to me, a pretty good capture of this notion that you've got to know when to push and you've got to know when to back off. All right. So one thing that is I think important to emphasize here of this notion of being in tune is a generous part of being a good boss, since ETL is about creative work, it's especially, I think, important to emphasize that when you lead people who do creative work, that's especially a time when 'first, do no harm' is especially important.

There's a lot of research that shows that when you watch people more closely, when you ask them more questions and you constantly evaluate them, which is by the way the way that most people in Silicon Valley seem to act as bosses--they send you the emails every 10 minutes to see how things are going--that that stifles creativity. And the reason it stifles creativity is creativity entails a lot of failure, a lot of long stretches of uncertainty, and when you start asking people more questions and evaluating them more often and giving them more frequent milestones, they start going to the tried and true so they don't screw up in front of the boss. So this notion of management by getting out of the way, one of my favorite examples is--you ever had David Kelley of IDEO speak at ETL? You must have. So David Kelley, one of my heroes, founder of the d.school and founder of IDEO--I guess, according to Tom, I should say I'm a co-founder with him at the d.school but, really, it's David's deal, as it should be. David is the master of what I call 'management by walking out of the room'. He does this thing, and I've probably seen him do this 50 times in my life where he'll sort of convene a meeting, and if things are going badly he'll stay in the front of the room for quite a while, but if things go well, what he does is he walks to the back of the room and then he walks out. Because he's of the opinion, though, while David is as nice and mellow a leader as you've ever met in lots of ways, that the fact he's an authority figure can sort of mess things up. So that's somebody who sort of acts like this. And my favorite quote here--I once did a panel with Bill Coin, who led R&Dat 3M for over a decade--"After you plant a seed in the ground, you don't dig it up every week to see how it's doing." And one of the problems with ethos of management, again, there's this sort of myth that the more we're in people's faces, the better they're going to do. All right.

So Forrest, we'll see if I can make it through this without doing it, but it probably won't. The next one is something that my colleague Jeff Feffer and I have been sort of fretting over and it's the topic in a number of our books, but I think it's really important for bosses of any kind, which is this notion that, well, on one hand--and there's a lot of research to show this--we want bosses, we want people who lead us who are confident, who are competent, who act like they're in charge, who make firm decisions, but we don't want to work for arrogant, pigheaded bastards who can't take input. And so what you end up with is sort of this challenge that what great bosses do is they find a way to sort of walk the line between these two things, and stealing from philosophers and psychologists, they have this thing that's called the 'attitude of wisdom'. They have the courage and confidence to act on what they know right now, along with the humility to update when new information comes along. And it's sort of interesting, when I was working on this book, I had this great meeting with a guy named Marc Hershon. Marc Hershon is like the classic creative guy. He does a cartoon. He's a standup comic. He writes scripts for Hallmark movies. And he also names things for a living.

That's the main way he makes money. He's actually fun to have as maybe a standup comic here. He named the BlackBerry and the Swiffer. Those are two things he's named. He's pretty good at naming things. And so I spent an hour with him at the Cafe in Half Moon Bay where he read through the book and suggested titles. And he's suggested a good title for this book would be "Top Dog on a Tightrope" because of the balancing act that bosses always have to do. So that's what the attitude of wisdom is. It's really important. I went to a talk by Andy Grove some years back.

I think he summarized the attitude of wisdom pretty well. I think it's very important for you to do two things: act on your temporary conviction as if it's a real conviction, and you realize you are wrong or correct of course very quickly. Now, this sounds incredibly easy. In fact, it's a very difficult thing for leaders to do to learn sort of the craft of wisdom in management. Some of the things that lead to wisdom that help is to actually listen. Having taught--with all due respect, since about half of you are more of Stanford students--Stanford students for many years, you're really good at talking. Listening is a little bit harder for you. And by the way, the only group I've ever dealt with who are worse than that are the Stanford faculty. So we're in a situation where this sounds easy, but it's difficult to do. So it's something that maybe we've all got to work on.

Another problem--I'll get to the 'mum effect' in a minute. So what I'm basically saying is that bosses need to be in a position where they hear the truth and people tell them the truth. Well, hearing the truth is the listening part, but there's a whole bunch

of things about organizational life that give the people you lead a lot of incentive to not tell you the truth. Let me start out on the research on flattery before I get to the mum effect. Research on flattery shows, quite convincingly, that if you want somebody to like them, you not only should flatter them, you might as well do false flattery. In fact, the research shows that when somebody flatters us falsely and we know it, we still like them more. So to give you, I guess, my favorite example, I have a colleague at the business school, Rod Kramer. We've been colleagues 25 years. Whenever I see Rod, probably once a year, he almost always says the same thing to me, which is, "Bob, you've lost weight." OK? If I was to tell you the truth, I really have usually not lost weight, but whenever Rod says that, I like him more. OK? And I think that's kind of the human condition.

