



Richard Ivey School of Business  
The University of Western Ontario

# Leadership on Trial

## Presentation Slides

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IVEY EXECUTIVE DEVELOPMENT

LONDON . TORONTO . HONG KONG

# Introduction

- This slide deck accompanies the report “Leadership on Trial: a manifesto for leadership development”.<sup>1</sup>
- The slides may be used, unmodified, by anyone for any purpose related to the development of leadership talent.
- Some of the slides incorporate animation that may be controlled through mouse clicks or hitting the “right arrow” on computer keyboards.

1. Gandz, J., Crossan, M. and Seijts, G. (2010). Leadership on Trial: a manifesto for leadership development. London, ON., Canada. Ivey Publishing. September 2010.

# Questions

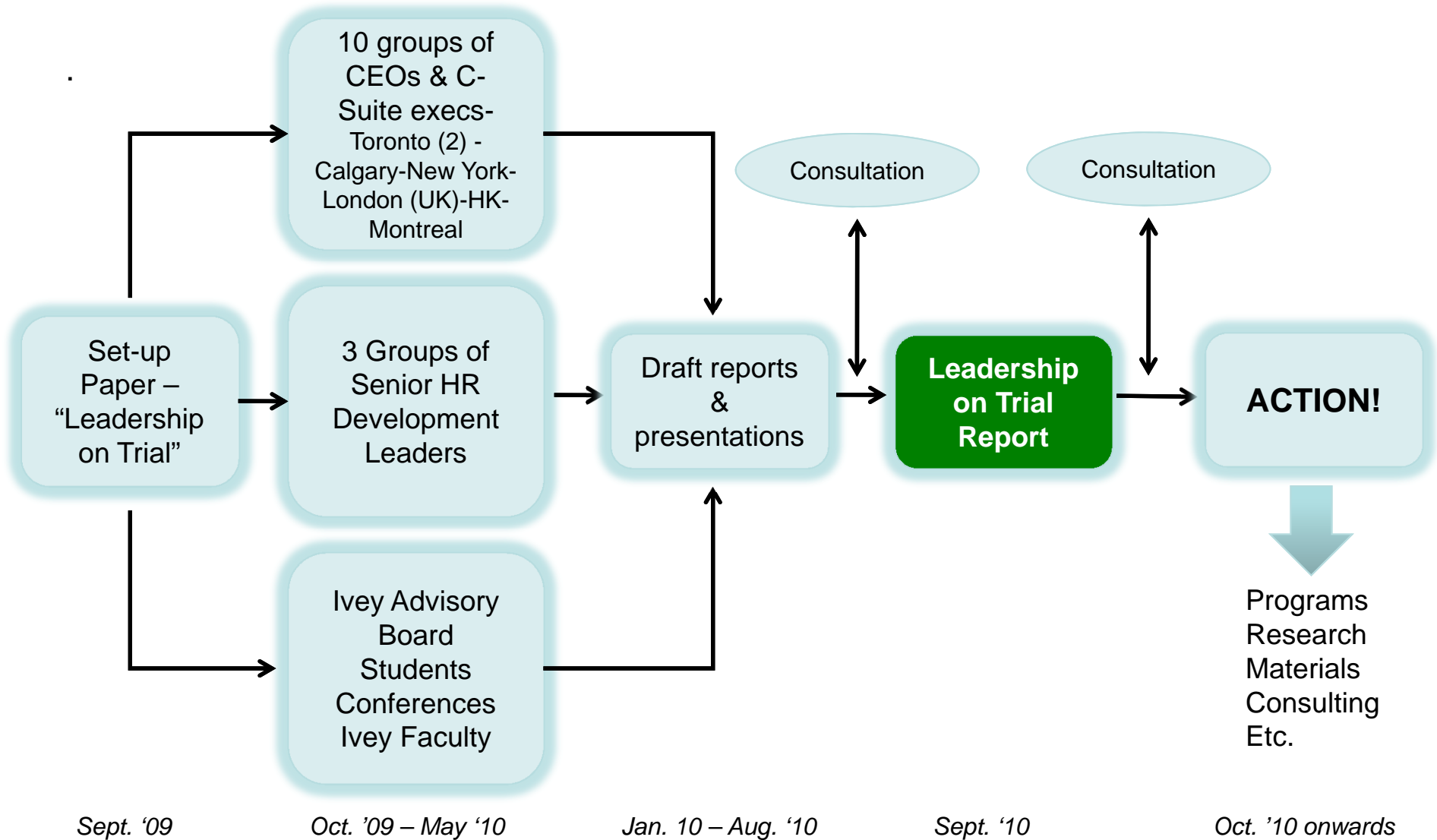
1. What went wrong with leadership that contributed to the 2008/9 financial crisis and the devastation to people, organizations and national economies that followed it?

