IDENTITY IS DESTINY

Leadership and the Roots of Value Creation

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An Excerpt From

Identity is Destiny: Leadership and the Roots of Value Creation

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ANY ORGANIZATION COMPOSED OF ONE OR MORE HUMAN BEINGS IS ALIVE IN ITS OWN RIGHT, EXHIBITING DISTINCT PHYSICAL, MENTAL, AND EMOTIONAL CAPACITIES THAT DERIVE FROM, BUT TRANSCEND, THE INDIVIDUALS WHO MAKE UP THAT ORGANIZATION OVER TIME.

I am alive, *I am unique,*
and I am immutable,
even as I grow and evolve.
To truly live, however, I must express myself fully,
and in this regard, have much to give.
But to do so, I need others, and am most productive
with those who need me in return.
To establish these relationships, I must first be
recognized for who I am,
and it follows then that
I will receive in accordance with what I give.

I had always assumed I was alive because, like all individuals, I breathed, forged relationships, and made my way in the world. It wasn't until I was twenty-seven that I realized that up until that point, I had unknowingly confused *living* with merely *existing*.

When I was four years old, I underwent eye surgery to correct a strabismus problem—being cross-eyed. The operation was technically a success, but in the course of that operation, my life changed forever. To this day, I can recall being strapped down, alone on the operating table, watching in terror as the gas mask was brought to my face, not understanding at all what was happening. I was literally out of control. What I sensed was imminent death. At that critical moment, part of me went away. I escaped down a black hole—my "tunnel" to freedom and survival.

In that second, when I had eluded the grasp of the unknown man above me in the green mask, it seemed like a point of no return. But at the instant I slipped away, in the midst of absolute terror, I made a vow to myself that I would return. *I would be back*. Since that day I have been at work—more unconsciously than consciously—to restore my integrity as a whole individual.

Twenty-three years later, on September 2, 1977, I signed into Yale–New Haven Hospital at 1 o'clock in the morning to prepare for a corneal transplant in my right eye. The surgeon reassured me that all would be well and that later that morning I would have better vision than I had had in recent years. As I listened to his words, I knew that there was far more at stake in the next few hours than just my ability to engage the world through sharper eyes.

I awoke some six hours later with an intensely vibrant sense of self. What I saw with my "new eye," on the sunlit brick wall outside my window, was the image of the child who had all but gone away twenty-three years before: I had reclaimed a part of my self.

In those first few shimmering moments after I awakened following surgery, I could see more clearly than I had ever seen before. Everything had a freshness I could not have imagined only a day earlier. Everything seemed startlingly new. Emotionally, too, something was happening to me. I felt free of old fears—fears about losing my job, of my father's unpredictable anger, of not being the obedient child. In that moment, I was unfettered by my past. As much as this operation had helped to restore my vision, it also had restored my sense of being in control and a level of self-confidence that had been all but lost years ago.

I lay there and felt, for the first time in my life, that I had a choice: to live or simply to exist. The former path meant pursuing what *I* believed was important and right. The latter meant continuing just to do what others expected of me.

When it comes to people, the Law of Being speaks to the need for separation from all others as a prerequisite to understanding who you are. There is no way I could have come to understand myself if I had relied on others, directly or indirectly, to define my capabilities, set my course, or tell me what I was truly passionate about. For all their love, my parents had their agenda: expectations about who I was and what I should and shouldn't do. My friends, like all friends, were quick with advice on everything from what girl to date to which classes to take and which to avoid. College guidance counselors, some of whom became true and valued supporters, suggested erroneous career paths, as did early bosses (e.g., those at Yankelovich, Skelly & White who suggested that I consider national sales management).

One of the most obvious distinctions between people we call leaders and those we don't is that most leaders are, or at least appear to be, more dynamic, charismatic, *alive*. Whether gregarious or quiet, they speak their minds, project self-confidence, make vital decisions, and have the ability to convert others to their views. Simply to exist—to get by day to day and get along with others—isn't enough. For them, being all they are capable of being—living to the fullest—is life's challenge and an essential aspect of leadership.

It is paradoxical that the very relationships we seek and need in order to live full lives can be barriers to living in that they make demands on us and apply pressures that can, if we aren't careful, mask who we really are.

The reality for business leaders is even more dramatic. The companies they guide are generally perceived as innately rudderless. Yes, they have rich cultures that are defined by shared values, beliefs, and behaviors. And yes, they can legitimately be described as organic communities evolving over time. But the underlying assumption remains that it is the company's leaders who set its direction. The truth is not that simple.

The Law of Being calls into question the very nature of corporations. Are they designed and formed solely for purposes of profit, best managed through functional disciplines, business processes, assembly lines, and sales quotas? Or are corporations as alive as the people who work inside them, taking on human characteristics that must be acknowledged if these organizations are to thrive? This seemingly philosophical question isn't philosophical at all; it is sharply practical. For if the latter is the case, then the challenge of leadership gets turned on its head: Instead of the leader, whether a CEO or general manager, directing the institution, *it is the institution that directs the leader*, laying out before him or her a timeless path to value creation based on the institution's identity.

A TIME FOR CHANGE

The mid-eighties were a restless time for me. I was, on the one hand, deeply content with my professional life in identity consulting. Anspach Grossman Portugal's practice was a window on the world; I traveled extensively and worked with high-powered managers on fascinating assignments. At the same time, I was feeling constrained. I felt tied to conventional methods of problem solving. In the course of a year or two, I had come to see that corporate identity, in terms of both theory and practice, was a field open to far greater exploration than had taken place to date. Knowing this haunted me. I needed to break out. I needed a platform to grow.