Now, you put that in a hierarchy position, that's what people are doing to their boss because they want to get ahead. Now to make matters worse, there's this thing called the 'mum effect' which is that we've got a lot of evidence that when people deliver us bad news, we like them less. So, you think about it: if you're the smart subordinate, you want to get ahead, what do you do? You flatter your boss and you don't deliver bad news to him or her. But the problem is, when you start adding up the hierarchical effects, that it's really hard when you're the boss to actually get bad news. So a great example of this, Richard Feynman. OK, this is a great test. This is like the leading engineering school in the world. How many people have heard of Richard Feynman? Come on. So more people than Jimmy Buffett. This is a pretty good crowd, actually.

So, Richard Feynman was a Nobel Prize-winning physicist, also just sort of like a nut. I mean, one of my favorite stories about him was that he wrote like a 50-page article about something and stuck it in his drawer and forgot about it. Somebody else won a Nobel Prize for it about six or seven years later. He shrugged his shoulders. And so one of the things that he did towards the end of his life is he was put on the Rogers Commission, and the purpose of the Rogers Commission was to figure out why the Challenger space shuttle exploded. And so the reason it says he went rogue is Rogers, who was a head of the commission, told him to sort of be a good boy and follow orders and to not ask questions. But what he did was he kind of bought his own plane tickets and flew around. He did a whole bunch of independent interviews to figure out what went on. By the way, as part of those independent interviews, he was the one who figured out the seals were the reason that it exploded and convinced Congress using a little sort of basic physics. But one of the questions he asked in the process, he'd go around and he asked this question.

He would ask people around NASA, "What is the probability that the main engine of the shuttle would fail?" This is something that still hasn't happened. Hypothetical. So the engineers, the people at the bottom, they estimated the odds were 1 in 200--and I love this, it shows you how in touch our leaders are--the senior executives estimated 1 in 100,000. And I would submit, you don't know all the causes of this, but certainly some of the ass-kissing and the difficulty with breaking bad news, I would argue, is part of it. OK. So another thing that good bosses do if you will increase their wisdom, and this is something again that sounds easy but in life it's difficult to do. In fact, Tina also teaches in the Stanford d.school. If I was going to pick one thing we in the d.school need to be better at teaching our students, it's teaching them how to fight in a constructive way. There's a lot of evidence, especially for creative work, that the most effective teams fight in an atmosphere of mutual respect. There's a great quote from this guy, Karl Weick, one of my intellectual heroes: "Fight as if you're right, listen as if you're wrong." Again, you think of the Stanford faculty and students.

We're really good at fighting as if we're right, the idea of listening as if we're wrong, and even worse, surrendering even though we have a good idea and we love it if somebody is very difficult for us. But that's what good groups find a way to do. Great quote from Wrigley of chewing gum fame--I showed this in Singapore; it was kind of fun--"When two people in business always agree, one of them is unnecessary." That's part of the story. And one of my favorite people, my colleague who's like a creative person who ferments conflict, my colleague Huggy Rao and I interviewed Brad Bird. Brad Bird's at Pixar now. He won the Academy Award for "The Incredibles" and also for "Ratatouille". And what Brad Bird is famous for at Pixar in particular is creating a situation where people fight like cats and dogs in the sort of loving way. In fact, I gave a version of this talk at Pixar actually twice in the last couple of months. And the first time, a guy named John Walker walked up to me, John who's been Brad Bird's producer on this film I got the quote from and also "Ratatouille" and "The Incredibles", and he described working with Brad as "being in loving conflict with Brad Bird." And the other thing about Brad which is, again, this notion of creative abrasion or constructive conflict, Brad Bird was hired at Pixar by Steve Jobs, Ed Catmull and John Lasseter because they were worried that Pixar was too successful. They had three great hits in a row--"Toy Story 1", "Toy Story 2", and "A Bug's Life"--and so what they did was they brought in Brad Bird who was sort of famous in the animation business for being the smartest guy around and extremely difficult.

