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**A New Model of Leadership (PDF File of Keynote  
Slides)**

**MICHAEL C. JENSEN**

Jessie Isidor Straus Professor Emeritus, Harvard Business School  
[MJensen@hbs.edu](mailto:MJensen@hbs.edu)  
Senior Advisor, The Monitor Group

**ALLAN L. SCHERR**

ALS Consulting  
[Scherr@alum.mit.edu](mailto:Scherr@alum.mit.edu)

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The material here is based on: Allan Scherr and Michael C. Jensen., A New Model of Leadership, Harvard  
NOM Research Paper No. 06-10, and Barbados Group Working Paper No. 06-02, April, 2007, available at  
<http://papers.ssrn.com/abstract=920623>

### **Abstract**

In this paper we provide a new definition of leadership that gives organizations and individuals access to new power, performance and accomplishment. In our model leadership consists of four critical elements:

- The creation of a vision for the future that represents a significant departure from the past, one that requires breakthroughs for its realization.
- The creation of a system that facilitates enrollment into and elicits voluntary commitment to the vision by the critical mass of people required to discover and implement the breakthroughs required for realization of the vision.
- The creation of a system that ensures both the timely identification of breakdowns (and the dissemination of information about them) that, if unresolved, would prevent the successful realization of the vision.
- The creation of a system for managing breakdowns that causes people to voluntarily recommit to the vision and maintain these commitments through to the implementation of the breakthroughs required for the realization of the vision.

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# A New Model of Leadership

*Simon School of Business, Sands Lecture*

*Rochester, NY*

*April 20, 2007*

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**Michael C. Jensen**

Jesse Isidor Straus Professor of Business, Emeritus,  
Harvard Business School  
Senior Advisor,  
The Monitor Group

The material here is based on: Allan Scherr and Michael C. Jensen., A New Model of Leadership, Harvard NOM Research Paper No. 06-10, and Barbados Group Working Paper No. 06-02, March 21, 2007, available at <http://papers.ssrn.com/abstract=920623>

We are indebted to Werner Erhard, who created the foundations for much of the material covered here.

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# Background of this work

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- ❑ Founded on the fundamental Ontological technology, integrity, commitment and breakdowns invented by Werner Erhard in the 1970s
- ❑ Based on the Breakthrough Project technology invented by Scherr and JMW Associates in 1985 and applied and at IBM and other companies since then
- ❑ Results of 10 of these projects at IBM that created large gains in productivity -- summarized in:
  - ❑ Scherr, Allan L., “Managing for Breakthroughs in Productivity” (January 2005). Barbados Group Working Paper No. 1-05. Available at SSRN: <http://ssrn.com/abstract=655822>
- ❑ This work applies to everyone, it starts with being the leader of your life



# Leader

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- We define “leader” as an ordinary human being with both:
  - a commitment to produce a result whose realization would be extraordinary given the perceived current circumstances, and
  - the integrity to see this commitment through to its realization.
- The development and training of leaders is not dealt with in this paper.



# Leadership

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- ❑ VISION: Establishing a vision that goes beyond what current know-how provides the means to accomplish and therefore requires breakthroughs for its realization
- ❑ ENROLLING others in voluntarily committing to the realization of that vision
- ❑ BREAKDOWNS: Create systems that identify and communicate gaps between the committed vision & what will predictably happen, that is failure – which, in turn, drive innovation
- ❑ MANAGE BREAKDOWNS: Create an environment where people renew their commitment to the vision in the face of breakdowns so that breakthroughs occur



# Kotter (1990): Leadership vs. Management

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- ❑ **Management involves:**
- ❑ Planning and budgeting
  - ❑ Setting targets and goals
  - ❑ Establishing detailed plans for reaching goals,
  - ❑ Allocating resources
- ❑ Organizing and Staffing
  - ❑ Establishing organizational structure
  - ❑ Delegating authority and responsibility
- ❑ Controlling and Problem Solving
  - ❑ Monitoring results vs. plan
  - ❑ identifying deviations
  - ❑ planning and organizing solutions

SOURCE: John P. Kotter, *A Force For Change: How Leadership Differs From Management*, pp. 4-5, The Free Press, New York 1990



