

EGO FREE LEADERSHIP

Ending the Unconscious Habits
That Hijack Your Business

BRANDON BLACK & SHAYNE HUGHES



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First Edition



To Aidan, Gabriel, Jeremi, Leah, and Trevor

*May you and your generation be inspired leaders of the future,
always seeking to bring out the best in others.*



CONTENTS

ix	PROLOGUE
	Ending the Unconscious Habits that Hijack Your Business
CHAPTER 1	THAT VOICE IN YOUR HEAD DOES MORE DAMAGE THAN YOU REALIZE
1	Our Preoccupation with Self-Worth
14	What Hijacks Our Behavior
20	Recognizing When We Are Triggered
CHAPTER 2	NO, IT'S NOT JUST YOUR PERSONALITY
31	We Learned to Behave This Way
38	What Matters More Than Our Ego
47	Correcting Our Behaviors Before They Happen
CHAPTER 3	WORKPLACE POLITICS ARE YOUR FAULT TOO
57	<i>My</i> Reactions Create <i>Our</i> Dysfunction
63	How and Why We Stop Trusting
70	The Us vs. Them Epidemic
75	The Dollar Cost of Cultural Breakdowns
CHAPTER 4	STOP PRETENDING YOU'RE NOT VULNERABLE
83	The Importance of Emotional Safety
91	The Power of Vulnerability and Empathy
96	How to Create a Safe Space

CHAPTER 5 YOU'RE NOT REALLY LISTENING, ARE YOU?

- 105 The Toxic Habit of Being Right
- 113 Reversing Downward Spirals
- 122 Creating Constructive Communication

CHAPTER 6 YOUR EGO LOVES AN ENEMY

- 131 The Destructive Effects of the "Offensive" Ego
- 140 Taking Back Our Creative Power

CHAPTER 7 WE CAN'T TALK ABOUT "THAT" (MEET AMY ANUK)

- 152 Our Egosystem's Biases and Blind Spots
- 159 Our Behavioral Patterns Shape the Course of Our Life
- 166 The "How" Makes the "What" Possible

CHAPTER 8 "THOSE" PEOPLE HAVE SOMETHING IMPORTANT TO TEACH YOU

- 177 Even the Boss Feels Powerless
- 183 Taking Responsibility for My Part, No Matter What
- 190 A Rock Can Change the Course of a River

CHAPTER 9 TELL ME AGAIN, WHAT GETS YOU UP IN THE MORNING?

- 203 The Inspiration of a Noble Goal
- 210 The Power of Commitment in the Face of Failure

CHAPTER 10 WHY IT ALL MATTERS

- 221 Working on Your Ego Is the Highest Act of Leadership
- 235 **ACKNOWLEDGMENTS**
- 239 **ABOUT THE AUTHORS**

PROLOGUE

ENDING THE UNCONSCIOUS HABITS THAT HIJACK YOUR BUSINESS

BRANDON

It's January 2005, and our company is under siege: Industry turbulence has sent costs soaring, and profits are drying up before our eyes. As Encore Capital's president and COO, I help devise our response to the crisis: Hire top-caliber key executives, start a new business vertical, acquire a company outside our core business, and open an overseas call center. We'll turn this ship around; we've done it before.

I pride myself on having a highly analytical, strategic mind while still being a people person. I know how to guide groups to the right decisions. I'm Brandon Black, age thirty-seven, and thanks to good timing, great mentors, and a lot of luck, my career path has largely been one success after another. I'm expected to replace our CEO when he retires in the fall. I'm ready.

Or so I thought.

By October 2005, when I became CEO of this publicly traded financial services company (Nasdaq: ECPG), the turnaround strategies were floundering. Our new business vertical was going sideways, our acquisition was a cultural and financial misfit, and our call center in India was struggling to get off the ground. Costs of new deals in our core business kept increasing. Our stock price had dropped 30 percent in the previous twelve months. I was rattled.

The shareholders were unhappy, and the board was questioning our decisions. I turned to my executive team for results, only to find that my high-caliber new hires were struggling to understand our complex business. Strategy meetings were constrained by people fighting for airtime or dismissing each other's ideas. When I met offline with my direct reports to focus on operational issues, they made excuses and pointed fingers.

Determined to succeed, even single-handedly, I went around them—only to confront entrenched silos. Instead of sharing resources and solving problems together, department heads fought over who called the shots, hadn't delivered results, or weren't suited to do their jobs.

I initially shrugged off these personality conflicts and turf wars. Similar dysfunctions plagued my previous employers, yet they still succeeded. Our major competitors can't be any better. A few wins and everybody will be fine.

But market conditions worsened, and the added stress pushed us further into our self-serving corners. Morale was at an all-time low.

Grasping at anything that could give me hope, I signed my executive team up for a series of leadership development seminars. I didn't need the help, but they certainly did.

That didn't change anything. In poker, they say if you can't find the mark, you're it. In leadership, if you look around and think everyone else is the problem, it means you're the problem. That was me. I first resisted the reality that key aspects of my leadership style were having a detrimental impact on my team. Then, finally, I committed to facing it. That decision fundamentally changed the trajectory of Encore.