He got fired by Disney, he got fired by "The Simpsons". Quite famous for being fired. And they brought him in and they told him to shake things up. And the first thing he did was he put together his crew for "The Incredibles" and he went to the Human Resources Department and he said, "Give me your black sheep. I want the people who are"--excuse me, I didn't mean to kick you. That's really rude. So "Give me the people who are ready to leave." And you hate what Pixar is doing? Those are the people who made "The Incredibles". And they kind of drove people nuts, but they produced a pretty good film. And the thing is if you talk to people at Pixar, Brad's the person they love to work for the best because of his loving conflict thing. So, one thing, and this is very important about the craft of management.

It sounds easy to do this but in life this stuff is very difficult. It's a craft that good bosses have to learn. All right. Two other things about fighting. You don't fight in the early stage of idea generation, like when you're brainstorming. You don't start shooting things until you get a bunch of ideas around. And the other thing, and again, at least having taught at Stanford for a long time and been a faculty member, one of the hardest things for us as a community is this thing to stop fighting, to accept defeat gracefully, and to help implement the idea you may disagree with. And here I think Andy Grove has some good advice in addition to this idea of 'disagree and then commit'. His argument is that if you disagree with an idea, you should work especially hard to implement it well, because that way, when it fails, you know it was because it was a bad idea, not a bad implementation. So sort of like a twist in logic.

All right. So the next one is something that's sort of a quick one but is also--so I should go until about 5:15? Is that when my goal is? OK, I will be done by then. So the next one is to use a 'small win' strategy. Now there's a book--a best-selling book, I think the second best-selling book of all time--by Jim Collins called "Good to Great". And he has this great notion of having Big Hairy Goals. Well, big hairy goals are good, but again, it's one of those sort of dangerous or useful half-truths. If you just have a big hairy goal, there's a lot of evidence that what happens is that people freeze out and freak out if they don't know what to do next. So this is the argument that the best bosses do, and there's a lot of research to back this up, is they find ways to break down, if you will, tasks into bite-sized pieces. And to give you an example from one CEO I know, she did something that was actually quite interesting. This was again in early 2009.

So this was a company where they were quite concerned they were going to have to do massive layoffs. And so the CEO and her CFO figured out that if they didn't have a major sales campaign that exceeded the prior year by 25%, they were going to have to do quite large layoffs. So what she did was at a meeting of her top management team, she presented this goal. And what happened was her top team--it was about eight people--just started freaking out. They started yelling at her, they told her it was impossible, it was ridiculous, the economy's going down the toilet, this just isn't going to happen. And what she did instead of freaking out was she used stickies, the main sort of thing we work with at the d.school. She passed out stickies, 3M Post-It notes, and she said, "What I want us to do is start writing all the steps we need to take to have a successful sales campaign." And so what they did is they started writing on all these stickies and pretty soon they had over a hundred of them. And then she drew a line down, it was a white board, and she said, "Let's put the easy ones on one side and the hard ones on the other side." And so they did that. And then her step was, "Let's start talking about how we are going to accomplish all the easy ones in the next two weeks." And they were actually very easy sort of things, and in fact the group did accomplish them all in the next two weeks. And so number one, they got all the small wins broken into bite-sized pieces, and number two, they had the confidence to be successful when they tackled more difficult things.

And to me, that's a sort of case where, back to Jim Collins, if you just have the big hairy goal, well, that's not so good because people freak out. You've got to combine it with people who are actually going to get things done, and also to be snide. One of the distinctions I hate the most is between leadership and management even though it's accurate, because one of the things that starts happening is that people talk about how great leadership is and how fantastic it is, and then you end up with these people--and I would name Carly Fiorina as one who has the big hairy goals--but the implementation just bores them. And we end up with people like that. You have great mission statements and you have no implementation. You need the 1-2 punch. All right. So that's my political--although she lost the election. Carly also sort of amazes me. She got fired by HP, she got thrown under the bus by the McCain campaign, and now she's lost the run for Senator.

I just don't understand how--what is she going to do, run for President next time? It just sort of amazes me. Anyway. The next one is something that is, nice a guy as I am, is really important, which is this notion that--and this is about superstars and rotten apples. So let me actually start out and talk about superstars. So this is the notion, sort of like three minutes on HRs basically. So, one of the issues that my colleague Jeff Feffer and I have really struggled with, I think I've written at least three or four chapters on this and quite a few articles in my various books, is the question of, "What's the best incentive system for an organization?" And this is something economists and psychologists and sociologists and everybody at all ends of the political spectrum argues about. I have my opinions. We could discuss them. In general, I think most organizations have too big a spread in pay, and in particular pays superstars too much, but not everybody agrees with me when it comes to that. I think I can make an evidence-based case for it.