2. Was this problem with leadership confined to the few organizations at the epicenter of the financial meltdown or did this crisis reveal more broadly based problems with leadership in both private and public sectors?

3. What can we learn from those organizations and leaders who anticipated the crisis and avoided it completely, or who coped well throughout the last couple of years and are therefore in good shape to benefit from the recovery?

4. What more do we need to do, or do differently, to prepare the current generation of leaders to deal with the kinds of challenges that we have seen organizations face in the last couple of years and for those – as yet unknown – that they will face in the future?

# Process



# The Financial/Economic Crisis of 2007-09

- Easy credit
- Home equity loans
- Multiple credit cards
- Revolving debt culture developing
- Deregulation of financial services and derivatives
- Consumer credit increases
- Sub-prime lending
- Business credit increases
- House prices increase sharply
- CDOs, derivatives, SIVs, etc.
- Massive deployment of credit default swaps
- Inter-bank lending increases
- Bank lending to hedge funds, insurance companies, and private equity firms
- Interest rates start to increase
- Oil prices increase dramatically
- Over-supply of houses, house prices stabilize & start to drop
- Inability to refinance debt
- Mortgage defaults
- Credit card & lease delinquencies & defaults
- Consumers, then businesses, cut-back spending
- Unemployment increases
- Bear Stearns crisis and sale
- Lehman Brothers collapse
- Domino effect on other banks and insurance companies
- Bank liquidity crisis
- Bank capital crisis
- Media stories of Great Depression
- Housing market collapse
- Commercial loans collapse
- Consumers “on-strike” – start to save
- Businesses cut spending
- Near-zero interest rates
- Government bailouts
- Stimulus packages
- Consumers and businesses start to spend
- Business profits increase
- Debt starts to increase again
- Massive public sector debt increases



# Findings

A predictable recession and liquidity problem + a “Black Swan” global financial meltdown.

Leadership failures and successes. Some leaders “got it” while others didn’t.

Failures and successes in anticipating the financial crisis and coping with it were widely distributed across industries and geographies.

Failures attributable to leadership decisions & actions not a generalized “systems failure”.

Many factors contributed to the failure and attempts to define one single cause – greed, executive compensation, poor governance, or others – are likely to prove inadequate.

