

A Call for Virtuous Leadership

What a mess we find ourselves in. Like most times of crisis, we got here slowly then suddenly. The recent economic meltdown on Wall Street and in the US economy in general represents a collective abandonment of values, virtues and common sense and a failure to challenge faulty assumptions. Edward Lotterman, who is an economist and columnist for the St. Paul Pioneer Press states that “what has happened so far demonstrates that many people, including the highest paid CEOs and analysts on Wall Street, the vaunted research staff of the Federal Reserve and regulators from myriad federal agencies all were fundamentally wrong in their assumptions and procedures.” Later he notes, “...as a group, economists have failed about as badly as one can. The question is whether we will be willing to learn from our mistakes”.

Recently, NPR's Adam Davidson and *This American Life's* Alex Blumberg jointly reported on how rising defaults on subprime mortgages in the U.S. became a global financial crisis. Key points include:

- Dramatic increases in wealth in developing countries doubled the amount of money available for investment, up to \$70 Trillion, between the years 2000-2006.
- The U.S. housing market was hot and became the favored place for investors. Investment banks bought up mortgages and created mortgage-backed bonds and securities for world-wide investors.
- The problem was there were not enough mortgages to meet the demand. To sell more mortgages, banks begin to lower standards, to the point of offering large loans to people with no income and no assets.
- Banks passed the risks of these loans on to Wall Street who passed it on to investors.
- The house of cards fell in when housing values began to fall and people defaulted on their mortgages.

On September 20th, New York Times columnists, Joe Nocera, stated that this has been the worst week in the stock market since 1929. He notes that recent events have led to complete lack of confidence in the system, causing an economic meltdown. He goes on to say that the \$700 billion bailout by the government will be a great roll of the dice, and time will tell if it stabilizes the economy or not.

Times like these and the mounting challenges of the future beg for strong, courageous, and virtuous leadership. These are times for bold action, yes, but also for serious reflection. We would do well to take a step back and consider questions such as “what are the values we stand on and the principles we are guided by”? We badly need leaders we can trust, and trust is only possible when leaders are both capable and virtuous. Alexandre Havard, in his book *Virtuous Leadership: An Agenda for Personal Excellence*, states that “leadership is character”. Havard defines six fundamental virtues as follows:

- Magnanimity – the desire to challenge oneself and others to strive for great things.
- Humility – willingness to overcome selfishness and serve others habitually
- Prudence – ability to thoughtfully make the right decisions
- Courage – the will to stay the course and resist pressure to go against what you know is right.
- Self Control – willingness to subordinate your passions to the spirit for the purpose of fulfilling a mission.
- Justice – giving individuals their due.

How we respond to hard times determines the quality of the world we will have. One thing is certain and that is we are all in this together, and collectively we are creating our future. We all need to take personal responsibility for our choices and demand character from our leaders. As with any crises, there are opportunities as well as dangers. For example, the leaders of one local mid-sized wholesale food company are confronting the economic situation by pursuing opportunities to invest in the future. That includes investing in their people, developing leaders for the future, as well as investing in typical hard assets. Rather than continuing to lower our standards, let us rise to the occasion, confront the dangers, and seize the opportunities to do the right things and create a society worthy of passing on to our children and grandchildren.

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