But if I were going to pick one thing that's really important and I actually think there's not much disagreement on, both empirically and also in the halls or airplanes, whatever, of our best organizations or garages, is the notion of who is a superstar. And so if you look at great companies, and I think of the great companies I've worked with--Google certainly qualifies in this case, McKenzie, the consulting firm. IDEO certainly qualifies in this case. When you look at great companies--General Electric's a good example--the way that they define a superstar is somebody who gets ahead by helping others exceed, not by stomping on others on the way to the top. It's one of those things that if you start sort of digging into the reward system of great companies, you see that over and over again. A good example of this in sort of a simple business, we all know what The Men's Wearhouse is. The Men's Wearhouse, the guy's on TV, George Zimmer. He says, "I guarantee it." They sell sort of suits for men who don't want to be in the store. The idea is you get in and out as quickly as possible and enjoy yourself with as little pain

as possible, so they have a concept at The Men's Wearhouse called 'the team selling environment'. And the concept is that when a man walks in to buy something--because they only sell to men, or at least clothes for men--although one person is on commission, everybody in the store is supposed to cooperate to create a team-selling environment.

So they have this guy in their Seattle store who was the highest-performing sales person in terms of the size of the average ticket written and the number of tickets written in the Seattle region. But he kept badmouthing the team-selling environment and he wouldn't help other people with their sales. He would steal sales from them. So George Zimmer fired him. And the interesting thing that happened was that within two months, the sales in the store went up by more than 30%, although no individual sales person reached the level of the star. And the reason I like that story is, to me, it sort of shows what a real star is. Now this brings us to rotten apples. I'm going to talk about rotten apples and how important it is to get rid of them. This slide is maybe the second-most or maybe the most important slide in the talk because it has to do with personal relationships. I'll back up.

You should all know research on 'the 5 to 1 rule'. What essentially this research shows is if you are in a personal relationship with someone and you go below 5 to 1 where for every bad interaction there aren't at least five good interactions, you are in trouble. The relationships, dating relationships, marriages, they tend to fall apart. And so I tell myself--I've been married forever. I've been living with the same woman since she was 19 and I was 21. I don't know how she's put up with me. But one thing that has helped recently is that when I'm bad, and sometimes I'm bad, I tell myself I have to be good at least five times in a row. So that's the basic, that's the most important thing you'll probably hear in this lecture. Related to that is research that shows that in the workplace, when you have a bad encounter, an unpleasant encounter with someone, it packs five times the wallop on your emotion than a positive encounter. So that's one part of it.

And then there's this research on rotten apples--and by the way, there's a great "This American Life" episode if you want to hear it. There's also the academic article I recommend in this "This American Life" episode if you want to hear it. And essentially what this research shows is that when teams have one rotten apple, somebody who I would call an asshole, somebody who is lazy, somebody who is depressive, it knocks down the team performance by 30% or 40%. The reason this appears to happen is that when you've got one of these bad apples on your team, first of all, it's contagious. One of the things that's very well-documented is when you work with jerks, you start acting like them. So there's the contagion problem. And then the other problem is just attention. When you've got somebody who is a difficult performance problem, who's sort of a high-maintenance person, you spend more time trying to deal with that person's quirks and less time actually doing the job. So, one thing I guess that I should say and that I should emphasize--oh, I forgot my apple--is that there's a lot of evidence that human beings can be reformed if you believe they can get better. That through coaching, a lot of times they can get better.

There's one company I worked with told me a whole story about how the guy who is now CEO was sort of incompetent and mean but actually through years of coaching has become both a compassionate leader and a competent one. So it does change. Nonetheless, there becomes a point where you've got to get rid of people. And my favorite story since I wrote "The No Asshole Rule" is--this was about two years ago. I was reading Fortune magazine and I was looking at "The Best Places to Work" list, and at Number 39 was a financial services firm called Baird. And all it said was, "Baird. Number 39. They tout their no-asshole rule". So I got very excited and I sent an email to head of HR. And within about two or three days I was on the phone with the CEO, Paul Purcell, and I asked him about his no-asshole rule.