By the spring of 1985, I had been with AGP for four and a half years and had advised a variety of American and overseas companies on identity-related issues. These issues ranged from name changes to corporate repositioning, most often in the wake of mergers, acquisitions, and restructurings. I had had the opportunity to work with Electronic Data Systems under the direction of Ross Perot; to help "give birth" to National Australia Bank, the result of a merger down under between two rival banks; to assist BOC Health Care, the world medical equipment and anesthetic pharmaceuticals business of the former BOC Group; and to serve Fidelity Investments as Ned Johnson, III drove his financial services locomotive relentlessly forward.

The assignment with Fidelity in particular had opened my eyes to the hidden power of identity—specifically, the power of identity to shape the fortunes of an organization beyond the surface impact of image and reputation. Emerging from my experience with Fidelity, I determined that it was time to step out on my own in the world of identity consulting.

In April 1985, along with two other partners, I founded Identica. It was a venture that, in hindsight, can be best described as a platform for pushing the envelope of identity consulting. It was a time of experimentation—of developing, testing, and refining tentative theories about the true nature and role of corporate identity.

One of the things that burned in my mind as we set up our new firm was the prospect of dissecting the idea that the whole is greater than the sum of its parts. I had turned this phrase over in my head hundreds of times, using it regularly with clients in describing how their identity captured something more than just the various business lines, products, and divisions that made up the visible fabric of the company. *The whole is greater than the sum of its parts*. It was one of those elegant expressions that everyone had come to accept, but to me, it still begged for clarification. What, exactly, was "the whole"? This question caused me to think once again about whether companies were rudderless entities, formed solely for purposes of profit, or as human—as alive—as the people within them.

Whatever nagging doubts I may have had about the answer to this question dissolved in the period 1986 through 1987. It was then that I worked with Alcoa, as chief executive Charles Parry and his team sought to broaden the scope of the business beyond aluminum.

ALCOA

Cleveland Facility, June 1986

I have visited many manufacturing facilities over the years and have seen acres and acres of land that have been converted into roofed cities of steel, concrete, and glass. I am still moved by the incredible scale of these operations and by the thousands of people who, often by night as well as day, live their work lives between those myriad walls. What impresses me is the choreography of it all—the exquisite integration of people and machinery that generates societal improvements as well as corporate profits.

In June of 1986 it was already August-hot, a situation that intensified my response as I toured the Cleveland smelting and forging facility. Visiting the site was a crucial part of getting to know Alcoa as one of the world's leading aluminum producers. The plant was bustling during my two-hour visit.

Toward the end of the tour, I was escorted along a steel and wire balcony that must have run a straight quarter-mile along the edge of a room that contained a number of giant furnaces. Two were in operation, pouring molten aluminum into forging molds several feet below their lips. It was an unforgettable sight. Despite my distance from the furnaces, I could feel the heat press against my suit and the hard-hat and goggles I wore. The metal was white-hot as it cascaded into the molds below. Thousands of sparks flew around the edges like fireworks escorting the aluminum. It was essential Alcoa. What I thought of then wasn't the cooling baths that followed or the extrusion and cutting process. What I pictured were Boeing 747s, conductor cable, semiconductor chip housings, armor plating, Tetra-Paks®, aluminum siding, pots and pans, and Coke cans—all shaped, molded, and wrapped in "Alcoa."

In that room, I was watching a portion of America's gross domestic product being born. There is almost no sector of the economy that goes untouched by the tons of molten metal that were racing along that manufacturing path on their way to becoming something of value to society.

Like many large, upstream corporations, Alcoa was largely unfamiliar to the general public. It was one of those companies that focuses chiefly on exploring for, and producing, oil and minerals or on fabricating these materials into basic products such as metals, chemicals, and plastics that go into everything from conductor cable and airplane skins to test tubes and clothing materials. Alcoa is a company whose outsized impact on society is generally unrecognized by the majority of people whose lives are profoundly affected by its efforts.

As I would soon discover, all the might that was on display in that Cleveland plant that hot June afternoon was nothing compared to the power that resided within Alcoa itself, a corporate being that was hell-bent on shaping the world it served.

In the fall of 1985, about six months after Identica opened its doors, an article appeared in the *New York Times* business section that featured Alcoa and its search for diversification. It included a picture of Charles Parry, then CEO, looking hard into the distance. I could see that this was a man determined to diversify and, I hoped, one who might welcome a chance to understand better the potential that resided within the organization as a whole.

I figured the best way to get the ball rolling was to state my case directly in a letter. About two weeks later I received an invitation to meet with Dick Fischer, senior vice president and the company's general counsel. It was a critical moment for Identica. We were only a few months old, but I sensed we were about to sign up a very big client.

Shortly after our meeting in Pittsburgh, we were engaged by Fischer to help management pave the way for change. The belief was that the identity of Alcoa was in transition as a result of diversification and that redefining and communicating the "new Alcoa" would be an important part of building support for change, internally and externally. In the end, it was an assignment that would wind up clarifying for me the governing influence of identity on an organization's ability not only to change, but also to lead its market and alter society.

It was Dick Fischer whose intellectual curiosity fueled the assignment and who became a colleague in the name of discovery. As he made clear to us in numerous ways, he wanted to "know the identity of Alcoa."

