

ACADEMY LEADER BEGINS UP

ISSUE 104 FALL 2012

COMPASS

LEADERSHIP

THE U.S. MILITARY

What It Can Teach Us—
And What It Needs to Learn

AN INSIDER'S VIEW
OF THE ARMY

ON THE FRONT LINE
OF MILITARY LEADERSHIP

WHY THE ARMY'S
LEADERSHIP MODEL
MATTERS

LEADERSHIP AND PUBLIC EXPERIMENT
HOW THE ARMY'S LEADERSHIP MODEL CAN INFLUENCE THE BUSINESS WORLD

Published Spring 2004, Vol. 1, No. 2

COMPASS: A Journal of Leadership

Center for Public Leadership
John F. Kennedy School of Government
Harvard University

Generals and Admirals as CEOs

The business world has long looked to the military for important lessons about leadership and strategy. Now military leaders are learning from the private sector, and generals and admirals sometimes sound like CEOs. An entrepreneur comments on some recent experience with the military's transformation.

By David E. Shaw

Just after sunrise on June 9, 2003, 40 tired American civilians were huddled near a remote airport terminal when the deafening scream of low-flying A-10 and F-15 fighter jets shattered the morning quiet. In two lightning-fast passes, the jets attacked and destroyed the airport's defense capabilities. Moments later a giant C-130 aircraft rumbled into sight. Soon the sky was filled with dozens of paratroopers, who quickly took possession of the airport. Less than 30 minutes after the first air strike, the American civilians were safely in the hands of U.S. troops and ready for evacuation.

I was one of those jet-lagged civilians, and this, fortunately, was only a mock anti-terrorist attack and extraction exercise at a NATO base in Europe. Standing with me as the exercise concluded, United States Marine Corps General James Jones, Supreme Allied Commander, Europe, spoke quietly but passionately about transformational challenges faced by the U.S. military in a post-9/11 world. "Our vision for the future has to recognize that threats to American safety and freedom are very different now," said Jones. "Business as usual is not an option." He listed some of the more prominent new threats: a new wave of deadly terrorism; the proliferation of

weapons of mass destruction; rogue nations and expanded political instability; criminality imbedded in the psyches of certain groups; tensions with traditional allies, including dangerous fissures within NATO. Jones added several other transformational factors, notably the all-volunteer U.S. military force and more armed-forces involvement in humanitarian and police actions.

As we toured an ultra-modern military intelligence center with General Jones later that day, his views about transformation captivated and sobered our group. After all, the conflict in Iraq was still underway and the war on terrorism was raging. The general's outlook had become familiar to us. Just days before, General Richard Myers, chairman of the Joint Chiefs, Deputy Defense Secretary Paul Wolfowitz, and others had expressed similar views to us in briefing sessions at the Pentagon. But I did not expect the extent to which military leaders in these sessions openly referred to high-performance business as one of the models for the transformation that they envision. Even the vocabulary was surprising. Day after day, military leaders interacting with our group referred to us as shareholders, and talked about shareholder value creation and delivering against stakeholder expectations. Presentations were loaded with phrases like return on investment, competitive advantage, customer satisfaction, reduced cycle times, just-in-time inventory systems, and integrated processes. As in business, there was a notable emphasis on the use of IT capabilities to improve management information systems from senior ranks down to “trigger pullers”, and to drive the quality and speed of decision making to levels better than those of any enemy.

Beyond the language, it was surprising to hear about significant changes in management practices resulting from the advent of an all-volunteer force. With conscription a thing of the past, the military now competes with the civilian world for the recruitment and retention of top talent. People at all levels in the armed forces told us that this competition has generated new leadership practices that are less autocratic and more motivational, team-oriented, and collaborative—familiar themes in high-performance businesses.

After years of witnessing and participating in business's adoption of military leadership methods, I was anxious to learn more about the reasons for this reverse flow of leadership practices back to our armed forces. From

many conversations, I gathered that it is driven by increasingly scarce resources (DOD budget is less than 4% of GNP today versus a peak of over 6% in the 1980s) as well as the changing nature of the enemies and threats we face. Those are, of course, the same forces that often drive change in business.

Admiral Greg Johnson, Chief of Naval Forces Europe, explained the change after our meeting near Naples on the USS LaSalle, flagship of the U.S. Sixth Fleet. “Our output,” he told me, “has always been measured in terms of readiness to win wars, and ideally to avoid wars through deterrence. Cost has often been a distant secondary factor. The output for business is primarily measured in profits, and industry is able to relate output to input and make rational decisions regarding return on investment. We don’t have the same red or black ink. But increasingly, military leaders ask more questions about return on investment. Do we need 95 percent current readiness in every instance? Would 75 percent be sufficient for a lower probability or lower priority situation, at very significant cost savings? Is there a way to become much more efficient in our current readiness programs and manpower accounts so that we can move resources into important future readiness programs such as new ships, aircraft or space-based systems? You can’t just throw money at problems. That’s not what our shareholders expect. We have a lot to learn from business leadership practices associated with the wise management of scarce resources, including people, technology, and other assets.”

