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I'm sitting on a Virgin Airlines flight returning home contemplating the dialogue and the questions asked from some of the 70 business executives and leaders attending a breakfast sponsored by Bridgeworks at the Hilton on the Park, Melbourne, Australia. I was asked to speak on *Leadership: More Than Competence*, and what observations could I share from my own leadership experience and doctoral research.

I was looking forward to this, as I believe we need to change the dialogue on leadership and go beyond merely focusing on competency, skills and knowledge, which many popular leadership books address ad nauseam.

It's also timely. We need to explore a new leadership paradigm to confront the growing disillusionment and disenchantment with our leaders that is happening globally.

During the seven years I worked as a senior executive in the United States, I witnessed firsthand the early, unsettling days of the global financial crisis that began in 2008/09. During this time I was exposed to the economic meltdown that saw the collapse of the housing market, severe falls on Wall Street, companies laying off thousands of employees, and the constant headlines of major corporations going into bankruptcy. It was impossible not to be affected by it.

Many major financial institutions filed for bankruptcy or were acquired by those in a much stronger position. Headlines were dominated by the fall of Merrill Lynch, Bear Stearns, Countrywide Financial, the Lehman Brothers, Washington Mutual, and AIG.

The ramifications reverberated throughout every industry sector, down to every household and individual.

Broadly speaking, a lack of competency was never considered to be the issue that caused the economic meltdown. Character, or rather, a lack of character was clearly identified as the root of the problem.

In *What Money Can't Buy: The Moral Limits of Markets* by Michael Sandel, he says "The era of market triumphalism has come to an end. The financial crisis did more than cast doubt on the



ability of markets to allocate risk efficiently. It also prompted a widespread sense that markets have become detached from morals and that we need somehow to reconnect them."

### »» WHEN CHARACTER IS ABSENT

There are many other scenarios where an absence of character has been evident, some of them relatively recent:

- Rupert Murdoch's "News of the World" phone hacking scandal
- The recent resignation of General Petraeus, head of the CIA for having a marital affair. He held a high profile position where trust and integrity are essential
- In 2001, Jeff Skilling, the CEO of the Enron

Corp was convicted for hiding billions of dollars

- In 2005, Dennis Kozlowski, CEO of the Tyco Corp Dennis Kozlowski, and CFO, Mark Schwartz were jailed for similar crimes

But an absence of character is felt in all spheres of lives, not merely in business. It is evident also in our political and religious institutions, and even in our own families. Closer to home in Australia, news has recently been dominated by:

- The alleged corruption of Federal MP Craig Thomson
- The alleged misdemeanours of the Federal Government Whip, Peter Slipper, and the sexually discriminatory language he used on Twitter
- The Prime Minister Julia Gillard for not honouring her election promise to not introduce a carbon tax

## CHARACTER: DOES IT REALLY IMPACT THE BOTTOM LINE?

- The inhumane treatment of "asylum seekers"
- The Royal Commission into the institutional abuse of children, prompted by the large-scale failure of the Catholic Church to remove offending clergy while denying the hurt and pain experienced by hundreds of victims of sexual abuse

We could go on, but that would only labour the point, as I believe we must also be careful not to embark on a witch-hunt. None of us are immune to moral failure or lapses in judgment, and sometimes it is closer than we think. But given the fact that these lapses occur more frequently at every level of leadership, including at what many would describe as the highest echelons of leadership, it is wise to reflect on what could be done differently in identifying and developing our future leaders.

What we do know is that successful people and successful companies can come undone, not merely through a lack of competency, but a lack of character. The Greek word for "character" refers to how a person's self is "carved, marked, impressed, or branded. In other words, a leader's character is something that can't be hidden. It is ingrained in his/her identity.

Alexandré Havard, in his book *Virtuous Leadership*, draws out the difference between an intrinsic value and a virtue. Values, sadly, have become extremely commonplace and easy to disregard or overlook when there is a perceived cost or they get in the way of profit or a good opportunity. A virtue runs much deeper. It is the consistent, habitual practice of a value that sits at the core of a person's identity. It is simply not easy to go against it.

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### WHAT'S THE BOTTOM LINE?

THERE are some excellent leadership models that contain specific characteristics helpful to leaders suited to a range of different contexts, including across cultures. However, some leaders are running so fast responding to short-term demands, they rarely have time to think about the type of leader they want to be. Here are some important questions:

- »» What characteristics of leadership are critical to my current organisational context, and which ones do I need to focus on developing?
- »» What changes do I need to make to transition from a Level 3 or Level 4 leader to what Collins describes as a "Level 5 leader"?
- »» As a leader do I know who I am serving?



Where do we go from here? We've got to look beyond mere competency! It is interesting to note that in determining leadership potential and which candidates were most likely to succeed as leaders, the IBM Executive School discovered that there was no commonality in relation to skills and knowledge, but in values and attitudes.

Competency doesn't appear to be the issue we are grappling with most. I would argue it is character. André Delbecq alludes to this when he examines "the failure of success, the corruption of triumph, and the danger of celebrity."