# Kotter (1990): Leadership vs. Management

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- ❑ **Leadership involves:**
- ❑ Establishing direction
  - ❑ Developing a vision for the future along with strategies for producing the changes needed to achieve that vision
- ❑ Aligning people
  - ❑ Communicating the direction so that those who are needed to fulfill it understand the vision and are committed to it
- ❑ Motivating and inspiring
  - ❑ Keeping people moving in the right direction despite the barriers by appealing to basic, often untapped human needs, values and emotions

SOURCE: John P. Kotter, *A Force For Change: How Leadership Differs From Management*, The Free Press, New York 1990



# Breakthrough, Visionary ...

... An extraordinary result,

beyond what could have been predicted

... Unprecedented

... Heretofore Unknown



# The Power of Commitment, Declaration

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W.H. Murray, of the Scottish Himalayan Expedition:

“Until one is committed, there is hesitancy, the chance to draw back, always ineffectiveness. Concerning all acts of initiative and creation, there is one elementary truth the ignorance of which kills countless ideas and splendid plans: that the moment one definitely commits oneself, then providence moves too.

“All sorts of things occur to help one that would never otherwise have occurred. A whole stream of events issues from the decision, raising in ones favor all manner of unforeseen incidents, meetings and material assistance which no man could have dreamed would have come his way.

“I have learned a deep respect for one of Goethe’s couplets:  
‘Whatever you can do, or dream you can, begin it! Boldness has genius, magic, and power in it.’”



# Breakthrough Leadership

... a deliberate attempt to produce a breakthrough result

... where the know-how to produce the end result is discovered as you go along

- Breakthrough projects are the easiest to start and the most likely to succeed when the vision to be fulfilled is compelling, important, and difference making to the participants



# Kennedy's Vision

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- ❑ **No one knew how to put a man on the moon when he declared we would do it.**
- ❑ “Finally, if we are to win the battle that is now going on around the world between freedom and tyranny, the dramatic achievements in space which occurred in recent weeks should have made clear to us all, as did the Sputnik in 1957, the impact of this adventure on the minds of men everywhere, who are attempting to make a determination of which road they should take. . . . With the advice of the Vice President, . . . we have examined where we are strong and where we are not, where we may succeed and where we may not. Now it is time to take longer strides—time for a great new American enterprise—time for this nation to take a clearly leading role in space achievement, which in many ways may hold the key to our future on earth. . . .”
- ❑ “First, I believe that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the earth. No single space project in this period will be more impressive to mankind, or more important for the long-range exploration of space; and none will be so difficult or expensive to accomplish.” Kennedy (1961)
- ❑ **And it happened because he declared it (and many people worked through breakdowns)**



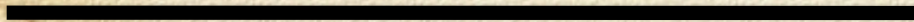
# Source of Breakthroughs ...

- Is facing failure: the gap between what is predictably going to occur and what is committed to occur

Level of Committed Results



Level of Predictable Results



Breakdown



# Knowing Where You Are and Where You Are Going

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- ❑ Are required as the foundation for leadership
- ❑ Consider a geographic example:
  - ❑ “If you don’t know where you are going, **any** road will get you there.” [source unknown]
  - ❑ “If you don’t know where you are, **no** road will get you where you want to go.” [Allan Scherr & Michael Jensen]
- ❑ By the way, the last (telling people where they are when they do not want to know it) can be a dangerous activity, leadership requires courage and can get you “killed”. Larry Summers experience.



# Great Visions and Breakdowns

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- Anything worthwhile is seldom achieved without breakdowns
- Playing big means being able to tolerate and respond powerfully to breakdowns
- If you can't tolerate risk, frustration, being thwarted, or actually failing, you will have to settle for a small life--it is your choice



# Seeing a Situation as a Problem vs. a Breakdown

- Either can occur when something you are committed to or intend is thwarted
  - It is the context that makes the difference
- And the way one holds a thwarted intention has a huge effect on progress
  - Problem  $\Rightarrow$  shouldn't be
  - Breakdown  $\Rightarrow$  is what's so, a challenge
- Ontological Law: What is resisted persists



# Problems vs. Breakdowns

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- Reaction to a Problem is
  - “This isn’t” (denial)
  - “This should not be”
  - “It’s wrong or bad”
  - “There must be something wrong with me”
  - “There must be something wrong with someone else or something else”



# Problems vs. Breakdowns

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- When something shows up as a problem, you will feel:
  - Threatened
  - Angry
  - Defensive
  - Resistant
  - Upset
  - Small or withdrawn
  - Resigned
  - You or someone else is wrong
  - The situation is wrong



