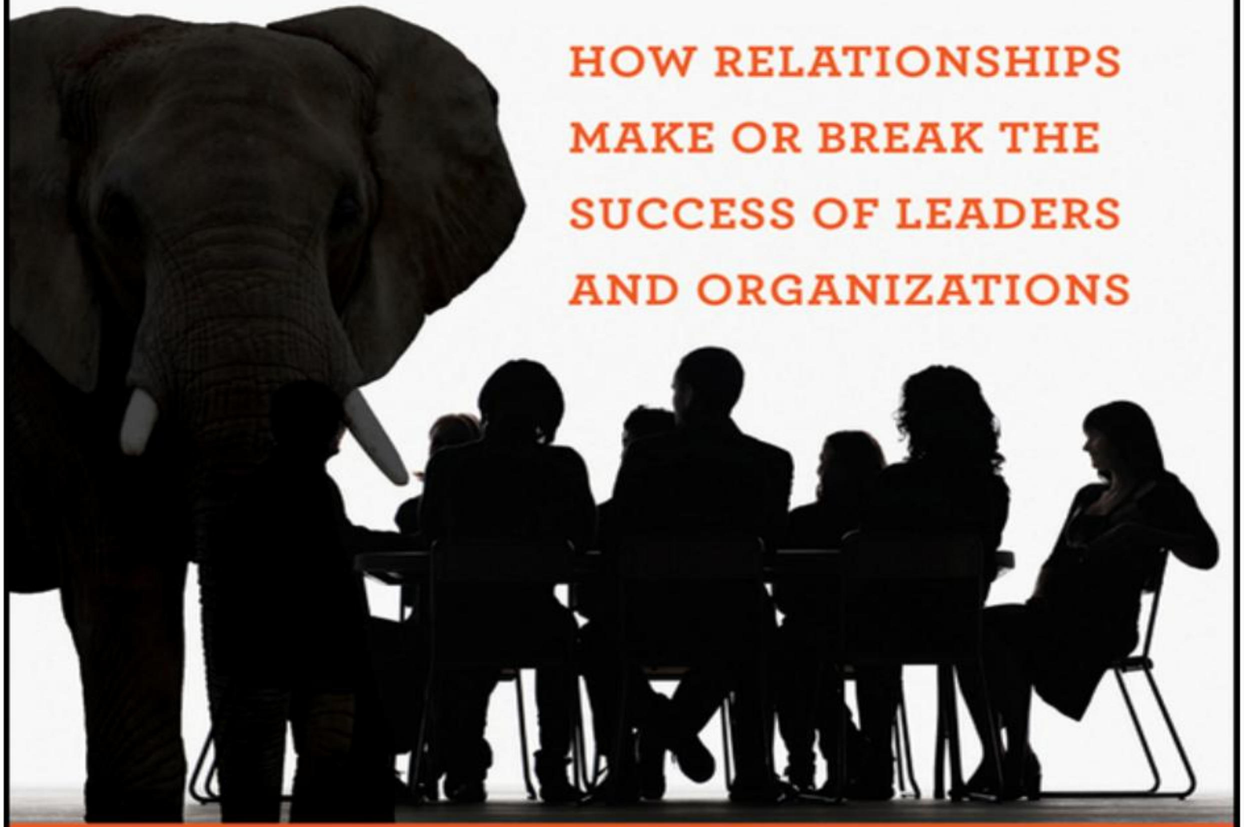
FOREWORD BY PETER SENGE

THE ELEPHANT in the ROOM

HOW RELATIONSHIPS MAKE OR BREAK THE SUCCESS OF LEADERS AND ORGANIZATIONS



DIANA McLAIN SMITH

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“*The Elephant in the Room* is as wise as it is practical. The ‘relational perspective’ will change how you think about leadership effectiveness. You'll soon see that the way executives interact with each other is more important to the success of an organization than their qualities as individuals. Drawing from her own consulting practice and accounts of famous work partnerships, Smith provides compelling stories of relationships between leaders—famous and not so famous—that influenced business and government outcomes in profound ways. The inescapable conclusion is that a relationship-based concept of leadership is long overdue.”

