The qualities needed by tomorrow's managers

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Managers and character

The character of a single individual can exert a decisive impact on an organisation. That has long been common knowledge, as is clear from studies of political leaders from Ghandi and Churchill to Mao and Hitler. Examples abound in the business world too, with biographical accounts accompanying rise-and-fall tales: Rijkman Groenink and ABN Amro, Cees van der Hoeven and Ahold, Maurice Lippens and Fortis, and Bernard Madoff with his Ponzi scheme. At the other end of the spectrum we find Steve Jobs, a man who has been described as 'worth billions', and whose absence on sick leave has generated great concern about Apple's future. In the ideas of ancient Chinese philosophers such as Confucius, Lao Tzu and Sun Tzu, it is the shaping of a leader's character, rather than any technical or professional skill, that is of pivotal importance.

Little research has been done on projecting our future needs in terms of leadership. Did Barrack Obama come to the fore on the basis of any such forward-looking analysis? Do companies study the requirements they should be looking for in tomorrow's CEO? What qualities might these include? How should we describe the ideal personality of our future leaders?

The current financial crisis has spawned a wealth of journalistic analyses of financial, economic and commercial events. These frequently single out specific characters as the driving forces behind the downfall, with particular emphasis on avarice and lust for power. Succumbing to temptation, right down to focusing on short-term gains, has now been branded a weakness, even a vice. (Although we can still find the Wall Street Journal referring to bankers' alacrity as a positive quality). As for the hunt for power and glory, we only need to recall the stories about the boards of Ahold and Fortis.

Managers being dismissed at a moment's notice or stepping down of their own accord. A few have even committed suicide. If someone suddenly has an ashen look about them, it immediately attracts attention. We might be prompted to ask what these people's lives look like. Do they have healthy life-styles?

There is a buzz of disquiet throughout society about the quality of managers: what are their personal values? The concern extends to the pressures brought to bear on managers, leading them to look for quick returns instead of focusing on other kinds of gain. All organisations have a questioning undercurrent: what is my management doing? On the surface the talk is all upbeat, but behind closed doors and at home it may be a different story.

Is this crisis to some extent a crisis of confidence in human character? Has human nature been gradually propelled towards an egocentricity that needs to be reined in? If so, the constraints must be imposed not by another individual, who may be just as self-serving, but by a system of rules – and rules to ensure compliance with the rules. While Chinese tradition tends to exalt the personal conduct of leaders, Westerners place their reliance in regulatory procedures. The underlying belief is that a system is more reliable than fallible human beings. Does this imply that the West inclines to a more negative view of human nature? In China, the primary quality of any leader, from manager to ruler, is integrity. This leads us to posit an interesting dichotomy between the West and China. People in the West, the self-styled champions of individualism, react to irregularities with a proliferation of rules and regulatory officials. China, a society based on the principle of honourable conduct within each given structure, emphasises a leader's individual responsibility and integrity as a solution to irregularities. Still, even in China, it has become apparent that a system cannot guarantee honourable conduct.

Emotions as driving forces

In the creation of value, money has acquired independent worth, detached from all other values. Where money initially served as a unit for the convenient expression of value and to facilitate exchanges of goods, it attracted interest as an independent object of speculation from the outset. But while speculation is as old as the hills, today's greed for piling up wealth has grown out of all proportion. Is this a universal tendency, perhaps? It would seem implausible that a small number of culprits are to blame, while the rest of the world adheres to different values.

Reactions to the economic crisis frequently single out the role of 'feeling': people are 'panicking' and want their money. Mutual confidence has collapsed. Interestingly, many trained commentators on economic and financial affairs also tend to identify emotions as the driving forces underlying economic decisions. An authority much quoted is Daniel Kahneman, who has shown that people place quite a different value on financial risks than one would expect on the basis of rational considerations. It is common for opportunities and risks to be completely misjudged, in the sense that decisions are not based on rational cost-benefit analysis. Estimates may be wildly inaccurate, at either end of the spectrum. The reactions of shareholders and investors to unreliable securities can be construed in terms of a blinkered desire to further their own interests.

