



## Ralph Shrader's Leadership Test: Is Anybody Following?

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Ralph Shrader, chairman and chief executive of Booz Allen Hamilton, would seem to have little in common with Mick Jagger, lead singer of the Rolling Stones. Shrader, besides being the head of a management consultancy, is a buttoned-down electrical engineer. Jagger, of course, is a strutting rock singer known for his protuberant lips and fast lifestyle.

But a study commissioned by McLean, Va.-based Booz Allen says the Stones represent enduring value. Shrader's firm is publishing the study, done by a team of academics, as part of its 90<sup>th</sup> birthday celebration. Among the enduring institutions it identifies are Oxford University, General Electric, Sony, the U.S. Constitution, the International Telecommunications Union, Dartmouth College, the Salvation Army, the Rockefeller Foundation and the Olympic Games. According to the academics, these institutions share the ability to innovate and adapt, leadership that balances stability and change, and a commitment to excellence.



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"Enduring value" was the theme of a talk that Shrader gave at Wharton in November. "The concept of enduring institutions intrigues us at Booz Allen Hamilton," he said. "I would like to challenge the contemporary thinking that something or someone has to be new to be good. We make a grave mistake when we look at the future with our backs to the past. The past is what brought us to where we are."

His message, Shrader added, is clearly relevant to today's business environment. "Some of the reasons for the corporate leadership problems we have seen over the last several years [have to do with] overemphasis on things that change and not enough on things that endure," he argued. Executives at companies such as Enron, Tyco and Adelphia certainly seemed more concerned about their company's quarterly results and their short-term compensation than about their companies' long-term viability and their shareholders' financial well being.

Likewise, the technology bubble of the late 1990s focused more on cashing in today than building companies for tomorrow, Shrader said. Even Booz Allen had trouble retaining staff and attracting new employees during the dot-com boom. Shrader recalled a talk he gave during that era at a business school where students in the audience were wearing T-shirts that said, "Will Work for Equity," a slogan that typified the get-rich-quick mentality of the time. "The go-go world of the dot-coms wasn't real, and the consequences weren't considered. The money wasn't real. It was funny money, the clichéd monopoly money. The numbers weren't real. There was dubious accounting and artificial earnings. And we encouraged it as a society because we hailed these people as heroes."

After the boom came the bust, and it has underscored the importance of continuity and respect for history, Shrader said. It has shown that "enduring leadership is good for institutions ... Consider the flipside, leadership turnover. Burger King is on its tenth CEO in 15 years. Disney, Coke and Smith Barney have recently had or are about to have changes at the top. Employees, investors and customers all share the stress of these kinds of changes."

Disney, for example, has been buffeted by controversy lately about the tenure of its CEO, Michael Eisner. Eisner narrowly missed being voted out at the company's annual meeting and is embroiled in a

court case over his hiring and subsequent firing of Michael Ovitz as his number two person. Disney's stock lost 11% of its value over the two years that ended Nov. 26, while the Dow Jones Total Market Index gained 33% over the same period.

In contrast, stakeholders in enduring firms aren't battered by these kinds of stresses. They know what their organizations stand for. A company of this type is "true to itself and its stakeholders," Shrader argued. "It is values-based and value-creating." Perhaps the strongest evidence in favor of Shrader's arguments is Booz Allen itself and his long tenure there. The consultancy -- which began in 1914, employs about 16,000 people and racks up \$2.7 billion a year in revenues -- has had seven chairmen during its 90 years.

## Values-based Leadership

Shrader grew up in Florida, the son of a U.S. Navy enlisted man, and earned his bachelor's degree in electrical engineering degree at the University of Pennsylvania in 1964. "I had never been north of Washington, D.C., until the day I first visited Penn." He later earned a doctorate in the same field at the University of Illinois. After working for RCA and Western Union, he joined Booz Allen "without really knowing what I was getting into," he said. He later led the firm's technology practice. In 1999, after more than two decades there, he became chairman. The board recently asked him to extend his six-year term for four more years, until 2009.

He told the Wharton students that his approach to the job was shaped partly by Jim O'Toole, a professor at the University of Southern California who is an expert on values-based leadership. "Jim caught my fancy with a lot of the theory behind this. As an engineer, I tend to be a pragmatist by nature." Through his conversations with O'Toole, Shrader concluded that "as a leader, you have to be absolutely relentless in your commitment to values ... Whenever you fall off the wagon, it is going to be noticed, and it compromises the integrity of the entire organization. I try every day to exemplify our values."

He also said that he had tried to build his leadership style around the examples of such enduring leaders as Mahatma Gandhi. "Gandhi said that the most important thing for any leader is to have followers. It's profound but simple. Leading is different from managing. Leaders are not self-created. Leaders are acknowledged by others. The only thing that really matters is, when you look back, [whether] anybody is following."

Winning that acknowledgement requires building trust through predictable decisions. "The most important thing is consistency," he noted. "People need to be able to count on your decision criteria. I have always tried to build trust, not impose trust. You can't impose it." Consistency in a leader may be even more important than raw intelligence. "If we gave an IQ test at Booz Allen, I wouldn't win and that doesn't bother me. What I bring is the ability to mold lots of things into a direction for the organization." If anything, establishing credibility as a leader is even tougher in a private partnership, such as Booz Allen, because it is easier for the leader to be held accountable, Shrader said. "The owners are my partners. Every day, I interact with the people who own my firm."

Not all of those interactions are pleasant, of course. When Shrader took over the technology practice, it wasn't growing at the rate the partners believed it should. "The leadership then was aimed at being a billion-dollar enterprise. In my mind, that was the wrong goal." Shrader began cutting the size of the practice, lopping off low-margin businesses. When he started, the practice had 50 partners. Four years later, despite substantial growth in its earnings, it still had only 50 partners, and 24 of them hadn't been there when he had begun his restructuring. "We had a fair and equitable process to accomplish those transitions. A number of those partners who departed remain personal friends of mine. I feel like that passes the test [of leadership]."

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