—**Amy Edmondson**, Novartis Professor of Leadership and Management, Harvard Business School

“It is very rare for someone to write a book of this kind based on real life experience that is both sensitive in human terms but also practical and hard edged.”

—**Lord Dennis Stevenson**, banker, former chairman, HBOS plc

“No matter where you are along your professional journey, you'll wish you had read *The Elephant in the Room* earlier. Diana Smith's insights into what made some contemporary and historical business and political relationships succeed and others fail will make you pause and reflect. Most important, her frameworks and insights on what you can do to make your relationships successful will become part of your professional toolkit.”

—**Paula A. Sneed**, chairman and CEO, Phelps Prescott Group; retired executive vice president, Kraft Foods Inc.

“This book offers vivid and practical insight into the relationship dynamics central to effective leadership and sustained organizational success.”

—**Ashley Unwin**, UK consulting leader, PwC Consulting

“*The Elephant in the Room* shows you how to navigate even the trickiest business relationships. Drawing on stories from decades of research, Smith lays out the skills we all need to develop to succeed as leaders today. An invaluable handbook for anyone seeking to get results through others.”

—**Marilyn Paul**, author, *It's Hard to Make a Difference When You Can't Find Your Keys*

“*The Elephant in the Room* reveals priceless insights into what it takes to develop and sustain healthy, productive relationships. A must-read for anyone who wants to be a successful leader.”

—**Gerald Chertavian**, founder and CEO, Year Up

“Smith outlines practical strategies for building constructive relationships in a fast-moving business context. A must for leaders as well as HR professionals.”

—**Jens R. Jenssen**, senior vice president of people and organization, Statoil

“Leadership is a relationship. And it's the quality of your relationships that will ultimately determine your level of success. No one understands this better than Diana McLain Smith. Her new book, *The Elephant in the Room*, is extraordinary. It's one of the most insightful and discerning examinations of interpersonal relationships at work I've ever read. Diana begins with a revealing and intimate portrait of two corporate executives whose relationship starts as a ‘bromance’ but eventually sours, and then she moves us to carefully examine our own relationship challenges. *The Elephant in the Room* is not another one of those quick fix, flavor-of-the-month, faddish books that offers pabulum solutions to very challenging problems. It is just the opposite. *The Elephant in the Room* is a very serious book about a very serious issue, and the most significant factor in your success as a leader. Diana blends clinical analysis, compassionate coaching, and practical business advice that lead to those stunning insights, aha moments, and useful information that we always seek but don't find in most books. You'll definitely find them in *The Elephant in the Room*. Buy it, read it, use it.”

—**Jim Kouzes**, coauthor, *The Leadership Challenge*, and The Dean's Executive Fellow of Leadership, Leavey School of Business, Santa Clara University

The ELEPHANT in the ROOM

HOW RELATIONSHIPS MAKE OR BREAK THE SUCCESS OF LEADERS AND ORGANIZATIONS

Diana McLain Smith

FOREWORD BY PETER SENGE

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To my brother, Rob, and my husband, Bruce
For being there

Foreword

Human beings are social animals. We are not especially big or especially strong. Our ability to survive and evolve has always hinged on our ability to learn collectively, to adapt our ways of living to new circumstances, to innovate. We have deep instincts for kindness and concern for the other. We care about one another, not because we need to but because we want to. As the pioneering biologist Humberto Maturana says, “We are loving animals.”

But instincts need to be cultivated. Although relationships have always been the context in which innovation and learning either flourish or founder, challenging work settings demand more than instincts. This becomes evident as soon as conflicts arise. What happens when we face others with “crazy ideas,” ideas with which we strongly disagree, even ideas we consider dangerous for the team or organization we are part of? Quickly, good feelings give way to fear, anger, and distrust. In a flicker of an eye, the predisposition toward concern and mutuality becomes competition for whose idea will win out.