And by the way, they got through the meltdown quite well very successfully, and I think they're Number 11 or something in the Best Places to Work list and they still tout their no-asshole rule. And I asked him how he enforced the no-asshole rule. He had this great quote which was, "During the interview, I tell them that if I discover they're an asshole, I'm going to fire them." That was the quote. And then he said something which I thought was quite related to this definition of the superstar I had. I said, "What do you mean by somebody being an asshole?" and he said, "It's somebody who consistently puts their own need ahead of their peers, customers, or the company." And so that gets to this idea of the sort of selfishness. All right. So that's the rotten apples. Let me just spend a minute or two on human shield. Another thing that good bosses do is they protect their people from all sorts of harm, intrusions, distractions. They essentially let the workers work, and that's like a hallmark of a good boss.

A lot of survey studies showed, if you ask what is the characteristic of a good boss, people will say he or she has got my back. Very consistent. Breaking that down a little bit. Sometimes it's little things, just seeing the visitors--this is a great quote from Henry Mintzberg who argued that, "Managers are people who see visitors so other people can get the work done." The other thing, and this is one of my little compulsions, is meeting behavior. So my colleague Jeff Feffer wrote a book which he called "Power"--it just came out--that I partly disagree with because Jeff will talk about how you grab power if you want to be a powerful person in your organization. And one of the things that powerful people do is they arrive to meetings late. The reason you arrive to a meeting late is it shows 'I'm so important, the meeting can't start without me.' And the other thing you do is you hold people a little bit long, because that shows 'I'm more important than anything else in your life.' OK? So if you want power, that might be something you would do. But if you actually want to protect people, you might want to end meetings on time or

even more quickly. John Hennessy, I saw, has spoke in ETL. One of the great things about John Hennessy, I've never been to a meeting with John that lasted as long as scheduled.

He sort of waves his hand and dismisses you usually about halfway into it. And he's very efficient with his time. So here's probably a more flashy example. This is from an artist named Ocean Quigley who Will Wright, who was the designer for Spore and Sims, described as 'the canary in the coalmine'. And essentially this is a guy who had the habit of raising his hand and asking if he could be dismissed in meetings, and Will Wright viewed that as sort of like a sign that the meeting was over. The other thing Will Wright did was that when people called meetings, he would charge them a dollar just to get them to think about it a little bit. So that's another little trick. The other story, and the other thing that good bosses do especially in large, complex bureaucracies is they protect their people from idiocy from on high. Even in relatively small organizations, this can happen. So this is my favorite idiocy-from-on-high case.

So when I first got to Stanford--I first got here in 1983 but this is probably in about 1985. There was a large bank--since we're on TV I'm not going to use the name of the bank. It's a large bank. It's located in San Francisco. It's in a large office building. You may know which one this is. Anyway. I did my dissertation on dying organizations. Not what causes it, but the process by which they are sort of unwrapped or unfolded or wound down. And so I read in the newspaper that this large bank was closing 125 branches.

Those were the days of telephones and letters. I think I actually wrote them a letter. And I proposed that I could study what happened because since I studied organizational death, it would be cool to see what happened in a large sample. So what they did was they said, "That's kind of cool. Why don't you do some case studies?" So they had me do case studies of four successful closings and four unsuccessful closings. And, oh, the definition of 'success' was that they retained a lot of customer accounts. So it was a very consistent pattern, which was--oh, they were also called 'the rat patrol' because they were the Retail Action Team. I should have said that. OK. So in the good closings, there was the same story in every case, all four cases.

They would say they ignored the procedure from the rat patrol. I remember being in a branch in San Jose, and the branch manager looked at me and he said, "The key to my success,"--he held, I should've said, this big book. There was rules and procedures from the rat patrol. So he said, "The key to my success was that I ignored everything in this piece of shit." That was the key to his success. And you see where this is going. In the bad closings, they complained they tried to file the procedures. 'Frustration' and 'anger' were the words they used over and over again. But when they tried to follow them, they couldn't be successful. So you see this pattern. Two sort of footnotes on this little story.

Well, first of all, you can see the big closings, they're protecting their people from idiocy from on high. That's the main point. First of all, and this is a lesson I still don't know what to do with, when I went in with the rat patrol and introduced my findings, I did the headline, I sort of described the main effects sort of like to you. There was eight people in the room. Seven of them left and the lowest-status person escorted me to the elevator. This took about four minutes. So that was one lesson. The other thing I'm glad to say, because when I say bad things about companies I start worrying about my memory. It's been 25 years. So I presented this talk at the Commonwealth Club a couple of months back, and I had a guy walk up to me and say, "Hi.

