

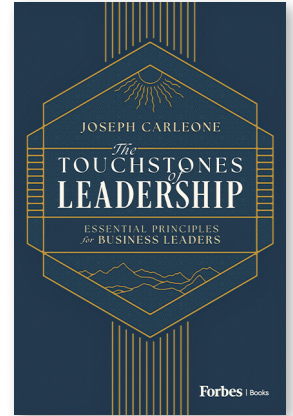


Executive Book Summaries[®]

The Touchstones of Leadership

Essential Principles for Business Leaders

by **Joseph Carleone**



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THE SUMMARY IN BRIEF

Is it possible to distill decades of real-world business experience into a handful of guiding principles that entrepreneurs can employ to overcome adversity?

The Touchstones of Leadership: Essential Principles for Business Leaders takes on this challenge. The book brings together 45 business principles organized within a comprehensive four-part model to guide the reader through organizational, operational, and strategic issues faced by entrepreneurs on a daily basis.

Author Joseph Carleone adopts a pragmatic approach towards the presentation of the essential principles for business leaders. He draws from executive experience spanning decades and his profound knowledge of various industries – from aerospace to defense, chemical, pharmaceutical, and cosmetical, to name a few.

IN THIS EXECUTIVE BOOK SUMMARY:

- Learn how to employ the 45 touchstones to overcome common business challenges and become a better leader
- The reasons why these touchstones are universally applicable across industries and corporate cultures
- Real-world examples of how the touchstones have been applied to various challenging situations
- The importance of value-centered leadership

Part 1: Managing Oneself

Touchstone 1: Don't Focus on Things Outside of Your Control

In years of leading different organizations – from R&D to high-volume manufacturing, program management to general management, marketing to business development, and engineering to CEO – I have found that people often get caught up in worrying about things beyond their control. While these can be significant concerns, and leaders should be aware of them and have mitigation plans in place, the best thing to do in all cases is to do the best job we can and not worry about what is outside our control.

Touchstones 2: Never Mistake Activity for Achievement

At all levels in a business organization, it is essential to avoid getting bogged down with activities that do not lead to results that create value and improve the business or organization.

Touchstone 3: For Minor Matters, Trust Your Mind, for Major Matters, Rely on Your Gut

Minor, in this context, does not mean unimportant. It suggests matters that are more directly addressable and matters the decision-makers can get their arms around more easily because most of the facts are there to be analyzed. On the contrary, significant, or major, matters are ones that are constrained by aspects that are somewhat out of our control, such as the complexity of the situation, time, and lack of data. Insightful gut feeling is typically required in four problematic areas:

- Chaotic: Where an issue is poorly defined
- Crises: When rapid response is required with no time for detailed analysis
- Change: When things are changing so fast that no detailed data exist
- Cryptic: For highly ambiguous issues where the factors are somewhat contradictory

Touchstone 4: Consider Using the Seventy-Two Hour Rule When Faced with a Major Surprise

When challenging situations occur, it is often best to investigate before reacting. Very often, initial reports during a crisis need to be corrected. It usually takes seventy-two hours to grasp the essence of the problem and put a plan in place to deal with the issue.

Touchstone 5: Focus on Relationships and Results, Not Activities and Time-Saving

To be successful in the long term requires relationships with colleagues, external customers, internal customers, suppliers, bosses, subordinates, owners, and those in the community. In team structures, we need to be able to challenge one another to achieve high-quality results. This requires trust and the right chemistry. Furthermore, we must not create problems that don't exist. That is, don't "overthink." Risks must be taken to grow, both personally and in business. The fear of office politics must be avoided, and we must never make differences personal.

Touchstone 6: Let Your Principles, Not Circumstances, Guide Your Behavior

Most of us can agree on the following Covey principles to guide a business operation:

Fairness, Patience, Honesty, Kindness, Integrity, Quality, Dignity, Charity, Service

If internalized by the organization, these principles will drive trust and respect. Value statements have a place to provide guidance, but values must be aligned with the principles stated above and internalized by the business members.

