

FOREWORD BY STEPHEN R. COVEY AND STEPHEN M.R. COVEY

TRIPLE

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CROWN

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LEADERSHIP

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*Building*

EXCELLENT, ETHICAL, AND  
ENDURING ORGANIZATIONS

**BOB VAN OUREK**  
**GREGG VAN OUREK**

## **Praise for *Triple Crown Leadership***

“A rare combination of deep insight and helpful research, and an important book. Relevant and timely. Smart and helpful guidance for leaders about today’s pressing problems.”

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Bestselling Authors and Father and Son  
(from the Foreword)

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—**Bill George**, Harvard Business School  
Professor and Former CEO, Medtronic

“Bob and Gregg Vanourek have written a timely and practical book about the complex art and practice of leadership. They skillfully relate traditional problems all leaders face to the current crop of challenges that recently have brought all institutional leadership under greater public scrutiny. They speak directly to leaders in plain language, providing useful examples and backing it up with research. Every leader of tomorrow must read this book today.”

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and Co-founder, Cambridge Leadership  
Associates

“In a crowded marketplace of books on leadership, this one stands out and offers new perspectives on what it takes to compete effectively through enduring excellence and ethics. Read this book for its keen insights and practical wisdom about how to lead with character, grace, and results that make sense. A book of wisdom and practical advice, no matter what race you find yourself in.”

—**Barry Z. Posner**, PhD, Accolti Professor of  
Leadership, Santa Clara University, and  
Co-author of *The Leadership Challenge*,  
*Credibility*, and *The Truth About Leadership*

“*Triple Crown Leadership* is way out in front of the pack of current leadership books. First, because this remarkable father-son author team has combined practical wisdom learned from experience in the

toughest business situations to cover the core issues of sustainable leadership—ethics, values, and meaning for the organization, customers, and employees. Second, because this book is simply a good read. Every chapter is chock-full of things you can take away and use for your own work and life. Bravo for a triple crown book!”

—**Bob Aubrey**, Author of *Creating Aspirational Leaders* and Practice Leader for People Development Consulting, Mazars

“This important book offers a unique perspective, represented first by the successful father-son coauthors and second by the many leaders they interviewed. The authors’ multigenerational perspective establishes unusual credibility for their daring assertion that excellent organizational results can be achieved by ethical means over an enduring period of time. While their claim may at first appear elusive, the authors back it up with practical advice, drawn from much experience, as to how their ‘trifecta’ can be won. They have convinced me, more than I have dared to believe before, that high organizational ideals can become a reality! And *that* is a pearl of great price.”

—**Dr. Larry Donnithorne**, Author of *The West Point Way of Leadership*

“This book makes a compelling case for the kind of leadership we so desperately need today. Triple crown leaders don’t take the easy way, they find the better way. If you want to excel and endure with integrity, join this triple crown quest.”

—**Frances Hesselbein**, CEO, The Frances Hesselbein Leadership Institute, Former CEO, Girl Scouts of the U.S.A., and Presidential Medal of Freedom Recipient

“When I saw the chapter on ‘Head and Heart,’ I knew this book would be significant. Very few leaders are advocating this integration of our intellectual capacities with our emotional sensibilities. The Vanourek’s have hit on a powerful model that will change orga-



nizational life if leaders are willing to open themselves to it. Some may call it leading-edge thinking, but a man from Galilee taught this long ago.”

—**John Horan-Kates**, President, Vail Leadership Institute

“Right now, people are looking everywhere for answers: What’s real? What’s true? What works? The good news is, the answers are right here in this gem of a book.”

—**Alan M. Webber**, Co-founder, *Fast Company* magazine, and Author of *Rules of Thumb: 52 Truths for Winning at Business Without Losing Your Self*

“In the age of Conscious Capitalism, we need leadership that touches people where they live. Here’s an inspiring field manual from a passionate father and son team.”

—**Patricia Aburdene**, Author of *Megatrends 2010*

“Bob and Gregg Vanourek capture what a coming-of-age generation expect from themselves and their leaders—excellence and character. But their greatest gift may be to show us how to navigate the inevitable challenges on the path to significant impact. This is a powerful and insightful book.”

—**Peter Sims**, Author of *Little Bets* and Co-author of *True North*

“Today’s leaders must tap into something deeper—in themselves and others. This book takes you into that important and inspiring terrain.”

—**Chip Conley**, Author of *Emotional Equations* and Founder, Joie de Vivre Hospitality

“Running an enterprise is often a lonely task. The Vanoureks’ diverse experiences and insights make *Triple Crown Leadership* a reassuring and thought-provoking companion.”

—**Seth Goldman**, Co-founder and TeaEO, Honest Tea

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# TRIPLE CROWN LEADERSHIP

*Building*

EXCELLENT, ETHICAL, AND  
ENDURING ORGANIZATIONS

BOB VAN OUREK  
GREGG VAN OUREK



New York    Chicago    San Francisco    Lisbon  
London    Madrid    Mexico City    Milan    New Delhi  
San Juan    Seoul    Singapore    Sydney    Toronto

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*To June, my life partner,  
to whom I am eternally grateful*

*To Kristina, Alexandra, and Anya,  
with all my love*

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# FOREWORD

**W**e're excited to write the Foreword to this book. For decades we—father and son—have worked to advance personal and professional effectiveness by focusing on key dimensions of leadership, including character, competence, and trust. We have sought to identify and articulate universal leadership principles that lead to sustained, superior performance—principles that are able to stand the test of time, cross cultures, and endure.

In *Triple Crown Leadership*, Bob and Gregg Vanourek—another father-son team—make powerful new leadership contributions, supplementing their own illuminating experiences with rich stories from leaders around the world. The result is a rare combination of deep insight and helpful research, and an important book that simultaneously speaks to foundational principles and higher aims while advocating clear and specific practices.

The “triple crown” quest to build excellent, ethical, and enduring organizations is a vital one for all leaders. It is highly consistent with our own message of character (ethical), competence (excellent), and sustained superior performance (enduring). Effective leaders excel today even while looking to the horizons of tomorrow. They create exceptional value for all stakeholders (not just shareholders) through sustainable practices. Indeed, one of our definitions of leadership is *getting results today in a way that, by inspiring trust, increases our ability to get results tomorrow*.

Bob and Gregg not only recognize this; they insightfully point to *how* to make it happen. They show leaders how to achieve compel-

ling results without cutting corners—by unleashing the abundant talent of their colleagues, leading with both head and heart, and flexing between “steel and velvet” as the situation requires. The reality in our lives and organizations is that ends and means are inseparable. *How we do what we do* makes all the difference.

*Triple Crown Leadership* is relevant and timely. It addresses the important organizational challenges of our age. It cuts through the clutter of complexity and slogans, providing smart and helpful guidance for leaders about today’s pressing problems. The book rejects easy, quick-fix answers. Instead, it identifies the principles and illuminates the practices leaders are using to craft high-trust, high-performance organizations and avoid the traps that lead to organizational breakdowns.

*Triple Crown Leadership* is also actionable—for CEOs, senior executives, board members, managers, supervisors, individual contributors, and even workers without formal authority. It contains practical insights from leaders who have clearly been in the trenches about how to hire great people, create a culture of trust, and align teams for sustainable performance.

Finally, *Triple Crown Leadership* inspires. It calls us to the post of the race of our lives—one worthy of our best efforts and deepest aspirations. It signals hope in a fast-moving world full of big challenges and concentrates our gaze on the exciting track ahead. In effect, it is an offering of trust—and nothing is as inspiring as an offering of trust.

We live in a world that is overmanaged and underled. The greatest need in our global society today is for better leadership—from all of us. The call has been made; now it’s time for each of us to take the reins.

—Stephen R. Covey and Stephen M. R. Covey  
March 2012

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INTRODUCTION

# CALL TO THE POST

*Leadership is a quest.*

—Max DePree, leadership author



It was the quest of their lives.

They were gunning for the Triple Crown, needing three big wins in a row: the Kentucky Derby and the Preakness, which they had, and now the Belmont Stakes.

Penny Chenery had saved her father's Meadow Farm, a sprawling 2,600-acre racing stable just north of Richmond, Virginia. After courageously refusing to sell the farm despite family pressure and financial distress, she acquired a special horse by way of a coin toss with a competing stable.

Chenery called him Secretariat. He was a magnificent thoroughbred with a blazing red coat, white "stockings" around three ankles, and a big white star on his forehead. His voracious appetite matched his big, broad frame. When she first saw "Big Red" prancing around in a field, Chenery wrote a single word in her diary: "Wow!"

