



From Values to Action

The Four Principles of Values-Based Leadership

by Harry M. Kraemer

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224 pages

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Take-Aways

- People hunger for authentic leaders who have core values and strong ethics.
- A “values-based leader,” an executive whom employees look up to and emulate, follows four key principles:
 - First, “self-reflection” helps the leader determine what is important and what is not.
 - Second, “balance and perspective” prepares the leader to develop the right attitude for wise decision making.
 - Third, “true self-confidence” enables the leader to build a team of highly qualified people without fear of being overshadowed.
 - Fourth, “genuine humility” allows the leader to stay grounded.
- Values-based leaders set the standards for ethical organizations.
- They communicate openly and share information with the people they lead.
- They meet crises head on and take accountability.
- Ethical leaders and organizations live up to their social responsibilities.

Rating (10 is best)

Overall
9

Applicability
9

Innovation
7

Style
8

Relevance

What You Will Learn

In this Abstract, you will learn: 1) How to apply the four principles of “values-based leadership,” 2) How to put your values to work, and 3) Why leaders and companies must be socially responsible.

Recommendation

Harry M. Jansen Kraemer Jr. is the former chairman and CEO of Baxter International, a leading global health care company. In this book, he outlines the four primary principles of ethical, values-based leadership. Now a professor at the Kellogg School of Management, Kraemer is a veteran leader with much to teach about working ethically. He recounts how he handled various leadership crises and faced difficult issues, including the traumatic time when a Baxter medical product led to the deaths of 53 people. His examples demonstrate how he thought through his actual business problems based on being ethical, and how he put his values to work leading his company. *getAbstract* recommends this worthwhile treatise to business people at all levels.

Abstract

Leaders Should Value Values

Leadership is the opportunity to influence people. “Values-based leadership” affects people on an even higher level. A values-driven leader’s actions inspire employees by example and motivate them to do good things and focus on what truly counts. A 2010 study by the John F. Kennedy School of Government at Harvard University found that Americans’ confidence in their leaders had fallen “significantly below average” for the third year running. More than ever, people want authentic, ethical leaders.

Values-based leadership rests on four basic principles: “self-reflection, balance and perspective, true self-confidence” and “genuine humility.” Ethical leaders consider these principles when they identify and pursue their most critical goals.

1. Self-Reflection

Self-reflective leaders know their priorities, values and ethical boundaries. Author Harry M. Jansen Kraemer Jr. found that being thoughtful in this way served him well as chairman and CEO of Baxter International. By using careful reflection, Kraemer developed a reputation as a mindful, “explicit” decision maker, someone who carefully weighs all the considerations and consequences inherent in a business decision.

Self-reflection helps leaders determine their priorities and answer the question, “What should we be doing?” Such cognition requires silence. A leader should find a quiet place and take time to think. Kraemer, who normally conducts self-reflection sessions at day’s end, typically asks himself: “What did I say I was going to do today, and what did I actually do?” “What went well, and what did not?” “What did I learn today that will have an impact on how I live the next day, the next week and going forward?”

2. Balance and Perspective

The world is not black and white. It is gray. Leaders must realize this basic fact and operate accordingly, but that requires balance and perspective. This means leaders should welcome numerous viewpoints, including those that differ from their own. Indeed, leaders

“Leadership is not about the leader. Leadership is about the growth and positive change that a leader can bring about while working with others.”

“Focusing on the right thing to do makes choices clearer to see and easier to make.”

“Without self-reflection, you’ll find it difficult to know what matters most – and to stay focused on it.”

“One of the biggest benefits of self-reflection is identifying what comes first and what comes last.”

“The strategic process functions as a high-level roadmap that you constantly refer to and update in order to take the company in a specific direction.”

“The temptation is to delegate, which in itself is a good thing, but not when it gets to the point that the leader has lost touch with what is happening day to day.”

should solicit as many outlooks as possible on significant issues.

Balanced leaders have open minds and listen willingly to others; they want to develop well-rounded opinions, and they seek thorough reporting rather than confirmation of their own ideas. Their primary concern is not to be right but to do the right thing. This means their staff members feel comfortable speaking their minds and don’t worry that their leader will think less of them for presenting different ideas. Leaders who rely on balance and perspective extend this sensibility to every area of their lives. They do not become consumed by work or anything else. When you achieve “life balance,” all the facets of your life work well together.