Feeling can be a crucial factor in decisions. But emotion, attributing value to fears, to affection or love for a particular person, is perfectly 'rational'; it may be the best way of serving one's own best interests. Self-interest may well be served by withdrawing one's money from banks that have become unpredictable and may collapse: 'Best get out before there's a run on the bank'. Decisions like that are pure calculation. Collective action no longer has a beneficial payoff. Your partners may have hidden flaws, and the joint action that was once commonly expected has been superseded by a tendency to think ‘me first’. It’s not until the other can demonstrate financial reliability that the option of collective action comes into the picture again. That is all perfectly rational. Nor is there anything wrong with it: after all, everyone’s primary responsibility is to his own survival. So it makes sense to go in search of new, more predictable partners with whom a win-win relationship can be established.

The vanishing sense of risk

Individual lessons from the past are major factors in determining whether or not to take certain risks. Lessons passed on by parents, tribes and communities. My father had his own carpentry business before 1940. He had invested in oil and shipping stock to safeguard his pension. It was all very well thought-out with a view to the future. But after the Second World War those shares were worth nothing. Even so, my father invested part of his pension in the stock market again later on. My parents never talked about profits made on the stock market, but neither did they discuss the losses. My mother emphasised when I was young that a government job would provide security. The family was struck by two other disasters. First, a stray bomb destroyed the young couple’s newly-built house. And eight years later, they were caught up in the North Sea Flood of 1953, and had to abandon their house and flee with their five children. So one lesson is that you may lose everything you own. And another is that coincidence exists. The third lesson is: whatever happens, just start all over again, and you can build up a new, different future. That is how my parents lived. They passed those lessons on to me. In my own life, after graduation (1973) I took it for granted that the future would always contain more than the past. Started out with nothing. Saved money, since there was always some left. Risks proved to be non-existent, since the world was simply developing in a linear fashion to more of everything. One step at a time, limits were pushed back. I made a budget for a research grant: increase your salary by 12% every year, advised the institute’s helpful manager. There were scarcely any risks attached to investments or loans. That is, risks did exist, but time and again everything turned out just fine. It turned out fine for everyone, until one day …

Money certainly plays a major role. It is the path to the fulfilment of all those active fantasies, those ‘sex, drugs, and rock ‘n’ roll’ fantasies. Fantasies about a carefree old age, a thriving business, a great adventure. The relationship between exertion and the amount of money has somehow disappeared from sight. A company director earns, on average, a hundred times as much as the average worker. Does he work harder? No. Well what about his responsibility? That is certainly greater. But is his remuneration really in due proportion to that greater responsibility?

When you start out on your first job, you are perfectly aware of the relationship between the hours you work and what you can do with that money. A new laptop is so many hours’ work. And at the beginning, that’s a lot of hours.

Mannheim analysed the influence of the towering inflation in Germany before the Second World War on people’s sense of what things were worth. He discovered that the high level of inflation torpedoed people’s sense of the value of things. Money became an abstraction, devoid of value. The value of things in life became separated from money. Mannheim distilled from these observations a hypothesis: a collapse in the value of money, as the general means of exchange, has the effect of corroding the value of all objects, and even of people. In this pervasive atmosphere of worthlessness, values become detached. When this happens, only what is very close and tangible, such as one’s own family, still conveys a sense of value. In the Netherlands, a less extreme but similar effect accompanied the switchover from guilders to euros. People felt cut loose from the moorings of emotional value. For several years, as people converted prices into guilders to sense their meaning, the guilder price seemed vastly more expensive. My house seemed suddenly worth only half its former value, and my mortgage had shrunk accordingly. Then the house's value grew on paper, and the relationship between this value and the mortgage started to look more pleasant. Soon I felt rich.

Managerial malaise

It would be foolish to blame the entire financial crisis on bankers re-packaging bad loans and selling them on. After the bankers came others who traded, raising prices without increasing value. Every commercial enterprise joined in. The rules of healthy corporate activity were rewritten. Huge debts came to be seen as acceptable. Enormous bonuses led boards of directors to financial triumphs. Bonuses introduced for all company employees tempted everyone to get on the bandwagon of endless growth. Those who now take the high moral ground are suspect. It is fine to promote a different set of values, claiming to have seen the error of one's ways, but conversions of this kind smack of cant. In fact we are all implicated, and we need to understand the meaning of what has happened.

All organisations, managers, shareholders – in short, all who bear some responsibility for a company, a region, tribe or country – are now thrown back on their own resources. There are genuine financial threats to rising prosperity. The leaders of countries and companies are discussing ways of reanimating the credit system. They point to borrowing as the key to resuming our work on building a future for us all. Instead, people are reacting in the opposite way: saving, not spending. That applies both individually and to organisations and companies. Governments – and that means all of us – need to spend. But on what? Our own industry first? Our own region first? The threat of protectionism is looming. The debate about priorities is being conducted at global level, with everyone joining in. Never before has the debate on our activities to promote prosperity in a global context actually been conducted in a real global arena, involving all the actors in society.