Touchstone 7: When You Are Out Selling, Never Discuss Religion or Politics

Religious beliefs and political preferences are not germane to almost every business transaction, and discussing these beliefs will not add value to any business setting. Fundamentally, these two topics, politics and religion, can initiate passionate responses when broached, often causing serious arguments that have nothing to do with the business matter.

Touchstone 8: Never Pursue Glory; Pursue Excellence

Focusing on the recognition aspect of a project or decision can remove the focus necessary for a successful result, especially in the longer term. It will encourage cutting corners and an attempt to accelerate the task to achieve "success" sooner without the permanence necessary to be truly successful.

Touchstone 9: Procrastinators Are the Leaders of Tomorrow

The results of decision-making and subsequent action are clear measures of how leaders perform. The timing of these decisions and actions will nearly always affect the quality of the results that occur from these decisions and

Procrastinators are paralyzed by their indecision to act and fail to complete tasks on time.

actions. Procrastinators are paralyzed by their indecision to act and fail to complete tasks on time. There is a clear distinction between one who constantly puts off deciding and a good leader who waits until it is absolutely necessary to make a decision. Timing is everything in decision-making, and making a decision out of convenience versus waiting for appropriate information is an important distinction.

Touchstone 10: Sometimes You Must Take a Step Back to Take Two Steps Forward

We all try to keep pressing forward on our current path, whether our careers, our current project, or building a relationship. As we pursue these, however, we may realize we are on the wrong path. When this suspicion arises, it is often advantageous to take a step back and review the overall landscape and strategy of what got us to where we are.

Touchstone 11: Those Who Dare to Teach Never Cease to Learn

As you quietly ponder and develop your business strategy and associated action plan, think seriously about how you will communicate the plan to your team. The best way to learn and develop a complex subject is to teach it. Your team expects you to teach them what you know. The teaching is often quite informal. It can be by example rather than direct instruction. You must be aware that you are always teaching, whether you like it or not.

Touchstone 12: Imagination Is More Important Than Knowledge

Knowledge is constrained by what is currently understood and limited by the body of works that exist. Yes, that body of knowledge will grow in the future, but that growth is driven by those who push the boundaries and experiment with new things that have yet to be envisioned. This is where imagination comes into play. Imagination is the ability of the human mind to see things that don't exist today but could.

Touchstone 13: Managing Is Doing Things Right: Leading Is Doing the Right Things

This well-known statement is a great guideline to describe the

difference in our overriding responsibilities when operating as managers compared with when we are operating as leaders.

Part 2: Interpersonal Skills

Touchstone 14: Treat Employees as You Would Want Them to Treat Customers

Why don't people believe CEOs and other business leaders when they say, "People are our most important asset"? Have you ever heard a CEO state the opposite or allude to some other aspect of the company being more important? The reason for this is that CEOs whose sincerity is questioned have yet to instill trust and respect throughout their organizations. As The Seven Habits of Highly Effective People pointed out, treating employees as customers is an excellent way to engender this trust.

Touchstone 15: The More You Expect of People, the More They Achieve

Motivate people by expecting more of them. People are genuinely encouraged by leaders who believe in them. It drives them to step up a level. Haven't you achieved more when you were expected to perform better? Speakers often perform better when in front of an audience than when practicing. This also holds for musicians and actors who perform better in front of an audience versus private rehearsals.

Touchstone 16: No Deal Is Better Than a Bad Deal

Part of entering negotiations with "no deal" as an option is to have a Plan B if you find it necessary to walk away. Good leaders always think in terms of alternatives in the event of a failure. They must be able to pivot in a different direction immediately when they see their primary path being blocked.

Touchstone 17: Fear of Loss Often Results in Irrational Decisions

Irrational behavior among otherwise rational, intelligent, and well-trained people is driven by situations or conditions that block the normal, logical thought process. These situations sway people to react in specific ways because they trigger psychological undercurrents. It is important to

remember that people will always be influenced by psychological forces that can create irrational behavior. So, we need to recognize that by understanding these psychological influences, we can work to offset their power.

