



● 'Arrogant' American leadership will be watered down by the financial crisis

By: Cristina Muntean, 24. 11. 2008, Source: www.cbw.cz

The ongoing economic crisis didn't only call the alarm on the soundness of the international financial systems; it also called for a closer look at human values behind the leaders who ignited the downfall and who might now need to go through a thorough reshuffle of their managerial perspectives.

Greed, self-orientation and adrenaline hunger—these were the mental engines behind the financial play that is now dragging down economies worldwide. According to U.S.-based executive development trainer John Scherer, corporate boards also missed their roles by allowing themselves to be involved in nontransparent money-making plans. Yet, few people will be ultimately held accountable for the fall, as the crisis is just too big for authorities to understand and manage. However, hopes are connected to the incoming U.S. administration of President-elect Barack Obama, which should attempt to restore respect and trust in the American values, he said.

Scherer is the founder of the Scherer Leadership Center, an international consortium of consultants and leadership development specialists focused on developing the human spirit at work. The center operates in the U.S., Canada, Europe and the Pacific.

During a seminar in Prague organized by executive search consultancy Williams & Partner, Scherer talked about five key questions that can unleash human nature. One should wonder what challenge is facing us; what we bring to this challenge in terms of background, hopes, fears and tendencies; what moves us as human beings; and finally, what will unleash us to reach our target.

Every concept needs a leader, Scherer said. However, CEE leaders still have troubles stepping out their comfort zones and going for a real change. For Czech leaders, the real change would be going back to the Prague Spring values and August 1968 courage to stand in front of the Russian tanks for their vision and rights, he said.

The Scherer Leadership Center works with leaders in 18 countries worldwide. Some of the key clients include American Express, Bayer, The Boeing Company, Ford Motor Company, Goldman Sachs, Marriott Corporation and Nissan Motor Company.

Williams & Partner is a Prague-based executive search consultancy active in Prague, Bratislava, Bucharest and Zagreb. It focuses on local and medium size to large international companies located in Central and Eastern Europe (CEE). The meeting with Scherer was part of a series of leadership seminars focused on human development that Williams & Partner has been conducting in Prague.

Q: What leadership lessons can we learn from the ongoing financial crisis?

A: My specialty is leadership, and to me the fact that we are in this kind of situation is a sign of absence of leadership. Leadership was replaced by greed. One of my sayings is that leadership is what you do when you're afraid. Greed is in an interesting way connected to fear—it's the fear of not having enough. People who, in a sense, precipitated this situation were being moved by avarice and greed in most respects.

Many senior executives, interestingly enough, aren't motivated by money. It's not about the money—it's about winning the game; it's the adrenaline rush that comes with rolling the dice for a really big score. More entrepreneurial people just like to be No. 1; they like to be better than their colleagues at doing different things. In a way, there was a disconnection between senior leadership of some very significant U.S. organizations and the mission and vision of those organizations. As a result of that disconnection that I'd call leadership lapse, we are now in this particular situation.

Q: This crisis fueled the speech of those pointing at a certain arrogance of the U.S. leaders, both political and business leaders. What is the real model of the American leader?

A: There is no single American leader, as anywhere else. In this particular context, you have leaders who are driven by the desire to get as much as possible in a shortest time period in such a way that I still think it has to do with winning—doing it faster and better than the others. This leadership model is very self-centered, self-absorbed; it's more like: what will help me and the people that I care about? In a strange way most American organizations are led by a different kind of leader. Like in many places of the world, they are led by people who care deeply about the vision and their people and who want to make a contribution to the world.

But in a handful of places, all that got lost. Even the word 'arrogance' comes from arrogate, which means to harvest more than you sell or take more into yourself than you have the right to take. I think that's what happened here.

Q: Will these people ever be held accountable for their mistakes?