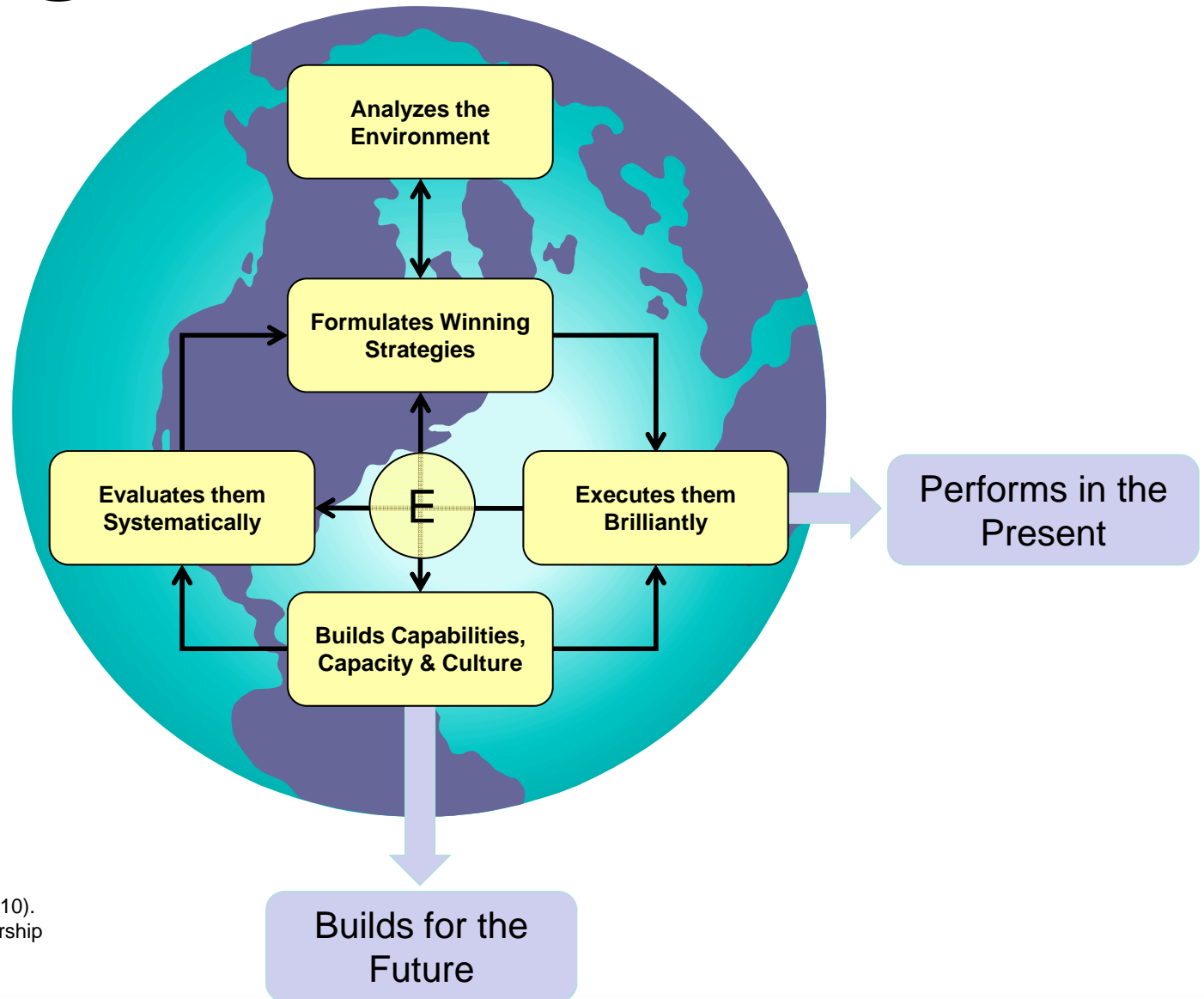
# Key Hypothesized Distinguishing Variables

	Failed/Hurt Badly	Survived/Prospered
<b>Competencies</b>	Overreliance on quantitative models. Lack of identification and analysis of risk. Inadequate understanding of complexity and systems risk. Poor, risky organizational designs. Corporate and team cultures that were intolerant of dissent.	Basic understanding of economic cycles. Understanding complexity and systems thinking. Balance sheet management. Good organizational design and cultures of constructive dissent.
<b>Character</b>	Overconfidence, hubris, arrogance. Groupthink. Hyper-competitiveness. Greed, pride, sloth, envy, lust, gluttony, wrath. Narcissism. Self-centeredness.	Temperateness, prudence, open-mindedness. Social responsibility.
<b>Commitment</b>	Lack of engagement or involvement with subsidiaries.	Effective control of subsidiary risk.
<b>Learning</b>	Appeared to have learned little from history of economic and financial crises.	Were aware and conscious of historical events re. economic and financial crises.
<b>Governance</b>	Boards not understanding risk well enough, not engaged enough in monitoring and questioning it.	Boards with sophisticated risk management skills and risk oversight processes and structures