# Treating a Breakdown as a Problem Is Counter-Productive

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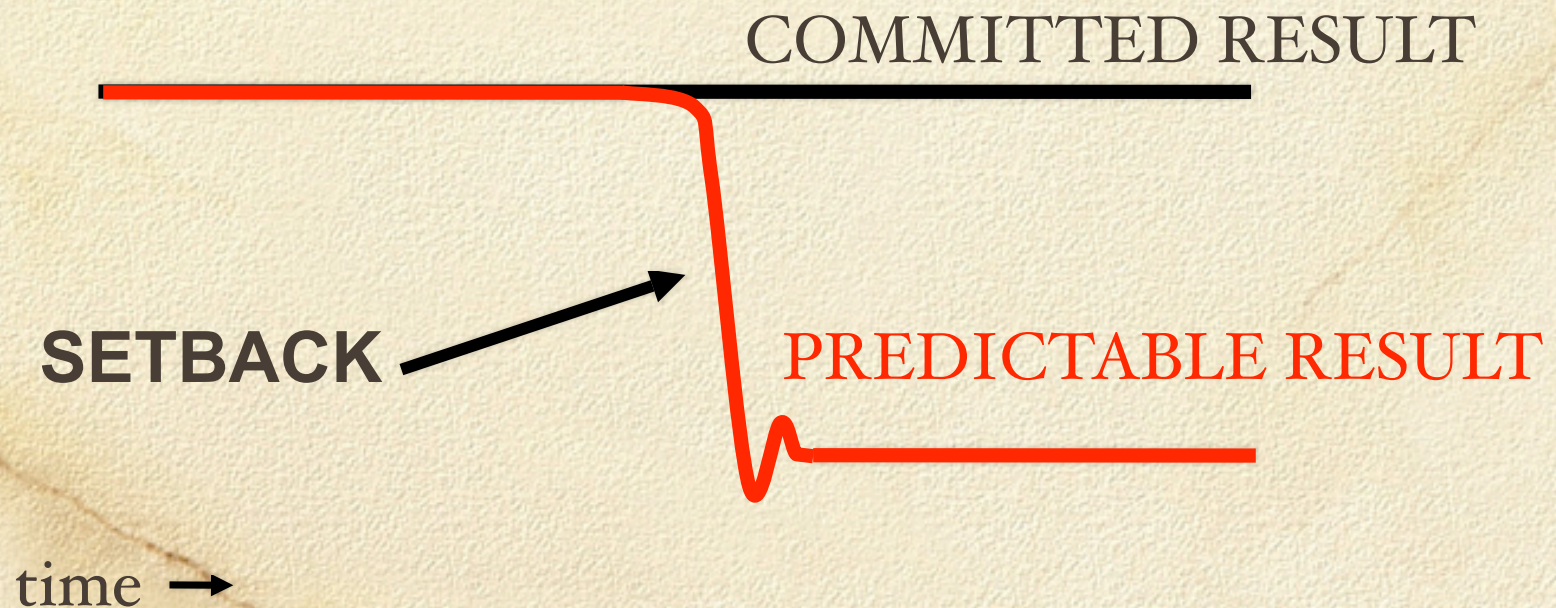
- A breakdown is nothing more or less than what is so -- treating it or seeing it as a challenge is empowering
- A situation where there is a gap between the committed (or intended) result and the predictable outcome
- A situation occurring as a *breakdown* (a challenge) creates the possibility for a breakthrough
- “Oh Goody, a breakdown: an opportunity for a breakthrough” phenomenon



# Breakdowns ...

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- Can either happen to you ...