Growing up in Quebec, Ron Turcotte—too small to be a lumberjack—labored with workhorses in the logging fields. With his passion for horses, he became a hot walker, cooling thoroughbreds after their workouts, and then a jockey. As a jockey, he earned a reputation for an unrivaled work ethic and unimpeachable integrity while winning often.

Trainer Lucien Laurin, a former jockey himself, was on the verge of retirement. As a trainer, he had won more than a thousand races. Having won the Kentucky Derby once before, he declared, "I want another shot at the Triple Crown."

Chenery and her talented team pinned their hopes on Big Red, and he had been taking the racing world by storm.

The first Triple Crown test came at the ninety-ninth running of the Kentucky Derby in 1973, with more than 134,000 people—the biggest crowd ever—at the regal Churchill Downs racetrack in Lexington.

It did not start well.

Secretariat broke last. He was up against archrival Sham and eleven other fearsome contenders. But Big Red ran each quarter mile

faster than the one before—precisely the opposite of most horses at such a trying distance—accelerating even through the finish line a mile and a quarter from the start. He won by two and a half lengths in a thrilling late surge with a track record that still stands.

Next up was the Preakness at the Pimlico track in Baltimore, Maryland, with its tight turns. Secretariat broke last again, but then surged forward early in the race, to the surprise of all, picking off the competing horses one by one. Big Red won by two and a half lengths, again with Sham in second.

With two of the three victories needed, they were poised for racing glory. It had been a quarter century since the last Triple Crown champion. Many commentators dismissed the possibility of another one, given how the sport had changed over the years, with foreign buyers taking promising thoroughbreds overseas, as well as advances in technology, medicine, and breeding that equalized the racing field. But the Meadow Farm racing team had captured the nation's attention. In the run-up to the Belmont Stakes in New York, Secretariat had appeared on the cover of *TIME*, *Newsweek*, and *Sports Illustrated*.

Called “The Test of the Champion,” Belmont has the longest dirt track in thoroughbred racing, at one and a half miles. Race day brought stifling ninety-degree heat and humidity, but at post time the crowd was totally focused on the starting gate.

Announcer Chic Anderson called the race:

And they're off . . . Sham and Secretariat are right together into the first turn . . . Sham getting a head in front as they move around the turn . . . They're on the backstretch. It's almost a match race now . . . Secretariat now taking the lead . . . The lead is increasing. Make it three, three and a half . . . Secretariat is blazing along . . . moving like a tremendous machine . . . Secretariat by twelve . . . Secretariat by fourteen lengths on the turn . . . Secretariat is all alone . . . Secretariat is in a posi-

tion that seems impossible to catch. Secretariat leads this field by eighteen lengths . . . Secretariat has opened a twenty-two-length lead. He hits the finish . . . twenty-five lengths in front . . . An amazing, unbelievable performance by this miracle horse.<sup>1</sup>

But Anderson was wrong.

It was impossible to judge such a wide margin of victory from the announcer's booth. Confirmed after the race stewards studied the video, Secretariat won by a staggering thirty-one lengths—about a hundred yards—cutting an astonishing two and a half seconds off the track record and setting a world record that has stood for almost forty years.<sup>2</sup> The Triple Crown was theirs.

Spectators were awestruck. Kent Hollingsworth, editor of a leading horseracing publication, said, "I don't believe it. Impossible. But I saw it. I can't breathe. He won by a sixteenth of a mile . . . He ran so far beyond known reference points, he left us with no measurable comparison."<sup>3</sup> Award-winning sportswriter Hugh McIlvanney wrote, "None of us can ever expect to see the like of that again."<sup>4</sup>

Author Marvin Drager wrote, "The superlatives were endless . . . One called it the greatest performance by a racehorse in this century." Others compared it to the best feats of Joe Louis (boxing legend), Jesse Owens (track star), and Jack Nicklaus (golf superstar). They dubbed him "Super Horse" and "Horse of the Century."

"When he accelerates," wrote Pete Axthelm in *Newsweek*, "he produces a breathtaking explosion that leaves novices and hardened horsemen alike convinced that, for one of those moments that seldom occur in any sport, they have witnessed genuine greatness."

Secretariat holds the record for the fastest Kentucky Derby and Belmont Stakes ever. He would have set the track record in the Preakness except for a clock malfunction. Jack Krumpe, president of the New York Racing Association, said, "He was a power that transcended racing."

At Belmont, Turcotte and Secretariat rose to a state of peak performance, demolishing the field behind them.

## THE TRIPLE CROWN

The story of Meadow Farm and Secretariat, as we shall see, is about more than astonishing athleticism and the will to win. It is also about teamwork, heart, character, stewardship, flow, adversity, and inspired leadership. The Meadow Farm racing team accomplished three significant things: they achieved extraordinary results, they achieved them with honor, and their results have stood the test of time. Their record was excellent, ethical, and enduring (what we call the three Es). They rose to the occasion of their three big races. It was the ultimate triple, and thus an apt metaphor for the focus of this book: building (1) excellent, (2) ethical, and (3) enduring organizations.

Accomplishing such a triple requires a different brand of leadership. We call it *triple crown leadership*. Like its counterpart in thoroughbred horseracing—the “sport of kings”—it is all too rare. Since 1875, there have only been eleven Triple Crown winners, making it “the most elusive championship in all of sports.”<sup>5</sup> To achieve it, a horse and its racing stable must win three brutally competitive races in different states over five weeks. The thoroughbreds race at distances from one and a quarter miles (in the Derby) to a punishing one and a half miles (at Belmont) in whatever weather and track conditions exist on race day. For jockeys, it is a complicated challenge of race strategy, strength training, diet, and teamwork with a thousand-pound animal. At speeds approaching forty miles per hour, a fall can be fatal.

Each May, the Kentucky Derby starts the run for the Triple Crown. Some hail the Derby’s “Run for the Roses” as “the most exciting two minutes in sports.” Others call it the “fastest two minutes,” with a dozen or more thoroughbreds hurtling at breakneck speeds, their jockeys perched precariously on their backs, millions watching on television, and tens of thousands of racing fanatics at the track in tailored fashions and exquisite hats drinking mint juleps and cheering for their favored steed.

Triples in any context are difficult and rare. Triples in baseball are rarer than home runs. Triple plays are even rarer. The batting

triple crown goes to the player who leads the league in the same year in home runs, batting average, and runs batted in. The last time that happened was 1967. In other sports, scoring a “hat trick” of three goals in a game is rare, as is nailing a triple axel in women’s figure skating. Only occasionally does a film win best picture, best director, and best actor or actress at the Academy Awards.

For organizations, achieving excellent results is rare enough—much less doing it with integrity and staying power.

## **FAILED LEADERSHIP**

Unfortunately, in our world today, we see too much of the opposite. Today, we are witnessing failures of organizational leadership at a massive scale. For example, look at:

- The global financial crisis and European debt crisis
- The bankruptcy of Lehman Brothers and the abuses at AIG, Countrywide, and Fannie Mae
- The worldwide “Occupy” protest movements, with the “99 percent” hurling invectives at the corporate malfeasance and government corruption of the “1 percent”
- The Deepwater Horizon oil spill in the Gulf of Mexico and the way BP and other leaders passed the buck
- The recent breakdowns at two paragons: Toyota (massive recalls due to safety and quality problems) and Johnson & Johnson (product recalls, lawsuits, allegations of kickbacks, and more)
- The recent scandals at the International Monetary Fund, FIFA (the international governing body of soccer), and governments in Italy, India, Germany, Russia, Indonesia, China, Brazil, Japan, Nigeria, Austria, and more

- The Penn State sexual abuse scandal, where leaders looked the other way

There are many underlying causes in these debacles, but a common denominator is failed leadership. The sad thing is that we are repeating history. Five years ago, there was a stock options backdating scandal. A decade ago, it was Enron, Arthur Andersen, WorldCom, HealthSouth, and Adelphia. There were scandals in the Olympics, baseball, cycling, the Red Cross, the United Way, the Catholic Church, and, yes, horseracing. Go back also to the savings and loan crisis and junk bond craze.

Is this record acceptable? Can't we do better than this? Are we content to suffer through cycles of crises and scandals every few years, even as the stakes rise with the interconnectedness of financial markets and technology systems? That we have arrived at this unhappy place again, facing these risks, speaks to the depth and intractability of our problems. It is all too clear: we need better leadership.