Leadership on Trial

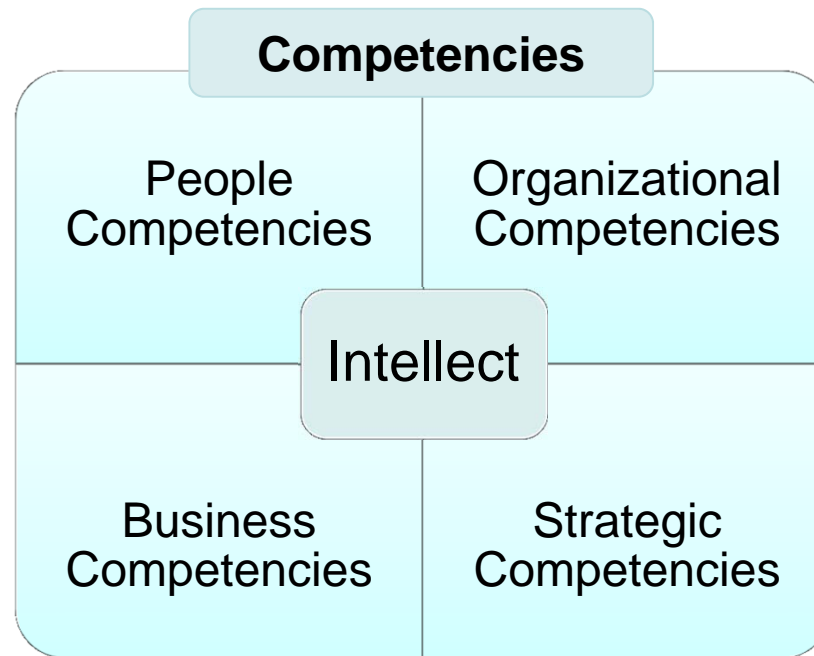
# **GOOD LEADERSHIP**

# The **E** Enterprise-Focused Leader



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# Leadership Competencies



## “Competencies”

**KNOWLEDGE:**  
Facts, figures, concepts, etc.

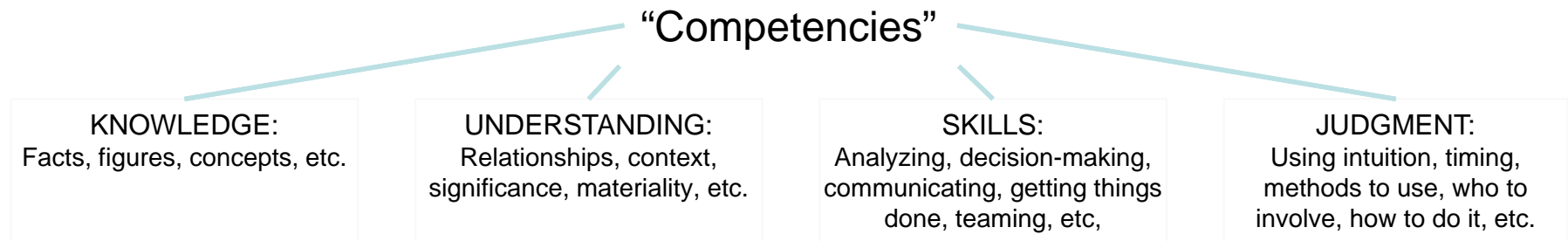
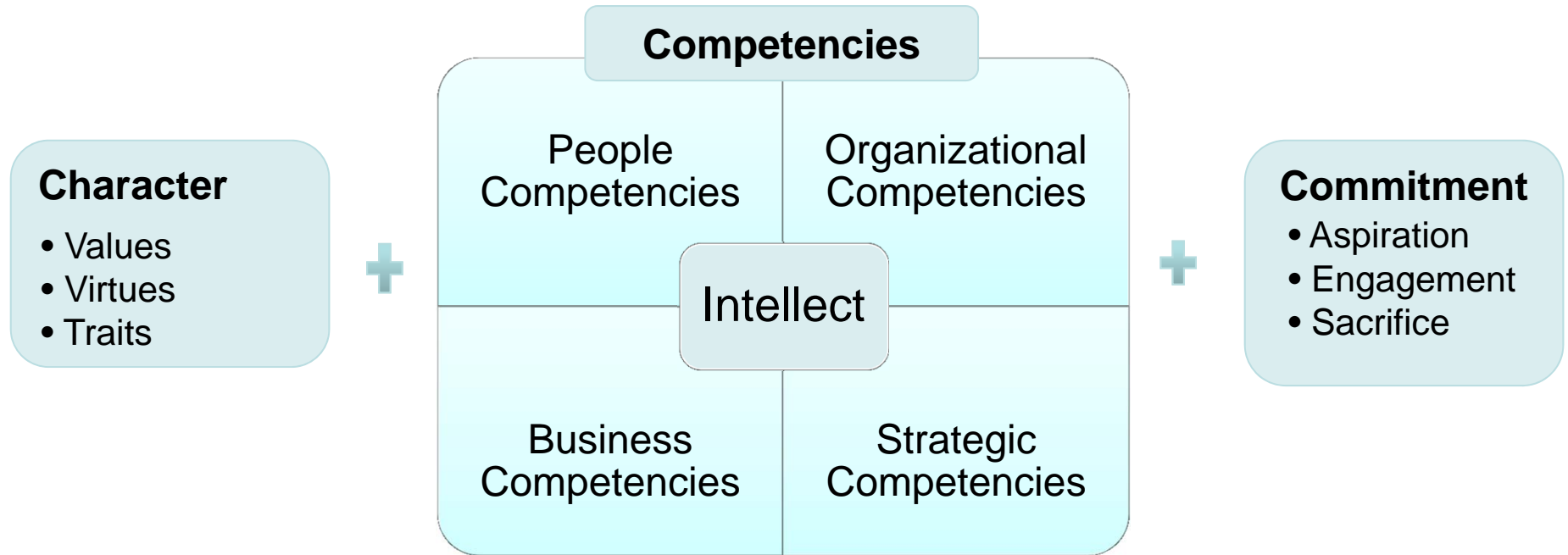
**UNDERSTANDING:**  
Relationships, context,  
significance, materiality, etc.

