



## Leadership for the 21<sup>st</sup> Century

- Moderator: **Nitin Nohria**, Richard P. Chapman Professor of Business Administration
- Participants: **Jaime Augusto Zobel de Ayala II**, Chairman & CEO, Ayala Corporation  
**James Dimon**, Chairman of the Board & CEO, JPMorgan Chase & Company  
**Orit Gadiesh**, Chairman, Bain & Company  
**G. Richard Wagoner Jr.**, Chairman & CEO, General Motors

### Overview

The basics of leadership haven't changed much over the last 100 years. Leadership is about acting with integrity, persuading others to follow (because they want to, not because they have to), creating a culture of openness, having discipline, communicating clearly, and forging relationships built on mutual confidence. Not much changes during a crisis. Leaders focus on the basics, prioritize, create a sense of urgency, make decisions, and act.

While the core elements of leadership don't change, the tools of leadership and the techniques for training leaders can change. With this in mind, HBS should explore opportunities to change its curriculum to ensure that its leadership education remains at the forefront.

### Context

The panelists reflected on important leadership lessons they have learned and how to apply these lessons in times of crisis.

### Key Takeaways

- **The key aspects of leadership have remained largely unchanged over the past 100 years.**

Harvard Business School's first dean described leadership as courage, judgment, character, and an ability to get things done. Not much has changed in the past 100 years; the same qualities still ring true.

Ms. Gadiesh offered other important attributes of leaders and leadership:

- *Being the boss does not equate with being a leader.* "Boss" is about authority, title, or position, but "leader" is about behavior.
- *True leaders use soft power, not hard power.* Hard power is what comes via authority and includes power in the form of rewards (such as compensation and bonus) and penalties. Soft power is where a leader is followed because a person wants to follow. Soft power is far more effective.
- *Leaders must build relationships that entail strong mutual confidence.* When supervisors delineate "expectations," they are telling people what they want them to do. More effective is when a leader is able to forge a relationship with mutual confidence; the leader is confident in the follower and the follower is confident in the leader. Such confidence-based relationships are far more successful.

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*"The first challenge of leadership is to earn the confidence of followers."*

— Orit Gadiesh

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- **Leadership lessons are often learned in difficult situations.**

When asked to reflect on an event that provided a valuable leadership lesson, each panelist drew upon an extremely challenging personal experience. These experiences included being fired after 17 years; being on the verge of bankruptcy; getting a first general management experience, in a volatile emerging market; and being thrust into a situation where previous business experiences and tools didn't provide adequate preparation.

Among the lessons learned from such experiences:

- *A job is only about a person's net worth, not self-worth.* However, this doesn't mean that leaders should not take their work personally or that they should try to protect themselves emotionally by distancing themselves from their job or company (such as in referring to themselves or the company in the third person). Leaders need to live, breathe, and bleed for their company. If they don't, their employees won't either.
- *Turning around struggling organizations requires creating a sense of collective pride.* Leaders figure out the most effective approach at a given moment in time to rally the troops.
- *Leaders build trust.* Leadership entails taking very conscious actions aimed at building trust with all stakeholders. Trust isn't built in one day, and is certainly not established in the middle of a crisis; it is built over a long period of time.

- **The experience of these leaders is that crises amplify the basics of leadership and of business.**

Each of these leaders has led during crises, including the current financial crisis. The advice they offered included:

- *Focus on the basics.* Mr. Dimon emphasized that leadership principles don't change during a crisis, but you do have to identify fatal flaws or your firm could die. Mr. Wagoner said that in times of crisis it is necessary to go back to the fundamentals, the basics.

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*"View a crisis as an opportunity to fix the basics."*

— G. Richard Wagoner Jr.

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- *Create an open environment.* It is essential to create an open, honest environment where everyone is free and encouraged to speak his or her mind. Mr. Dimon was



once given advice to always have one truth-teller in the room. His reaction: I want every person in the room to be a truth-teller.

- *Prioritize.* In a crisis, establishing clear priorities is imperative. Organizations have to have a sense of urgency, which comes from the top. At JPMorgan Chase, this has meant throwing out the 2009 strategic plan, canceling trips and travel, and creating clear priorities in the midst of the crisis. Many firms have lacked this sense of urgency and have failed to establish priorities.
- *Have discipline.* Leadership means creating processes and systems and having the discipline, even in a crisis, to regularly review these processes and systems.
- *Communicate what and why.* GM has experienced massive and painful workforce reductions. No one is happy about these reductions. But if leaders explain clearly the decisions that were made and why they were made, most employees will be supportive.
- *Act with integrity.* Too often, firms state their values but then in a crisis fail to live up to them. Integrity means having the courage to fire your top salesperson if that person's actions are not consistent with the company's stated values.

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*"The core of good leadership doesn't change [during a crisis]."*

— James Dimon

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- **HBS must evolve its curriculum to continue effectively educating the leaders of tomorrow.**

To equip tomorrow's business leaders with the skills they will need, the panelists agreed on the need for even greater diversity of the student body. In addition, Mr. Zobel de Ayala offered the following suggestions:

- *Integrate complexity into the curriculum.* Greater complexity, along with a greater sense of history, is needed to broaden the perspective of students.
- *Incorporate social entrepreneurship into the curriculum.* Students should learn about the social perspective and social contract.

- *Teach that downturns occur.* Most students have lived during mostly positive economic times. Students need to be taught that bad times do in fact occur. They need to be prepared to lead and manage in such situations.
- *Focus more on the interaction between the public and private sectors.* The interaction between government and business has increased in importance and needs to play a larger role in the classroom.
- *Provide a more holistic perspective on growth.* Historically, companies have focused solely on their own economic growth. But there must be new ways to think about the growth equation that take factors such as the sustainable use of natural resources into consideration.

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*"There must be a new way to look at the growth equation . . . a more holistic solution to growth."*

— Jaime Augusto Zobel de Ayala II

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## Other Important Points

- **Lack of government fortitude.** While business leaders must be decisive and have fortitude, it seems that political leaders often lack fortitude. An example: A seeming unwillingness to deal with the country's energy problem, a problem that has existed since the 1970s. Politicians seem to lack the leadership capabilities to honestly confront this problem and resolve it. Mr. Dimon sees a fuel tax on BTUs as an effective solution, though a solution that requires leadership and courage.
- **Statesmanship needed.** Mr. Wagoner noted that when corporate executives meet with elected officials in Washington, D.C., they seem to have a very specific agenda and are lobbying for something in their own narrow self-interest. What is needed is a collective approach where executives work to build an economic base that is in the country's long-term best interest. Executives need to show statesmanship, focusing less on their own self-interest and more on the country's economic foundation.