Despite these challenges, we are optimistic about the prospects for change. We see encouraging signs from many organizations around the world, but we need new approaches applied more aggressively and broadly. It is time to raise our sights and standards, time to change our organizational imperatives, and time to raise our leadership game.

This book addresses big questions: What kind of leadership does it take to build excellent, ethical, and enduring organizations? How can we lead ventures for both high performance and positive impact on all stakeholders? How can we avoid breakdowns in performance, integrity, and sustainability? We know it is possible, because we have seen it in action and been part of it at times.

Most people want to be successful, maintain their integrity, and have a positive impact. These aspirations are powerful, but they are under attack from organizational dysfunction, ethical compromises, and unsustainable practices.

Too many talented people labor in organizations that do not live up to their values and aspirations. Too many leaders sell out, succumb

to short-term pressures, and take the easy way out. The rationalizations are legion: “That’s just the way the world is.” “Everybody’s doing it.” “It’s just this one time.” “It’s not really hurting anyone.”

*The central message of this book is that leaders should commit to the overriding aim of building excellent, ethical, and enduring organizations.* With the right kind of leadership, these three pillars can be mutually reinforcing and dramatically raise performance, engagement, and impact. Using certain leadership practices, we can address the root causes of our problems and set our organizations on a remarkably higher trajectory.

## THE QUEST

*Perfection is not attainable, but if we chase perfection,  
we can catch excellence.*

—Vince Lombardi, legendary coach of the  
champion Green Bay Packers

Along with Coach Lombardi, we propose something radical: that we “chase perfection,” embarking upon an epic quest for the triple crown of excellent, ethical, and enduring organizations. Some people view “ethical” and “enduring” as implicit in “excellent,” but ethical and enduring are so important, and so often neglected, that we draw them out for special emphasis. Today, there is so much focus on making your short-term numbers that the ethical and enduring dimensions get drowned out.

Those undertaking this quest can expect to encounter daunting obstacles. With the leadership practices in this book, we fill their rucksacks with tools for the trek. Such quests are part of human nature. Through the ages, seekers have pursued truth. Explorers sought to circumnavigate the earth by sea and by air. Adventurers raced to the poles, to the depths of the ocean, and to the heights of Everest. Astronauts sought to demystify the heavens and walk on the moon. Patriots seek freedom for their people.

What is your quest? Are you chasing power or riches, fame or glory, recognition or approval? What is your organization’s quest?



Crushing the competition? Enriching the officers? Enriching shareholders? No wonder the 99 percent are shouting.

For decades, the aim of most businesses was singular: to maximize short-term shareholder value. We are now suffering the consequences of that maxim taken to the extreme, ignoring the caveats to do so honorably and over the long term. Instant gratification predominates. Those who focus solely on profit and share price today face a backlash and a barrage of questions: What about ethical boundaries? What about negative externalities and social impact? What about long-term value creation and sustainable practices? Even Jack Welch, famous for driving for shareholder value as GE's former CEO, has said, "Shareholder value is the dumbest idea in the world. Shareholder value is a result, not a strategy."<sup>6</sup>

But there are also problems with the alternatives. "Doing well by doing good" is a noble maxim, but putting blind faith in it is destined to disappoint. The "win-win" is not automatic. In fact, it can be elusive. Choosing to operate ethically and sustainably is only the beginning. Leaders must figure out how to do that while achieving excellent results, maintaining the viability of the enterprise so it can run the next race. There are real tradeoffs and tough decisions here. It requires strong leadership and lots of midcourse corrections.

Today, we do not need more of the same old approaches. We need a quest that raises our sights, summons our passions, unleashes our talents, and calls our better angels to the post. Building an excellent, ethical, and enduring organization is difficult, but it can be done. It requires a commitment from many people over many years and a different brand of leadership.

Notably, that leadership is not what most people think, and it is certainly not just about the person at the top. It is a job for leaders throughout the organization, even those who do not think of themselves as leaders.

This quest is a worthy and inspiring endeavor—perhaps the seminal leadership challenge of our age. It is a quest we must undertake if we are to address our challenges and honor our aspirations.

## OUR RESEARCH

This book draws upon our own leadership experiences as well as research and interviews with leaders in more than sixty organizations in eleven countries: Austria, Brazil, Canada, China, France, Germany, India, Japan, Sweden, Taiwan, and the United States. The organizations include global corporations; social enterprises; education, government, and military organizations; turnarounds; and startups. We interviewed leaders from Cisco, eBay, GE, Google, Infosys, KIPP, Mayo Clinic, Princeton University, Share Our Strength, Spotify, the Strategic Air Command, Xerox, Zappos.com, and more, as well as horseracing experts. (For the full list and more detailed information, see the Appendix.)

We went beyond the usual suspects. Ever heard of the company that cleaned up the most dangerous buildings in the United States, turning a toxic plutonium site into a wildlife refuge? How about the dying small town that survived a devastating tornado and transformed itself into a world-leading community?

Of course, none of the organizations we cite is perfect. They have all made mistakes and will surely stumble again. *Triple Crown Leadership* is not a success study designed to list great organizations. Others have attempted that task, only to see how fleeting that mantle can be. *Triple Crown Leadership* is about a quest, not a list. We journey into quest land, not list land, seeking the leadership practices that build excellent, ethical, and enduring organizations. Our focus is not retrospective but prospective—looking forward using the early markers and signposts we see today from pioneering practices. The book is written by and for leadership practitioners, supported by research.

*Triple Crown Leadership* also builds on the work of esteemed leadership authors, from Peter Drucker and Warren Bennis to Michael Beer, Jim Collins, Bill George, Robert Greenleaf, Ron Heifitz, Rosabeth Moss Kanter, James Kouzes, Marty Linsky, James O'Toole, Barry Posner, and more. We draw upon their findings and build on their insights.

## WHAT'S IN IT FOR YOU?

*Triple Crown Leadership* is for those who seek high performance, integrity, and impact. Senior executives from CEOs to board members will find practical applications here. Managers and aspiring leaders will gain a road map they can use to lead more effectively. Even the everyday worker, not necessarily interested in leading, will find tools to succeed and thrive.

We do not view leadership as the sole prerogative of people with fancy titles, corner offices, and loads of frequent-flier miles. That is one of the fallacies that has held so many enterprises back. We purposefully focus on *leadership*, not the *leader*. Triple crown leadership is a group performance, not a solo act.

We also view leadership as a choice, not a position, a trust, not a right. Leadership is a way of thinking, being, and acting that we—*every single one of us*—can apply in all settings. Triple crown organizations don't just expect leadership from the upper echelons. They encourage and develop leadership from all quarters. They promote a pervasive leadership dynamic and in the process build a culture of character.

*Triple Crown Leadership* covers a wide array of organizations across sectors, industries, and continents. The book is rich with new concepts you can begin implementing immediately, a framework for how to contend for the crown, and stories of leadership in action, plus an exciting trip to some of the greatest horseraces of all time.

## WHY US?

Those embarking upon this quest are wise to scrutinize their guides: who are Bob and Gregg?

We have been CEOs of and officers in a wide range of organizations, from small businesses and social ventures to global corporations traded on the New York Stock Exchange. We have worked in

an array of sectors and industries—high and low tech—including universities, a foundation, and a think tank.

Perhaps most importantly, we have worked in some of the most challenging environments of all: startups and turnarounds. We have been at the launch of pioneering new ventures—scaling at blinding speed, unable to hire people quickly enough, and learning the hard way by making every mistake in the book.

We have been called in to lead turnarounds, including some doozies: reversing \$100 million per year in negative cash flow and cleaning house after government ethics investigations, attacks by short sellers, and libelous rumors. Our organizations have won awards, and we have been at both ends of terminations. We have worked against dirty competitors, confronted ripping-mad investors, and tried to reenergize burned-out and disenchanted employees. We have seen turnarounds through to successful completion, finally thriving after years on life support.

We have worked with narcissistic leaders and suffered the consequences of myopic strategies and good-old-boy boards. We have seen more rounds of layoffs and “near-death experiences” than we care to remember, with dire consequences for good people.

Fortunately, we have also been blessed with incredible colleagues and wise mentors. We have emerged from our challenges with stronger organizations, successful turnarounds and startups, lessons learned, and experiences that have shaped our character and given us hope.

We have traveled a similar journey, father and son, a generation apart, coming to the same conclusions about leadership, now eager to share those insights with you.

We are fed up with poor leadership, dysfunctional organizations, unethical and unsustainable practices, and recurring scandals that crush dreams and wreak havoc on people’s lives.