Cultivating practical capacity regarding relationships—how they work, develop, and change—requires a consensual body of knowledge. We need practical tools and shared understanding for building relationships that enable innovation and continual learning. We need practices to cultivate our awareness and fluidity in action. We need shared commitment to mutual learning, based on the understanding that this matters, personally and organizationally.

Without common tools and shared language, the nurturing of relationships fades into the background, an organizational bass clef of disregard and disquiet drowned out by the more immediate demands of tasks and results. When this happens, relationships become “the soft stuff,” ignored as a domain of strategic significance and conscious capacity-building. Habitual mental and behavioral habits govern. Simple behavioral rules such as “be nice” and “listen politely” substitute for building skills and behavioral repertoires that can prepare us for the difficulties that inevitably come. The results are failed relationships and, often, failed institutions. Diagnoses of what went wrong inevitably focus on strategic errors and operational breakdowns but rarely trace the sources upstream to relationships that failed to generate the deep trust and capacity for mutual inquiry and collective creativity that demanding circumstances required.

For decades Diana Smith has been a leader helping people develop relational intelligence in challenging management contexts. Her insights start with a simple shift in the lens by which we frame difficulties when they arise: *it's not about her or him; it's about us*. Relationships are embedded in webs of interactions. It's a system. But we usually start with the lens of individuals. Starting off on the wrong foot heads us down a path with little leverage for real change.

That said, there is a good reason we impose an individualistic lens on a systemic phenomenon. Most of us simply do not know how to do otherwise.

This leads to the second part of Smith's insight: *there are predictable patterns of growth and change in work relationships, and they can be understood and influenced*.

Smith lays out a conceptual framework that can be used to understand the forces that drive relationships north or south. She also provides a general way for gauging the capacities of key work relationships, along with tried and tested tools for strengthening them. Grounded in years of research and consulting with management and other working teams, Smith's frameworks are complex yet intuitive. Once you understand the basics of her lens and tools and work with them, they will grow into a fundamental element of your leadership practice. This is a big claim. But read on, and see for yourself.

While the issues and lessons here are timeless, never have they been more timely. In a world that is increasingly distributed, interdependent, and multicultural, mastery in the domain of productive work relationships will often be the distinguishing feature of organizations that succeed or fail. A CEO mentor of mine pointed out many years ago that he saw this as the fundamental shift unfolding in leadership and management: "Whereas marketing, manufacturing, technology, and financial sophistication used to distinguish firms, today they are the ticket for admission in global industries. Increasingly, what will set companies apart will be their sophistication in the human domain. What was folklore and untested aphorisms will need to become more systematized, just as has happened in these other fields."

Herein lies a defining challenge of our time. In a world increasingly interconnected by technology, our abilities to understand one another and cultivate the capacity for truly thinking together become ever more critical. To the extent we fail to do so, we will become victims of a great irony, expressed succinctly by a young student recently: "We are more and more connected, and yet we are more and more separate."

Peter Senge

Cambridge, Massachusetts

February 2011

The elephant in the room

A major problem or controversial issue that is obviously present but avoided as a subject for discussion because it is more comfortable to do so.

—Oxford English Dictionary

Part 1

Understanding Relationships

The relationship—the pivotal point on which all else turns —is built (or undermined) in every interaction.

—Suzanne Clothier[1]

Chapter One

Present and Unaccounted For

> If civilization is to survive, we must cultivate the science of human relationships.
>
> —FRANKLIN ROOSEVELT, THE DAY BEFORE HE DIED

“Relationships? Get over it!” a leader once told me, looking askance. “We're not married. We just have to work together.” Yes, and that's exactly the point, I replied. You do have to work together, and if you don't get your relationships right, a lot can go wrong—both for you and your organization.