**SKILLS:**  
Analyzing, decision-making,  
communicating, getting things  
done, teaming, etc,

**JUDGMENT:**  
Using intuition, timing,  
methods to use, who to  
involve, how to do it, etc.

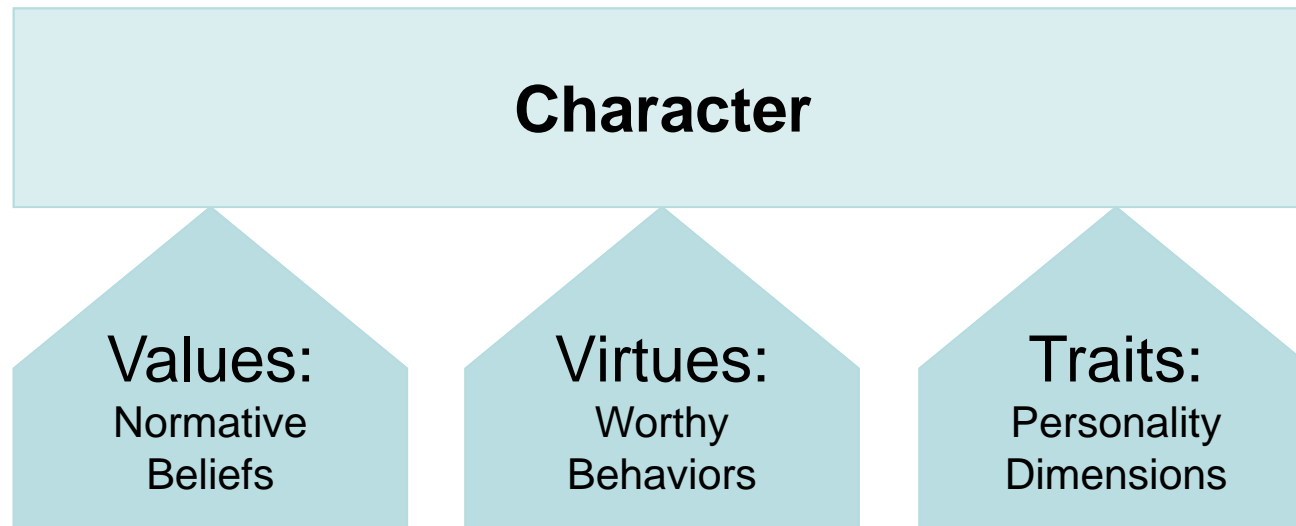
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# The Effective Leader