We have seen great leadership in action. We have been privileged at times to be part of it. It changed our lives. We know it can change yours too.

At certain times, we are all called to the post of leadership. The bugle sounds. It is time to mount our horses for the race ahead. Look

down the track and envision the race you want to ride. Much depends on you. We wish you Godspeed on your triple crown leadership quest.

## **CHAPTER ROAD MAP**

### **Chapter 1. The Triple Crown Quest: Excellent, Ethical, and Enduring**

In their quest for excellent results, most organizations fall short. Some cut ethical corners. Meanwhile, leaders today face new expectations about social impact and sustainability. The real question is not just how to achieve the results imperative, the ethics imperative, or the sustainability imperative, but how to achieve all three. Like the famous Triple Crown of horseracing, it is difficult—but not impossible—to achieve. It requires a different brand of leadership, one that builds a culture of character and infuses organizations with a powerful new leadership dynamic.

## **Part One. Triple Crown Leadership Practices**

### **Chapter 2. Head and Heart**

Triple crown leadership starts with new approaches to choosing, developing, and rewarding people. Most organizations focus on knowledge, skills, and experience—“head” issues. Triple crown leaders, by contrast, recruit for all that plus character, emotional intelligence, and “fit” with the organization—people with both “head” and “heart.”

### **Chapter 3. The Colors**

Triple crown leaders employ their organization’s shared purpose, values, and vision as sacrosanct “colors” to represent their quest. The racing colors worn by the horse and jockey trace their lineage to medieval knights, whose colors represented their honor. In organizations, the colors are standards by which people can judge their options and make decisions. The purpose grounds, the values guide, and the vision inspires.

## **Chapter 4. Steel and Velvet**

Triple crown leaders know when to invoke the hard edge of leadership—the steel bit—that demands excellent results, insists upon ethical practices, and resists the allure of short-term thinking. They also know when to invoke the soft edge of leadership—the velvet stroke—that patiently builds the culture of character. They collaborate and “bite their tongues” to let others lead. They get beyond their natural leadership style. Triple crown leadership requires the judgment to flex between the hard and soft edges of leadership, depending on the situation and the people, without appearing to be inconsistent.

## **Chapter 5. Stewards**

On the racetrack, it takes more than just a great horse to win. It takes effective teamwork from the owner, trainer, jockey, veterinarian, grooms, stable staff, and more. So it is with organizations. Triple crown leadership is a group performance. People are empowered by the organization’s colors, not the authorities. Triple crown leaders foster stewardship. In horseracing, stewards are the external officials who regulate the race. Inside triple crown organizations, stewards develop and protect the organization’s colors and culture of character. They work on the enterprise, not just in it. Here we define new responsibilities for the board, CEO, officers, and people without formal authority.

## **Chapter 6. Alignment**

Triple crown leadership aligns organizations to achieve extraordinary results, sometimes achieving peak performance. They execute remarkably, yet retain the flexibility to make midcourse corrections. These organizations can achieve a state of “flow,” like Secretariat and jockey Turcotte in the Belmont Stakes. Here we provide a step-by-step system for aligning organizations for their triple crown quest.

## **Part Two. Leadership in Action**

### **Chapter 7. Breakdowns**

Why do some organizations fail to achieve their desired results, cross ethical boundaries, or fail to endure? Why do some high-performing organizations fall from grace, sometimes into disgrace? We examine three instructive examples: Toyota's unintended vehicle-acceleration crisis, the raft of problems recently at Johnson & Johnson, and the rise and dramatic fall of a storied horseracing dynasty at Calumet Farm. We address where they broke down and highlight leadership practices that could have kept them in contention for the crown.

### **Chapter 8. Turnarounds**

How do triple crown leadership practices apply in turnarounds? What must leaders do differently to tailor their efforts to the unique challenges of crisis or transformation? We examine several cases—Rocky Flats, Sensormatic, and Cisco Systems—to draw out the keys to leading turnarounds aiming for the three Es.

### **Chapter 9. Startups**

Startups face three unique challenges: extreme uncertainty, time pressure, and resource constraints. Here we examine the leadership adjustments needed to address those challenges and explore what entrepreneurs can do to position their ventures for high performance, integrity, and impact.

### **Chapter 10. Social Impact**

Leaders today must address social impact as well as performance: What impacts are they having on employees, customers, shareholders, suppliers, communities, the environment, and the world? These questions apply to companies, nonprofits, and new hybrid ventures. What leadership practices can help organizations fuse financial performance with social impact so that they are mutually reinforcing? Here we look at several examples across sectors.



## Chapter 11. Snapshots

How can we assess progress in building excellent, ethical, and enduring organizations? In this chapter, we take snapshot looks at Infosys, KIPP, and Google to determine how they are faring in their triple crown quest and what kinds of challenges they have encountered along the way.

### Conclusion: At the Post

For too long, we have settled for mediocre results and watched leaders pursue short-term financial results at the expense of ethics and sustainability. We have settled for naïve prescriptions about sustainability without figuring out how to reconcile it with the results imperative. For too long, we have given up on the triple crown quest. Here we call aspiring leaders to the starting gate with a new race plan for building excellent, ethical, and enduring organizations.

### Appendix: About the Research

Here we provide an overview of our background research and interview process, including a list of the sixty-one organizations we interviewed from eleven countries.

### Postscript: Sport of Kings or Business of Knaves?

Like all industries, horseracing has its ethical challenges. In this Postscript, we note the issues—from performance-enhancing drugs and gambling to responsibilities to jockeys and horses—and the efforts to address them.

*Note to the Reader:* Throughout the book, we quote extensively from the leaders we interviewed. All quotes from those leaders are from our interviews with them, unless otherwise indicated. We use “Triple Crown” when referring to the horseracing championship and “triple crown” when referring to organizational leadership.

# CHAPTER ONE

# THE TRIPLE CROWN QUEST— EXCELLENT, ETHICAL, AND ENDURING

*What is the use of living, if it be not to strive for noble causes  
and to make this muddled world a better place . . . ?*

—Winston Churchill

It was a quest that crossed generations: *finding a better way*.

It started with a father, William Worrall Mayo, and his small medical practice in Minnesota in the 1860s. Twenty years later, his two sons joined him. They were obsessed with finding better ways to help patients. Humble and curious, they invited outside physicians into their practice, creating what was arguably the first integrated group medical practice in the world.

Practicing medicine with this kind of team-based approach was revolutionary at the time. Individual physicians were supposed to have all the answers. Rejecting that thinking, the Mayos believed that pooling the knowledge and skills of doctors would lead to better results.

“No one is big enough to be independent of others,” said the Mayo father, to which his son William J. Mayo added: “The best interest of the patient is the only interest to be considered.” Those were the founding precepts that made what was then called “the Mayos’ clinic” distinctive.

According to Drs. Kent Seltman and Leonard Berry in *Management Lessons from Mayo Clinic*, “Mayo Clinic is the first integrated, not-for-profit medical group practice in the world and one of the largest.”<sup>1</sup> It is a global leader in healthcare delivery, research, and education, with a sterling brand in the healthcare industry. With its four main hospitals and additional affiliated hospitals and clinics in the Mayo Clinic Health System network, it serves more than a million patients annually—a spectrum of patients from the international elite to Medicare recipients. With its reputation for excellence, patients from all corners of the globe come for diagnosis and treatment, and doctors come to learn new techniques. Since many people go there only after exhausting all other options, Mayo physicians face some of the toughest medical cases. In today’s age of spiraling healthcare costs, Mayo Clinic has been able to maintain high quality while keeping costs comparatively low, according to independent studies. For over twenty straight years, Mayo hospitals have earned top rankings from *U.S. News & World Report*.

The Mayos' quest for a better way has yielded a stunning record of impacts and innovations, including:

- Influencing the way medicine is practiced throughout the world
- Helping to establish the medical residency education system so prevalent today
- Developing one of the world's first centralized systems of individual medical records for patients (versus previous systems organized by physician)
- Creating a system for numerically grading cancer (still used today), dramatically effective methods to treat rheumatoid arthritis, and innovative tuberculosis cures
- Performing the first federally approved total hip replacement in the United States in 1969, heralding a new era of joint replacement
- Training and employing Nobel Prize-winning physicians and researchers

Mayo's innovations are no accident. Clinic leaders proactively monitor the practices of other medical organizations and study companies like 3M and Xerox that are famous for innovation.