I don't remember you, but I was a member of the rat patrol." So then there's like that long silence of, "Oh, he's going to nail me." Then he said, "It was the worst team I've ever been on in my life." So that made me feel a little bit better. It's a little bit of validity. All right. So, Tina, I'm going to wrap. Parting thought. This is going to take me one minute, and then we can do questions. So more or less on time. So there's lots of things in "Good Boss, Bad Boss". There's a huge literature on what it takes to be an effective boss. So anybody tells you that there's one sort of magical item that they can pick that will help you determine how to choose a boss or whether or not you're a good boss or a bad boss or lying to you, nonetheless, having said that, if I'm going to pick one, this is my favorite.

There's this great sort of little--well, it's actually getting bigger--body of research by a guy named Rob Cross at the University of Virginia. And what happened is he was actually working for a large management consulting firm--I won't say which one--some years back and he was doing a bunch of surveys in his area. It's called network analysis. And in one of his studies he sort of threw them this kind of throwaway question. And the question was--so it was sort of like about a focal sort of person, especially a boss--after you talk to this person, do you have more or less energy? That's the whole question. It's a Yes/No question. And in subsequent surveys--he's done this in at least 50 companies--he keeps finding over and over again that this is a very strong predictor of whether or not the person gets a promotion, actually whether or not they get fired too, their performance evaluation, and most importantly, especially I guess for ETL, whether or not they're surrounded with a network of people who are energized and/or innovators. So the question I would sort of leave you with, as a boss, and maybe in picking a boss, but as a boss, is, a question of how people feel after they talk to you might be something you might want to consider because a whole bunch of powerful things are wrapped up in that. OK. So I'm one minute longer than promised, Tina.

So we go to Q&Anow, is that what we do? So thanks so much and hopefully we'll have some fun questions. All right. All right. Oh, we're... All right. So this is my diagnostic questions. I'll put these up. OK. Questions? How does this work?

Comments? All right. Oh, the people in the front is like the good students? Oh, they're all from BASES and stuff.

Yeah, hi. So in your opinion, who is the best corporate leader today? So the question is, who in my opinion is the best corporate leader today? I don't know. I don't know who the best--some of the ones I like, I like Brad Bird. If I was going to pick the leader of a large organization--he just retired--I would pick A.G. Lafley from Procter &Gamble. And one of the reasons is during a time when the mortgage meltdown, we had all these CEOs who really had no idea what the hell their companies were doing, his motto was, "I keep it Sesame Street simple." And he's also a very modest kind of guy. And he's not a very Silicon Valley guy at all. One thing I would say to be sort of a jerk is, at Silicon Valley, on average we have really lousy leadership which is saved by technology. I hate to give the engineering school credit; I'm actually somebody who I guess trains those lousy leaders. It's partly my fault.

In general, I'm very underwhelmed with the quality of the leadership. If you put Larry Ellison in charge of Procter &Gamble, it would last 10 minutes. Anyhow, Larry's going to get mad at me. But at Silicon Valley I am generally underwhelmed with the quality of leadership. Comments or questions? Yeah. So how should good bosses deal with mild cases of disrespect? The question is, how should good bosses deal with mild cases of disrespect? Well, if you actually look at... There's also this dividing line between is it just you're real touchy and somebody is trying to tell you you're wrong? So to me, you've got to be real careful about snapping people's heads off. But the cases of disrespect that to me are more troubling are when they're doing it to their subordinates, to their underlings. When they do it to you as a boss, you should stop and consider whether you're an insensitive, egotistical jerk and can't take bad news. So that's one part of it.

But if you look at research on asshole management, as I would call it, there's a lot of evidence that nipping things in the bud is very important. In fact, I've been doing the executive program this week and one of the speakers is a guy named Charles O'Reilly. Some years back, Charles did a study of who were sort of the best leaders of teams in the sales environment, and the best leaders in sales environments were people who would not let the subordinates get away with bad acts of all kind, including disrespect to one another and customers, and they would move very quickly and give quick feedback. So there is an argument that the worst bosses let things fester and think they're going to get better, and they usually don't. Does that answer your question? The first two questions were really good. The fellow in the front row. Yeah. Yeah. So can you give me like a couple of questions that I could ask of a potential boss-- Oh! --to find out whether they are a good boss? So the question is, how do you interrogate your boss? Well, the first thing is, my first reaction to that is, don't believe a word they say. It's just like an employment interview.