Dick had a twinkle in his eye that was never dimmed. He had an exuberance about the subject of identity that I have rarely encountered in a client. One day in early winter, I arrived in Pittsburgh to interview him. This was one of the first of many executive interviews we would conduct as we went about the business of discerning the identity of an enterprise that was almost literally wrapped up in its own glory: Everything in Alcoa's headquarters building that could be made from aluminum was! I recall in particular the aluminum elevators. They gave off a low-gloss sheen that surrounded their riders and eloquently expressed the conviction that Aloca's people (they often referred to themselves as "Alcoans") had about the boundless potential of the business they were in.

As Dick's assistant ushered me into his office, I found him staring out his window at a view that stretched well beyond the limits of the city. He turned to me with a wry smile and pointed toward the horizon. He asked me if I knew the story about two bricklayers, each of whom was regarding a pile of bricks. Dick didn't wait for my response but continued. When asked what he saw, the first man, after staring at the pile, replied with consternation that he saw just that—a pile of bricks. The second tradesman raised his eyes to his questioner and said in measured tones that what he saw was a cathedral. Fischer's message was clear: Was Alcoa simply a collection of assets or was there more to the enterprise than met the eye?

In the course of our interview, Dick indicated that he saw identity as the channel that connected the institution to the world outside. Although the assignment we were given focused on helping management better communicate impending changes born of diversification, Fischer's unspoken aim was broader: He wanted to know what, if anything, lay behind the aluminum curtain. He wanted to know what made Alcoa *Alcoa*.

A Time to Stretch

The mid-to-late 1980s could be characterized as a period of vigorous exploration and trial and error for Alcoa. When I began consulting to the company, Charles Parry and company president Fred Fetteroff were already taking steps to meet new economic and competitive pressures. In relation to the core aluminum business, one goal was to shrink, but strengthen, activities in response to industry consolidation. For instance, Alcoa was looking to reduce smelting capacity by 25%. At the same time, the company was continuing its search for new, significant uses for aluminum in industrial and commercial products that would have broad market potential. Along these lines, Alcoa had invested $142 million that year to stimulate technological innovation directed at higher-value-added applications. Packaging systems, where aluminum could offer an advantage in terms of cost, flexibility, and dependability, were a hot item at the time.

Another exciting initiative was the pursuit of acquisitions and mergers designed to broaden the company's business beyond aluminum. Few hard and fast rules guided these initiatives, other than the need to meet stipulated rates of return. Internal business probes, such as new-product development in the core aluminum business and partnership ventures with outsiders, were under way. The aim was to develop new technologies, products and markets in areas such as ceramics and separations—deriving new materials from taking apart existing ones.

These "micro" initiatives were complemented by others that were clearly macro in scope and ambition. I recall one conversation with Dick Fischer, who indicated that Alcoa was considering the acquisition of a major aerospace and defense company, that talks were "very serious," and that if it came to fruition, the deal would fundamentally reshape Alcoa. In the end, the purchase never came off. But in my eyes, that wasn't the point. In 1986, mega-deals on this scale were rare. For management even to have contemplated such a massive acquisition was, I sensed, classic Alcoa—an expression of the enormous passion for aluminum, and its boundless uses, that pulsed through the veins of this seemingly conservative metals and manufacturing enterprise.

As I sat and listened to Dick describe the other company, I could sense what he must have felt: *It would be a great fit. It would move Alcoa farther downstream, expanding even more broadly Alcoa's powerful influence in terms of proprietary technology and large-scale product development.*

My official task was to develop a positioning strategy for Alcoa, which started with articulating what made the organization distinctive.

In many ways this was standard fare: For years, corporate positioning has been accepted practice for clients and consultants alike. But it has never been standard fare to me. Each such assignment has been an opportunity for discovery, a chance to drill deep into the bedrock of the company in order to identify the unique characteristics that define identity. Such was the case with Alcoa.

Identity analysis is governed by the process of deconstruction followed by reconstruction. Everything is taken apart and then put back together again in a way that addresses the whole of the organization. Everything is geared to answering the question *How does this organization create proprietary value?*

What must be analyzed? What are the inputs that managers must consider? There are many, but three stand out. First are the experiences, behaviors, and perceptions of those stakeholders who are directly involved in the value creation process, among them managers and employees, customers, investors, and suppliers. In each case, it is a matter of analyzing the relationship that exists in order to articulate how the company creates proprietary value for that particular group.

Of high importance, as well, is corporate history, especially for organizations but have been around for decades, time having allowed them to deepen and refine their identities. A third valuable source of information and insight is company literature, executive speeches, existing market research, and other published materials. These can be read between the lines, as well as taken at face value, for useful clues to the nature of the institution.

Above all, discerning identity is about *seeing through* all the layers: through the products and services that fill brochures, store shelves, assembly lines, and loading docks; through the organizational units (the business unit, divisions, departments, and offices) that house employees; through the tenets of culture that prescribe rules of behavior; through the economic assumptions about "what business we're in"—through all of this until you reach down to the heart, mind, and soul of the company as a self-directing entity in the purest sense. This is where identity lies, moving to its own rhythm, unencumbered by all the layers that distract managers from what really "makes the company tick." Put in other terms, it is like standing on top of a mountain, looking around for signs of life, when all along that life is right under one's feet. For every leader in search of identity, it is there to be found, but only by taking the time to look down.

The challenge of unearthing Alcoa's identity in the face of diversification was great. If I hadn't been careful, all the attention being paid to diversification beyond aluminum could easily have led me off course. And discerning identity was even harder because efforts to diversify—to build Alcoa—were accompanied by management's simultaneous attempts to decentralize—to *de*integrate the company. I sensed the tension that these combined forces were producing, and I weighed their possible effects on the identity of the enterprise. The right type of diversification, I reasoned, could strengthen Alcoa, assuming that the avenues management took proved to be in sync with identity. Decentralization, however, could serve to hobble the productive power of Alcoa if it went too far; it could undermine critical cross-divisional and cross-functional relationships that served to reinforce Alcoa's identity.