Three years later, the financial crisis of 2008 decimated our industry. Ninety percent of our competitors went bankrupt or shuttered their operations. Encore Capital could easily have been one of them.

We weren't.

During the greatest recession since the 1930s, Encore thrived. Between 2009 and 2013, our revenues and profits increased 300 percent, operating costs declined 30 percent, and the stock price rose 1200 percent. How did we create this miracle?

Here's what we did *not* develop:

- A unique strategy—Every industry player was bidding on the same deals and building overseas call centers.
- A hidden source of revenue—Laws and regulations for our industry made innovation nearly impossible.
- A game-changing technology—Our industry-best analytics only heightened our awareness of how dire things were.
- A mercilessly reduced cost structure—We knew asking people to do more for less wasn't going to save us.

Instead, our competitive advantage came from recognizing and stopping the specific ways in which we were working *against* each other.

This awareness allowed us to take full advantage of the disrupted marketplace and unlock *hundreds of millions of dollars per year* of enhanced performance. Our journey is what inspired my leadership coach, Shayne Hughes, and I to write this book.

Encore's transformation began when I acknowledged the destructive elements of my own ego. I learned that my need to be right, coupled with a robust fear of failure, made me defensive and argumentative; unbeknownst to me, these tendencies had far-reaching negative impacts on my colleagues and the company. When I committed to change, I gave my executive team and other leaders in the company the opportunity to openly address their own ego-driven behaviors and skill gaps. We each examined how our distrust and our judgments were fueling the internal politics and divisions we blamed others for. And we stopped it.

A new foundation of trust allowed us to take quick, decisive action on Encore's most important priorities. We collaboratively solved problems such as how to create an international collection strategy, which no one thought was possible. We prioritized resources throughout the company as needed, and without drama, focusing on the initiatives that would have the greatest benefit.

Our cultural transformation didn't happen overnight with a series of quick fix solutions. Over the course of several years, we partnered with Shayne and Learning as Leadership to get at the root causes of our challenges—and eliminate them.

We learned a different way to lead and to support each other as we all elevated the company to unexpected levels of performance.

SHAYNE

My name is Shayne Hughes and I'm the president of Learning as Leadership. I've been an executive coach for twenty-five years, partnering with leaders to bring about culture change within their organizations. I am

grateful to Brandon for sharing his story because it allows us to explore a subject I care deeply about.

The politics, power struggles, and dysfunctional behavior Brandon faced in 2005 are nearly ubiquitous in organizations of all sizes. Blaming, avoiding conflict, overcontrolling, assuming ill intent—sometimes these behaviors are so constant we stop noticing. They are the air we breathe. Stress and conflict undermine employee satisfaction and engagement. In fact, a September 2015 Gallup Poll measured nationwide employee engagement levels at 31 percent—and that’s a peak for the past five years! Even more troubling, almost 20 percent of employees are actively *disengaged*.

It’s all the more aggravating that the solutions to this quagmire seem so obvious. Ask any group of employees to describe an ideal team or organizational culture, and they will tell you: supportive, transparent, authentic, collaborative, trusting. But inquire about their current company’s culture, and the list usually looks very different: competitive, political, territorial, untrusting, conflict averse.

If we all know the characteristics of a healthy team and organizational culture, why do egos and rivalries keep coming back? Are there ways to eliminate them? My company’s founders, my colleagues, and I are passionate about exposing the destructive effects of the ego—and releasing the boundless human energy and outcomes that are possible when we shed these unnecessary tendencies.

Dysfunction is so entrenched because it occurs automatically, whenever a person experiences stress or fear. Although unproductive reactions seem like personality traits, they are, in fact, learned, *very predictable*—and completely changeable. In understanding how anxiety about your value, competence, and well-being can hijack your behavior, you will discover the time-tested strategies that Encore employed to forge a healthy, creative, and high-performing organization.

Note, however, that we don't present any silver bullets in *Ego Free Leadership*. That's what Brandon initially wanted when he became Encore's CEO, and his efforts to hold his team accountable to more functional behaviors went in vain. Like most smart, self-aware, and highly successful executives, *Brandon underestimated how his own ego-driven dysfunctions created a team and organizational culture that virtually guaranteed broader dysfunction.*

Are you willing to look at this for yourself?

In the coming pages, Brandon will share his journey. You'll understand his fears and his team's challenges, and you'll watch him break through his limitations as a leader. He'll take the risk of revealing what we all think and feel but usually don't admit—sometimes, not even to ourselves. He'll take you on a wild ride, and together, he and I will help you understand the connection between individual leadership obstructions, cultural dysfunction, and business results.

Encore Capital collects distressed consumer debt. It isn't a glamorous job, but if no one does it, America's financial system grinds to a halt. *How* it is done, however, makes an invaluable difference in the lives of both consumers and employees. Encore's management team embraced that opportunity despite external skepticism about their motives. They created a culture in which imperfection, empathy, and growth were valued. They sought to heal rifts across departments, cultures, and genders. They encouraged people to care about the plight of their consumers.

In the process, they discovered that the upside business value of decreasing ego within an organization is not incremental, but exponential. It's the difference between 300 percent growth and bankruptcy.