Johnson’s comments reflect a notable change in leadership thinking within the military. Like many others in the business world, I have long admired the military’s approach to leadership as reflected in practice as well as in books such as the *Marine Corps Handbook* and Sun Tsu’s classic *The Art of War*. Effective leadership in the military has often changed the course of history; effective leadership in business has had a dramatic impact on global competitiveness and value creation. I have hired hundreds of military alumni in positions ranging from corporate officers to field sales representatives, and I have come to think of the uniformed services as a great academy for the development of desirable leadership practices and qualities. Military alumni, in my experience, tend to share a high sense of commitment and responsibility regarding common values and principles, a strong focus on team building and people development, a disciplined approach to setting goals and strategies, an action-oriented style for

achieving results, and a passion for winning. The impressive leadership we witnessed in combat via embedded reporters during Operation Iraqi Freedom is the same leadership many businesses seek—and find—when they hire military alumni.

But some aspects of military leadership can be problematic in business. It's not uncommon for military alumni to arrive in the business world with finely honed territorial instincts and a fierce resistance to changes in staff and budgets. Business's response to resource constraints is typically make tough reallocation choices based on thoughtful return-on-investment analyses. A more traditional military response is to escalate lobbying efforts, and to seek new resources versus extracting savings elsewhere. I'm generalizing, of course. But I have also found that military alumni are usually capable of operating very differently and more productively in business once they understand the choices and tradeoffs inherent in return-on-investment management and economic value-added analyses. It amounts to nothing less than adopting a different way of thinking and acting. Can the military instill that difference into its culture? This is a transformational challenge.

The leaders I met during my tour are confident that they and their troops are up to the test. If they follow through, the adoption and integration of business leadership practices will have a significant impact on the Pentagon's hoped-for transformation. From Admiral Johnson and others I have already heard many hopeful signs and stories. Senior business executives have addressed gatherings of key military leaders. Business strategy and leadership books are making their way onto reading lists at the academies. Private-sector processes for managing change, realigning goals and roles, and redesigning organizations have been studied and added to training sessions. Business performance reviews have been adapted and integrated into more rigorous military fitness reports. Budgets and plans have been subjected to more sensitivity tests to determine trade-offs in the face of lower resource levels, including significant reductions in staff. Civilian and uniformed leaders are questioning the need for cold war infrastructures. They are flattening organizational hierarchies, attempting to shed the paralyzing "zero errors" mentality, using more networked information, and learning to do more with less.

The Army, in particular, has begun a difficult transformation into a lighter, faster, more maneuverable, and more flexible organization. The Navy, now run by an Admiral with an MBA, is questioning the size of its 770,000 workforce in relation to future overall resource needs. And all the services are under pressure to discontinue the intense “stovepiping” of their organizations, and to collaborate to a far greater degree with each other in so-called “purple” multi-service operations. The new spirit of collaboration was evident on our trip, which included representatives of all the services as well as the State Department, the FBI, CIA, DEA, Treasury, and other federal agencies.

Do not underestimate the magnitude of the military’s transformational challenge. History tells us that it is difficult for market-leading organizations to change. Success itself can be a disadvantage. Consider NATO. An amazingly successful alliance, it remains deployed in a Cold War configuration against a threat—the Soviet block—that evaporated more than a decade ago. After their astounding first-round knockouts in Iraq and Afghanistan, it is more clear than ever that the U.S. armed forces are the leaders in their world. Will the Pentagon, like NATO, fall captive to its own success, unable to effect a transformation against unconventional new threats such as non-state terrorist organizations that require very different strategies?

Those questions have a familiar ring to business leaders, including me, who have spent many years in the frenetic, constantly changing world of high technology. We operate on a vastly smaller scale than the military, and the stakes certainly do not involve anything like national security. But there is nonetheless intense pressure for outstanding performance with limited resources in the face of endless change and extreme competition. And the world gets faster, smarter and tougher every day. Military leaders of the future may find valuable lessons to learn from the decision processes and leadership practices of the business world, its recent scandals notwithstanding.

During my week with military leaders in the U.S., Europe and Central Asia, I expected to be impressed, and I was. I was impressed with the leadership practices of the teams that I met and with the widespread commitment to change in the face of new threats and new realities. Most of all, I was deeply impressed with the character of the people I met—what they do, who they

are, and what they stand for. The daily interactions with U.S. troops—paratrooper squads, members of the 3rd and 10th Special Forces Group, sailors in the 6th fleet, pilots in the 86th airlift wing, intelligence teams in the European Command Center, the staff of the National Military Command Center, soldiers in the First Cavalry, military advisors in the Republic of Georgia and many, many others—caused me to take a long look in the mirror every morning and feel personally grateful to them for their willingness to do whatever it takes to protect our country. They have a daunting task ahead of them, but with our support, they will succeed.

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David Shaw's career has spanned public service and high-technology business leadership. A private investor and a member of the Center for Public leadership's advisory board, he is the founder and retired CEO of IDEXX Laboratories, a world leader in certain biotechnology and medical device markets.



