

The Open University of Hong Kong Alumni Homecoming Lecture
“Qualities of Leadership – a Personal Insight”
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Good afternoon ladies and gentlemen,

Thank you for attending to this Homecoming lecture. Let me say that it is not really a lecture but an informal discussion of my insights into the qualities of leadership.

My Career

Let me begin by giving you some background of myself so that you can appreciate the context of some of the comments I am going to make. I qualified as a chartered accountant in England back in 1969 and returned to HK to join Peat Marwick (now known as KPMG). I was admitted as a Partner in the firm in 1974. I was elected Chairman and CEO in 1996 and retired in 2003. I therefore spent my entire working life with one single firm.

KPMG is a partnership. In case you are not familiar with what a partnership is let me explain. In a partnership, the owners and the key executives are the partners. To become a partner in a partnership such as KPMG, you have to be invited by the existing partners to join them. Persons are invited to join the partnership based on their potential contribution to the firm’s business. All partners are in many respects equal, but some are more equal than others. The partners elect amongst themselves a leader with the title of Senior Partner or Chairman to head the firm.

In addition to my role as Chairman and CEO of KPMG, I held a number of leadership positions in the past 20 years. These included Captain of the Royal Hong Kong Golf Club, President of the Hong Kong Society of Accountants, Chairman of the General Committee of the Hong Kong Philharmonic Society, Chairman of the Estate Agents Authority, Chairman of the Listing Committee of the Stock Exchange. However, my talk will mainly be about the experience I gained whilst I was Chairman of KPMG.

10 Most Important Leadership Qualities

Although a good leader needs to have many qualities, in my opinion there are 10 qualities, which are the most important.

1. To Lead and make difficult decisions

The most important quality of a leader is to lead. This may sound simple but in reality many people in leadership positions fail to lead. Before I took over the job as Chairman, I thought that the firm had been doing OK for so many years; all I needed to do was to follow what was done before. This was clearly not the correct.

The world is constantly changing and any business needs to move with the times or risk losing ground. To lead means to make difficult decisions. These decisions include setting your own agenda for the organization such as determining its core values and setting its strategic direction. I shall talk more about strategy setting later. Other decisions also include making tough decisions on professional, business and personnel matters. The saying “the buck stops here” really rings true. A crises situation offers an opportunity for a good leader to show his qualities. A case in point was the September 11 attack on the World Trade Center in New York. That incident enabled the New York Mayor Rudy Giuliani and the US President George Bush to distinguish themselves by making tough decisions.

No leader makes the right decision every time but a good leader is not afraid to make decisions because he is not afraid to reverse his decision and take remedial action where necessary. A bad leader is one who shies away from making decisions and simply wait for things to happen. Whilst it is not good for a leader to dwell on a problem at length and not make a timely decision, there is however a danger of making decision in haste without careful and thorough consideration.

I am reminded of a lesson I learnt from one of my former Senior Partners about our profession. He says that a client often imposes unreasonable deadlines on us, telling us that we must sign off on the audit report in the next 10 minutes. However, if you rush your decision and sign an audit opinion in error, you will have plenty of time to agonize over it, as you will be spending the next 10 years dealing with the resulting litigation.

2. To set the strategy of the organization

Secondly, a leader is expected to set the strategy for the organization. What is strategy? Strategy means making a choice about different alternatives. Whilst we all want the perfect strategy that offers only rewards and no risks, unfortunately no such strategy exists in the real world.

Every strategy offers rewards but have risks. A leader has to make a choice between different alternative strategies. Let me illustrate this with an actual example. For many years, KPMG adopted a strategy of quality and integrity as its motto. As a result certain clients who value these attributes are attracted to KPMG. On the other hand, other clients have shied away as they believe that KPMG might be less accommodating to their wishes. So, there are gains and losses associated with this strategy. By way of contrast, an alternative strategy adopted by another accounting firm is profit maximization. This strategy resulted in their dominance in a particular segment of the market, but exposes them to a higher level of risks.

How does a good leader choose the right strategy for his organization? A good leader must develop a thorough analysis of the **strengths**, **weaknesses**, **opportunities** and **threats** of the organization. He must evaluate carefully the pros and cons of each alternative strategy. He should also consider the short-term as well as the long-term impact of each option. What I cannot over emphasis is that a leader must adopt a strategy for his organization. He cannot simply copy others.

3. Be able to communicate effectively

Thirdly, a key attribute of a good leader is to be able to communicate internally and externally. He must maintain a high level of visibility.

Internally, the leader must communicate his strategy and vision to every member of the firm. This communication starts with the next layer of management who must be able to deliver a uniform and consistent message to every part of the firm. Internal communication however should ideally be done directly to all members of the firm and not done by proxy. This can be achieved by various means including addresses at annual meetings and conferences, recorded voice messages, written memos or published articles in internal magazines.

Externally, the leader is the face of the organization and must project a positive image for the organization. He should act as the spokesman on important issues for the organization.

4. To be able to build a good team

Fourthly, having set the strategy and communicate it to everyone in the organization, the next challenge is to implement the strategy. A leader cannot do so single handedly and must rely on others to help him. Hence, he needs to build a strong team of implementers with different but complimentary skills.

I have often characterized the different skills needed to run a successful business to that of a football team. You cannot build a world-class football team with 11 David Beckhams. You will need strikers, mid field players, defenders and goalkeepers to make a good football team. Likewise, you need salesman, managers, technical experts as well as solid workers to make the business a success. A leader's challenge is to recognize and promote persons with exceptional ability to join the team.

In KPMG as in other accounting firms, an offer of a partnership is often the incentive to attract and retain talents. However, when you have a team of talented people working together, you cannot avoid internal rivalry. Part of the leader's job is to keep everyone motivated and working in harmony. Whilst I was very fortunate to have a team of exceptionally talented partners working for me at KPMG, I have to confess that a significant part of my time as Chairman or Senior Partner was to deal with issues between my fellow partners.