Beyond a financial face-lift

Our world is changing beyond recognition, changing for the better. This realisation suddenly struck me with real force one morning, as I stood at the kitchen counter with a piece of apple in one hand, turning the pages of the financial news with the other. I read a long series of proposed changes in society enumerated by the former Dutch minister of economic affairs, Hans Weijers: far more robust pressure on the banking sector to jump-start the resumption of credit facilities. Stricter oversight. Even the complete nationalisation of the banks was not ruled out. The role of hedge funds was to be drastically curtailed.

Most commentators note that supervisors have been far too passive. Credit assessors were blind and applied the wrong criteria. Hedge funds focused solely on securing short-term profits. Global incentives measures are needed for all countries. The Netherlands might choose to widen the range of exemptions from value-added tax, and/or to hand out home improvement grants. The end to economic decline is not yet in sight: 60 million more people are now unemployed worldwide than three months ago, reports the ILO. That is fuelling tension everywhere, and cries of ‘Our People First’ are making themselves heard again. Everything needs to be rethought, announces the Dutch prime minister. Everyone’s first thought is to protect himself, to ensure that his own property is secure.

Many different opinions are making themselves felt. Some urge the need to transform banking permanently, back to a more ‘old-fashioned’ set of principles. Other voices speak out sternly against defeatism, confident that everything will soon start rolling again.

The rules of society are rapidly changing. Suddenly it has become acceptable to talk about raising the state pension age. Ingrained social rules are being challenged. Certainties and solid agreements may be cancelled: even that most sacred of Dutch cows, mortgage interest tax relief, is no longer immune from debate. Every indisputable element of economic and financial life is being disputed: the indexation of pensions; the standard level of coverage for pensions; budgetary deficits; bonuses for high-earning employees, especially the staff of banks now enjoying state subsidies. How much support will an independent bank receive from corporate and individual investors, from assets managers? Choices once set in stone are being re-examined.

The past months have witnessed a steep rise in labour productivity in the United States. Why? Because the Anglo-Saxon model reacts differently and more rapidly than a corporate enterprise of the Rhineland type. There is an immediate rush to cut personnel costs, to manipulate productivity. That means scrapping jobs, maintaining capacity, and making changes where necessary. The two models of corporate enterprise are vulnerable to different problems. In the Anglo-Saxon system, companies that are essentially viable may be forced to close in response to temporary financial problems, and new start-ups may be given too little time to prove their worth. In the Rhineland model, on the other hand, old-fashioned companies and production methods, corporate ventures that have failed to keep pace with the market, may be allowed to outlive their usefulness. Jobs that are actually surplus to requirements may be retained. While American and Chinese companies favour rapid job cuts and reorganisations, Europeans use public money to fund shorter working weeks. A little bit less all round. Only a year ago, the Anglo-Saxon model seemed set to prevail. Now it turns out that public authorities must step in and play a corrective role.

So is it a question of cutting down for a while and then going back to where we were? Perhaps everything is set to change. Everything must be re-examined. Are we really to imagine that keeping the old pattern of growth and emphasising more and more sales is the way forward? Take transport, for instance. It’s not just a question of slowing down now, but also of pondering the kind of transport we are going to need in the future. Ships and freight trains standing idle are being used for storage. Market gardeners that can now sell their surplus energy to the grid have an advantage, in spite of declining turnovers and the rapid growth of competition. All these examples show that we need to completely re-think the education, selection and operational methods of top management.

New responsibilities

Anglo-Saxon-type managers whose sole concern is to promote the interests of shareholders will be replaced. The new managers must accept responsibility for a wider role in society: they must display a commitment to the company’s employees and their families, and they will also be concerned about their suppliers. Besides productivity and efficiency, the new managers will be judged on the basis of meaningful services and useful products: services and products that conserve natural resources and the environment. The new managers will accept responsibility for the far-reaching impact of their decisions, well beyond their own companies.

Is this talk of everything changing realistic? It certainly is. Take the example of a middle-aged manager who suddenly collapses. Fifty years old, married with children, he has worked hard all his life. Now he has burnout. He lies in bed for months on end with the curtains closed, occasionally getting up to take his medication. Goes into therapy. Six months later, briefly back at work, he remarks to a colleague, ‘I hope to be my old self in three months’ time’.

