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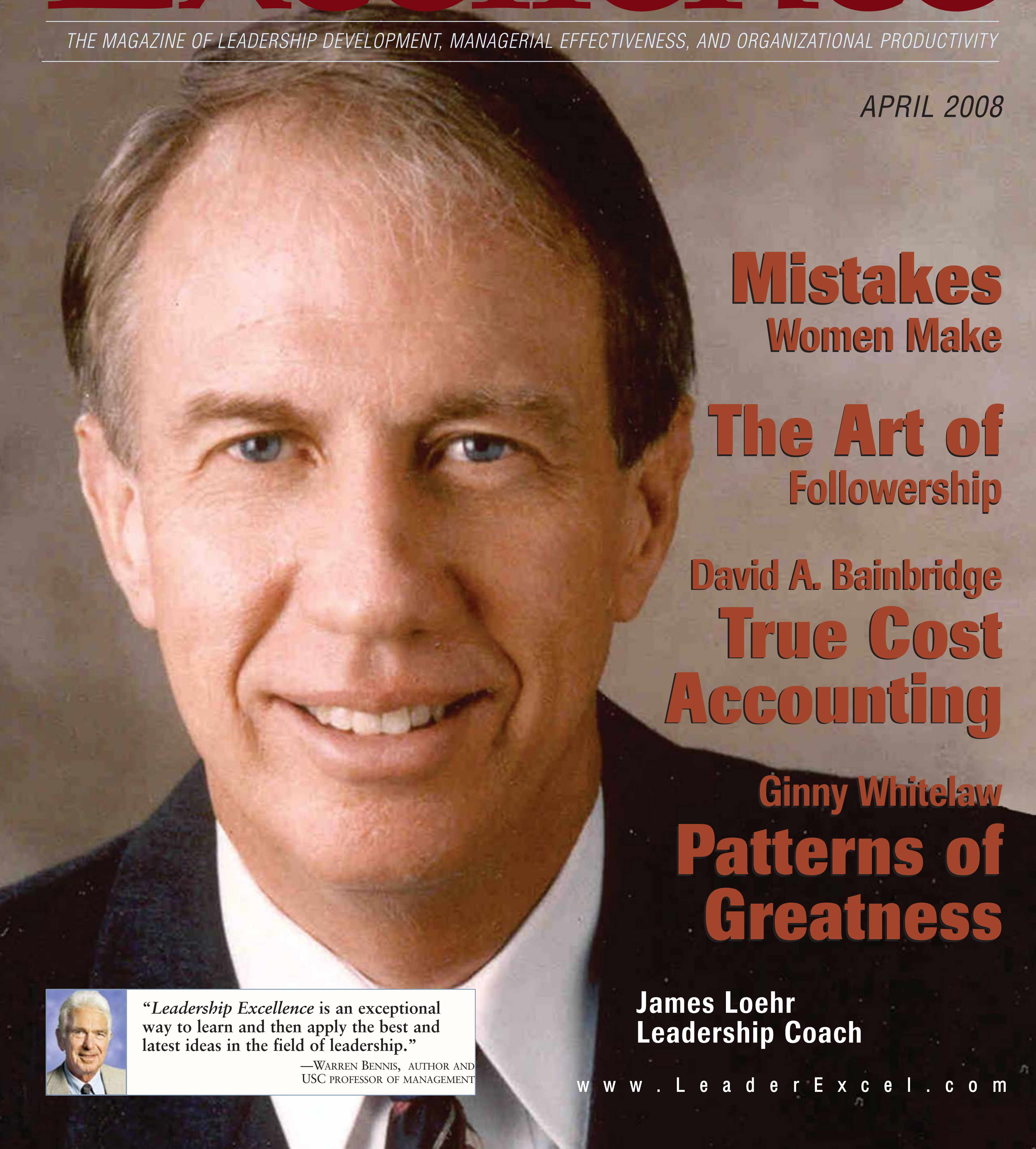
THE MAGAZINE OF LEADERSHIP DEVELOPMENT, MANAGERIAL EFFECTIVENESS, AND ORGANIZATIONAL PRODUCTIVITY

APRIL 2008



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"*Leadership Excellence* is an exceptional way to learn and then apply the best and latest ideas in the field of leadership."
—Warren Bennis, author and USC professor of management

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Real Financial Crisis

We need true cost accounting.

by David A. Bainbridge

The buyout of Bear Stearns, with a $29 billion backstop from the Federal government, highlighted the burgeoning crises in global financial markets caused by flaws in the equities and derivatives markets.

