It's the Economy! The Lack of Organizational Leadership

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In my years of studying and writing about leadership, I have never seen such a blatant failure of basic leadership principles than what we are witnessing today in so many organizations and in particular, what is happening on Wall Street. When passing out grades for their performance, the majority of the CEOs and organizations would receive a grade of "F".

I have written in a previous article that the reason some of the CEOs and organizations fail is due to a lack of planning and responsibility. With every great organization there was a plan that was put into place. With every failed organization there was the lack of or no plan. Planning is the cornerstone to success of every organization. When planning is effective it allows organizations to take a more collaborative approach to the production and setting of organizations business objectives. If this does not happen the organization is doomed for failure. A good plan shows an overall path and clear responsibilities. It contains the details for getting the job done. Even down to taking care of the people who are your most important asset.

In a Business Week article written by Bill George (2008), he states the current crisis on Wall Street is being characterized in technical terms that few Americans understand: subprime mortgages, credit default swaps, mortgage-backed securities, and CDOs. But this is not a crisis caused by the failure of complex financial instruments. This is a crisis caused by the failure of leaders on Wall Street. The heads of firms like Bear Stearns, Lehman Brothers, AIG, Countrywide Financial, and Washington Mutual all too often sacrificed their firms' futures in order to maximize short-term gains. This meant under-pricing of risk in exchange for immediate fees and taking on inordinate levels of debt to invest in complex, highly uncertain instruments.

Compounding their errors, these leaders were unwilling to face reality when the value of their holdings tanked, as many declined to mark these instruments to market. Instead, they argued that their complex financial models yielded a superior valuation for their holdings (George 2008). The question is raised was this a financial failure? Not the case. This was plainly a leadership failure! What we have here is no one willing to take responsibility for their actions, which has led to what we have now, an economy in a downward spiral. Is this greed by some shady characters such as Mr. Bernard Madoff? If so, this is nothing new. The bottom line, it is the same game; managers who thought they could out-smart the market, instead of leaders with the wisdom to build sound firms for the long-term.

Now, as the economy is weakening and thousands of people losing their jobs and homes, it is up to the federal government to bail us out. I am a firm believer in the free market system, but without U.S. government intervention, this crisis could topple our entire financial system and the economy. We can only hope that our newly elected President along with both Houses of Congress can restore confidence in the market and help stimulate this economy. With a stimulated economy means jobs and jobs mean people can work and provide for their families.

Again, as I stated before good leaders are made and not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never ending process of self-study, education, training, and experience. Bad leaders develop from just the opposite. The best and most effective person to judge your leadership is you. When performing this assessment always look in a mirror so you can see the person looking right back at you performing the same movements and with the same mannerisms.

The basis of good leadership is honorable character and selfless service to your organization. In your employees' eyes, your leadership is everything you do that effects the organization's objectives and their well-being.