Touchstone 18: Trust Is the Highest Form of Human Motivation

One of the hallmarks of a good leader is a high level of trust demonstrated within the leader's organization at all levels. High trust throughout an organization will create communication channels that are efficient, effective, and quick. Even poorly phrased communications will be interpreted correctly. On the contrary, in low-trust environments, even very carefully constructed communications will be misinterpreted negatively.

Touchstone 19: Keep Those Who Hate You Away from Those Who Haven't Made Up Their Mind

Hate is a lack of trust. In an organization, there will be people who don't trust you as the leader. So, when introducing new players into the organization, it is essential not to let the "distrusters" significantly influence those who haven't had a chance to evaluate the leadership objectively.

Most likely, you won't be able to convert or remove all the detractors, especially in larger organizations, so expect some sabotage, especially in unnecessary delays in implementing changes or passive-aggressive behavior. It is essential to recognize that rational thinking and debate will not work with people who don't embrace change.

Touchstone 20: Hate Is Difficult the Closer You Get to Someone

When people feel displeasure with others or with policies, processes, or organizations, they often erect barriers to avoid displeasure, even though they may not understand the reasons for their unpleasant or uncomfortable feelings.

These barriers provide a protective shield, or at least people believe they do, making them more self-centered. In addition to these barriers inhibiting any real form of collaboration, they can result in hatred and resentment. The hate continues to get stronger and stronger as the distance between the parties increases. As you work to bring the parties closer, try to empathize. It is essential to focus on the good things the parties have accomplished and highlight the expected new achievements. Things must always be kept at a highly professional level, and it is important to work on transforming enemies into friends.

Touchstone 21: Leaders Strive to Be Respected, Not to Be Loved

To be respected, you should:

- always deliver more than promised.
- respect yourself with confidence and understand no one is perfect.
- bring people together.
- fix the problems; don't fix the blame.
- create a learning organization.
- praise accomplishments publicly; criticize privately.
- learn to love change.

Touchstone 22: The Human Soul Hungers to Be Appreciated, Valued and Recognized

It takes work to develop a culture where people genuinely want to see one another be successful. It requires the entire leadership team to listen intently and with genuine empathy. In addition to listening, expressing appreciation is a way to develop a culture of respect.

Touchstone 23: A Formula for Failure Is to Try to Please Everybody All the Time

Leadership requires making difficult decisions that are often unpleasant for coworkers but necessary for the business to be successful. The key is encouraging ideas, objections, and alternatives to the surface, being heard, and being thoroughly evaluated. People must truly feel that their opinions were honestly considered. Then, make the final decision and logically explain the rationale and reasons.

Part 3: Managerial Skills

Touchstone 24: A-Players Hire A-Players, B-Players Hire C-Players

A-players tend to seek excellence, which attracts other A-players. This drives the business toward an authentic culture of excellence, whereas B-players hire C-players. Looking at the team surrounding a leader will be a strong indicator of which leaders are A-players and who are B-players. B-players are often insecure, making hiring people who might outperform them uncomfortable. In reality, leaders are highly recognized for picking the best people.

Touchstone 25: Never Negotiate Against Yourself

In essence, life is a negotiation. In both our personal and

Cost and price negotiations often take one of two paths: line-by-line or bottom-line.

work lives, many of our day-to-day interactions are negotiations. That is why it is so important that we understand how to interact both in gathering information (listening) and in influencing behavior.

Touchstone 26: Never Negotiate “Line-By-Line” and Bottom Line Simultaneously

Cost and price negotiations often take one of two paths: line-by-line or bottom-line. In the line-by-line approach, the negotiators review the major contractual tasks; discuss the scope of each task, the people assigned, and the purchased materials required; and debate the cost or price of each line item or task. The idea is that once the negotiators haggle out their differences on each line item, it becomes a simple addition to get to the total or bottom-line price for the contract.