Most of you are younger. You know you can bullshit your way through the employment interview and then get the job. Interviews are terrible predictors of what's actually going to happen. I would instead, "Look, circle around." So one of the things I look for is, first of all, the 'I' versus 'we' thing sounds silly, but when they keep saying "I" rather than "we" I always take that as a bad sign. And the other thing is, look for descriptions of a project and see whether they're always putting themselves in the position of taking the most credit. Because that means they're going to do it to you, right? And then the other thing that I would look for besides those things, and Tina and I have actually talked about this a lot, is if you possibly can, find somebody who used to work for them and pull them aside and interrogate them. In fact, in the no-asshole rule, I've got an example. This is actually of my wife. My wife used to be an attorney; now she is CO of the Northern California Girl Scouts. But about seven years into her 25-year career as an attorney, she got offered a job--and I've got to be careful--by a very famous litigation attorney.

And this was towards the end of her career in litigation and she was going to go work for him. And what she did was... She was all excited. He was really famous, he was involved in a really famous lawsuit. And what she did was, she was about ready to go work for him, but then she found a guy who had just quit and she called him up and talked to him. And apparently this attorney was a complete asshole, horrible to associates, verbally abusive. So she called him up and said that, "I'm not going to take the job." So he started pushing and he said, "Why?" and she said, "Well, I talked to people who worked for you and understand you're difficult to work with." He started screaming at her and threatening her. So this sort of confirmed what was happening. There's really an unfortunate footnote to this, by the way. This person who is described in the no-asshole rule came up to me after a talk--actually it was at one of those always-on talks--and told me what a great book "The No Asshole Rule" was.

And he's in it! So think about that. Anyway. So this gets to the notion of cluelessness in bosses, by the way. He did not recognize himself. Yes, Tina. So a follow-up question. Since you're such an expert on this, would this make you a fabulous boss? I get ripped about this. I'm a lousy boss. I'm like a voyeur, I can counsel, but at least I have the sense not to take management position. And when I do, what I do is I find somebody like Tina or Tom to work alongside who are actually competent and have them tell me what to do.

But it really is a craft that takes a long time to learn. And the other thing about being a boss, look at all this sensitivity stuff. You've got to spend all this time with other people, tending to other people's needs. If you're a good boss, you're not a selfish jerk, and it's one thing--I hate to say nice things about Tom and Tina since they're sitting here, but both of them are remarkably

attuned to other people and always--you don't get to spend much time alone, either, which I just hate. I like being alone. So there's a lot about being a boss that just sucks. Yes. How do you get the bad boss to realize that they are a bad boss? Oh! So when your boss sucks, how do you have them--well, the first thing you've got to do if you've got a boss who sucks is, you've kind of got to do the interpersonal and political calculation, which is that, can I tell the boss they suck? No, I'm not kidding, because it depends on what job security you have. If you have job offers, you're probably OK. If you're doing interaction design for small devices right now, you can tell your boss whatever you want.

They're not going to fire you. They need you that desperately. It depends on the area you're in. If you're in manufacturing engineering, maybe not. But the fact is you've got to do the calculation whether or not you can say something to the boss and sort of confront them. The second thing is, if the answer to that is no, well, in addition to sort of lying in wait and sort of not giving a shit until you can find a new job, which is always my advice to do, if you want to fight back against your boss, there's a lot of evidence that the most effective strategy is not to do it yourself but to sort of bring together a bunch of your coworkers and to kind of have a group against the boss. Because that way you're not alone, and that way you have better documentation. And so one of the cases, and I think this is a no asshole that I can't remember, was a case of a woman. She was a civil servant, and she had an asshole boss. And she complained to the boss' boss, and they didn't do anything until what they did was her coworkers and her, it was about eight of them, they kept what they called 'asshole diaries'.

And so they just kind of recorded the asshole boss' behavior for a while, and then they all went to the boss' boss with the documentation, and the asshole boss was gone pretty quickly. And so that's the case where you probably are most secure. But even then, there's some companies that are so draconian, they have such nasty bosses you would be in trouble. Just for example, if you work for Oracle I would not advise doing this with Larry Ellison. I don't think it any... So you've kind of got to do the power calculation and how much risk you're willing to take, and also how much power you have in the situation. So my advice is don't go tell your boss that your boss is incompetent or a jerk right away. Think about it a little bit first. Suggest them reading the book. Oh, so suggest--by the way, so there's somebody said have them read "The No Asshole Rule".