Countless examples in the historical record and in my own research suggest that if you don't treat relationships as a strategic asset—and invest accordingly—they can easily become a serious, even fatal liability. Think of Apple in the 1980s. Two years after Steve Jobs hired John Sculley as Apple's CEO, the two had a falling out, the board sided with Sculley, Jobs left, and the company nearly faded into oblivion. “I'm actually convinced that if Steve hadn't come back when he did,” John Sculley himself said in a 2010 interview, “Apple would have been history. It would have been gone, absolutely gone.”[1]

The personal aftermath is harder to discern, since it is less public. But in Jobs and Sculley's occasional post-facto accounts of their breakup, you can see the toll it took on their lives. You can also see, if you look closely, that neither man seems to grasp the role he played in creating a relationship that almost brought down a great company.

In 1995, with Jobs still in exile and Apple struggling to survive, Jobs had this to say about why Apple was doing so poorly: “John Sculley ruined Apple, and he ruined it by bringing a set of values to the top of Apple which were corrupt and corrupted some of the top people who were there, drove out some of the ones who were not corruptible, and brought in more corrupt ones and paid themselves collectively tens of millions of dollars and cared more about their own glory and wealth than they did about what built Apple in the first place—which was making great computers for people to use.”[2]

Ten years later, after his triumphant return to Apple, a more sanguine Jobs tells what he calls “a story of love and loss” in a 2005 commencement speech delivered at Stanford University: “I was lucky. I found what I loved to do early in life. Woz and I started Apple in my parents' garage when I was twenty. We worked hard and in ten years, Apple had grown from just the two of us in a garage into a $2 billion company with over 4,000 employees. We'd just released our finest creation, the Macintosh, a year earlier, and I'd just turned thirty, and then I got fired. How can you get fired from a company you started?”

His answer, though brief, says a lot: “Well, as Apple grew, we hired someone who I thought was very talented to run the company with me, and for the first year or so, things went well. But then our visions of the future began to diverge, and eventually we had a falling out. When we did, our board of directors sided with him, and so at thirty, I was out, and very publicly out.”

Of what happened next, he says, “What had been the focus of my entire adult life was gone, and it was devastating. I really didn't know what to do for a few months. I felt that I had let the previous generation of entrepreneurs down, that I had dropped the baton as it was being passed to me.… I was a very public failure and I even thought about running away from the Valley. But something slowly began to dawn on me. I still loved what I did. The turn of events at Apple had not changed that one bit. I'd been rejected but I was still in love. And so I decided to start over."[3]

The breakup with Sculley cost Jobs dearly. It was, as he put it, a devastating public failure, from which a lesser man might not have recovered. Still, his answer to the question of how he got fired—their visions diverged; they had a falling out; the board sided with Sculley—displays little insight into *how* their relationship fell apart or why the board felt the need to side with either one of them, but most important: *Why Sculley*?

The point is, there's little here Jobs could use to ensure it wouldn't happen again—if not to him, then to the next generation of entrepreneurs to whom he is passing the baton. While no speech could ever detail the rise and fall of a complicated relationship, this account makes no mention of what we'll see in Chapter Two; namely, that Jobs and Sculley interacted in ways that made it impossible for them to reconcile their differences, brought out the worst in both of them, and led to the choice faced by the board: one or the other had to go, and go quickly, if the company was to survive. What's more, it's not enough simply to say that the board sided with Sculley. *The board felt it had no choice.* Jobs's out-of-control behavior in response to Sculley's increasingly controlling behavior had painted a rather large target on Jobs's chest. By the time the board was forced to choose, they had lost whatever confidence they had in him as a leader.

Image not available in this digital edition.