The stated aim of decentralization was to enhance employee performance, foster a more market-driven orientation, and locate operating responsibility close to the customer through direct profit-and-loss accountability at the business unit level. For managers longing for greater autonomy, this was to be a golden age. But for the vast majority of employees, it was a time of exquisite confusion. Everything seemed to be up for grabs: the composition of the business, how it was organized, even, implicitly, the perceived worth of its proud heritage, so much of which stemmed from the Hall Process—the pioneering technology of the enterprise.

The Hall Miracle

I have found that every organization has in its history an event, an experience, or a moment that is the crucible in which its modern identity is formed. In Alcoa's case, this experience was the Hall Process. The Hall Process wasn't just the result of a scientific experiment; it was an act that defied the scientific odds, the financial odds, and the business odds. It was impossible to investigate the identity of Alcoa without studying the Hall Process and how it came to be. Not simply because of the central role it played in liberating aluminum—making it commercially viable—but because so many of the managers I spoke with referred to it as more than just a piece of history.

In a chemistry class at Oberlin College in 1883, Charles Martin Hall apparently heard his teacher, Professor Frank F. Jewett, talk about aluminum and about the difficulty of finding a way to prepare it economically. Reportedly, Jewett said, "Any person who discovers a process by which aluminum can be made on a commercial scale will bless humanity and make a fortune for himself." Charles Hall decided to take up the challenge. It wouldn't be easy. Beyond having to come up with the right formula for producing aluminum, Hall had to build his own apparatus and mix his own chemicals; there was no precedent for his work. Professor Jewett became Hall's mentor, challenging him to succeed. He also provided laboratory facilities, materials, and current knowledge of chemistry.

On February 23, 1886, Charles Hall produced globules of aluminum metal by the electrolysis of aluminum oxide dissolved in a cryolite–aluminum fluoride mixture. It was, for its time, close to a miracle of chemistry. Hall had beaten the scientific odds, and the rewards for doing so were potentially his.

Shortly after his successful experiment, Hall formed the Pittsburgh Reduction Company, the predecessor to Alcoa. First, however, he had to survive the defection of two Boston backers and an attempt by the Cowles Electric Smelting and Aluminum Company to suppress his new process by buying him out. He also had to stand his ground in the face of a challenge to his patent rights by the French scientist, Paul Heroult, who had filed his own patent for a similar process. Charles Hall won. Soon this new metal, aluminum, was on it way to changing how the world worked.

In reflecting on how the Hall Process affected Alcoa's identity, I realized that this "process" was as much about liberating businesses and lives as about freeing aluminum from its mineral confines. I now better understood the potency of aluminum as the icon of the company. I also better appreciated the risks inherent in advocating nonaluminum avenues of diversification without explaining how those avenues might provide socioeconomic benefits as well.

What would emerge as Alcoa's center of gravity if aluminum took a back seat to other materials? How would Alcoa continue to contribute to society? These were the urgent questions that weighed on managers' minds, sometimes publicly, sometimes not. Addressing these questions constituted a core leadership challenge for Charles Parry and his team.

In one discussion, a middle manager remarked that Alcoa was decentralizing so much that he wouldn't be surprised if the janitor became his own business unit. Humor aside, it struck me that this comment signaled this man's deep fear that decentralization threatened the integrity of the enterprise. He simply wasn't prepared for the disassembling of an institution that had, as he put it, "gotten rich" by focusing its collective efforts on increasing the productivity of customers and society for over a hundred years.

As I discovered in the course of conducting interviews, Identica had been engaged in part because a number of executives feared that when the dust had settled—after the company had been fully decentralized—there would be little left that one could actually call Alcoa. The need for identity had become an unofficial agenda item for management.

In many ways, Alcoa was an early adopter of the elixir we refer to today as "change." But it came at a cost that intensified the need to understand identity from the outset. I found that change, for all its inherent business logic, had become an agent of uncertainty, rather than of confidence, in the company's future. Anxiety about decentralization and diversification gnawed relentlessly at the foundation of what Alcoa was supposedly all about: taking aluminum in its rawest form and turning it into material that makes it easier and safer for people to live their lives.

Internally, the uncertainty that change fostered had reached the point where any consensus around corporate mission had evaporated—this in a company that had thrived for over a century on the strength of one mission: *to be the best aluminum company in the world.*

One thing that became crystal clear to me through my involvement with Alcoa is that no company that aspires to lead its market or its industry can hope to do so without a mission that binds the welfare of the institution to the welfare of society in some concrete and material way. A company's identity at once supplies and explains that bond.

Forging and communicating this bond is what fires employees' passion to succeed in good times and bad and lends meaning to their work that far transcends money alone. I realized that if Charles Parry was going to succeed in selling his organization on the merits of diversification, he would have to make this connection clear.

For all the passion that fueled Alcoa's long-standing mission, it simply didn't pass this crucial test. Being "the best aluminum company in the world" didn't go far enough; it failed to articulate Alcoa's impact on customers and society. As a result, it left employees without an anchor to steady them as they faced a sea of change.

The "I" Emerges

Alcoa was more than a business; it was a dynamic, complex being that defied simple explanations of what made it special. As I made my way through the company, it was easy to get lost in the thicket of diversification, technologies, operations, customer relationships, corporate history, and culture that were the most obvious elements of its strategy, infrastructure, and organization.