His colleague's reply shocks him. 'I hope not! If you're back to your old self, there's a good chance it will happen again. I'd like to see a new man, not the old one.' The reply may be unwelcome, but this surely presents a useful analogy, if we are thinking of our top managers and how we would like to see them emerge from the current crisis.

First we need to ask some searching questions. What will people need to do differently? They will have to ask many detailed questions about the products they are dealing with. Transparency and simplicity will become the key conditions for cooperation. The rapid evaluation of 'face validity' will be discarded. Instead, people will work together on the basis of their real value to each other.

One reassuring finding is that the experience of happiness is to a large extent unrelated to material prosperity. Temperament and personality are far more important in determining people's sense of happiness.

Personal qualities are of paramount importance in any leader. But all human beings are fallible, and no one should be left to make decisions alone. That is why we have healthy measures such as checks and balances, power and countervailing power. Systems of this kind must be built into all organisations, to prevent any personality imposing an individual stamp on the organisation without due oversight.

It is instructive to look at the difference in approach between the West and China. In the West, the emphasis is on the individual drive to achieve self-fulfilment, and the need for laws and law enforcement to restrain the individual's possibly impetuous actions to prevent any harm to the community. Chinese society is based on a system in which everyone knows his place, and laws regulate interaction. But a supreme ruler − and a company director − is always above the law. He is free to arrive at a better decision, taking all the circumstances into account, provided that he meets strict criteria of personal integrity. In the West, Churches and oligarchies operate according to the same principles. My own preference is for a system based on individuals who combine a desire to achieve self-fulfilment with a strong commitment to forging good relationships with the people and communities with which they have dealings. No subordination of individuals to systems, but agreements and compliance. No licence to operate without accountability, but organising consultations so as to give ample scope for opposing views.

Physical fitness

More and more articles are appearing with advice on healthy lifestyles for managers: the old glorification of the workaholic, the man who is always on the job, on call day and night, no longer applies. We now see that workaholic as a fool, someone who feels driven to pursue the wrong path to recognition and love. Leaders who cherish their families, take time off in the weekend and turn off their e-mail are more likely to remain physically and mentally fit, since they spend sufficient time in a loving environment. That is the kind of person who is now seen as an example of tomorrow’s healthy hero.

Self-reflection for managers

Any manager would do well to ask himself a few searching questions. Does my past record guarantee future success? Can I pass today’s stricter selection procedures? The criteria appear to be shifting. Which ones will prevail, and which do I want to prevail?

Self-knowledge is paramount. Then comes self-improvement. And the third step is to build in the appropriate corrective and preventive structures within the organisation. No one is perfect; personal qualities are facts of life. But it is better to expose and deal with latent or forgotten emotional damage before they cause insidious harm.

If a personal discussion of these matters is desirable, who would be the appropriate person to speak to? It may be highly beneficial to explore the nature and extent of one's personal motives and how these appear to the outside world. Do others recognise them? And what can be done about them? How do people protect themselves from temptation? Managers also need to have a working knowledge of the psychological processes of habits, to recognise ingrained habits in themselves and in others, and to know how to challenge them. They must learn how to keep themselves and those around them alert and self-aware.

In other words, after the certificates of professional competence and managerial skill, and after one's success in corporate enterprise, comes something different: a certificate of healthy lifestyle. A clean bill of physical and mental health, in relation to oneself and to all those with whom one has dealings. Is that too much to ask? No. It is indispensable in today's complex world.

New criteria

Let us conclude by focusing on people who find themselves in the senior ranks of management. They have immense expertise and have undergone thorough professional training. They are proud of their record, their many successful achievements. They have built up their career in Western corporate enterprise, whether along the lines of the American or the Rhineland model. On the basis of the above discussion, I would suggest that these managers of the future will need to fulfil the following new criteria.

1. *A highly integrated personality*
2. *Considerable moral resilience: integrity in relation to the entire community*
3. *The ability to bring people together by laying common foundations and bridging differences*

4. *The strength to abandon ingrained habits*
5. *The ability to play devil's advocate, to encourage the expression of opposing views*
6. *Fitness in body and mind*

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More about Ton Voogt and his contributions to individuals, organisations and society on his website: http://www.tonvoogtconsultancy.com./18/Personal-Profile.html