A: Absolutely not. I mean, we do have a court system, and somebody might file a citizen trial for these people. But basically, they all came with these multimillion dollar golden parachutes. One of the things that precipitated this—it's too complicated to explain in a few words—is this notion of people buying insurance hoping that the patient will die; that the loan will default because they bought the insurance [covering if] the loan doesn't get paid. So, in a strange way you have hundreds of people buying insurance policies on these particular pieces of paper that people thought would fail.

Paradoxically, it was in their best interest to have these things fail because then they got paid. Of course, what happened is that the organizations that were supposed to pay in case of failure also failed. So, you have a domino effect when nobody made anything, but it helped to accelerate the downfall. We had people betting on failure—which is very bad—and none of them will be punished. They may have some difficult time searching for a job for a while, but executive search firms will eventually snap them up, and somebody will be glad to have them.

Q: What is wrong with the American system of values if it allows such abnormalities?

A: This crime is so large and so unprecedented—at least in the American history—that I think no one knows what to do about it. There were things going on in the government for the last few years—torture and other things that have gone outside our traditional American values. They are so large, bizarre and bad that it's almost too big to comprehend. I'm not sure the legal system really knows what to do about this.

With the elections, we'll have a new administration, and the new president, Obama, is going to have to walk a delicate line. He's going to have to lead us in the direction of recovering our moral compass. I think we lost our moral compass as a nation and a handful of individuals took us out of the path. If you really think about it, there are about 100 people who are responsible for making decisions that led us to torture people or make money out of other people's failure. I don't want the world to blame America. What we need as a nation—and I hope Obama will do this—is to hold people accountable so that we can at least hold our heads a little higher and go back to being the country that we always were.

Q: What are the values that are driving the current American society?

A: It's across the board, but the values of these [particular] people were greed and avarice. There is a wonderful way to look at the world: It's called spiral dynamics. It says that people live in a world in a set of values. The more we become aware of higher level values, the more we leave other values behind. The system uses colors to make it simple. According to this, the current administration is very orange and blue—blue is: we are righteous, and

everybody else is wrong, a kind of fundamentalist view in any kind of religion or government. Orange is: everybody has to go out for him or herself; it's like: if you lose, we're sorry, but you lost. The world is a bunch of resources, and we're going to go get them before anyone else does. In a way, you have this blue-orange combination that suddenly took effect.

When America was founded, it was blue, but it was a blue saying: we're going to have the rule of law, not the rule of kings, and nobody is above the law. Now, for some years, we had in America people who behaved as if they were above the law. I think this will recover. Right now we have this very orange [orientation], but I think we'll get back to the blue—not the blue that says: we're right and everybody else is wrong, but the blue that says: we operate by principles, and we'll hold everyone accountable for those principles.

Q: Do you expect this change only for corporations or also for political leaders?

A: It has to be for both. This is going to be tough. I'm not sure if this is a valid analogy, but in South Africa, after apartheid, the question was: what do we do with all the African people who did some things to black people. So, Nelson Mandela created these councils of [truth and] reconciliation. They said, 'we're going to forgive you.' In a beautiful way, they raised their country by doing that. I'll wait and see what we do in America; if it is an act of forgiveness, I don't know whether there will be enough contrition on the part of the people who are being forgiven to work or not, but it's a beautiful thing to contemplate.

Q: Will this crisis water down the American arrogance in external politics and business?

A: I sure hope so. Here is what will help us in this regards. Every organization is governed by boards of directors. What happened in the last years—starting with [bankrupt energy firm] Enron—is that boards went along with the schemes by looking the other way, not paying attention and in some cases even apparently supporting these money-making schemes. What I'm counting on is that these boards will no longer be willing to run the risk of having this kind of failure, even if a handful of people are making some money out of it.

It looks very bad in America for these big name people in boards to have let this happen. I hope that people's pride and their own reputation will make them, next time they're in a board, say as soon as something is starting to smell a little bit like what we had before, we're not going to go down that road again. I can't imagine this happening for 100 years again in America. I think it'll be such a backlash of disgust that I just don't think boards are going to allow this again. I think boards won't even hire executive who have a reputation for this.