If there was any way to discern Alcoa's identity, it was to slice through these familiar business markers and answer a key question: If you strip away what the organization makes and sells (in this case aluminum), and if you regard the 55,000 employees as one individual, then what is it that this particular "individual" is really good at? What are the unique skills, expertise, and talents that that individual has honed over the past hundred years?

It was a question deliberately designed to reveal how Alcoa created value, *proprietary value*. As much as it was a "business" question, however, its power was drawn from the strength of how we, as human beings, operate.

As I have learned through personal experience and by observing others, an individual's identity—the unique characteristics that make each of us special—is the source of the value we are capable of creating in our respective worlds. This is evident whether we measure our contribution in terms of the health of our business, the strength of our family, or the welfare of our community. The same holds true for organizations.

A company's identity is the source of the value *it* is capable of creating in its world. Value creation is where business and life converge. It is the "way in" to the realm of identity, the path to knowing who we really are, and what we truly stand for. For this reason, I have come to rely totally on understanding the dynamics of value creation as the foundation for discovering identity. The challenge is to find the patterns, recurrences, similarities in how the organization works that reveal the story of value creation.

Beyond Aluminum

Identity can be elusive, the process of discovery subtle. As I noted earlier, certain steps are routine: conducting in-depth interviews with internal and external constituencies, performing content analysis of corporate and marketing literature, between-the-lines readings of executive speeches, and probing reviews of corporate history.

I have also found that there is often a step that needs to be taken that isn't always obvious at the beginning. In Alcoa's case, that step was a close analysis of three functions that were at the center of Alcoa's value creation process: research and development, engineering, and sales and marketing. I reasoned that if I could clarify and then link together the particular contributions of each of these functions, a clearer picture of the whole might emerge.

My assessment of these three key functions was revealing. R&D's contribution came in the form of new materials—what amounted to new building blocks that Alcoa could use to shape its future. For all its sophistication, the R&D process contained its own alchemy, not unlike the original Hall Process. It focused on the process of separation, taking apart existing materials to create new ones—among them membranes—and new adsorption technologies. R&D worked with ceramics, including powder processing, carbo-thermics, and plasma. The development of new alloys, such as aluminum lithium, magnesium lithium, and the company-branded Alcoa Alloy 6009, were research priorities, as was the creation of composites, such as Arall 1. The process of creation was alive and well within Alcoa's research and development function.

The effects of engineering were readily apparent. Alcoa's deep engineering skills had contributed inestimably to the design and production of new industrial, commercial, defense, and consumer products. These included airplanes, conductor cable, automobiles, bridge decks, packages, armor plate, chip housings, and even home siding and cookware.

The products themselves, however, didn't tell the whole story. If there was magic at Alcoa—and in many ways there was—it existed within the engineering discipline. As I studied this vital function, I felt compelled to take a look at the literal meaning of engineering; I needed to know more. What I learned illuminated the significance of this function and the importance of keeping it intact. According to *Webster's*, engineering is "an applied science concerned with utilizing inorganic products of earth, properties of matter, sources in nature, and physical forces for supplying human needs in the form of structures, machines, manufactured products, precision instruments and industrial organization. It is the means of lighting, heating, refrigeration, communications, transportation, sanitation and public safety and other productive work." Not *a* means of doing these things, *the* means. Engineering was Alcoa's center of gravity. Its definition revealed the company's connection with society.

Alcoa was also very good at marketing and sales. As a consequence of the organization's long-standing regard for the societal, as well as the economic, value of aluminum, Alcoa managers had turned customer education and conversion into art forms. The genesis of this vital skill could be traced back to the roots of the company.

As part of my analysis, I read the book *Alcoa: An American Enterprise*. It was the company's official history, and it contained numerous lines that revealed Alcoa's early commitment to, and success at, marketing in the broadest sense:

> *Nobody wanted the new metal in the beginning. . . . Alcoa had to pioneer the new uses.*
>
> *Making satisfactory tubing at a reasonable cost proved to be a long and tedious process. A market acceptance had to be created at the same time.*

The company had to go into the manufacture of sheet, cable, extruded and forged shapes, wire, rod, bar, castings, foil, powder and paste, and screw machine products.

It had to go even further into the manufacture of cooking utensils, bottle caps, and aluminum furniture.

It is revealing today, in this time we refer to as the knowledge age or the information age, to look back at the dynamics of Alcoa's marketing and sales process. In many ways, Alcoa managers and employees had already figured it out: They built customer support by effectively "packaging" knowledge as a means of establishing authority in a field (aluminum). They did this by developing an exhaustive library of customer education materials that, as was evident in visits to customers' offices, dominated the book shelves—and therefore the minds—of these vital individuals.

Cracking the code of Alcoa's identity was like putting together a thousand-piece jigsaw puzzle; all of the pieces were there, but how they fit together was not at all obvious. It wasn't until nearly the end of my analysis that the pieces came together into a unified, logical picture of the whole.

I was in the middle of an employee focus group in Pittsburgh. A product manager in the packaging division kept harping on technology. With unusual intensity, he stressed that Alcoa had always been "good at" technology, but now, with all this attention devoted to change and the planned dispersing of its centralized engineering function, he feared that the company's technological skills, developed largely around aluminum applications, would be left behind.

These words triggered a crucial insight for me. *Change*, I thought. Change had taken on a negative aura for many people, who saw it as a threat to the identity of Alcoa as they had come to understand it: simply as an aluminum company. But change actually represented the greatest clue of all in unearthing the identity of the corporation. I revisited the evaluation I had just completed of Alcoa's R&D, engineering, and sales and marketing functions, making connections among technical innovation, product development, and customer conversion. What I realized was that the sum of the effects of these functions held the seeds of Alcoa's identity.