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# Leadership Character



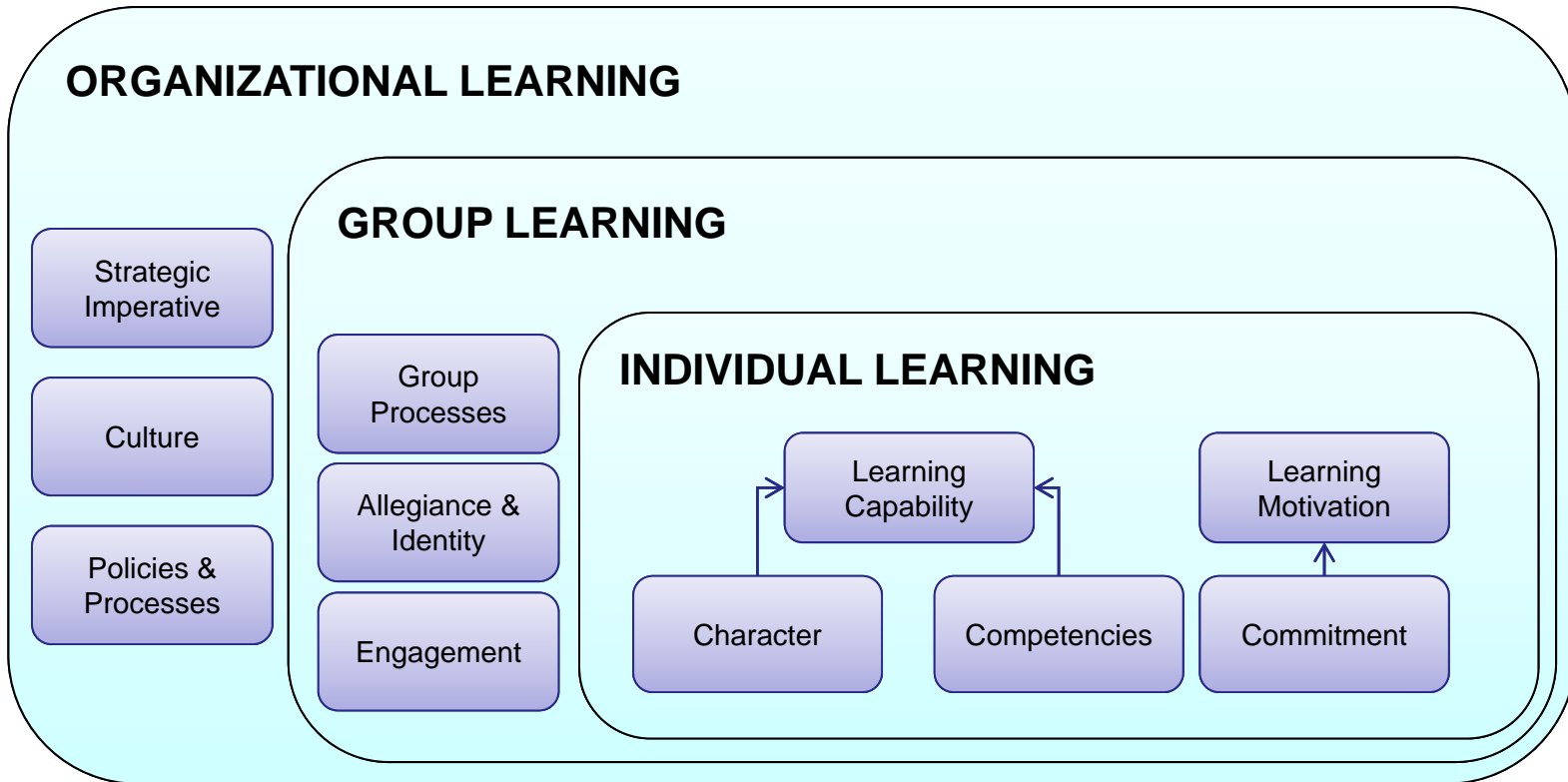
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# Leadership Commitment



