

Leadership Update

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Special points of interest:

- Current approaches to the world economic turmoil will alleviate and delay the inevitable—the system is broken and band aids won't fix it
- We need leadership which is blue zone dominant and which will focus on what we need for a new order rather than concentrating on propping up the old one.

Red Zone and the Financial Crisis

Last quarter I introduced the concept of “red zone—blue zone” and I pointed out that the majority of people operate primarily from the “red zone” in terms of the way their brains function. Since then there has been the melt down of the world's financial situation and it has been scary to watch what can only be described as the red zone response.

For quite a long time there have been economists and political commentators pointing out that all the indicators showed the situation in 2008 to be as bad, if not worse, than was the case in 1929. The message was largely ignored. As long as China was prepared to bankroll the USA it

was possible to live in a fools' paradise where the rich got richer and the poor got poorer with very little of the money made being related to productive enterprise.

The red zone approach now says we need to prop up the existing system—it wants to maintain the status quo—and that is precisely what has been happening. The result is trillions of dollars of taxpayer money going to bail out organisations that have made squillions of dollars through a variety of smoke and mirrors operations.

A blue zone response would take a different approach.

A blue zone response would question whether the

existing system may have reached the end of its life and should be quietly buried. Yes, there would have been (relatively) short term pain but, in the long term a new and more effective system could have emerged. The problem with this red zone approach is that it has simply delayed the inevitable by adding to the debt burden of future generations. As is so often the case, the solution to today's problem is almost certainly going to be the problem of tomorrow.

I hate to be a doomsayer, but I have a ghastly feeling that we will find some pretty awful financial things happening in about 5 years. Eventually the piper will have to be paid!

Social Credit revisited?

I'm old enough to remember a political movement called “Social Credit” which, I think, emerged in Canada and had at least one seat in the New Zealand Parliament in the 1950's or 60's, One of their

planks was that to keep the economy moving a country should simply print more money. This was rightly seen as an inflationary approach as the money so printed would not be backed by anything tangi-

ble.

It seems to me that this is precisely the approach being taken now. Insanity is doing the same thing while expecting different outcomes. Red zone lives!

Blue & Red Zones: Characteristics

Blue Zone Leadership Needed

The debt level in Australia in October 2008 was 165% of GDP and that of the USA was 290%. In the past, such as in 1987 and again in 2000 (when the debt levels were significantly lower), the remedy to the crash was simply to reignite the economy and get people to again borrow money and maintain or improve their status quo through more borrowed money. It didn't solve the problem—simply put off the day of accountability. Red zone of survival was paramount.

Blue zone realism says this cannot

Culture change essential

I'm not an economist and I don't pretend to know what is the best solution to the economic meltdown. But I do know that true leadership is going to be required.

Back in the October 2005 Leadership Update I wrote "are our political and business leaders creating environments in which everyone can be successful? The answer must be "no". " At that point I was considering the world's leadership problems in light

continue ad infinitum.

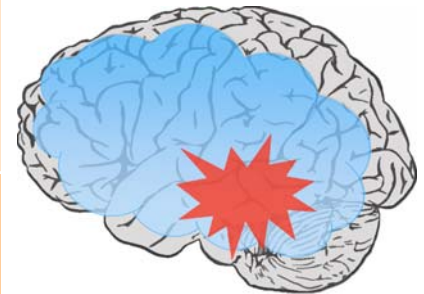
One of the challenges for the next President of the USA will be to move out of this red zone approach into the blue zone of adaptability. This won't be easy because the electorate is largely in the red zone and the countries influenced and impacted by the USA economy (ie most of the rest

of responses to terrorism and the fiasco of response to the New Orleans disaster. I pointed out that money was being wasted on unproductive activities and that the situation needed to change. I said that a failure to change would spell problems for everyone.

There are several aspects to creating an environment in which people can be successful—the setting of a clear vision and the creation of a culture that will facilitate that vision becoming

"Strategy Execution and the Balanced Scorecard" which is an interview with Harvard academic Robert S Kaplan. Kaplan's suggested approach seems surprisingly familiar to me.

I wonder if Kaplan knows that back in the late 1980's, along with then colleagues of mine from Finland and



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|------------|--|
| Adaptation | <ul style="list-style-type: none"> •Affiliation, generosity, goodwill •Multi-dimensional learning •Options considered •Slow/resource intensive •Manages impulsive desires •Labels emotional states •Reflective •Not 'fully functional' until adulthood •Seat of 'happiness' |
| Survival | <ul style="list-style-type: none"> •Centred on self/survival mode •Narrow-dimensional learning •Status quo/resistance •Fast/efficient •Engages impulsive desires •Threat aware •Highly developed at birth •Seat of pessimism •Draws metabolic resources from the blue zone |

of the world) are also red zone dominated.

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a reality. I hear plenty of "visions" (or more often "dreams") but I don't detect a willingness to deal with the cultural issues. Rather than encouraging a new culture the assumption seems to be that a new approach can be implemented with the existing culture. Sounds a little insane to me.

Vision into Action

When my children were young they used to ask me to tell them stories about when I was growing up. I always started these with the words "Back in the days when the world was young and dinosaurs roamed the earth ..."

I felt a bit like remembering my youth when I read a recent Harvard Business Review (Aug 11, 2008) piece entitled

Sweden a concept was developed that we called VIA: from vision into action. We used this very successfully with a number of Australian government commercial operations and both listed and non-listed companies in Australia and overseas. There were concerns expressed by my academic friends that the concept wasn't proven nor was it published in "reputable journals".