What distinguished Alcoa as a business institution—aluminum just happened to be the metal involved—was its *genius for transformation*. Not transformation in the popular sense of corporate change, but transformation as a comprehensive applied "science" that, as I soon understood, included four interdependent stages: *technological transformation, product transformation, market transformation, and societal transformation.* Alcoa, *the individual*, was driven by its singular ability to manage the process of transformation as a discrete technology that explained how the company created value for its customers, value for society, and, in return, wealth for its shareholders (Exhibit one).

The pieces of the identity puzzle fell into place. How the various stages of transformation worked and the results they produced were fast becoming self-evident. In each instance, small, seemingly innocuous phrases I had picked up in the course of our interviews over the past three months suddenly took on new meaning.

- *Technological transformation* was prescribed by Alcoa's robust research operations and the discoveries and innovations they yielded. One of the widely accepted expressions I recall from my discussions with employees was that Alcoa had a "zest for experimentation." Within the context of technological transformation, the significance of this simple phrase was now clear.

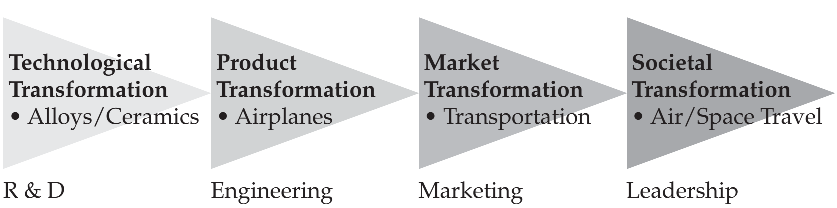
- *Product transformation* was about liberation through engineering. It was about infusing into otherwise inert materials motion, speed, kinetic properties, and almost boundless malleability. As I put this piece of the identity puzzle into place, I remembered the words of one of Alcoa's largest industrial customers, who, as I was leaving his office, remarked, "Alcoa likes to turn rocks into rockets."

- *Market transformation* was a natural offshoot of Alcoa's skill at product transformation. The process was a science in its own right. It worked like this: Alcoa would envision a new application for aluminum, acquaint the customer with its infinite benefits, and persuade the customer to try it. This invariably led to substitution. The results have manifested themselves in markets great and small, glamorous and humble. Consider the shift from airplanes wrapped in fabric to those clothed in aluminum, from wood siding to aluminum siding, from steel beverage cans to aluminum ones. Commenting to me in an early interview, a commercial customer made it clear that the more he and his company knew about aluminum, the better off their business was. Reflecting on his relationship with Alcoa, he said, "Alcoa educates you to pieces."

- *Societal transformation* worked as follows: On the strength of having invented or expanded a given market, people adopted and accepted new ways of living and doing business. Most often, the large-scale changes Alcoa inspired had a universal impact, setting new standards and opening opportunities for virtually everyone. The gradual, steady shift from railroads to air transportation is a prime example. Alcoa's efforts produced shorter travel times and enabled people to get to places that had been unreachable before. Societal transformation was the desired result for Alcoa; it was the end game. In the words of one customer, "Alcoa had made aluminum a catalyst of change for America."

Alcoa's enormous impact on society had crystallized for me a vital fact: *value flows upstream.* No matter where a company is in the value chain—whether it is a provider of raw materials, a fabricator or manufacturer, a distributor or service organization—its identity draws its strength from the contribution it makes to the life and well-being of the

EXHIBIT ONE



Value Creation Path

end-user. Understanding and investing in this relationship, no matter how far removed the company may see itself from the end-user, is the only way to ensure the on-going relevance and growth of the enterprise.

From this vantage point, the headwaters of value creation aren't at the point of raw materials sourcing and production, or engineering and manufacturing; they rest with society, which is where human needs and desires are born. It is only in working its way back "upstream," and comprehending its distinctive contribution to society, that a company can come to know and capitalize on its true potential for value creation.

For Alcoa, aluminum amounted to a metal prism through which the company passed its extraordinary beam of light—its genius for transformation—in an effort to create value in forms that only it was capable of delivering. All of Alcoa—its past, present, and future, its successes and failures, its investment decisions, its culture and operating priorities—could be better understood in light of its identity. Understanding that identity brought into sharp relief the value-creating capacities of the corporation that had remained hidden before.

Most striking of all was how Alcoa's genius for transformation operated independent of current management. In many ways, it even stood apart from the 55,000 employees who at that time populated the company. The identity of Alcoa, as I saw it, was not a product of the moment, of its current CEO, or even of the past several years. It had formed generations earlier, deepening and becoming more complex with time.

It was the discovery of Alcoa's genius for transformation that led me to see that this company was literally alive—a self-directing being with a mind of its own. What other conclusion could be drawn when the evidence pointed to a 100-year history, along with current events, which could be explained so completely by a single statement of fact? In that moment I realized, as I had sensed in my work with other companies before, that no organization, no corporate *being,* could exhibit such a unique, all-encompassing capacity and *not* be alive in its own right.

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Impossible as it may be to prove scientifically, I have found that all organizations contain a palpable life force that is born of, yet stands apart from, the employees who people it over time. Indirectly, psychoanalyst Carl Jung alludes to this "life force" in terms of the collective unconscious. Jung describes the collective unconscious as "an echo of the sum of experience accessible to all humans, that manifests itself through archetypes or patterns of expression, that acquire strength through repetition." *Strength through repetition*. In business circles, this life force and the strength it contains are implied routinely in references to institutional knowledge and institutional memory.