In a 2010 article, “Being Steve Jobs' Boss,” Sculley also looks back at his life-changing relationship with Jobs. His version of the events, like the man himself, is more cerebral than the one Jobs tells, his feelings harder to make out. Even so, Sculley's account, like Jobs's, is as revealing for what it leaves out as for what it says:

> Looking back, it was a big mistake that I was ever hired as CEO. I was not the first choice that Steve wanted to be the CEO. He was the first choice, but the board wasn't prepared to make him CEO when he was 25, 26 years old.… It would have been much more honest if the board had said, “Let's figure out a way for him to be CEO. You could focus on the stuff that you bring, and he focuses on the stuff he brings.”
>
> Remember, he was the chairman of the board, the largest shareholder, and he ran the Macintosh division, so he was above me and below me. It was a little bit of a façade, and my guess is we never would have had the breakup if the board had done a better job of thinking through not just how do we get a CEO to come and join the company that Steve will approve of, but how do we make sure we create a situation where this thing is going to be successful over time?[4]

Sculley may be right that Steve was Steve's first choice for CEO and that the board made a mistake in hiring Sculley. They certainly made a mistake in not thinking through how to “create a situation where this thing is going to be successful over time.” But then Sculley made the same two mistakes. He agreed to become CEO, and he was the one who put Jobs in charge of the Macintosh division, wedging himself between Jobs-as-boss and Jobs-as-subordinate. Yet to listen to Sculley's account, it's as if he was in the back seat and the board behind the wheel as the firm careened off a cliff.

In earlier accounts, Sculley is a bit more self-scrutinizing. In his 1987 memoir, written while he was riding high as Apple's CEO, he acknowledges that he “created a monster” by giving Steve control of Macintosh. But just as the movie *Frankenstein* focuses on the monster, not the creator, so does Sculley. Nowhere does Sculley entertain the possibility that his cautious, cerebral approach might have evoked more volatility in Jobs, not less, or that his efforts to control Jobs might have evoked less self-control, not more. In the end, Sculley blames the board; Jobs blames Sculley; and neither says much about his own role in creating a relationship that cost them and Apple dearly.

Relationships: Strategic Asset or Liability?

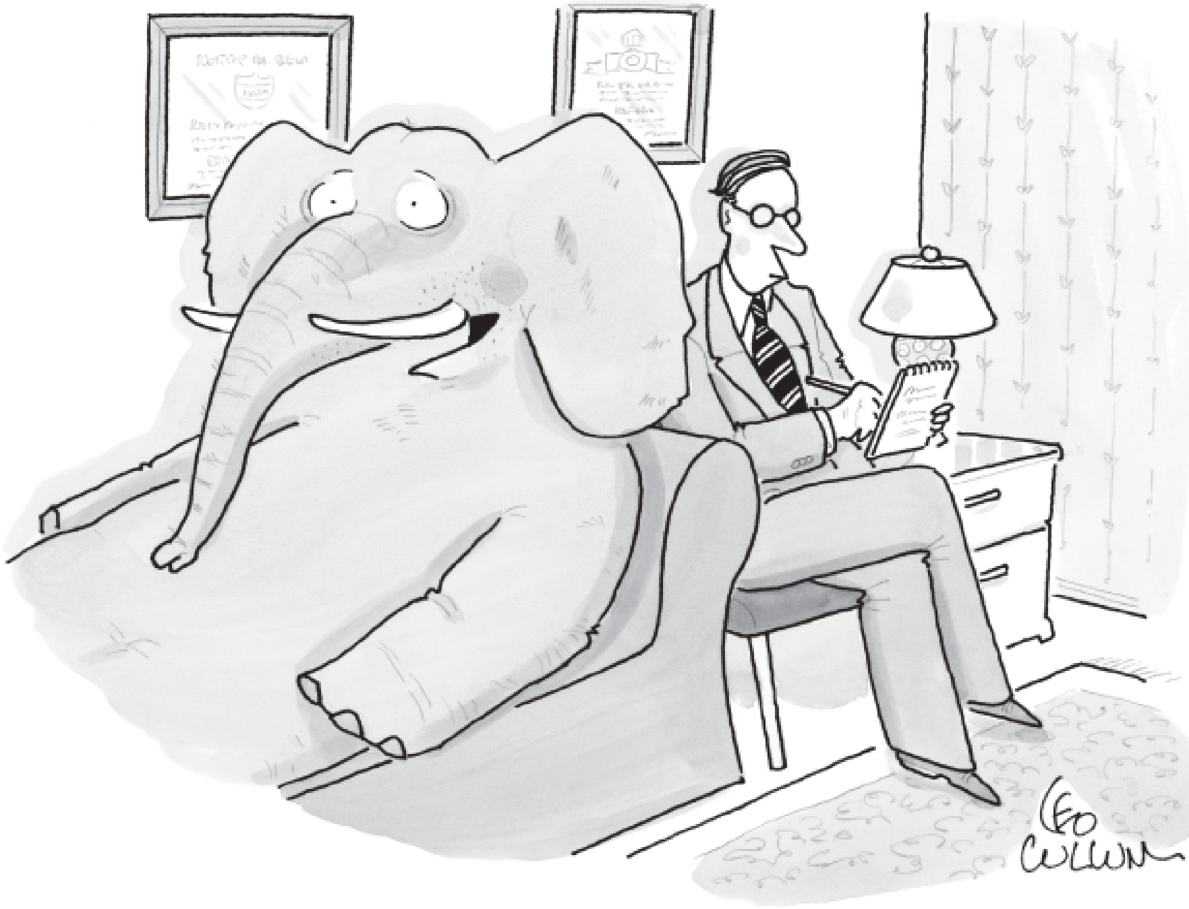
What happened to Jobs and Sculley at Apple may be especially dramatic, but it's not rare. History is awash with accounts of failed relationships among leaders of every stripe. General McChrystal and President Obama; Larry Summers and the Harvard faculty; Carly Fiorina and the Hewlett-Packard board; Michael Ovitz and Michael Eisner at Disney. All the way back to Achilles and Agamemnon on the beaches of Troy, relationships have had the power to create or to destroy enormous amounts of human, social, and economic capital.