Vision, Action. Leadership

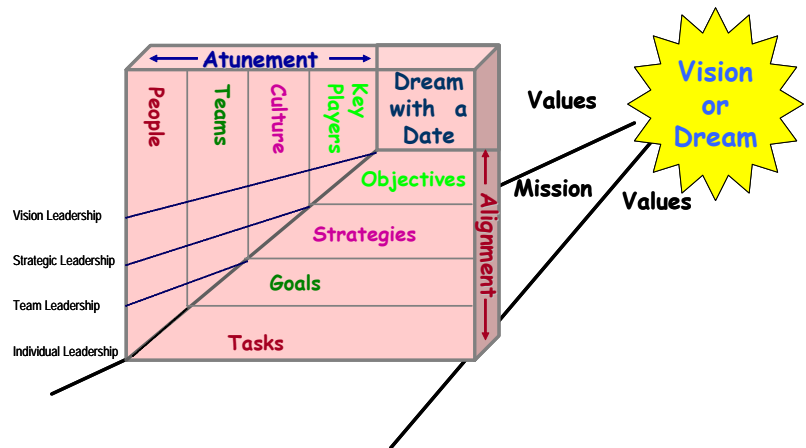
Our VIA approach was (and is) pretty simple: develop a clear, sharply focused vision for your organisation, understand the values which drive the organisation, be very clear about your mission—the road along which you intend to travel—and then cascade your objectives, strategies, goals and tasks while ensuring that, not only are these aligned, but that they are at-tuned with the needs of your stakeholders, the culture of the organisation, and the capability of the teams and individuals who will be responsible for making things happen.

Today, probably more than at any time since the early 1990's this is a concept and approach of real value to

organisations facing, turbulence, uncertainty and change.

At national, state, organisational, and individual levels, there is currently a temptation to make “knee jerk” reactions to the current financial crisis so as to be seen to be “doing something” rather than later facing the accusation of “fiddling while Rome burns”. The fact of politicians trying to score cheap political

The Vision Into Action Concept



points from their opponents, rather than genuinely seeking to work cooperatively only exacerbates the potential future problems. We need to remember that, as I have said before, “today’s solutions are very often tomorrow’s problems”.

Stop managing and lead!

One definition of the difference between management and leadership is that management maintains the status quo: leadership creates the future.

It seems to me that the emphasis right around the world is to maintain the status quo in terms of both financial and power controls and arrangements.

Recently Dmitry Orlov published the book, “*Reinventing Collapse*” which discusses the pattern of collapse seen in Russia and Eastern Europe during the 90's. These stages are:

- **Financial Collapse.**
- **Commercial Collapse.**
- **Political Collapse**
- **Social Collapse**
- **Cultural Collapse.**

Right now we certainly have the first of these and, from where I sit, the second seems well on its way. There are those who argue that the third has started with significant changes in governments in the USA, Australia, and New Zealand over the past few months.

If Orlov is right in his indicators then our current approach is concentrating on the wrong thing. We should be accepting the reality of the collapses that have occurred and seeking to create a new environment in which the other collapses are less likely to occur. This requires leadership—and it requires the sort of leadership suggested in the VIA model.

I suspect it is too much to expect that the meeting of G20 leaders about to start will actually spend time developing a new vision for our world. There are too many vested interests in main-

Management maintains the status quo: leadership creates the future

taining the status quo. Unfortunately, I suspect this reluctance will continue to spill over into national leadership arenas.

30 years ago I suggested that we were moving to a post capitalistic era. I didn't know what this new era would be (and I still don't) but I do know that what we have has failed—the Bush-Clinton-Bush era approach to world issues almost guaranteed that.

The scales of economic power are showing a shift away from the USA and “the west” to China and India and “the east”. The old is dying. We are unsure about the new—and this is pretty scary—especially for those of us with vested interests in the current order.

We need visionary leadership to take us into this new world—and we don't have it.

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An ending or a beginning? A red or blue planet?

It seems to me that as we approach the end of 2008 we have a pretty clear choice. On the one hand we can bemoan the end of the current era as typified by the meltdown in economies around the world and which, according to some of the most knowledgeable US bankers, will eventually turn out to be far worse than “the great depression” of the 30’s. On the other hand we can use this as an opportunity to bring in something completely new.

Our red zone culture says to fight a rear guard action to maintain the status quo. This is certainly being led by those who currently have the power and the wealth—after all, they see themselves as having most to lose.

The blue zone response, however, has a different perspective. It seeks to accept the situation as it is and find ways forward to a new tomorrow.

If we want a totally new tomorrow then we need blue zone cultures internationally, nationally, organisationally, and individually. We are not going to get it “from the top down” so we need to make it “from the bottom up”. To do this:

- We must develop the sensitivity to judge whether we are in the blue or red zone
- We must develop the sensitivity to judge whether our colleagues are in the blue or red zone
- We must be in the blue zone our-

selves – people are incredibly sensitive judges of this. If we are red, so will they be

- We must interact with everyone in such a way that we coach them to enter and remain in the blue zone.

Difficult? Yes. Impossible? No.

2009 has the potential to usher in one of the most exciting and positive eras in world history. We have the opportunity to be part of making history—not in terms of a new president or government—but of a world in which everyone has the opportunity for growth.

We have the opportunity to start working towards a bluer planet! I’m committed to this. I’d like to think you were, too.