Equally important is Mayo's record of ethical leadership. Its "Spirit of the Clinic" lays out Mayo's ethical commitments: service, not profit; patient first; interest by staff in every other member; willingness to change; excellence; and integrity. According to Dr. Seltman (Mayo's former director of marketing), "Mayo Clinic has built one of the strongest brands in the world . . . by preserving the essential elements of what the organization is."<sup>2</sup> Mayo does not take these values for granted. All new hires (from nurses and janitors to accountants) receive extensive orientation in the "Mayo Way," specifically designed to help them understand and appreciate how their

jobs affect patients. Mayo employees go the extra mile because they know that together they are helping people and saving lives.

Mayo's values drive day-to-day decisions. For instance, when a Mayo cardiologist faced a choice between two pacemakers for his patient, he consulted with Dr. Robert Waller (then Mayo's CEO), who agreed that he should use the new and less invasive pacemaker even though it was not yet approved for reimbursement from Medicare. Even though it was a bad deal financially, Waller said it was a "no-brainer" because it was the one that was best for the patient.

Through such collaboration and consultation, physicians and leaders make better decisions. According to Paul Roberts in *Fast Company*, "For all of its prowess in science and technology, the Mayo Clinic owes much of its success to its culture."<sup>3</sup> The clinic has placed on *Fortune's* prestigious "100 Best Companies to Work For" list for the past nine years in a row.

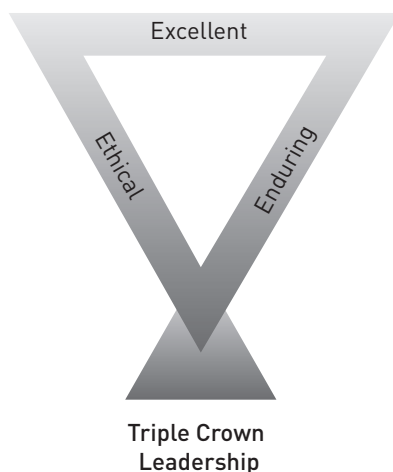
Perhaps most impressive is how Mayo's record of excellence and ethics has stood the test of time. Mayo Clinic works hard to maintain its reputation as an innovator. In 2010, the clinic invested \$790 million in research and education. Its approach is both high tech and high touch—combining the smart use of technology with old-fashioned customer service and attentive care. On the technology side, for example, Mayo makes innovative use of social media, blogs, and Intranet videos; created one of the largest electronic medical record systems in the world; and developed a "Virtual Mayo Clinic" presence on Second Life, an online virtual community. On the touch side, you don't just get a doctor at Mayo Clinic: you get a swarm of physicians consulting with each other about your case (they even call themselves "consultants"), as well as a team of support professionals working to provide you with the highest-quality care and even hospitality and comfort. Meanwhile, Mayo invests generously in more than a hundred community programs, plus energy conservation efforts and sustainability practices.

Of course, Mayo has had problems and made mistakes. Over the years, critics have faulted it for moving too slowly and for being

attached to old ways. Experts recently complained that Mayo is spending too much money on costly proton beam treatment facilities due to perverse Medicare funding incentives and competition from other hospitals.<sup>4</sup> Of course, one can also find critiques of doctors, diagnoses, and patient treatment, but Mayo's long-term results, impacts, innovations, and commitment to ethical practices are exceptional.

Mayo Clinic exemplifies the ultimate aim of triple crown leadership: building an excellent, ethical, and enduring organization. See Figure 1.1. We discuss each of these elements in turn below.

Figure 1.1 **Triple Crown Leadership**



## EXCELLENT: THE FIRST LEG OF THE TRIPLE CROWN

*Leadership is defined by results not attributes.*

—Peter Drucker, author and  
management consultant

Getting results is one of the preeminent tasks of leadership. Triple crown leadership seeks not just any results, but excellent results—compelling and exceptional outcomes.<sup>5</sup> As at Mayo Clinic, it strives for the pinnacle of performance.

In different fields, there are beacons of excellence: for inspired product design, we look to Apple; for brand management, we look to Procter & Gamble; for financial reporting, the *Wall Street Journal*; for advanced military missions, the Special Forces.

Ensuring clarity about ultimate aims—and measures of success—may sound obvious but is not always straightforward. *Harvard Business Review* editor Julia Kirby cataloged the many different measures used in various business “success studies” over the years.<sup>6</sup> For *Good to Great* and *Great by Choice*, Jim Collins and his colleagues used cumulative stock returns relative to the general stock market and matched pairs. For *In Search of Excellence*, Tom Peters and Robert Waterman looked at compound asset and equity growth; ratio of market to book value; and return on capital, equity, and sales. Ten other success studies used ten other sets of measures, each over different periods. Each organization must set its own standards for excellent results.

One of the problems today is an overly narrow focus on results for shareholders (and with a very short time horizon). When assessing results, it is essential to consider multiple stakeholders, including employees, customers, suppliers, communities, and society, looking at both positive and negative impacts on people as well as natural resources. Triple crown leadership seeks outstanding financial performance and positive social impact.

As we address in chapter ten, measuring social impact can be tricky. Sometimes leaders must develop creative approaches. Shirley Tilghman, president of Princeton University, consistently one of the top-ranked U.S. universities, told us she measures success with metrics like “the distinction of the faculty, their prize-winning books, their Nobel prizes, alumni loyalty and giving,” as well as what members of an alumni class have done with their lives by their twenty-fifth reunion.<sup>7</sup>

Aspiring to excellent results and impacts is the first leg of the triple crown quest. But the question arises: *how are they achieved?*

## Transforming a University

Shortly after the University of Denver (DU) hockey team made it to the “frozen four” finals of the national championship tournament, an ethical dilemma arose. DU’s then-chancellor, Dan Ritchie, told us:

In the semifinals, our star player scored the goal that won it for us 1–0. Before the finals, however, he broke one of our athletic program rules. It didn’t involve a crime, or even breaking the NCAA rules, but it broke *our* rules. The normal course of action would be to sit him out for the following game. Our coach, George Gwozdecky, asked, “What do we do?” I turned it back and said, “George, what do *you* think we should do?” He said, “We should sit him out.” So we did.

The chancellor and the coach knew there would be howls of protest from some in the community. Ritchie and Gwozdecky took the heat. Ritchie explained, “It was in the national news that we had benched our star. We never told what rule he broke. He sat there in his street clothes during the game. That’s the kind of thing you need to do to demonstrate you’re serious about ethics.”

The DU Pioneers won the championship anyway, and they won it with honor—a lifelong lesson for the players and a teachable moment for the community.

To make this brave choice under pressure, Ritchie and Gwozdecky relied on DU’s values, which Ritchie and his colleagues had formulated in prior years. In the 1980s, DU was in crisis. University trustees asked Ritchie, the former chairman and CEO of Westinghouse Broadcasting, to take over as chancellor. According to fellow trustee Joy Burns, “We were borrowing money to make payroll,” and there was “over \$60 million in deferred maintenance” on buildings.<sup>8</sup> Ethical issues kept arising in the central office, boardroom, and classrooms. University leaders looked at other institutions for guidance and were disappointed with what they found: weak eth-



ics courses that were taught rarely and not integrated throughout the curriculum. So they initiated a campuswide dialogue.

The students debated whether ethics should be a central focus at the school. They even put it to a vote, and it won handily. Then the students put that challenge to the faculty, who also embraced it. Then they took it to the board. According to Ritchie, “Ethics became the foundation in everything we teach and everything we do.”

Ritchie and his team developed a new strategic plan, with ethics at the heart of the university, and circulated drafts widely among faculty, staff, students, and trustees for input. A new university vision emerged (“To be a great private university dedicated to the public good”), backed up by a new set of shared values (“Excellence, Innovation, Engagement, Integrity, and Inclusiveness”).

Ritchie enlisted cable television pioneer Bill Daniels, a leading proponent of values-based leadership, for financial support. Daniels donated \$11 million as a challenge grant, asking the business school to incorporate business ethics into its core curriculum.

Through these and other efforts, leaders at all levels ensured that ethics pervaded the institution, from classroom to faculty lounge to hockey rink. In 2011, *Bloomberg Businessweek* ranked DU’s Daniels College of Business second in the United States in ethics.

Years before the frozen four hockey incident, a previous DU hockey coach was verbally abusing his players. Ritchie told him to stop, but he didn’t. Even though the coach had an impressive record of winning, DU fired him and replaced him with George Gwozdecky, who brought a national championship, and then another, with honor. Through this systematic process, with bold leadership along the way, DU achieved excellent results ethically.