5. To be able delegate

Fifthly, you must learn to delegate. Having appointed a strong team to assist you to implement your strategy, you must resist the temptation to check on them over every decision made by them. If you micro manage and question every detail decision made by your sub-ordinates, you defeat the benefit of delegation. This is because this behavior is very demoralizing on your subordinates. In the end, you finish up doing everything yourself. You must let them to do the job and not stand over their shoulders all the time.

However, delegation does not mean abdication. At the end of the day, you are responsible to the stakeholders for the results. You cannot hide behind the fact that one of your subordinates screwed up. A good leader should therefore devote his efforts to monitor the key performing indicators of his subordinates and not get involved in matters, which are not critical to the results. A friend of mine has a good analogy for this. If you are a captain of a ship and one of your crew members makes a hole on the side of the ship so that water is coming into the ship, you should not interfere if the hole is above the water line. This is because the mistake would not be fatal. You should only get involved if the hole is below the water line and poses critical danger to the ship.

6. To promote accountability

My next point concerns accountability. A good leader should promote accountability throughout the organization. He should begin by making himself accountable for his own actions. He should set himself challenging goals and be prepared to measure his results by reference to those goals. Having set an example, he should make every member of the firm accountable for the areas under their responsibility. This is particularly important in a partnership where equity between partners is the key to the firm's well being.

In order to have accountability, you must have a meaningful, reliable, and robust Management Information System, which produces timely information about the performance of the business. I am a strong believer that without such a system, not only are you unable to promote accountability, I would go as far as to say that you cannot run a business. During my tenure as Chairman of KPMG, I devoted a lot of attention to develop the firm's MIS. As all my partners received a detailed account of the performance of each and every part of the firm's business, one of unexpected benefits of the MIS system was the peer pressure generated on those responsible for the under performing business units.

However, in a partnership, accountability is a double edge sword. Too little accountability results in complacency and sloppiness. Too much emphasis on accountability could result in internal conflicts and rivalry with resulting damage to teamwork. It is therefore necessary to strike the right balance.

7. Reward good performance and deal with non-performance

Next, reward and punishment. You would have thought that a boss's pleasant duty is to hand out bonuses to reward good results and the tough part is to dish out punishment for poor performance. This is partly true. Dishing out punishment for poor performance is not a pleasant task but is absolutely vital. However, handing out rewards for good results is in fact far more difficult. In a corporation, the money for bonuses comes from the shareholders. However, in a partnership, as the partners share in the profits of the firm, any extra allocation to one partner by way of bonus means a corresponding reduction in profit share for the remaining partners.

Also, performance measurement should not be based solely on bottom line results. Other qualitative criteria should also be considered. However, this process would become rather subjective and lacking in transparency. I have to confess that rewarding good performance is one area that I did not score too well in my tenure as Chairman of KPMG.

8. To groom your successor

Every leader must recognize the fact that their tenure at the top has to end some time. Hence, one of the key jobs for the leader is to groom a successor and to effect a smooth transfer of power and responsibility at the appropriate time. I have seen examples of leaders who overstay their welcome; they made no succession planning; as a result, the transition is often painful and detrimental to the interest and well being of the firm.

Succession planning involves identification of a number of potential candidates for the role. This may involve external recruitment if there are no suitable candidates within the firm. A good leader should share his vision and goals with the potential successors, help them with areas, which require improvement and set a good example for them to follow. In some organizations, a leader has the ability to nominate his successor. This is not the case in KPMG where the continuing partners elect the next leader. Nevertheless, a good leader should ensure that the election for his successor is properly handled.

9. To develop good listening skills

Next, a good leader must develop good listening skills. As a leader, you are being asked to make decisions all the time. Good decision making requires knowledge and information. You should of course attempt to acquire the required knowledge from a reliable source independently as far as possible.

However, in reality, much of the decision is made based on information supplied by your subordinates often orally. A good leader must have patience to listen even when he thinks that he already know the answer. Failure to pay attention often results in omission of important facts before decisions are made. This often results in less than the optimum decision to the detriment of the firm.

10. Attention to detail

Finally, one of the earliest lesson I learnt when I became a manager many years ago was to pay attention to detail. This may seem to detract from my early advice that a good leader should delegate and not to micro manage. This is not so. There is an old saying that "the devil is in the detail". For example, I know that as part of the training for hotel managers, trainees have to learn every facet of a hotel's operation, including cleaning the toilets in hotel rooms. This enables them to understand intimately the hotel's operations. Another example is that when the Chief executive of the Airport Authority walks round the airport, he picks up garbage from the floor if he finds any. This sets a good example for his staff to pay attention to every detail.

As for myself, as a trainee accountant, I was required to add up pages and pages of numbers without the aid of an abacus or a calculating machine. I must say that this skill has served me in good stead in later years as I can quickly add up numbers in any document presented to me for review.

Every good leader must be prepared to delve into the details of an area when he feels necessary to do so. This does not mean that he has to look into the details of every aspect of the organization. But if he notices something unusual, he must not hesitate to roll up his sleeve to dig into the detail.

Based on my own limited working experience, the above are the 10 most important qualities, which I feel a good leader should strive for in order to be successful.

To summarize, they are:

- To lead and make tough decisions
- To formulate the firm's strategy
- To communicate internally and externally
- To build a strong team with complimentary skills
- To delegate and not micro manage
- To promote accountability
- To reward and punish as appropriate
- To groom a successor
- To develop good listening skills
- To pay attention to detail when necessary.

I thank you for your attention and would welcome your questions and comments.

Thank You.