But never before have we faced a time when relationships have mattered more. Leaders today must be able to make decisions and take action well and quickly with others with whom they share very little—perhaps not even a time zone. No longer can we work within our own silos without regard for those at work in theirs. No longer can we take the time to send conflicts up the hierarchy instead of settling them ourselves. No longer can we count on like-minded colleagues of the same race, class, culture, or gender to think and act like we do. No longer can we count on slow markets or sloppy competition to make up for the inefficiencies poor relationships create. We face a crisis today not only of leadership but of relationship.

Small wonder so many leadership experts now underscore the importance of relationships. In their best-seller *The Leadership Challenge,* James Kouzes and Barry Posner argued that the success of leaders depends “upon the capacity to build and sustain those human relationships that enable people to get extraordinary things done on a regular basis.” In their view, the quality of the relationship between leader and follower is what “matters most when we're engaged in getting extraordinary things done.”[5] Leadership experts Ronald Heifetz and Marty Linsky would agree. In their 2002 book *Leadership on the Line,* they claimed that “the nature and quality of the connections human beings have with each other is more important than almost any other factor in determining results.”[6] Perhaps that's why for the past fifteen years Daniel Goleman and his colleagues[7] have also given relationships top billing. In 1995, Goleman included relationship management among the core competencies of emotional intelligence,[8] and in 2008, he and Richard Boyatzis went so far as to call for a “more relationship-based construct” for assessing leadership.[9]

These and many other leadership experts today are all pointing in the same direction: to the central role relationships play in a leader's performance and success.[10] Yet when it comes to the relationship dynamics upon which all this performance and success rest, most experts are curiously silent. Even Goleman and Boyatzis's search for a more relationship-based construct culminated in the interpersonal competencies, neural circuitry, and endocrine systems *of individuals.*[11]

No one has yet asked, let alone answered, the question, *What exactly is a relationship such that it can be managed or drive exceptional performance?*



"I'm right there in the room, and no one even acknowledges me."

Relationships: Seemingly Familiar, Strangely Unexplored

Most leaders today can say a lot about organizations and individuals, and about how best to manage and lead them. After over a hundred years of scholarship devoted to individual psychology and organizational behavior, we know plenty about how people and organizations tick, how they develop naturally over time, and how, with focused effort, they change.