In the bottom-line approach, the negotiators focus on the overall goals, objectives, and deliverables under the scope of the contract and directly address the total price. They often use similar contracts as benchmarks and adjust the price accordingly. They also often use competitive pricing as a starting point.

Problems occur when you start with the line-by-line approach but the total price by adding each line item does not match the buyer's expectations. The buyer then switches to the bottom-line approach, ignoring all the line-by-line work done. If this happens, the major problem from the seller's perspective is that the seller has already given up concessions on price and scope detail during the line-by-line discussions. Now, the buyer wants further concessions.

At this point, the seller should not make bottom-line concessions. It is not fair for the buyer to expect that. This is unfair to the seller and wastes a lot of time for both parties. The only fair thing to do at this point is to go back to the line-by-line approach and see if the buyer can live with scope and schedule changes to allow the bottom-line price to come down to the expected amount.

Touchstone 27: Once You Get into a Hole, Stop Digging

The fundamental definition of being in a hole is making the

same mistake repeatedly. Sometimes, we don't even recognize we are in a hole. This is because we have blind spots. We think we are doing everything right and keep doing the same thing as things worsen. This could be due to a bad habit, a poor policy, poor implementation of a good strategy, or just a very poor strategy. In this sense, to continue digging means repeating the same activity and wishing the situation or result will improve.

Touchstone 28: Don't Counter an Offer if You Can't Split the Difference

We have seen deals fall apart at the very end because one of the parties cannot make a final price adjustment to close the deal. The emphasis or advice here is to ensure the negotiators are positioned so that there is enough flexibility to close the deal and not get backed into a corner during the negotiation process.

Touchstone 29: Problems Are Opportunities Dressed in Work Clothes

Life is opportunistic, as is business. Problems will occur in life and business. When these problems occur, our mindset determines whether we view them as opportunities or not. If we are pragmatic, we see that solving this problem will add value and is an opportunity.

Touchstone 30: In Theory, There is No Difference between Theory and Practice. In Practice, There Is

Applying a theory to a practical situation requires experience and often empirical data to validate the theory, define its limitations, and interpret the results it provides properly. Hands-on experience is essential for putting the theory into practice.

Touchstone 31: Forecasts Should Be Accurate; Targets Should Be Ambitious

This Touchstone triggers a considerable amount of challenge and debate. Some feel that forecasts should be developed such that, if targets are achieved, the forecast will become a reality. This approach will lead to relatively easy targets since people want to ensure the forecast is met. A

more entrepreneurial approach treats forecasting and target setting as related but different. Targets should be superior results that an organization desires to achieve. These targets are, therefore, a stretch from the status quo and an improvement from the present condition. The organization's members must develop the targets. All must buy into the fact that, while difficult, these targets are achievable.

Touchstone 32: Focus on Results and People, Not Methods

Delivering meaningful results creates value. Focusing on the results and metrics that matter to drive business value is important. Our processes are important, but the process is the tool; the results create value.

Part 4: Strategy and Alignment

Touchstone 33: Strategy Is About Deliberately Choosing to Be Different

An in-depth five forces (threat of new entrants, supplier power, buyer power, threat of substitution, rivalry among competitors) analysis not only assesses the attractiveness of an industry or business area but also provides insight into how you can position your business to be more competitive and vie for a greater share of the industry's profits.

Touchstone 34: The Essence of Strategy Is Choosing What Not to Do

It is always tempting to deviate from the strategy when presented with a highly attractive business opportunity inconsistent with the strategic direction. But, pursuing it can be destructive in the long run as resources get diverted to a profitable venture, causing the inability to respond to an opportunity in the business strategy's sweet spot. That is not to say we won't pick up a "golden nugget" we see by the road, but we shouldn't go off the road to look for it.

Touchstone 35: If You Can't Fix It, Feature It

Certain unavoidable negative situations or conditions are often encountered as part of doing business. These may even threaten a company's reputation or give customers or investors pause. Sometimes, they are simply the weaknesses embedded in the business. These negative situations, however, are very often not truly detrimental to your delivering products or providing services in the long run. Therefore, there is a natural tendency to distract others from the negative issue or avoid discussing it. Often, a smarter solution is to turn this liability into an asset. It also can become a point

of differentiation from the competition.