## **ETHICAL: THE SECOND LEG OF THE TRIPLE CROWN**

It is one thing to achieve outstanding results; it is another thing to do so ethically, especially when others are cutting corners. Operating

ethically is the second imperative of triple crown leadership. To us, “ethical” simply means acting in accordance with accepted principles of right and wrong—acting with integrity. It means paying attention to *how* the results are achieved. Triple crown leaders insist on doing the right thing.

All leaders confront ethical challenges and dilemmas. It is an occupational hazard, no matter the field. Does your organization downplay safety complaints to hit its financial targets? Does it acquiesce to the customs official asking for a “facilitating payment” (bribe)? What if your rival is doing it, or the entire industry? What if your boss asks you to backdate orders to shore up the previous quarter’s results?

In our experience, many people take ethical leadership for granted. While they have sophisticated spreadsheets to help them navigate financial tradeoffs and multifaceted strategies to help them achieve competitive advantage, they may oversimplify ethics as merely upholding the law or avoiding lying and cheating. If only it were that simple. As we shall see, it takes proactive leadership to instill and enforce ethical behavior in an organization.

Though they overlap, there is a big and important difference between ethics and law. Some laws are unethical and warrant civil disobedience. Should the citizens of the Arab spring uprising capitulate to government crackdowns on Internet use and public meetings to abide by the laws of authoritarian regimes? Should soldiers comply with commanders’ orders to attack peaceful protesters? More often, laws are fuzzy and leave room for interpretation. Sometimes the laws do not keep pace with new technology. Leaders of high-tech companies face complex intellectual property and privacy issues that have ethical as well as legal dimensions.

Most ethical letdowns occur because there is pain or discomfort involved with ethical behavior. People feel pressure or fear, and they rationalize unethical decisions to avoid pain. For example, people can rationalize lying to others to avoid hurting them (and thereby feeling guilty). They can accept, ignore, or pretend not to notice ethi-

cal violations—or make only halfhearted objections. That way, they can avoid being mocked or pegged as disloyal, which might threaten their job security.

Often, the ethical path is the harder one; yet we have brains wired to rationalize behavior that protects us from pain and conflict and from standing out from the group. Ethical fortitude relies heavily on courage to face adversity and social pressure.

However, even courage is not enough. Sometimes, ethical dilemmas arise that require not only character but judgment.<sup>9</sup> For example, do we bribe our way into a new market where bribery is a common business practice because we are certain our medical device can save lives there, and we cannot otherwise enter the market? Do we exaggerate our product features in order to win a government contract because we know the community will benefit from our offering, and it may not otherwise gain approval?

We are all flawed. Since we all make mistakes, we are wise to solicit help and input from others as sounding boards and accountability agents. Heated debates occur among reasonable people who can disagree on what is ethical. Such debates can be healthy and help maintain the ethical imperative.

Triple crown leaders make ethical decisions after analysis, reflection, and consultation with colleagues and confidants. It helps to apply simple standards such as “Would this violate any of my core beliefs?,” “Can I live with this on my conscience?,” “How would I feel if this were on the front page of the newspaper?,” and “What would my family say about this decision?” It also helps to analyze the situation from the perspective of all the relevant stakeholders and brainstorm alternative responses—holding out for a good solution and refusing to “satisfice,” to quote Nobel laureate Herbert Simon.

People generally consider themselves ethical, but researchers have shown that people overrate their own ethical fortitude and are surprisingly good at rationalizing unethical behavior.<sup>10</sup> The statistics below reflect the grim evidence on ethics:<sup>11</sup>

- The 2010 Global Fraud Study, based on multiyear data from 106 countries, estimates that organizations worldwide lose more than \$2.9 trillion to fraud.
- According to a 2011 survey of a thousand Americans, 34 percent of respondents have witnessed or had firsthand knowledge of workplace wrongdoing.
- According to LRN surveys, only 56 percent of U.S. workers define their current company as having an ethical culture, and 36 percent report having left a job because they disagreed with a company's ethical standards.
- According to a Rutgers survey of 24,000 students at seventy U.S. high schools, 95 percent of students said they participated in some form of cheating, whether it was cheating on a test, plagiarizing, or copying homework.
- According to a 2008 survey of nearly 30,000 U.S. teens, 64 percent admitted to cheating on an exam in the past year, and 30 percent said they had stolen items from a store.
- Research shows that 45 percent of Americans feel the current state of morality in the United States is poor (versus 15 percent saying good or excellent), and 76 percent feel that morals are getting worse.

What are leaders to do about such grim statistics? For starters, progress is impossible without an explicit and firm commitment to ethical practices. Thomas McCoy, former executive vice president at Advanced Micro Devices (AMD, the chip manufacturer), told us, "Rule number one is: Do everything with integrity. We cannot compromise integrity."<sup>12</sup> Yancey Hai, vice chairman and CEO of Delta Electronics (an award-winning global leader in clean energy solutions based in Taiwan), told us, "You must have a high degree of integrity; otherwise, you don't belong here."

Commitment is essential, but it is only the first step. Organizations must also create systems and processes for instilling ethics into the enterprise, covering all aspects of the operation, from recruiting and rewarding people to reporting abuses and maintaining transparency. We address these practices in later chapters.

There is also a big difference between ethics on paper and ethical leadership in practice. Enron had a distinguished board, a first-rate code of conduct, extensive employee training on responsible business practices, and even ethics officers. Yet the reality on the trading floor and in the executive office suites made a mockery of the pronouncements, mostly due to a corrupt culture at the top.

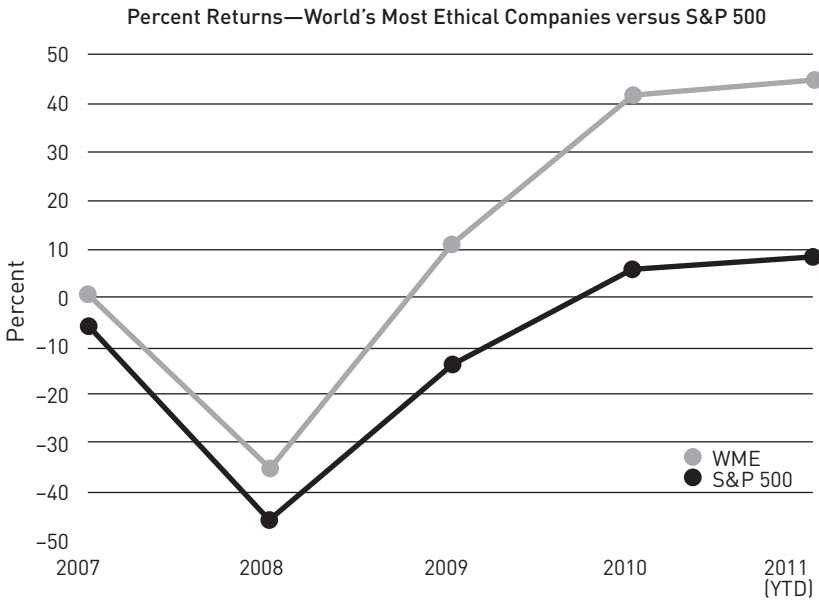
Fortunately, there are many positive examples of ethical leadership and practices. Each year the Ethisphere Institute publishes a list of the World's Most Ethical Companies. On the list in 2012 we find Patagonia, Timberland, eBay, Electrolux, Xerox, UPS, Swiss Re, GE, PepsiCo, Singapore Telecom, Starbucks, CH2M Hill, Natura Cosméticos, Stora Enso, Vestas, Wipro, and many more. In the pages ahead, we dig into many of their stories.

## Linking Ethical and Excellent?

A growing body of evidence suggests a possible link between ethics and excellent results. We believe that makes sense, as many stakeholders will reward organizations for ethical behavior, fair treatment, and responsible practices. According to the Ethisphere Institute, firms on its World's Most Ethical Companies list have outperformed the S&P 500 by an average of 7.3 percent since 2007 in terms of shareholder returns. Ethisphere executive director Alex Brigham adds, "In addition to increased financial performance, ethical companies benefit from better brand reputation, consumer loyalty, and higher employee retention rates."<sup>13</sup> See Figure 1.2.

Corpedia, a compliance and ethics consultancy, found that the average five-year return of companies on its Ethics Index was 102 percent, compared with 26 percent for the S&P 500.<sup>14</sup> According to

Figure 1.2 “Return on Ethics”



Note: This compares shareholder returns from the World’s Most Ethical (WME) Companies Index from the Ethisphere Institute to the S&P 500. Source: “2011 World’s Most Ethical Companies,” Ethisphere Institute, 2011. See also Andrew Tonner, “10 Stocks with a Conscience to Crush the Market,” *MotleyFool*, July 19, 2011.

a 2011 Corporate Executive Board survey, organizations scoring the highest marks for their level of integrity outperformed those with the lowest by more than 16 percentage points in shareholder returns.<sup>15</sup> Of course, such statistics address correlations, not causation (that ethical behavior directly increases shareholder returns).