That organizations are living, self-directing beings is a phenomenon of nature that contains its own common-sense logic: Putting together two or more human beings to achieve a common goal (build a business, make money, solve a problem) necessarily yields something larger in terms of mind and spirit than a mere collection of individuals. For example, William Hewlett and David Packard gave birth to Hewlett-Packard, an institution with a distinct sense of identity that is both the long shadow of its founders and unique in its own right.

The particular capacities that define the identities of different people blend, fuse, and deepen over time into an identity all their own, the identity of the organization. Like the human beings whose special needs, drive, and talent fueled the company initially, the organization—*the corporate being*—seeks to follow its own path in order to realize its innate potential. The dynamics of the human being and the dynamics of an organization are one and the same. Physical, mental, and emotional capacities define individuality in one, just as in the other.

But what does this mean about the uniqueness of the people who are part of the company? Does their individuality simply disappear in the shadow of the enterprise? On the contrary. A corporation's identity *affirms* the uniqueness of all the human beings who are, have been, or will be the fabric of the organization. How is this so? Organizations are self-selecting beings, keeping some people while rejecting others. What the organization is "selecting" are those people whose unique characteristics add weight and depth to its own. Corporate identity celebrates individual identity. When people are aligned with the right organization, they are liberated to be who they naturally are.

In conceiving of Alcoa as an individual, I was able to "read" the organization in terms of its particular physical, mental, and emotional capacities. Its physical composition, for instance, showed in the company's powerful mining, smelting, and refining operations, as well as in its many other facilities and overall infrastructure. Its mental, or cognitive vigor was manifest in the managers' intellectual creativity, which had spawned the ideas and initiatives that were driving diversification. The Hall Process and Alcoa's renowned engineering competence also stood as examples of the company's cognitive strengths. Alcoa's emotional drive was readily visible on a number of levels: a passion for aluminum that employees defended with religious fervor when faced with the prospect of diversification beyond aluminum, and employees' unfettered pride in the contribution the company had made not only to its customers but also, through them, to society at large.

Toward the end of the time in which I worked with Alcoa, Paul O'Neill replaced Charles Parry as CEO. His first action was to reestablish the company's commitment to aluminum. Diversification, coupled with decentralization, was putting undue pressure on the enterprise both financially and in terms of morale. From where I sat, these two paths were getting in the way of the institution's ability to lead in the marketplace, as it had for a century.

In hindsight, it is clear that Parry's drive to diversify held great promise. It had the potential to open up avenues of growth through materials science that were natural extensions of the company's innate genius for transformation, irrespective of the material at hand. In many ways, Alcoa's identity had the potential to provide the company's leadership with a roadmap for diversification. *Alcoa is alive. What are the unique characteristics that shape its identity? What is the value-creating potential inherent in this identity? What opportunities exist to realize this potential—in effect, to live in accordance with identity?* In its own way, Paul O'Neill's decision to recommit the company to aluminum acknowledged Alcoa's identity, but in far different terms: It affirmed the roots from which that identity was born.

Since 1987, Alcoa has done well. Revenues have nearly doubled, from $7.7 billion to $13.3 billion ten years later. Net income has quadrupled over the same period, growing from $200 million to over $800 million. I remain convinced, however, that this performance could have been even better, not simply in financial terms, but also in terms of Alcoa's capacity to create even greater value for society and to grow profitably as a result.

A VIEW TO LEADERSHIP

The assignment with Alcoa was a milestone that served to confirm for me the existence of identity and its profound effect on the life and welfare of organizations. I had begun to sense that certain features characterized companies like Alcoa—companies I instinctively thought of as leaders. I needed to know exactly what those features were. If I was able to discern them, they would, I felt, supply important clues about the nature of leadership.

As I went through the process of articulating these traits, I reviewed the twenty-plus corporations I had served over the past several years, trying to figure out what, if anything, they had in common. It was easily a six-month process. Finally, I homed in on three areas that seemed to capture what I had observed. The first had something to do with how well synchronized an organization was. The second area was related to how comfortable a company seemed to be with its basic or core business and how all of the parts contributed to the whole. The third area involved longevity and maturity—had the company survived crises and come out intact, if not stronger? Shortly after identifying these three general areas, I distilled each into what I saw were the features I had only sensed months earlier.

The features I detected were these. First, there was what I term *grand efficiency*. Not efficiency in operations alone, but the efficiency that comes with all parts of the enterprise working in sync. The second feature was *integrity,* in the sense of wholeness or completeness, that allows for business diversity while reinforcing the economic and social value of the institution. The third feature I discerned among these leading organizations was *endurance*. In wrestling over the years with identity issues, I had recognized that one of the chief tasks managers face is helping their companies perform while positioning them to endure over time. This fact led me to see the unique challenge—moreover, the unique opportunity—that companies have:

Unlike people, organizations face the very real prospect of enduring in perpetuity.

How these three features—grand efficiency, integrity, and endurance—coincide with organizations such as Alcoa kept running through my mind, leading me to recall an earlier conversation with Dick Fischer. In that conversation we discussed the many ramifications of Alcoa's identity—how, as Dick suggested, it constituted an "authentic" leadership platform for top management, or, possibly, a way of selling employees on change by easing the perceived threat to Alcoa's heritage. Dick commented, in passing, that the whole of Alcoa was certainly greater than the sum of its parts. Of course, I was reminded of my intense curiosity about that expression some eighteen months earlier, as Identica was opening its doors. It was now clear what "the whole" referred to.