3. True Self-Confidence

Early in his career, when Kraemer was a junior manager, his company asked him to perform a financial analysis of a firm it was considering purchasing. Kraemer reported that the acquisition would be a good idea at a price of \$75 million. Later, he learned that the firm planned to spend \$100 million on the purchase. Dismayed, he confronted his immediate boss and reiterated that at \$100 million, the deal made no financial sense. His boss told Kraemer not to worry because the company’s senior executives had decided to move ahead on it. Kraemer could not put the looming acquisition aside. He knew it was bad for his company and its shareholders.

Kraemer told his boss that he planned to speak to the CEO, an audacious move since Kraemer was low on the company’s totem pole. He deliberately ran into the CEO in the firm’s cafeteria. The CEO did not know Kraemer, but he listened as the young manager explained why paying \$100 million for the acquisition was not smart. “I can’t come up with a valuation of more than \$75 million,” Kraemer told the CEO, who asked, “Well...why are we paying \$100 million?” “Exactly,” Kraemer thought. As a result of this discussion, the firm did not make the acquisition.

How did Kraemer find the courage to go over his boss’s head (conceivably a firing offense) and speak directly with the CEO, who was a stranger to him? Even as a young man, Kraemer possessed true self-confidence. He knew his own worth and his strong points, as well as his weaknesses. He was sure he was right and the firm was wrong on the acquisition price. True self-confidence is the opposite of “false self-confidence,” which is empty bravado. People with false self-confidence feel they are right and everyone else is wrong. True self-confidence is not just inner fortitude; it is fortitude based on being competent in all the important areas of your life.

4. Genuine Humility

Although he became Baxter’s CEO, Kraemer never forgot that he started in a six-foot-by-six-foot cubicle. Such humility depends on self-knowledge. He remembered the great ideas and terrific work that originated from such cubicles, and he remained aware that talent exists at all levels.

CEOs often come to speak to Kraemer’s management students at Northwestern University’s Kellogg School of Management. When his students ask these guest speakers, “At what point in your career did you decide that you were going to become a CEO?” the typical response is, “I never thought I’d become a CEO. I didn’t ever think that would happen to me.” Many students express disbelief at this response, but it doesn’t surprise Kraemer. He believes that most CEOs pinpoint their attention on doing the best possible job, and that this focus – not excess ambition – explains why they attained executive

“Effective communication ... does not rely on acronyms and buzzwords, and it certainly isn’t meant to show off how smart the speaker is.”

“Values are not bullet points on a corporate website or motivational phrases on a poster in the lunchroom.”

“Some companies talk a good game and have plaques on the wall stating their mission and values, but their day-to-day actions tell a different story.”

“Good works can generate shareholder value.”

positions. Indeed, unbridled ambition turns people off, but followers flock to those who are confident and yet act with genuine humility.

Applying Values-Based Leadership

Leaders who use the four principles of values-based leadership in their professional and personal lives become role models for their employees. These leaders prove that the grand promises in mission statements have meaning. Conversely, leaders who do not practice values-based leadership turn employees into bitter cynics who believe their companies espouse empty words. As CEO, Kraemer worked to exemplify Baxter’s corporate values, “respect, responsiveness and results,” or, as he called them, the “3R’s.” When firms turn to their values for guidance, they don’t overstep their bounds. Inevitably, businesses that push legal boundaries end up in trouble. Honorable firms focus on doing the right thing, not merely the legal thing. Such deliberate leadership requires superior execution, which involves four management processes that “must work in tandem”:

1. **“Strategic process”** – Instead of making a time-limited strategic plan, work on an ongoing basis, focusing on where the firm is and where you want it to go.
2. **“People process”** – Create and lead a quality team that can achieve its objectives.
3. **“Operations process”** – Ensure that day-to-day operations support long-range goals.
4. **“Measurement process”** – To achieve success, measure your staff’s progress.

Values-based organizations work to recruit and hire like-minded staffers. A reflective, values-aware CEO understands what type of employees the company needs and promotes those who present alternative perspectives and balanced advice. A self-confident CEO doesn’t fear a challenge; a humble CEO doesn’t always have to be right. Because values-based employees help keep a company on track, the CEO should always “own the people process,” while making sure employees feel that they are in charge of their own professional development.