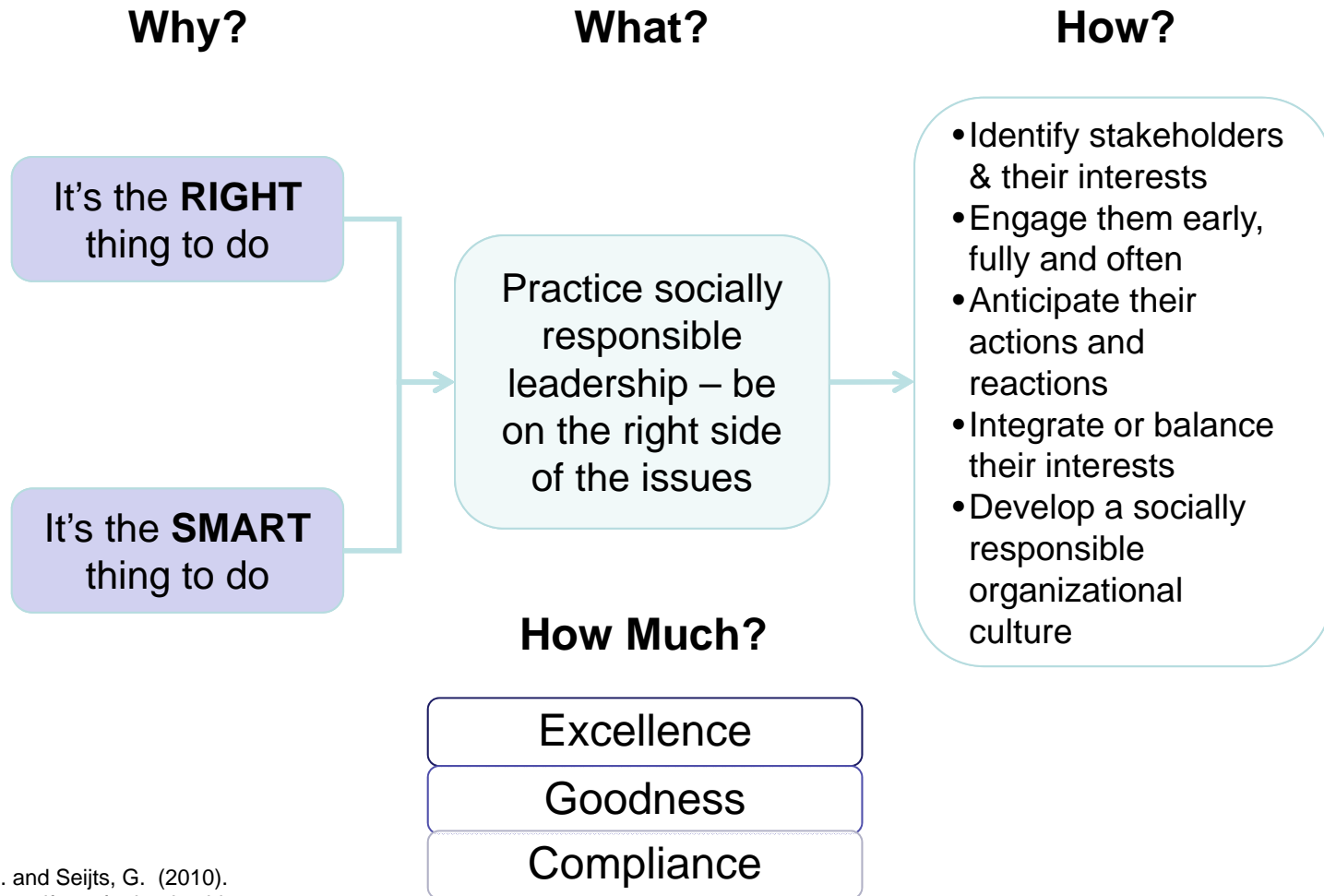
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# Leadership & Learning



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# Corporate Social Responsibility



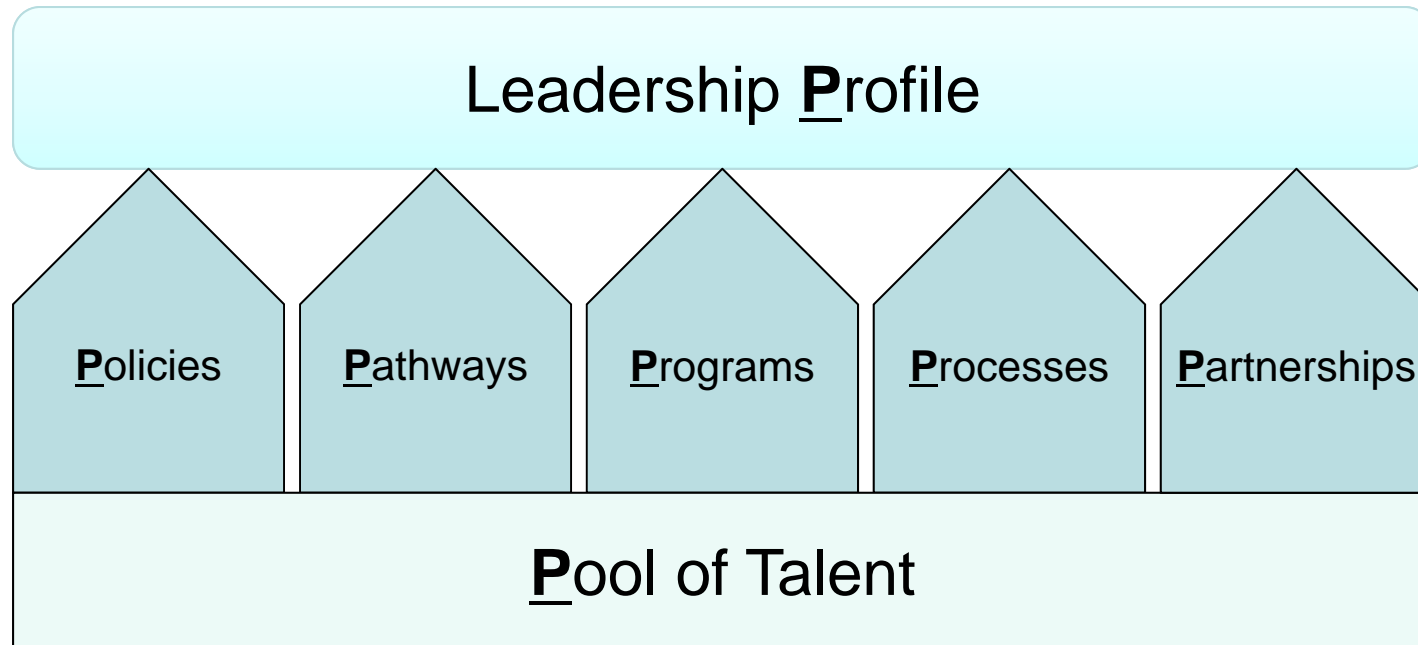
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# Becoming a Better Leader