If character is going to play second-fiddle to competency, then we will continually be facing issues like some of the ones mentioned earlier, and shareholders, investors, customers, and donors will continue to feel increasingly vulnerable. We must begin to change not only what we expect of our leaders, but be committed to changing what we believe leadership ought to represent.

### CHANGING WHAT WE BELIEVE ABOUT LEADERSHIP

Firstly, we need to recognise that a major shift in our culture is occurring. We can either be a catalyst for change, or we can maintain the status quo. The statement, "culture trumps strategy," often attributed to Peter Drucker, underscores this point. We can commit to having the most recognisable brand or corporate strategy, but each of these will unequivocally be positively impacted or undermined by the culture we have created and maintained in our organisations.

### CHANGING WHAT WE BELIEVE ABOUT COMPETENCY

Competency is not only skills or knowledge based; it is character based. Harvard claims that character is the driving force behind leaders identifying what the organisation needs, not the other way around. A leader does not feel insecure about his/her position or threatened because other people are more competent in certain areas.

Earlier, I mentioned about how the word "values" has become extremely commonplace. We see an example of this when organisations point to a nice list of core values neatly framed on the

wall of their reception foyer. It simply doesn't go deep enough, and often their application is not evaluated or measured in their application.

### CHANGING WHAT WE BELIEVE ABOUT CHARACTER

We must overcome the perception that dealing with character in our respective businesses is "soft" or ambiguous. Stephen M. R. Covey tried to address this perception in this book, *The Speed of Trust*. He sought to qualify how trust makes a difference to the bottom-line that is measurable.

He came up with the formula that said, "when trust is high, speed is up, cost is down". The inverse is also true: "When trust is low, speed is low, cost is high."

What are some of the key virtues that should define a leader's character? Harvard uses the classical virtues largely identified by our early Greek philosophers:

1. Prudence: the ability to make the right decision
2. Justice: citizenship and fairness
3. Courage: staying the course
4. Self-control mastery of heart and mind

He also identified two non-cardinal virtues that rely on one of the above:

1. Magnanimity: striving towards great things
2. Humility: the ambition to serve

We don't have time to look at each of these in depth, but let's put a few of them together and see how they can affect the bottom line:

#### A. Pursuing a great vision

This combines the virtues of "magnanimity" and "humility".

The vision is not myopic, short-term, or self-serving. In this context, character has an inherent, long-term orientation. Selecting charismatic leaders to drive up stock prices in the short term and showering them with inordinate rewards perpetuates an indulgent, self-centered, short-term thinking leader. It is choosing to be accountable and demonstrating humility by carefully managing risk and surrounding yourself with a team 'that are better you'.

#### B. Fostering resiliency and perseverance

This combines the virtues of "courage" and "self-control".

There is often the temptation to step outside of the strategy to pursue attractive opportunities, especially when the results we are looking for are slow in coming. In the not-for-profit sector this is frequently referred to as "mission-creep". Strategy needs to be disciplined and adaptable, but not dogmatic or reckless.

## GREAT LEADERS PURSUE GREAT VISION.

Combining these two virtues enables leaders to respond effectively to negative and challenging obstacles.

#### C. Engaging and empowering people

This combines the virtues of "prudence" and "justice".

According to Harvard, virtues represent dynamic forces. They give leaders the capacity and strength to act. They don't take the place of professional competency, but help to drive and develop competencies that are needed, and recruiting the best people with the right skills and character to get the job done. Leadership behaviour is characterised by trust, respect, and humility, and the desire to enable and empower the skills, gifts and talents of others to create an environment where people flourish – with the goal of increasing organisational performance.

### CHANGING WHAT WE BELIEVE ABOUT PERFORMANCE

While at times it may seem difficult to quantify exactly how character increases organisational performance, what we do know is when it is absent organisations rapidly deteriorate and perform below what is expected.

Jim Collins addresses this extremely well in his book *How the Mighty Fall And Why Some Companies Never Give In*, when he presents his theory on the Five Stages of Decline. These include:

1. Hubris born of success
2. Undisciplined pursuit of more
3. Denial of risk and peril
4. Grasping for salvation
5. Capitulation to irrelevance or death

Is leadership more than competency? Absolutely.

■ Dr Glenn Williams is the CEO and principal owner of Outward Looking International, an organisation that empowers leaders and organisations to grow their leadership capacity. To engage Williams for special leadership workshops for your organisation, email people@leaderonomics.com



## TALK TO US

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In doing so, reader feedback is essential to us. If you have career-related topics that you always wanted to know more about, suggestions on how we can make this guide even better, and even if you just have an opinion you want to share, write to us at [mystarjob@leaderonomics.com](mailto:mystarjob@leaderonomics.com).

Similarly, if you are an organisation with something great to say to our readers, you can reach us too at [mystarjob@leaderonomics.com](mailto:mystarjob@leaderonomics.com)

We look forward to hearing from you!