Touchstone 36: Focus on What's Strategically Best, Outsource the Rest

Activities determined to be nonessential to the strategy or generic can be safely outsourced. Tailored ones provide unique competitive value and should be kept in-house or brought in-house if currently outsourced. It is important to retain control of those tailored activities to maintain the best competitive advantage.

Touchstone 37: Feed Opportunities; Starve Problems

Everyday problems are like weeds in a garden. You don't want to ignore them or give them much time and attention. Get rid of them carefully, but don't fertilize, water, or encourage them to grow.

Touchstone 38: Bad News Is Not Like Good Wine; It Doesn't Get Better with Age

When there is bad news, and something goes seriously wrong, the mature leader will face this, understand it, and do what is necessary to rectify the situation in a timely manner, regardless of the personal cost or the cost to the company.

Touchstone 39: Always Keep Time on Your Side

When involved in a business transaction, one of the worst situations you can encounter is to be forced to complete the transaction because of time constraints. Sometimes, this is unavoidable, but most times, good planning, combined with realistic time parameters, can avoid such situations.

Touchstone 40: Maintain Strategic Continuity; Don't Keep Pulling Up the Flowers to See if the Roots Are Healthy

If you have a good strategy, give it time to work. A good strategy is based on the fact that your customers and their needs are enduring. Therefore, gestation time is important to make your unique value proposition work. A good strategy should not be abandoned for small, near-term disappointments.

Touchstone 41: Stop Doubling Down on Your Losing Strategy

A major change in strategy may be required in three scenarios:

- Customer needs change such that the core value proposition becomes obsolete

- Innovation invalidates the essential activities of the value chain
- Technical breakthroughs can overwhelm the value proposition

Touchstone 42: A Business Either Grows or Declines; It Never Remains Constant

Most businesses don't remain stagnant for long. They either grow or shrink. To establish a sustainable company, it is crucial to have a growth strategy with ambitious objectives. However, more important than that is cultivating a culture of growth with a competent leadership team.

Touchstone 43: Assuming Your Competition Will Fail Is a Losing Strategy

Don't underestimate what your competitor might be able to do. There are several ways that the competitor may become more competitive or even try to unlevel the playing field without your knowledge. When looking at the competition, our natural bias and loyalty to our own company cause us to underestimate the competition's ability to perform. The competition will likely perform better than we expect.

Touchstone 44: There Is No Upside without a Downside

When making a decision to take a calculated risk, it is often useful to ask, "What is the worst that can happen?" And then ask, "How likely is it to happen?" The answers to these questions will inevitably supply the basis for a risk mitigation plan but also trigger a risk-reward evaluation.

Touchstone 45: Simplicity Is the Crown of Genius; Complexity Is the Cloak of Mediocrity

Einstein has been quoted as saying, "The definition of ge-

nius is taking the complex and making it simple," while da Vinci wrote, "Simplicity is the ultimate sophistication."

Conclusion

These Touchstones reveal a common theme or message: great leadership is built upon trust and mutual respect. For a business to succeed in the long term, it must prioritize establishing trust and respect as integral parts of its fabric. To foster a unified culture within an organization, it is crucial to select individuals based on their strengths and talents and to build upon those strengths. The company must remain focused to align itself with its business strategy. Finally, perseverance is essential for achieving success.



After receiving his PhD from Drexel University, **Joseph Carleone** helped start a company in the Aerospace and Defense industry, conducting R&D for the Department of Defense. For nearly 25 years, Joe held various leadership positions at Aerojet. In 2000, Joe was appointed president of Aerojet Fine Chemicals which developed, scaled, and produced Active Pharmaceutical Ingredients (APIs) for the pharmaceutical industry. He is currently Chairman of Avid Bioservices and Lead Director of Sensient Technologies, and further serves as a senior advisor to OES Europe, specializing in trans-Atlantic M&A.

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