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# Developing Good Leaders



**Profile:** A clear statement of what the organization expects leaders to achieve, know, understand, and be (results, competencies, character, commitment).

**Policies:** The goals and principles governing of leadership talent development

**Pathways:** the developmental assignments that give candidates for leadership their critical experiences

**Programs:** specific, planned interventions that give candidates knowledge, understanding, skills and judgment in areas defined in the leadership profile

**Processes:** the key organizational and HR processes that enable the transformation of raw talent into mature leaders

**Pool of talent:** the current and acquirable talent available to the organization

**Partnerships:** between executive leaders and leadership development professionals

Gandz, J. "The Architecture of Talent Development". *Ivey Business Journal*, London: Jan/Feb 2006; Vol 70. Iss 1. pg.3.

Leadership on Trial

# **CALLS TO ACTION**

# Management Educators

- Increase exposure of students to economic and social history
- Develop better understanding of systems thinking and complexity
- Do a better job of alerting students to reality-distorting phenomena.
- Validate and legitimize using values in decision-making.
- Dial-up exposure to socially responsible leadership as both smart and good leadership. Dial-back the emphasis on “shareholder value” as the only bottom line.
- Role-model good leadership in personal behaviors and interactions.
- Run programs the way good leaders run organizations.

# Business Leaders

- Be the strongest advocates of anticipatory leadership and the prime enemies of complacency
- Challenge the use of current business models as lenses for environmental interpretation
- Lead the development of “leadership profiles” in organizations
- Create cultures of creative dissent within their teams and organizations
- Focus on continuous organizational learning by being continuous learners
- Insist on character assessment and development as much as they focus on competencies

# HR/OD/LD Executives & Professionals

- Develop leadership profiles that go beyond defining competencies and address both character and commitment.
- Work on developing more effective partnerships for development with senior leaders.
- Develop the policy frameworks, pathways, processes and programs that address competencies, character and commitment as an integrated set of leadership development elements.

# Boards and Directors

- Expand exposure to other executives and managers beyond the CEO
- Improve their own understanding of risk and its management and, where necessary, strengthen the board's collective competencies in the risk area.
- Get external, third-party assessments of risk.
- View compensation as a risk issue not just an HR issue.
- Beware of overconfident, controlling, narcissistic CEOs who try to “manage” their boards.

# Next Generation Leaders

- Strive to develop the full range of your leadership potential. Know yourself—get in touch with your values, understand your personality traits and recognize how they impact others.
- Take reasonable risks with your career to stretch and learn. Be prepared to make mistakes but be even more prepared to learn from them.
- Stay grounded. Recognize no matter how much success you have, your only guarantee of future success is to retain your basic humility.

Leadership on Trial

# **IVEY'S COMMITMENT**

# Ivey's Commitment

- To be in the forefront of developing courses and materials (cases, simulations, frameworks) for use in both university-based and corporate leadership development programs.
- To commission and execute leading-edge research focused on real world leadership challenges through the Ian O. Ihnatowycz Leadership Institute at the Richard Ivey School of Business and the activities of our faculty and doctoral students in their various disciplines and interest areas.
- To make this research accessible and useful to leadership practitioners
- All of this to ensure that Canada will have one of the top-10 leadership institutes in the world so that Ivey can achieve its enduring mission:

*To develop business leaders who think globally, act strategically and contribute to the societies in which they operate.*