

How one CEO learned to fly

Boeing chief James McNerney has now made his mark at three major companies. **How?**

"Help others get better," he says.

NEW YORK (Fortune) – It's tough to find an executive who has delivered top performance across as wide a swath of business as Boeing CEO W. James McNerney. In a 19-year career at General Electric, he ran GE's Asian operations, its light bulb business and its jet engine business, among others – performing so well that he was a finalist to succeed CEO Jack Welch in late 2000. When he didn't get that job, 3M recruited him almost instantly to be CEO; the stock rose **34** percent on his watch. He left 3M to become Boeing's chief in mid-2005, and since then the stock is up **30** percent.

McNerney, 57, spoke recently with *Fortune's* Geoffrey Colvin about the importance of his father and Jack Welch, *how he helps people who work for him grow*, why he admires Steve Jobs and much else.

Most people in business and other fields develop for a while and then stop, but a small minority keep getting better for years. Are you conscious of continually trying to develop and improve?

I start with **people's growth**, my **own** growth included. *I don't start with the **company's** strategy or products.* I start with people's growth because I believe that if the people who are running and participating in a company grow, then the company's *growth will in many respects take care of itself.*

I have this idea in my mind – all of us get 15 percent better every year. Usually that means your ability to lead, and that's all about your ability to chart the course for [your employees], to inspire them to reach for performance – the values you bring to the job, with a focus on the courage to do the right thing. I tend to think about this in terms of helping others get better. I view myself as a **value-added** facilitator here more than as someone who's crashing through the waves on the bridge of a frigate.

What have you observed about those who grow and those who don't? Can you tell in advance who they'll be?

No, you can't always tell in advance. It generally gets down to a very personal level – openness to change, courage to change, hard work, and teamwork. What I do is figure out how to unlock that in people, because most people have that inside them. But they [often] get trapped in a **bureaucratic environment** where they've been beaten about the head and shoulders. That makes their job narrower and narrower, so they're **no longer connected to the company's mission** – they're just a cog in some manager's machine.

Do you come across people who think there are some abilities they just don't have in them – think they're simply not constituted to do certain things?

Leaders are people who do the right things.

Managers are people who do the things right. (Warren Bennis)

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That's a question I think about a lot. Where I've finally landed on that issue is this: The things you expect of people have to be so fundamental that they're independent of people's style, culture ... their function.

So when we talk about the ability to chart the course for yourself and the people you work with, to expect a lot and inspire people, to have the right values, to find a way and deliver results – these are pretty fundamental things. Whether you're an individual contributor in a lab in a far-off place or leading thousands of people in a major services organization, they all apply. And they're compatible with an individual's personality and background.

Before 3M and Boeing, you worked at three of the most famous management-development organizations in the world – Procter & Gamble, McKinsey and GE. Were you trying to put together experiences that would complement one another and make you a more complete business person?

I was conscious of it. I was fortunate to grow up at GE, where that automatically happens to people who are doing well. But if it had not happened to me, I would have raised my hand – because *you do need to see more than one thing*. It increases your ability to analogize when you see different situations, increases your self-confidence, your situational awareness.

What experiences from your past were most important in your development?

Being GE's Asia leader. I saw the company from the outside in. Jack [Welch] gave me no blueprint, just said, "Asia is the biggest opportunity we've got, and we're not doing much – go figure it out." Tremendously valuable. Another thing I would cite is just working for Welch. He was a hell of a leader – both tough and inspirational. The 3M experience was also a great experience – a group of great people who needed a rejuvenation. A pure leadership challenge.

Besides Welch, which people were most important in your development?

I was lucky to have a great dad. He was a professor and a business leader [CEO of Blue Cross Blue Shield Associations], and he had the Welch characteristic – fearlessness about change, fun with change. I tend to be inspired by pieces of people.

Look at Steve Jobs and his ability to commercialize innovation. That was the struggle at 3M – there's lots of innovation at the company, but how is it commercialized sustainably? That guy is the best I've known at that, and I have enormous respect for his ability to commercialize innovation.

Research finds that great performers in any field tended to receive a lot of early encouragement from their parents.

There was no question that in our house doing well, doing it the right way, school, sports – there was an expectation. One of the things I've taken away from that is that I'm unafraid to expect a fair amount from people. It makes them so much better – you're doing them a disservice if you don't.

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I think some of the saddest things in the world are when you don't expect enough from your children. All of sudden they're 21, and they have lower standards than if you'd taken a tougher, higher, bumpier road with them. I pulled that from my father. It probably made me, as my wife tells me, a little over-focused, a little insensitive, a little too goal-oriented, but that's part of the package.

People often draw parallels between sports and other fields. You were enthusiastic about sports – do you see those parallels?

No question, though it's almost trite to say it these days. My sports were team sports, ice hockey and baseball. The whole team dynamic is similar in business. Leadership is earned – the captain earns that role; it's not because he's the coach's son. These are all things we know, but in today's world it's not a bad idea to remind ourselves. When companies lose their way, they lose their way on these fundamental issues of leadership.

Continually pushing oneself to improve is difficult and even painful, and it's largely a mystery why some people do it and others don't. Have you any views about that?

That is such a great question. I do know that there's restlessness in some people. Go back to Welch. *What happened yesterday didn't matter*. What happens tomorrow is the only thing that matters, and that's an everyday occurrence.

I don't know if it comes from the toilet training, if your parents do expect a lot of you and you're always restlessly trying to grow and meet their expectations. That's a component. Another is that success and achievement can feed on themselves. It feels good to keep succeeding. It feels great to see the people you work with grow and achieve.

Maybe the ignition happens when you're younger, and then it feeds on itself. The next question is how you give it to people who weren't fortunate enough to have it given to them when they were young. It gets back to leadership attributes – **expect a lot, inspire people**, ask them to take the values that are important to them at home or at church and bring them to work.

Do those personal issues apply to a whole company?

Yes, institutionally, the ability to be agile enough is the gut issue in leading an organization today. You need a clear-eyed view of what's really happening in your marketplace and with your competition, of *what you're really good at* and **not good** at, which has probably changed over the past ten years.

How you lead people in a way that **makes them feel good** about that, because it means job dislocation – that's the gut issue. If you can develop a team with the personal characteristics we talked about, how does that get institutionalized? That's the leadership challenge we're wrestling with at Boeing, and we're bound and determined to get it right.

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