



# A TIME FOR LEADER- SHIP

By Richard Straub

Crisis always shifts people's attention abruptly to the quality of their leaders. We are seeing this now, as the appalling spread of the COVID-19 virus and the alarming collapse of economic activity worldwide have people in all quarters looking to leaders for guidance—and often being left far from reassured by what they see.

Why do people give so much more attention to their anointed leaders in such moments? Leadership pundits usually explain that when they are panicked, people grasp for certain things: a model of resolute confidence to calm their nerves, a clear thinker to outline the right course of action, a decisive actor who wastes no time dithering. All this is true.

But what many students of leadership miss is that people also know that any crisis is a time of uncertainty and ambiguity, when big changes are afoot. They suspect that rules will change, priorities be reordered, and that some of those who used to be up will find themselves down. And they want leaders who can be trusted to protect their interests, not advance a pet agenda of the leader's own or their cronies. They want leadership focused on practical solutions – not motivated by ideology, let alone political considerations.

The fact that so many leaders in these past weeks have come up short on all these requirements underscores that our institutions must focus more on improving how they are led – just as they have, over the past century, concentrated on how efficiently they are managed. The two functions are not synonymous. In any enterprise, good *management* means seeing that work is done in the best way to achieve an organization's objectives. But figuring out what those objectives should be and orchestrating the capacity for collective performance with the right players in place is the province of *leadership*. As the classic expression goes, management is doing things right—leadership is doing the right things.

Figuring out the right things to do has always been difficult because it involves judgment and strategic vision. It also requires trade-offs. But the challenge has become much greater given the modern world's unprecedented level of connectivity and interdependence, and hence complexity. Across the past 200 years, we have seen the formation of a vast, man-made network of organizations and institutions. Equally, the notion of being stewards of our natural ecology, our environment, has made its way to the top of the agenda of companies, public sector bodies and governments during

the last decades. However, we have terribly ignored the challenges that the new man-made environment of myriads of interconnected companies, consumers, investors, public sector institutions, governments and NGOs poses. They are all part of a web that Peter Drucker called the new **Social Ecology**. Just like natural ecosystems, our social ecology needs care, maintenance and diligent stewardship.

In this perspective, while just-in-time globalized supply chains can justly be celebrated as a great advance in management practice, the resulting dramatic increase in vulnerability must be part of the leadership equation. In the same way, the globally integrated virtual enterprise with its company roles and functions distributed across the globe can be hailed as a great organization innovation that frees us from the constraints of time and space. Yet, again in a leadership perspective, the organizational gain has to be weighed against the social impact of large-scale displacement of jobs and the damage done to trust in corporate leadership both internally and in society at large. Managing investment portfolios through artificial intelligence and automated algorithmic trading processes that amplify shocks to the system and accelerate downward spirals is another example of the culpable abdication of leadership responsibility to digital systems – whatever their benefits in terms of productivity and efficiency.

At the same time, governments and public sector bodies seeking to impose sweeping restructuring on whole sectors, such as the automotive industry in Europe, should be forcefully reminded of the huge costs of such top-down transformations in terms of social burden and destruction of economic value. They lose sight of the fact that the social ecology is made up of evolutionary systems that cannot be transformed by government fiat without creating unintended consequences that may be more damaging than the ill they are intended to cure. The German “Energiewende”, and the stifling regulatory micromanagement that has become the norm are examples of this failure of leadership vision. Responsible leadership needs to embrace both the preservation of the natural environment and the need to keep modern society functioning by nurturing the social ecology of existing value-creating organizations and institutions.

If all this sounds like an overdramatic wakeup call, I make no apology. The Covid-19 shock hits us at a time when our economic, social and political fabric are already significantly stretched. As *The Economist’s* Adrian Wooldridge reminded us at the 10th Global Peter Drucker Forum in 2018, we are living an acute crisis of leadership. This crisis is massively amplified today by the latest developments. In the midst of the financial crash in 2008, Rahm Emanuel, then chief of staff to President Obama, made a memorable observation to an interviewer: “You never want a serious crisis to go to waste.” His meaning was that, because people are unusually compliant when

rattled, leaders would be foolish not to use the license granted to them to execute real change. The phrase is often repeated as the quintessential cynical response to a situation that can be exploited to push what would, in normal times, be an unpalatable agenda. Yet odd as it may sound, even today’s unprecedented crisis is a real opportunity for leaders to rethink their outdated assumptions.

In terms of the leadership agenda, the first essential is clearly to mobilize the leaders of all organizations to live up to their responsibilities – initially in the fire-fighting phase that we are currently traversing. The more power leaders wield, the more they must remember the crucial importance of their role in serving a bigger cause and strengthening trust with their communities and society as a whole. We think here particularly of those who have most benefited from the long stock-market boom: investors who largely remain hidden behind anonymous trading systems, and self-dealing boards/executives at Dow Jones corporations who have made propping up share prices with massive stock buybacks a standard practice, thereby collaborating, deliberately or not, in the inflation of the larger stock-market bubble that has just burst.

This fortunate minority need to remember that they are not investing in shares but in real people, for whose livelihoods, and lives, they bear a responsibility. To just run away is not an acceptable response, either ethically or economically. As leaders and stewards, they are called on to take a long-term perspective and demonstrate this by their actions. Warren Buffet should be considered a role model in this respect. Secondly, surmounting this crisis in the coming months will require us to reassess the importance of leadership for the remainder of the 21st century. It can only be based on fundamental human values, with human dignity at the center, deep understanding of reality, constant openness to learning from that reality, and a profoundly pragmatic mindset that finally demands us to shed the ideological blinkers that we have inherited from the last two centuries.

Charles Handy had it absolutely right. Things need management. People need leadership – and it is dangerous to get it the other way round. Our society needs leadership to imagine solutions without which – make no mistake – our social cohesion is at risk. To this end, the high calling for leadership in the 21st century is nothing less than to unchain the potential of human ingenuity, creativity and eagerness to engage, and thus make fully effective the most important resource on the planet. We need nothing less.

*Richard Straub is Founder and President of the Global Peter Drucker Forum. The 2020 Forum will take place on October 29 & 30 in the Vienna Hofburg Palace with the general theme: Leadership Everywhere – A Fresh Perspective on Management.*

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