Q: Why do American companies tend to passport their values when they invest abroad while sometimes disregarding the values of the host country?

A: I remember several years ago when [The] Walt Disney [Company] was creating the Euro-Disney in France. They were just adamant; French people were saying: we're not going to let our people pay \$15 for the entry and then pay inside another \$15 for an American hamburger. The Disney people said, 'Look, we know how to do it, we've done it around the world, let's do it.' But French banks were about to withhold the loan money unless Disney was willing to listen to the French.

To me it was one of the first wake-up calls I had—I didn't realize we were doing this around the world. That is the so-called arrogance. For example, we're now in Poland; I walk into a store, I wear a Polish suit, have a Polish haircut; yet the assistant comes and says in English: yes, may I help you? I asked one of my colleagues what are the clues—how do they know I'm American. He said: it's just obvious. When you walk into a room, you own the room. It's not arrogance; it's that you're relaxed—I'm here now, things can start.

Q: Why is that so?

A: I think this comes from our history, as we moved across from East to West. We were always pressing the frontiers. Now the frontiers are more in terms of ideas; now we're going to some other place, and we have ideas. We might not own the territory, but we want our ideas to rule. I think we're going to have to learn to co-exist and see as valid other ways of doing things. Just because it works for us it doesn't necessarily mean that everybody on the planet needs to do it the same way. I was in China recently; I had the head of the Communist Party for a seminar on leading change. He came up after my talk and said: thank you so much for bringing your message here, but please tell the people back in America that we're going as fast as we can, but it's not going to look like you think it will look like when we finish. He said China is like a clock; for a clock to work, there have to be pieces that stand still so that other pieces can move around them. He said that they are in the process of figuring out which parts need to stand still in order for other parts to change. In America, we have to understand that our view of doing and thinking things couldn't work in a country that has been operated in a totally different government system. We have to become more humble, both politically and in terms of how we do business around the world.

Q: Many people in the Czech Republic feel disappointment toward the U.S. Some perceive that the U.S. radar agreement seeds mistrust between the Czech Republic and the European Union. Will this change under the new administration?

A: One of my concerns about Obama being president is that there is going to be so much hope placed on his shoulders that it will be impossible for him to measure up. I am hoping desperately, along with many Americans, that he will be able to lead a movement in America to return us to those values of mutual respect and fame of speech. We have a bill of rights, and each of those rights has been modified to the point where it's at risk.

It was scary to me to realize it is happening. I hope, in the next eight years, that we'll see a change in our behavior in the world. Otherwise, you should not accept this. I hope the world will speak loudly to us about that because that will help us change.

Q: What are the most important challenges for post-communist leaders in CEE?

A: The thing that strikes me most is how difficult it is for some Polish leaders to think imaginatively, creatively and outside the box—to think an impossible possibility. There is a tendency to innovate, but this is done inside of a very narrow set of innovations. People in this part of the world are changing, but they are trying to do that without really changing. They want to stay comfortable. For 20 to 40 years, these people were told not to even think about wanting anything, for anything will be provided to them. Be happy with what you have and don't aspire for more. So, there is this reluctance or inability to think about something being possible.

There is still a narrow band of thinking in many people. With the influx of leaders coming from other countries—not just the U.S. but also countries such as India—they are slowly beginning to stretch. But they say they have to go very slowly because people would think they are crazy if they go too far too fast.

Q: What would be your message for the Czech leaders?

A: I feel emotional when I say this. Go back to what was moving in you when the Wall came down; go back to what happened when you were standing in front of the tanks in [Wenceslas] Square. Go back to that feeling, to the sense of freedom and to the right of people to think and decide for themselves; go back to the courage you needed to stand in front of those tanks. That is the spirit that Czech leaders and people in business would need to have. It's just don't let anybody, no matter how much money they have, come in and try to create something in your country that isn't grounded in those principles.