

The Four-Level Leader

News & Views from the Spitzer Center for Ethical Leadership



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News from the Center

Construction Execs in New Orleans Receive Their First Spritz of Spitzer

Fifty leaders from major construction firms in Louisiana got their first taste of the Spitzer Center's business philosophy and programs through a half-day seminar hosted and organized by Durr Heavy Construction. The seminar, held January 28 in the New Orleans suburb of Metairie, introduced participants to The Four Levels of Happiness™, the core concept of the Center's Journey to Excellence program. As typically happens when leaders see the Four Levels for the first



Stephen Stumpf, the CEO of Durr Heavy Construction, welcomed the attendees.

time, they found the model "eye-opening" and "very insightful."

"It's something most of us know about ourselves but rarely address," said Bill Johnson, a senior estimator at Durr. "It helped me understand my ultimate motivations both at home and in the workplace," said John Bezou, a project manager with Spartan Building Corporation.

The event, known as a Spitzer Center Discovery Session, was presented by the center's executive director, Jim Berlucchi. The format "is a great way to get acquainted with Fr. Spitzer's work," said Berlucchi.

"In four hours, you can't plumb the depths of what it means to have a Level 3 culture in your organization," said Berlucchi, "but it doesn't take long to grasp the perceptions that form the heart of Spitzer's approach. We're not dealing with complex theories about psychology or organizational dynamics. We're dealing with basic facts about human nature. Those facts are easy overlook but easy to recognize when you point them out."

The seminar also covered the link between the Four Levels of Happiness and behaviors that shape an organization's culture and drive its performance. "In Level 2 cultures, the organization gets split between winners and losers, which leads to both passive-defen-

sive and aggressive-defensive behaviors," Berlucchi said. "People with aggressive styles tend to compete rather than cooperate and to oppose anything they can't control. Defensive people tend to lay low, avoid conflict, and stick to the rules and conventional approaches. In a Level 3 culture, you see more constructive types of behavior and people who are more creative, trustworthy, cooperative, and committed."

Feedback from participants was positive except for one frustration: They wanted more. "Four hours isn't enough time to cover all the challenges of building a Level 3 culture," said Berlucchi, "but it's enough time to point out the value of having a constructive culture."

"Understanding the philosophy is one thing," said Johnson. "How to do it is another."

For information on scheduling a Discovery Session in your area or the full Journey to Excellence program, you can call the Spitzer Center at 734-677-7700 or send an email request to info@spitzercenter.org.

The Levels in Action

The Perils of Making Managers Play the "Comparison Game" at Review Time

Is it possible for a single, apparently sensible business decision to crush morale and poison relationships throughout an organization? I saw something along these lines occur in a company where I once worked, in the wake of an edict driven by Finance and ratified by HR. The company wanted tighter control of the budget allotted for salaries, and they sought to achieve this through tighter control of performance evaluations.

Managers were given a very strict formula to adhere to: On a 5-point scale, the ratings for all the people they reviewed had to average a 3. In practice this meant that if managers wished to give some people higher ratings, they could only do so by giving other people ratings below 3. For every overachiever you rewarded, you had to brand someone else an underachiever. In

Question of the Week

Q: I'm wondering what Fr. Spitzer's views are on the whole subprime mortgage meltdown and banking crisis? If he were advising industry leaders in the years leading up to the crisis, could he have seen it coming or at least seen that something was very wrong in terms of the culture of the banks? - JK, Michigan

A: I think many banking industry leaders could see as long as three years ago what kinds of abuses could come if the economy were to decline. Any good business person knows that everything is cyclic, and even though the overall trend is upward, there are always downward cycles amidst the upward trend. People knew that the inflationary real estate values they were using to sustain their lending practices could not continue, but no one gave a clarion call. No one said anything! Why didn't they?

I think there were two problems. The first was a plain lack of the four cardinal virtues: wisdom, self-discipline, fairness, and courage, and courage in particular. The second problem

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was a Level 2 culture gone wild. Leaders who could see what was bound to happen lacked the courage to say anything, because saying something would have meant standing up to the Level 2, ego-driven, win-at-all-costs culture. That type of culture always makes the mistake of thinking the good times will last forever, and it's insensitive to the impact on the larger society when the whole

house of cards collapses. The aftermath of the crisis showed you just how intrinsic this culture had become within the industry. Bankers who failed to give a clarion call were *still* taking huge bonuses and throwing lavish parties!

Everybody is saying that the solution to this problem is to cure the banking regulations. I totally agree that we have to fix a bunch of problems like credit default swaps and short sales. But these are *extrinsic* solutions. No one is talking about *intrinsic* solutions. No one is asking, "Is something wrong with our culture that got us into this fix in the first place?" That's the most important question, because Level 2 behavior and the lack of the four cardinal virtues were at the root of the entire crisis.

If we can't move from Level 1 materialism and Level 2 egotism to a Level 3 culture oriented toward the common good, then honestly, we're going to have the same problems time and again. Maybe next time, it won't be a banking crisis or a mortgage crisis, but it will be something. We need to learn from this crisis, while the lessons are obvious and fresh, and then maybe we won't, as Santayana said, be doomed to repeat it.

- Fr. Robert Spitzer, S.J.

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theory, the program was aimed at reducing "grade inflation" by managers, and at forcing managers to confront poor performance more aggressively. While there might have been some departments where the policy worked as intended, in many groups it sparked bad decisions, bad feelings, and bad behavior.

If groups didn't have the right balance of over- and under-achievers, managers had to blur performance distinctions or manufacture them. "What am I supposed to do?" one supervisor complained to me. "Tell my best performers they're average, or tell my good performers they're below average?" The evaluation process, never easy to begin with, became mired in cynicism and resentment: "Of course that guy got a 4! He plays golf with the boss every Friday!" Or, "I did everything I was asked to do and more, and now they're saying I'm bottom of the barrel!"

To make matters even worse, employees began to turn on each other; if you wanted a 4, you had to make someone else look like a 2. As performance review time approached, aggressive people started launching preemptive strikes at co-workers. One woman came to my office in tears, complaining, "I asked a colleague for help with a problem I had, and instead of helping me, she ran to our supervisor and complained I didn't know how to do my job!"

If the leaders who made the initial decision knew about The Four Levels of Happiness™, they might have realized they were creating a perfect Level 2 hell. Their goal was budget discipline and aggressive identification of low-performers. What they got instead was a culture split between bitter losers and insecure winners. They submerged the entire company into what Fr. Robert Spitzer calls "the Comparison Game." It's a game that "pits us over, under, or against other people, and undermines the potential for win-win relationships," says Fr. Spitzer.

Over time, more and more managers just refused to play the game, submitting ratings that didn't average a 3 if that seemed unfair. HR finally relented; they were weary of all the complaints from angry "losers" (including HR people). The company found other ways to hold the line on salaries, and managers were freed from the burden of having to balance praise with condemnation.

How does your company evaluate people? Do you strive for fairness in every evaluation, or does your approach push managers to play a no-win version of the Comparison Game?

- John Keenan