The Importance of Knowing Your Path

Strong leaders set a “clear direction” and ensure that everyone understands where the organization is heading and what it wants to achieve. This is a necessity in building a values-based firm. Most employees want to do good things, not bad ones. But without straightforward guidance, staff members can head off on different paths and disrupt the company’s plans. When setting an overall route, CEOs should follow Albert Einstein’s advice: “Make everything as simple as possible, but no simpler.” If complexity is inherent in your situation, break things down into separate, manageable components and set a course for each element.

Clearly communicate the way forward to make sure everyone is aligned. Aim for “clear, simple, straightforward and concise” messages. Some leaders think that spreading information widely in an organization takes too much time and effort. That is the wrong attitude. If you communicate effectively with your employees on all issues, your organization will accomplish more with increased efficiency. Avoid hasty emails and voice mail. Instead, talk directly with your team. Do not assume that everyone understands. Make sure each person precisely grasps your intent. Plan to communicate more often during bad times than good ones. Kraemer’s basic communication dictum is “My team should know everything that I know.” To communicate effectively, you must be a good listener and a compelling storyteller. Recount stories from your experience to make points your staff will remember. To reach Baxter’s 50,000 employees, Kraemer wrote an internal column called “On the Home Front.” In his articles, Kraemer used family

“None of us will ever get everything done; therefore, the key is to consider the trade-offs among what needs to be accomplished immediately and what can wait another day.”

“For some people, this realization happens early in their careers and they achieve better life balance. For others, the light bulb never goes on...For you to live a balanced life, something has to give.”

“Being a leader is often like drinking from a fire hose.”

anecdotes to illustrate points he wanted to make about Baxter’s business.

Engage Your People

When Kraemer was the controller of a Baxter division early in his career, he learned that employees were more receptive to his message when he engaged them personally. At one point, his division’s sales and profits were off, so he had to cut expenses by 10%. Kraemer could simply have met with his division president and worked out how each unit would reduce expenses. Instead, he met with the senior department heads and gave each one an opportunity to offer opinions and solutions. These were Kraemer’s colleagues. They didn’t have to defer to him. But as a self-confident leader, Kraemer believed he could convince the department heads to unite and work out a way to cut costs so that the division would benefit. And that is what happened. By respectfully engaging his peers, Kraemer persuaded everyone to approach cutting costs in a selfless manner. The head of manufacturing had a typical reaction: “Although I don’t like the idea of cutting manufacturing expenses by more than 10%, I think we’d all be better off if I reduced manufacturing costs by 20% in order to fund...important [divisional] initiatives.”

Crisis Leadership

Leadership is important in good times and even more crucial in bad times, which are marked by the “3C’s...change, controversy and crisis.” Coping with these factors requires “a fourth C: courage.” As a leader, you must prepare for bad times during good times. The self-reflective leader thoughtfully weighs the obstacles ahead and plans accordingly. Yet challenges do arise unexpectedly. In such situations, an ethical leader remains committed to doing what is right.

In 2001, 53 people died because of a problem with a “dialysis filter product made in a Swedish plant owned by Baxter.” To confront this disaster, Kraemer’s team investigated the tragedy, took responsibility, closed the plant, absorbed a \$189 million loss, provided funds to the victims’ families, and sent information about what had gone wrong to other dialysis filter makers and to the governments in affected countries. Although Baxter still had good financial results that year, Kraemer “recommended” that the board cut his annual bonus 40% and his executives’ bonuses 20% because patients who relied on the firm had died while he and his officers were in charge.

Values-based leaders also work to fulfill their organizations’ social responsibilities amid numerous, baffling problems, from poverty to pollution. Ethical leaders know that they must contribute to the world around them and must be exemplary citizens. So where should your company focus its pro bono efforts? One tactic is to exercise philanthropy in areas where your expertise makes a difference. For Baxter, this has been health care. Leaders who believe in the four principles of values-based leadership must meet their social responsibilities. Their values demand nothing less.

About the Author

Harry M. Jansen Kraemer Jr. teaches management and strategy at the Kellogg School of Management, Northwestern University. He is a former chairman and CEO of Baxter International, a health care company.