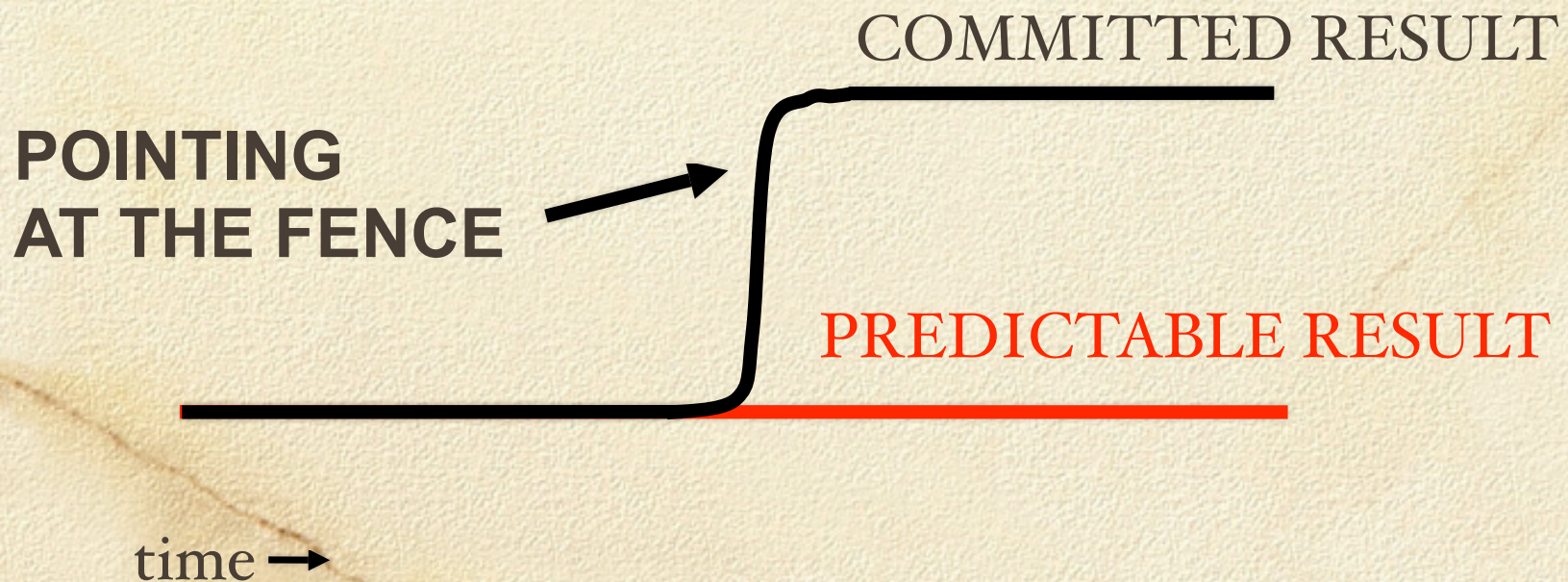




# Breakdowns...

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- Can either happen to you or be deliberately created by declaration





# Only 3 Ways to Resolve A Breakdown

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1. Back off the commitment
2. Wait (or pray) for a miracle
3. Remain committed in the face of the breakdown
  - And create one or more breakthroughs to realize the committed outcome, or
  - Fail (or cycle back to number 1)