When organizations are succeeding, they can enjoy the ride with the wind at their backs, relying in part on momentum for forward progress. When organizations are struggling or in crisis, by contrast, the temptation to cut corners can be immense. Desperate people do desperate things. Organizations need values-based leadership practices and powerful cultural norms to avoid these traps, as we shall see. Ethical behavior is tested most under duress.

## ENDURING: THE THIRD LEG OF THE TRIPLE CROWN

*The wagon rests in winter, the sleigh in summer, the horse never.*

—Yiddish proverb

Some organizations accomplish impressive feats by pulling out all the stops, sacrificing the long term for the short term. They cut corners or abuse some stakeholder group (such as employees or vendors) in order to gain temporary advantage. Eventually, they face a rude awakening and realize that they cannot sustain such manufactured gains because they borrowed from a future quarter or from resources needed elsewhere, or they depleted irreplaceable assets.

One of the great scourges of our age is “short-termism.” Former U.S. vice president Al Gore said, “The future whispers while the present shouts.” A staggering 78 percent of the managers surveyed in a large-scale study of CFOs and CEOs admit to sacrificing long-term value to achieve smoother earnings.<sup>16</sup> Before HealthSouth’s indictments and multibillion-dollar restatement of financial performance, the firm had met earnings predictions to the penny for forty-seven straight quarters.<sup>17</sup> A coincidence? Unlikely.

In July 2011, former Federal Deposit Insurance Corporation chair Sheila Bair wrote, “The common thread running through all the causes of our economic tumult is a pervasive and persistent insistence on favoring the short term over the long term, impulse over patience.”<sup>18</sup> In the wake of the recent global financial crisis, a group of VIPs from different sectors published a manifesto, saying we “have allowed short-term considerations to overwhelm the desirable long-term growth and sustainable profit objectives of the corporation.”<sup>19</sup>

It is one thing to achieve excellent results ethically for a while; it is another to sustain them over time. Triple crown leadership focuses not just on achieving excellent results and establishing ethical practices but on making them endure. The endurance imperative has two dimensions:

- **Internal.** Sustaining people (not burning them out or otherwise abusing them) and maintaining the financial health of the organization
- **External.** Ensuring appropriate and sustainable levels of resource consumption, while minimizing harm to others

## The Long Game

*The race is not always to the swift, but to those who keep on running.*

—Unknown

Thankfully, we also have examples of organizations that reject the siren call of short-termism and instead play the “long game.” Many of the organizations we interviewed have impressive track records dating back centuries: Princeton (1746), DuPont (1802), Perkins School for the Blind (1829), Mayo Clinic (1864), GE (1878), and Coleman Corporation (1899). The Great Law of the Iroquois Confederacy held that “In our every deliberation, we must consider the impact of our decisions on the next seven generations.” Panasonic founder Konosuke Matsushita had a five hundred-year plan for his company. Paul Polman, CEO of British-Dutch consumer goods giant Unilever, said, “If you buy into [Unilever’s] long-term value-creation model, which is equitable, which is shared, which is sustainable, then come and invest with us. If you don’t buy into this, I respect you as a human being, but don’t put your money in our company.”<sup>20</sup>

When Amazon.com went public in 1997, its founder and CEO Jeff Bezos issued a manifesto in which he wrote that “It’s all about the long term” and that the company is focused on building “something that we can tell our grandchildren about.” In interviews, he has argued that by lengthening its time horizon, the company can engage in endeavors that it could never otherwise pursue. In 2011, the *New York Times* reported that Amazon “remains one of the world’s leading growth companies and its stock has soared 12,200 percent since its public offering.”<sup>21</sup>



We reviewed *Fortune's* rankings of the World's Most Admired Companies and found that twenty-seven companies made the list six years in a row from 2006 to 2011. Thirteen companies made Ethisphere's list of the World's Most Ethical Companies every single year since the rankings were started in 2007. Sixteen companies made Corporate Knights' list of the World's Most Sustainable Companies every year from 2006 to 2011. In the nonprofit sector, we can look to Charity Navigator's list of Ten Consistently Excellent Charities and rankings of the best colleges, hospitals, and more for examples of enduring excellence.<sup>22</sup>

## CONNECTING THE THREE ES

How are the three Es (excellent, ethical, and enduring) related? There are both tensions and synergies among the three. There are tradeoffs in some cases, and how they relate depends on the nature of the leadership and quality of decisions. There is no magic win. Triple crown leadership requires building an organization that makes them work in concert.

Ultimately, an organization cannot be excellent without being ethical. Unethical practices can boost performance temporarily, but over time they carry multiple costs that overwhelm perceived short-term benefits: litigation and other legal expenses, fines, heavier compliance costs, reporting hassles, delays, employee dissatisfaction, and damage to the organization's reputation.

Similarly, unsustainable practices have costs (direct and indirect, short and long term), including loss of customers, supply chain disruption, employee turnover, hiring barriers, resource depletion, reputational damage, increased regulations, and more.

Ethical and enduring practices do not lead to excellent results in and of themselves. They are necessary but not sufficient. Leaders must devise a strategy and plan for all three, taking none for granted.

Finally, leaders should recall the inherent value of ethical and enduring practices. They should not need return-on-investment calculations to insist upon ethical and enduring practices.

## TILTS

Some people wonder whether triple crown leadership requires giving equal priority to “excellent,” “ethical,” and “enduring” considerations.

Our answer is no. There is no such magic formula. Sometimes “tilts” are required.

Sometimes short-term considerations must take precedence in order to save the organization. Heavy criticism may follow, but it will be moot if the organization goes out of business. Other times the reverse is needed: leaders must be willing to dampen short-term results in order to make long-term investments to set the enterprise up for future success given where the market is headed.

There is, however, one hard and fast rule: triple crown leaders do not compromise on the ethical imperative. Once they do so, they have stepped onto a slippery slope. Ethical compromises set a bad precedent, communicate a reverberating message, undermine credibility, and will likely come back to haunt them many times over. Leaders have to draw the line. Better to fail with honor than succeed with disgrace.

Aside from the unwavering ethical imperative, leaders must decide which tilts are necessary and when.

## SUSTAINABILITY AND THE TRIPLE CROWN

How do sustainability and corporate social responsibility (CSR) fit with triple crown leadership? Sustainability and CSR are broad terms that mean different things to different people.<sup>23</sup> The sustainability and CSR movements have a big tent under which many approaches can find cover, from the “triple bottom line” of people, profit, and planet to fair trade, human rights, shareholder democracy, transparency, good governance, and more.

When done well, and not used cynically for public relations points, sustainability and CSR support all three legs of the triple

crown quest: they can be drivers of excellent results, a grounding force in ethics, and a stabilizing force that helps organizations endure. Sustainability has an ethical foundation: irresponsible use of resources and societal and environmental harm are unethical, as is exploiting people in organizations or their supply chains.

Leaders navigating these waters must make judgment calls. As they assess harm caused by their organization (for example, via pollution from manufacturing), the question arises about how much harm is reasonable versus the product's benefits, and whether they are taking adequate steps to mitigate negative impacts.<sup>24</sup>

As leaders navigate these decisions, researchers are investigating whether there is a positive relationship between corporate social performance and corporate financial performance, and if so, in which direction does it work: does good social performance drive good corporate financial performance or vice versa? Unfortunately, no definitive answers have yet emerged, in part due to data-collection and measurement challenges (measuring financial performance is much more straightforward than measuring social performance) and mediating variables.<sup>25</sup>

Meanwhile, business leaders are marching forward, and their views are changing rapidly. According to a 2011 survey of 2,874 executives and managers from 113 countries, two-thirds indicated that sustainability is critically important to being competitive in today's marketplace, up from 55 percent the year before; and about 31 percent said their companies are currently profiting from sustainable business practices.<sup>26</sup> For others, it takes time to develop and fine-tune. According to a 2008 survey of more than five hundred senior U.S. executives, 74 percent accepted that responsible corporate citizenship can help increase profits.<sup>27</sup> An overwhelming majority of hundreds of finance executives and investment professionals surveyed by McKinsey believe CSR creates shareholder value. According to Matt Kistler, senior vice president of sustainability at Walmart, "If this [their sustainability initiative] was not financially viable, a company such as ours would not be doing it."