Cynics argue that the rapid save was necessary to prevent a collapse of the market, initiated by a realization that the derivatives' Emperor has no clothes. The complex and computer-driven derivatives market reached more than $500 trillion recently, with J.P. Morgan Chase alone holding notational derivatives worth $77 trillion in March. The share held by J. P. Morgan Chase, Bear Stearns purported savior, represents more than twice the annual value of the GDP's of the U.S., U.K., China, Japan and Germany combined.

The risks and potential for collapse are being discussed more frequently in the news, and perhaps Congress will respond with new regulatory initiatives to make the market more transparent and clear. Yet, these big problems only mask an even more critical market failure. As the British economist A. C. Pigou noted nearly a century ago, *the market will fail unless it includes all costs*. Today we consider only a small part of the market in our calculations, and many costs are either uncounted or incorrectly attributed.

These externalities include the costs of pollution, disease, community breakdown, and damage to vital ecosystem services and Natural and Social Capital. This has led to the market failure E. F. Schumacher (1973) described, "Call a thing immoral or ugly or soul-destroying or a peril to the peace of the world or to the well-being of future generations; as long as you have not shown it to be 'uneconomic' you have not really questioned its right to exist, grow, and prosper."

Over the last 35 years, a growing awareness of serious problems with global and local ecosystem stability and resource availability has encouraged new consideration of the sustainability of our current lifeways, communities, and economy. Each of us has an impact on our planet, and the wealthier we are the greater the impact.

Almost all 6.5 billion people on earth now participate in the world market; yet all depend entirely upon the health of a single system, Spaceship Earth. This would not be a problem if we didn't take more from the Earth than it has to offer, and didn't dump more than Nature can absorb. If we stayed within these limits, we could continue to prosper; however, by any measure, we are taking too much and disposing of our wastes improperly, leading to Global Warming, severe health problems, societal crises, and ecosystem destruction. Only a handful of countries are living within their ecological means, and the ecological footprint of the world is expected to increase 50 percent by 2015.

Sustainability is not simply about the environment. To be sustainable, a community must have a healthy economy and programs, policies, and traditions that provide support for cohesion, community, safety, cooperation, education, health, and equity.

To develop appropriate and sustainable solutions, we need to know the causes that lead to resource misuse and ecological and social damage, not just the symptoms. The first step is to engage in true cost accounting. We need to replace the "greed is great" approach to management with Aldo Leopold's (1949) dictum, "A thing is right when it tends to preserve the integrity, stability, and beauty of the biotic community. It is wrong when it does otherwise."

We can't step directly to true cost accounting for all, but professional societies can develop the cost/risk data needed. We can also ensure that more complete environmental and social accounting is done. Every large company should complete a Global Reporting Initiative (GRI) sustainability report. We can also publicize, reward and support companies that participate in the Dow Jones Sustainability Index, FTSE4Good, Corporate Social Responsibility, Social Accountability 8000, and other environmental and social standards. It's not enough to simply survive the derivatives and equity crises—it's time to address the flaw in the market, and work for long-term survival and prosperity. **LE**

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ACTION: Engage in true cost accounting.

Managing Emotion

It's the hallmark of a leader.

by Matthew R. Polkinghorne

Have you ever been stonewalled, ignored, or taken for granted? The answer to this question is likely yes! We have all experienced the frustrations and realities of well-intentioned conversations gone awry.

What happens in our interactions? How can we consistently shove a foot in our mouth or needlessly point out foibles in others? In our fast-paced, "I don't have time for you" society, such behaviors and transactions are becoming commonplace.

Let us explore the endearing personality known as the "chronic interrupter." This charmer habitually cuts us off and completes our sentences and thoughts. If you run into such a socially challenged being, be prepared to stutter as your forehead involuntarily cringes. And if by chance, during the exchange, you notice irregularities in your breathing, don't worry. Just consider yourself a verbally constipated, swollen-cheeked puffer fish waiting to exhale in disappointed exasperation.

What might this mean in terms of managing emotions effectively?

In the process of making decisions and reaching goals, key stakeholders and "I am not waiting for tomorrow" hot shots have equal skin in the game. As a result, they often employ behavioral and communicative strategies that cripple or obliterate emotion regulation. In effect, the parties involved collectively begin to spin their wheels, burning up "intellectual rubber" and precious time as egos combatively flex.

For instance, consider when one person proposes an abnormal idea or obscure thought. In expressing such an idea or thought, another team member will subtly smirk or huff off excess air in disgust. Such behaviors indicate that one individual is being taken for granted by the other. The offended party may be incited to anger, annoyance, and frustration. Whatever the emotion being experienced, the net result for the individual and team is temporary deregulation of emotion and an enhanced vulnerability to defensiveness.

Unforeseen emotional blips and bumps may, at first, seem trivial. Be-