But we still know relatively little about relationships. True, in the personal arena, you can find a plethora of popular books and an increasingly robust body of scholarly research that covers a wide range of topics from attraction to social exchange to the maintenance and repair of personal relationships.[12] But very little of this work transfers easily or at all to the organizational world.

An exception is John Gottman's work with couples. Unlike most researchers studying relationships,[13] Gottman doesn't rely on self-reports. Rather, he observes the words and behaviors couples use to discuss their most recent arguments, then catalogues different behaviors in terms of their effects on the relationship. Those behaviors most damaging to relationships are what Gottman calls “The Four Horsemen of the Apocalypse”—criticism, contempt, defensiveness, and stonewalling.[14] After just *three minutes* of an argument, Gottman is able to use his theory to predict with 83 percent accuracy which couples will divorce within six years![15]

Much less can be said about relationships in the organizational arena.[16] While almost all leadership experts acknowledge the importance of relationships, they haven't investigated the nature of relationships themselves, the behavioral patterns underlying them, or their effects.

The same can be said of most leaders. While many believe relationships are important, few can tell you much about the patterns of interaction that define how their most important relationships work (or fail to work). Others view relationships in a purely transactional light, believing what one leader half-jokingly told me: “You hire employees, and then people show up.” And still others get so riveted on the other guy—his quirks, motivations, fears, or defenses—they overlook how they themselves might be reinforcing the very behavior they don't like. Almost all of them are convinced that individual people are the source of their woes and that relationships are too soft to be analyzed and too mysterious to be altered.

As it ends up, they're wrong. This book will show that just as people and organizations have an identifiable character based on predictable patterns, so do relationships. These patterns, which with the proper tools can be analyzed and altered, determine how well a relationship works and whether it will make or break a leader's success.

About This Book

The Elephant in the Room explores a terrain with which all leaders are intimately familiar, yet few are able to discuss, let alone consistently master—relationships.[17] It draws on material from public sources, the historical record, and my own clinical research[18] to take a close look at how relationships at the top of organizations work, why they fail, how they affect the performance and growth of leaders and their firms, and how leaders can strengthen or transform those relationships most critical to their success. In so doing, it takes a topic most of us relegate to our personal lives and puts it at the center of our lives as leaders, where it also belongs.

To anticipate what's to come, Chapter Two draws on Steve Jobs and John Sculley's much publicized breakup to show how, over the course of three stages, leaders negotiate and renegotiate not only their formal roles but their informal roles as well. By looking closely at both negotiations, you can see how an informal structure emerges and evolves, and how that structure determines the fate of leaders far more than any formal structure ever could.

Chapter Three explains why some relationships grow stronger over time, while others grow weaker. It uses stories from the historical record and my own practice to identify two perspectives leaders take to the challenges, conflicts, and pressures they face. The most common of these is what I call *the individual perspective*. When leaders take this perspective, they assume that they alone are right, that this is obvious, and that others don't get it because they're either mad or bad. As we'll see, this set of assumptions brings out the worst in people, lies at the root of blame games and waiting games, and causes even good relationships to break down over time. A second perspective is what I call *the relational perspective*. When leaders take this perspective, they assume that everyone sees some things and misses others, that circumstances shape behavior at least as much as people's dispositions do, and that people together can shape and reshape the circumstances they face. These assumptions help leaders bring out the best in each other, so they can work together to create innovative solutions to the challenges they face together.

The second part of the book provides a set of tools and strategies for building relationships strong enough to handle the most intense pressures and the hottest conflicts. Chapter Four tells the story of two leaders who were able to use a conflict in the heat of the moment to strengthen their relationship. By relying on two essential relational capabilities—reflecting and reframing, first alone, then together—they were able to shift perspective and put their differences to work.

Chapter Five then tells the story of an entrepreneurial CEO and her second-in-command to introduce a powerful new lens through which to see and discuss relationship patterns that are affecting your growth and performance. This lens, which I call the *Anatomy Framework*, makes the underlying