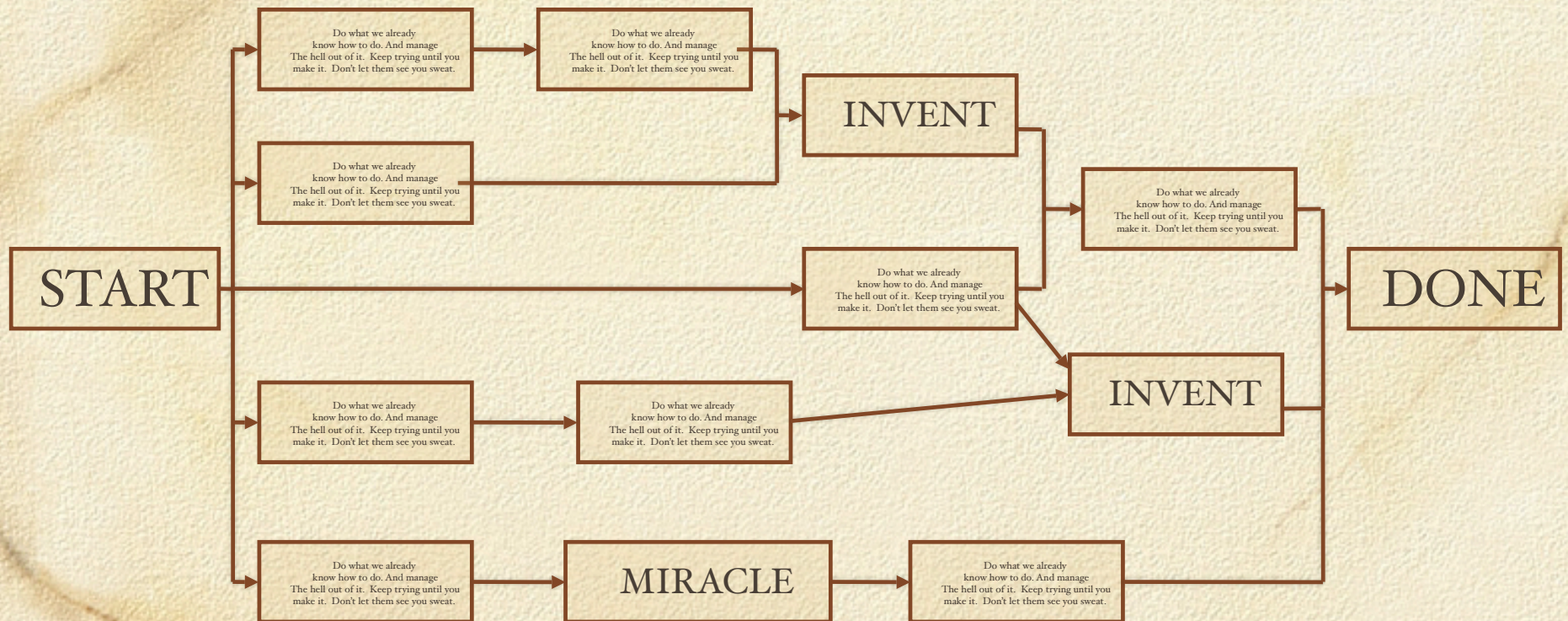


# Breakdown to Breakthrough

- Get past the amygdala response
- Reconfirm/recommit to the vision
- Standing in the breakdown, and remaining committed, search for the breakthrough
  - Often occurs within hours of recommitment