One of the most potent concepts in business today is whole-system thinking. It refers to taking a comprehensive view of an organization, looking at it, and (more important) managing it in an integrated way. Its people, infrastructure, financial resources, business units and even the intellectual capital that weaves throughout—all are integral parts of the enterprise.

As useful as this concept is as an approach to management, I am convinced that whole-system thinking is better comprehended as whole-*being* thinking, as looking upon the organization as an individual alive in its own right. This distinction enlarges the landscape for understanding corporations and prescribing a course of action that maximizes their leadership potential.

If there is a first step in this regard, it is for managers to acknowledge that the life of their institution, as expressed by its identity, is an independent force. To date, I have found a handful of people—senior executives as well as rank-and-file employees—who have accepted this core tenet of the first Law of Identity. In so doing, they have found a new way of approaching the business of general management.

For instance, the Law of Being suggests that the things companies do on a day-to-day basis—from making investment decisions to performing routine activities such as customer calls, sales force communications, and training and development—are actually, or *should* be, the operational manifestations of *who* the company is, as defined by its identity.

Another corollary of the Law of Being is that attempts to change culture aren't always the answer to business challenges such as ensuring the success of mergers and acquisitions. Why not? Because when it comes to fundamental change—or the failure to change—culture is governed by identity, and you can't alter the effect without knowing the cause.

In 1987, the culture of Alcoa was evident in how employees behaved when confronted with the prospect of trading aluminum for other, "foreign" materials, such as ceramics and polymers. They resisted hard and many were suspicious of diversification. Their reactions showed just how much they valued aluminum as a metal that had changed the world and made money for investors in the process. It was clear that Alcoans placed a high value on such things as innovation and invention, sustained customer relationships, and societal contribution. As I observed, however, they also put a premium on tradition, often for its own sake, and on painstaking, methodical processes that sometimes seemed to have a paralyzing effect on decision making.

Although the former values were admirable, the latter, I believed, were legitimate candidates for modification, because they limited both the company's vision and its capacity for rapid response. Given the right approach, the right incentives, and adequate time, any or all of the values that framed this culture might have been "changed." But refining and improving Alcoa's culture would not alter the corporation's identity, which had given rise to that culture in the first place.

The answer to meeting business challenges such as mergers and acquisitions doesn't automatically lie in changing corporate culture. Often, the key is to understand the underlying identities of the parties involved and assess the natural compatibility of the identities of these two corporate beings *before* taking steps to alter employee attitudes and behaviors, which are a by-product of identity.

In bringing to light the fact that all companies are alive, the Law of Being implies that this life can be described in ways that illuminate its value on multiple levels which, taken together, begin to suggest a framework for leadership:

- Its *human value,* in that this life derives from the thousands of people who make up the organization over time and, thus, is a true reflection of the organization's unique skills and expertise. For example, identity can be used to address employees' fear of change as long as that change is consonant with, and cast legitimately within the context of, identity. In Alcoa's case, Charles Parry might have explained diversification as follows: "Our genius for transformation distinguishes this company and has done so for a century. That is the nature of this institution; we are driven to transform things: products, markets, society. Aluminum was the genesis of our great talent, but it is not what makes us great. Our genius for transformation transcends the metal—and our decision to diversify is made in view of this reality. The avenues we pursue will, I assure you, be wholly in keeping with our identity."
- Its *business value,* in terms of the company's distinctive contribution in the marketplace, such as products and services that flow from and reinforce identity, or joint ventures that build upon the unique, value-creating characteristics of the partners.
- Its *societal value,* in relation to how this life force brings about social improvement, such as Alcoa's impact on transportation, energy, and food preservation.
- Its *economic value,* in terms of how the combined effects of this life are reflected in its basic financial worth, including stock price performance over time and portfolio turnover.

For managers, not to follow this first Law of Identity, the Law of Being, is to limit their companies' best efforts at value creation, for doing so ignores the innate strengths of the institution and the path they suggest. Can the designated leader—the CEO, the division head—set direction at will? Certainly, he or she can try. If such leaders are fortunate, the course they lay out will be consistent with the identity of the enterprise. But, if it isn't, the chances of success are slim. The institution seeks to lead itself. The identity of the organization is a greater, more potent force than any one individual. It knows its own potential.

All of us also have the capacity to know our own potential—to *live* rather than merely exist. It is impossible for me now to consider these four levels of value and not consider my own life within the context they provide. This first Law of Identity, and the "life" it refers to, belongs as much to me and to all individuals as it does to business organizations. Within the framework of the Law of Being, the human value of my life is measured at once by my family lineage and by my own unique capacities as an individual.

What I *do* with these special capacities is evident in the business value I create for my clients and in the social value I produce in my role as a member of my community.

Just as it does for companies, the economic value of my life provides a useful way to gauge the financial worth of how well I apply my unique strengths. At times, I have felt fairly compensated for what I do. At other times, I have felt underappreciated financially. Rather than feeling cheated, however, I have come to take that feeling as a sign that I'm not being everything I can be; in an economic sense, as in every other way, my "success" is my own responsibility.

The Law of Being demands that managers practice the art and science of value creation on all of these levels—human, business, societal, economic. Doing so calls for leaders who *liberate* identity, stewarding it and giving it room to run. The first task of all managers, then, is to understand the identity of their organization, for that identity contains the answers to questions about value creation that are impossible to find by analyzing such conventional business factors as market growth, customer attitudes, operational strengths, and technological change. Once that identity is clear, it is everyone's job to exploit these factors in ways that *serve* identity so they will become natural allies in the continual process of profitable growth through institutional achievement.

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