This is a dangerous tactic. I've had people write me who, they gave the book to their boss and they got fired. So that is not a good idea either. So buyer, beware. Literally. "Good Boss, Bad Boss" so it doesn't seem like it sounds. "Good Boss, Bad Boss"? Yeah, "Good Boss, Bad Boss" may be less threatening. But even then. Other comments or questions? Yes. Any suggestions for people who deal with customers that are assholes or annoying? Oh, so the question is, any suggestions with people who deal with customers who are assholes? In fact, if I do write "The Asshole Shits Again", I will have a section on customers.

So there is a problem with customers. And in some ways, and again, it's sort of the power analysis. If you need the customer to stay in business, then you probably--if it's your sole client for your startup, you may have to put up with them, unless you make the decision it's not worth it dealing with. But it's interesting that in a lot of more sort of retail and large volume settings, there is a lot of cases where good companies--I think of Southwest Airlines, Jet Blue. Just in New Zealand, Air New Zealand, they actually fire asshole customers. And I think that's a pretty good concept. And I've gotten a lot of sort of letters over the years where people would do calculations how much asshole customers cost. This is a story I just heard in New Zealand last week. There's a guy in New Zealand, his name is Rob Fyfe. He's like the national hero in New Zealand because he turned around Air New Zealand.

And so I was in New Zealand, he gave a speech. So it's a speech, it's like 300 New Zealand managers, Kiwis, and he reads a letter from a customer that is just filled with F-bombs and is just insulting his employees in his airline. What he did was he wrote back to the customer, and he said, "You sound like a very abusive person. Please don't fly our airline again." He did that, and he also sent the letter to the entire company. So that's somebody who is protecting his people. But, again, you've got to sort of do the calculation how much is the abuse worth to you. But there becomes a point where it's just not worth it. I'm doing the 'it depends' professor things, huh? Yeah. Have you found any difference between whether there are more good or bad bosses on the West or East Coast? Oh, the West or East Coast. No, I don't know about--this is the question: is there a difference between more good bosses in the West or East Coast? I actually have seen no evidence.

The only evidence I know that's related to sort of bullying or nastiness is there is evidence that people in the Northeast are the least pleasant Americans. The nastiest Americans. And the people in the South are the nicest. So the people seem nastier in the East Coast; they actually are. But I don't know if that correlates with effectiveness. So I can't answer that question. Yes, the fellow here. What could potentially in general business schools or MBA programs do in general to help them address what you're talking about? Oh, so the question is, what can business schools do? So my response to that is that one of the things that we do wrong and one of the things, to say something nice also about Tom and Tina that I think that STVP does well, is to actually put people in a situation where they're not just talking about management, they're actually doing it. And so there's a lot of evidence. So what three things do you need to be an effective boss? You need to know what it takes to do it, you need to have good coaching and mentoring, and you need to have a lot of experience.

And it's one of those things they're sort of like, no substitute for experience, and if you don't have it, the key is to find

somebody on your team who has that experience. So if we talk the much-vaunted Steve Jobs, when he started at Apple before, Arthur Rock would give him and Steve Wozniak the venture capital. They brought in a guy who he just hated named Mike Markkula, who was an old-fashioned Intel manager. Steve hated him, but he needed him because he needed somebody who actually knew how to manage. Now Steve's an older guy, he can do it. But, that notion of having some expertise. And we also know in startups--I don't want to say that you just want an old fart experienced manager is what makes the startups run great, and one reason that I think the venture capital business works and the ecosystem works is you've got a combination of people who have fresh eyes and lots of energy who know too little, and old farts who know too much, and the combination of the two of us is what makes it great. And alone--we'd be screwed if it's just one or the other. Fellow all the way in the back, since you're in the back and you're asking a question. So given all that you've shown us about bad bosses, do you think management and bad bosses are a necessary evil or can we get by the good coaches and mentors? So the question is that, given all I've said about bad bosses, are they a necessity? Well, I don't think they are a necessity.

And in fact, I mean, the evidence from the rotten apple research is that they do a disproportionate amount of damage. And since I'm at closing, let me sort of end on an optimistic note, which is that there's actually some research that has come out lately, quite good national probability samples, that about 80% of Americans report that they have competent bosses who care about them. So although we're sort of focusing on negative bosses and they do disproportionate damage, the good news is that most of us will become competent bosses as most of us will have bad bosses. So that's another reason. You can leave one as there's a lot of good ones out there. So that's my final words. All right. I can tell Tina's cleaning up. Thank you, Tina. Thank you.