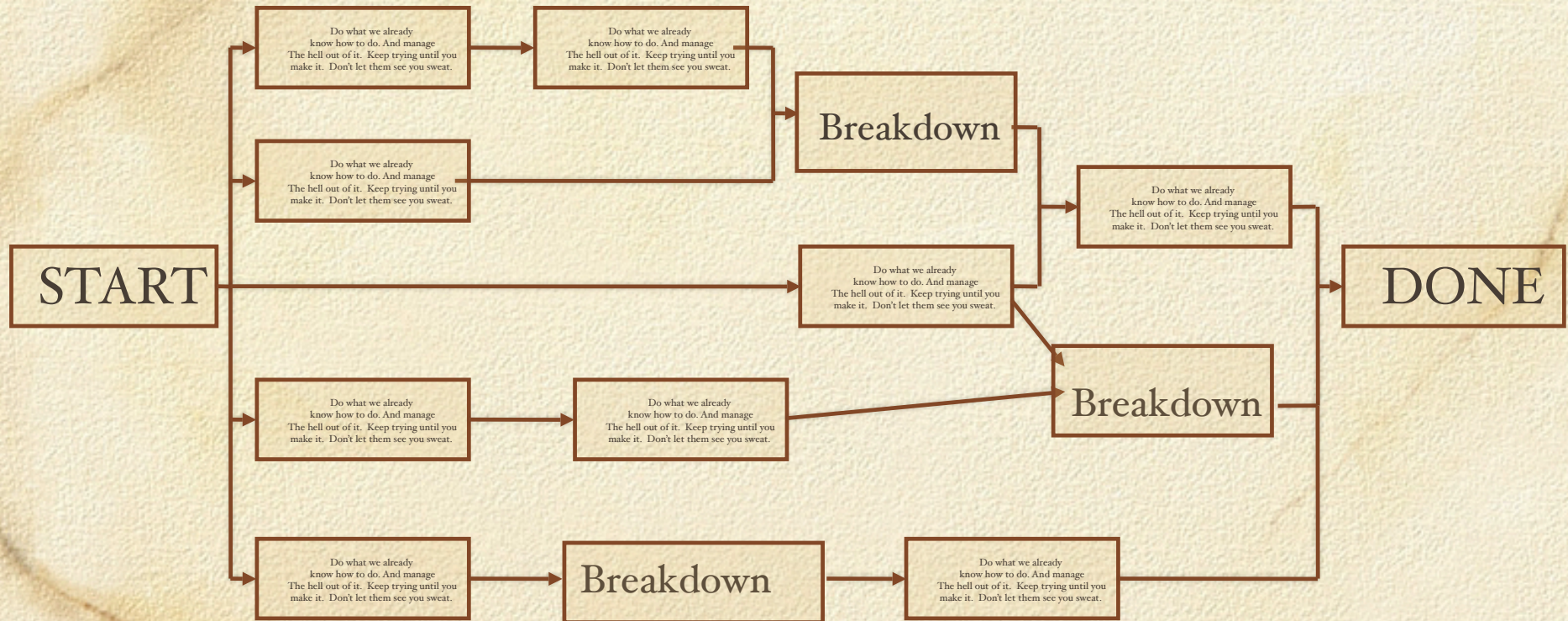


# The Plan: Management View





# The Plan: Leadership View





# Results Produced

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- ❑ 10 software development projects in IBM
  - ❑ saved \$58 million and
  - ❑ improved productivity an average of 160% over the “business-as-usual” plan
- ❑ Also successfully used in other companies
  - ❑ Software development
  - ❑ Capital expense reduction for auto plant
  - ❑ Paper mill cost reduction
  - ❑ Sales teams
  - ❑ Oil exploration and production cycle time reduction

Source: Allan Scherr, Managing for Breakthroughs in Productivity” <http://ssrn.com/abstract=655822>



# Commitment

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- ❑ No breakthroughs without commitment
- ❑ Commitment is a “speech act” unlike typical speech
- ❑ Commitment is an individual act
- ❑ Commitment is possible only when there is a choice
- ❑ Commitment exists for an instant



# Assertions & Declarations \*

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- Assertion

- Speaker commits to listener to provide evidence in support of statement <Z> that the listener will interpret as sufficient to satisfy the listener

- Declaration

- The speaker creates a new state or a new possibility for the listener

\*See Winograd, T. and Flores, F., *Understanding Computers and Cognition*, Addison-Wesley, Reading, MA, 1986.



# Language of Management

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## □ Assertion

- Speaker commits to listener to provide evidence in support of statement <Z> that the listener will interpret as sufficient to satisfy the listener

## □ Examples of Assertions

- I assert that the defendant is guilty (said by prosecutor)
- The project will be complete by 30 Sept 2005, and I can show you the detailed plan

## □ Examples of non-Assertions (opinion, hope, try)

- I think OJ was guilty
- The project will be complete by Sept. 30, 2005, I hope
- I'll try to get the project done by Sept. 30, 2005



# Language of Leadership

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- Declaration
  - The speaker creates a new state or a new possibility for the listener
- Examples of Declarations
  - Judge: “The defendant is guilty.”
  - Minister: “I now pronounce you man and wife.”
  - JFK: “this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely”
  - I am a person who honors his word.
  - The project will be complete by Sept. 30, 2005 (even though it’s currently projected to finish in December)
  - I declare that this situation is a breakdown



# Foundation of Leadership and Performance Is Integrity

- Personal and Organizational Integrity Is Honoring Your Word
- Honoring your word means you either
  - Keep your word
  - or when you will not keep it you:
    - Immediately tell those who are counting on your word you will not be keeping it, when you will keep it or that you will not keep it at all, and you clean up the mess caused for those who were counting on your word

See Erhard, Jensen and Zaffron, 2007, “Integrity: A Positive Model That Incorporates the Normative Phenomena of Morality, Ethics and Legality”, in process, <http://papers.ssrn.com/abstract=920625>



# Persistent Commitment

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- ❑ Commitment persists when you commit to your own integrity
  - ❑ This is called “taking a stand” on your integrity
- ❑ Commitment persists when there is a “committed listener”
  - ❑ Someone committed to your delivering on your commitment



## When are Breakthrough Projects, Visionary Leadership Inappropriate?

- ❑ When predictability and certainty of producing the required outcome is paramount
- ❑ Where the cost of uncertainty is high
- ❑ When the customer for the result is not aware of the inherent risks associated with the project
  - ❑ Integrity is out if customer is not informed
  - ❑ Customer might not be willing to pay as much for a project with higher risk (analogous to quality)



# A Serious Unsolved Issue

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- The More-Than-Expected but Less-Than-Promised Issue
  - Suppose *Business as Usual* is 100, the *Commitment* is 300, and the *Result* is 200
    - If we punish the team for missing the commitment, they won't be as willing to commit to an unreasonable vision/result the next time
    - Will tend to lead to the under-promise over-deliver phenomenon and that sucks the energy and productivity out of an organization. Leads to out-of-integrity behavior and low performance.
  - Leads to “Paying People To Lie” Phenomenon. See Jensen (European Financial Management. 2003)



END

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