The business case for sustainable practices includes the potential for increased sales, cost reduction, risk mitigation, reputation enhancement, operational efficiency, customer loyalty, revenue diversification, pricing premiums, innovation benefits, competitive advantage, and talent attraction, motivation, and retention.

Nowadays, it is common to hear that organizations can “do well by doing good.” If only it were that simple. It depends greatly on how they go about it. Many companies shine on CSR metrics but achieve mediocre or poor financial performance. Look at the recent performance of Nokia, Siemens, and Vodafone, to name a few. The job of triple crown leaders is to figure out *how* to do well by doing good. (See chapter ten for more.)

## A CULTURE OF CHARACTER

The triple crown quest helps to create a unique culture in an organization: what we call a “culture of character.” We think of organizational culture simply as “how we do things here”—how people behave.<sup>28</sup> Culture forms over time and drives what happens when the authorities are not present. It sets the tone for the organization and the norms for what is acceptable to the group. Culture is a powerful force in determining how an organization operates. Lou Gerstner, after his spectacular turnaround of IBM, wrote that “culture isn’t just one aspect of the game—it is the game.”<sup>29</sup>

Organizations with a deficient culture pay a big price in lost revenue, reputation, lawsuits, and more. Think of all the corporate scandals in recent years and how many of those firms were rife with toxic cultures driven by greed, conflict, gamesmanship, mistrust, backstabbing, and exploitation.

By contrast, organizations with a healthy culture—think of Southwest Airlines, Zappos.com, Patagonia, and DreamWorks—set in motion a self-reinforcing, positive cycle with their stakeholders. Employees identify more with the enterprise and bring more of their

talents and efforts to the table. This can positively affect productivity, staff retention, profitability, and relationships with customers and suppliers.

Researchers have found a “strong relationship between constructive organizational cultures and financial performance.”<sup>30</sup> According to a 2011 McKinsey report, “Culture matters, enormously. Studies have shown again and again that there may be no more critical source of business success or failure than a company’s culture.”<sup>31</sup> Author James Heskett estimates that an effective culture can account for 20 to 30 percent of the difference in performance versus “culturally unremarkable” competitors.<sup>32</sup>

A healthy, constructive culture by no means guarantees success, but it provides the foundation for building an excellent, ethical, and enduring organization. In a culture of character, everybody expects excellent, ethical, and enduring performance and impact. Organizations seeking the triple crown build a culture of character through their leadership practices. Culture is the legacy of leadership. A culture of character is the legacy of triple crown leadership.

## **BENEFITS OF TRIPLE CROWN LEADERSHIP**

Excellent, ethical, and enduring practices are worthy in and of themselves but also carry notable benefits:

- Insiders commit to the organization in ways they seldom otherwise would, challenging each other to find solutions, fueling innovation, refusing to roll over, and unleashing breakthrough ideas.
- The organization can avoid the devastating costs of ethical implosions.
- Employees experience more joy at work, with greater satisfaction and fulfillment.

- Stakeholders reward the enterprise with increased business and support.
- Infighting due to lack of trust, disrespectful behavior, and cutthroat competition decreases or disappears.

The case is building for a new brand of leadership. There is a growing cadre of thought leaders pointing the way forward. In *Higher Ambition*, Michael Beer and his colleagues write about a new breed of leaders who “deliver extraordinary economic and social value.” Jim Collins based his seminal works on “building enduring companies from the ground up.” In *Sustainable Excellence*, Aron Kramer and Zachary Karabell link sustainability with corporate excellence, arguing for lasting solutions to social and environmental challenges with lasting value for investors. In *SuperCorp*, Rosabeth Moss Kanter depicts “how vanguard companies create innovation, profits, growth, and social good.”

Still, the triple crown quest is demanding and not for the faint of heart. Ron Turcotte, Secretariat’s jockey, told us, “The Triple Crown was not meant to be easy.” People make mistakes. Values collide. Markets shift. Technologies advance. Ventures drift. The key to building a triple crown organization is not in the hands of a single “superleader” but rather in the hands, minds, and hearts of ordinary people who become extraordinary leaders and stewards of the culture of character.

*It is time to put building an excellent, ethical, and enduring organization at the top of our priority list.* The challenges we face demand nothing less.

## CHAPTER SUMMARY

One of the primary tasks of leadership is to get results—ideally, exceptional results. However, in the pursuit of results, too many leaders cut ethical corners, focus too much on the short term, or engage in unsustainable behavior. Leaders seeking to build excellent, ethical,

and enduring organizations engage people more, gain their loyalty and creativity, and build mutually beneficial relationships with other stakeholders. Organizations should put the triple crown quest at the top of their priority list.

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### **Practical Applications**

1. What results does your organization seek?
    - a. Does it define them by stakeholder group?
    - b. Is it achieving exceptional results?
    - c. What more must it do to improve its results?
  2. Is your organization ethical?
    - a. To what extent is ethics considered a priority, with clear values, training programs, confidential complaint channels, and more?
    - b. What more needs to be done?
  3. Does your organization do only the bare minimum of legal compliance?
  4. How do you resolve ethical issues and dilemmas?
    - a. What else could you do to make more ethical decisions?
  5. Has your organization had ethical breakdowns?
    - a. What should have been done differently?
    - b. Is it so bad and beyond fixing that you should find work elsewhere?
  6. Does your organization suffer from “short-termism”?
    - a. How does it approach tensions between the short and long term?
    - b. What can it do differently to strike a better balance between them?
  7. To what extent is your organization operating sustainably?
    - a. What are the most important ways it can improve in this area?
    - b. What more can be done to make sure there is synergy between sustainability and profitability?
  8. Is your organization having a positive social impact?
    - a. How might you influence it to improve in this area?
  9. Does your organization have a culture of character?
    - a. To what extent are workers engaged and committed?
    - b. What are the three most important ways you can contribute to improving the culture?
-

# ABOUT THE AUTHORS

**Bob Vanourek** has served as CEO of New York Stock Exchange companies during his thirty-year business career. As CEO (now retired), Bob guided Sensormatic (a \$1 billion security company) and Recognition Equipment (a \$250 million optical character recognition company) through successful turnarounds. Bob has served as group vice president and division president of two major divisions of Pitney Bowes (a \$5 billion mail-stream company) and vice president and general manager of two divisions of Avery International (a \$6 billion adhesives company). Bob has led businesses and teams that have won numerous local, state, and national awards, including a state-level Malcolm Baldrige Quality Prize and the Shingo Prize for Manufacturing Excellence (shortly after Bob left).

Bob is a dynamic and popular speaker on leadership and has written several book chapters and articles. He has taught leadership at the University of Denver and Colorado Mountain College and is chairman emeritus of the Vail Leadership Institute. Bob has served on the boards of and consults with numerous businesses and community organizations. He is a Baker Scholar graduate of the Harvard Business School, is a magna cum laude graduate of Princeton University, and served as an officer in the U.S. Army. Bob and his wife, June, have been married since 1963. They live in the Rocky Mountains of Colorado, where they won the Governor's Award for Volunteer Service. Bob and June have two sons, Scott and Gregg, and five grandchildren.

**Gregg Vanourek** is co-author of two other books: *Life Entrepreneurs* and *Charter Schools in Action*. He has written several book chapters and reports, as well as numerous articles for leading media outlets, including *Harvard Business Review* blogs and *Washington Times* columns. Gregg teaches at the Stockholm School of Entrepreneurship and the Royal Institute of Technology. Previously, he taught at the Euromed



School of Management, University of Denver, and Colorado Mountain College. Also previously, he co-founded New Mountain Ventures (an entrepreneurial leadership development company) and served as senior vice president of school development for K12 (an online education company) during its startup years. Previously, he helped to launch and served as vice president for programs at the Thomas B. Fordham Foundation (an education reform foundation) and research fellow at the Hudson Institute (a think tank).

Gregg is a featured speaker and consultant for clients worldwide. He is a graduate of the Yale School of Management, London School of Economics and Political Science, and Claremont McKenna College. He serves on the board of the Vail Leadership Institute. A native of California, Gregg lives in Sweden with his wife, Kristina, and two daughters, Alexandra and Anya.

Bob and Gregg Vanourek are father and son.

For more information, visit  
<http://www.triplecrownleadership.com>

To contact the authors, email them at  
[authors@triplecrownleadership.com](mailto:authors@triplecrownleadership.com)

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