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A Framework for the Global Era

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Foreword by Pascal Couchepin

It is no coincidence that *Inclusive Leadership* was written by a Swiss. The idea of inclusivity is a hallmark of Swiss identity, and I see many parallels between the inclusive leadership framework of Peter Wuffli and the defining characteristics of Switzerland. Its openness to the world; the strong cohesion between its economy, political system, and civil society; and its lively tradition of individual engagement for the community are just some examples.

Wuffli's book is interesting because of the themes and issues it covers. Its broad range of topics reaches far beyond finance and business. He reflects on ethics and debates questions concerning old and new virtues and how liberty should be matched by responsibility. Reviewing his own development journey as a leader, he suggests ideas about how to become a more inclusive leader throughout the seasons of one's professional journey. He also tells a convincing story that we don't need to wait for a "new" capitalism, but rather that capitalism is already being reinvented on a daily basis to better meet the needs and expectations of broader society.

I have known Peter Wuffli for over 20 years, and I have always been impressed and encouraged by his engagement for the public good, beyond his immediate leadership positions. I have also known him as a man of integrity and courage. I recommend this book to current and future leaders who are interested in an authentic and broad-based reflection on leadership that is thought-provoking and reveals interesting insights and practical suggestions.

Pascal Couchepin
Former President of the Swiss Confederation

Foreword by Phil Rosenzweig

Many executives focus their energies on delivering business results but do not appreciate the sweeping changes taking place in the world around them. Others consider both global trends as well as a company's aims but don't examine their own life's journey in the broader context. In this book, Peter Wuffli undertakes the ambitious—and admirable—goal of bringing together all three: leadership for high performance, the changing nature of globalization, and the personal path he has taken, with its many lessons learned.

Peter Wuffli's perspective has been shaped by his experience in Swiss banking, an industry characterized by distinctive traditions of formality and discipline. My background from the electronics industry in California, with its emphasis on innovation and informality, could hardly have been more different. Yet despite all of the differences, throughout these pages I recognized a deep concern for the crucial themes that are common to us all, regardless of nationality or industry: ethical behavior, inclusion, interdependence, and the need for business pragmatism to be balanced by humanitarian ideals. In the end, business is—and rightly must be—about people.

During my years as a professor at IMD, I have come to know Peter Wuffli very well as a thoughtful and fair-minded leader who has worked to improve the institution as well as help individuals to reach their full potential. His far-reaching interests, which range from investments to philanthropy to economic development, are an example to us all. We can all be grateful that he has drawn on his extensive career and life experiences in writing this book, and I am sure that each of us will find wisdom and valuable insights within its pages.

Phil Rosenzweig
Professor at IMD and author of *Left Brain - Right Stuff*

Preface: Why Another Book on Leadership?

When I told a friend that I was in the process of writing a book, the first thing he said was: "I'm sure it will be about leadership!" I was taken aback and asked the reason for his suspicion. He answered that most of his colleagues in my age group who have similar careers are writing books about leadership. He is, of course, right. A search for leadership books in Amazon turns up close to 128,000 results. In spite of this wealth of academic and practitioner literature about leadership, however, we are far from a consistent understanding and definition of what leadership is about and even further away from comprehensive and somewhat proven theories that describe its impact and effectiveness. Already in 1997, Warren Bennis (an academic with authority in the field) found more than 850 definitions of leadership that cover a broad range of diverse perspectives and thinking (Bennis & Nanus, 1997).

As compared to other leadership books on the market, this book offers a new perspective on the essential characteristics of leadership and differs from the vast literature of books on leadership in four distinct ways. Firstly, rather than referring to leaders as exceptional people with exceptional skills, I prefer the more inclusive approach of making reference to leaders at all management levels within an organization and across various sectors. Secondly, whereas many leadership books either focus on theoretical issues related to leadership *or* on practical issues based on a leader's personal experiences, I have chosen to combine these two approaches.

Another distinctive feature relates to the fact that I have held leadership positions throughout my career that span both the profit-oriented and the nonprofit sectors and have involved large global organizations, entrepreneurial firms, as well as microstructures. Hence, rather than focusing on one set of subjective experiences (as is the case in many leadership books), I am able to share the insights I have gained from my experiences across a variety of sectors and organizational structures. In doing so, I hope to provide you, my readers, with a broader perspective about leadership, as well as show you how to build bridges across sectors that are all too often segregated.

A fourth and final distinctive feature of my new thinking regarding leadership, as compared to conventional leadership thinking and practice, is my strong focus on ethics—a theme which has interested me for many years. I decided to emphasize ethics in this book, since I consider it to be an essential theme for leadership. And more importantly, it reflects my ethical belief that if one is fortunate enough to enjoy high degrees of individual liberty, then he should assume a higher threshold of responsibility in order to use these advantages for the benefit of society as a whole.[1]

So why did I write this book? Throughout the diverse career I have enjoyed over the last 30 years, I have always been passionate about ideas, concepts, and theories related to the themes and issues addressed in this book. In addition, I have loved writing ever since my youth when I worked as an editor for a student newspaper and as a volunteer economics journalist for a leading Swiss daily newspaper. I find that in the process of writing, one's thinking improves in clarity. I am occasionally asked by peers and young potential leaders to share experiences, insights, and lessons with them, and I am pleased to reflect on what I learned—both in the positive and the negative sense. In writing this book, my ambition is to contribute to the ongoing debate about leadership by offering a new perspective with the goal of inspiring and encouraging actual and potential leaders.

Zurich, Switzerland Peter A. Wuffli

Reference

Bennis, W., & Nanus, B. (1997). *Leaders: Strategies for taking charge.* New York: Harper Business.

[1] Rather than using the cumbersome "he/she" option, for simplicity's sake I have decided to use the more common personal pronoun "he" (and the corresponding adjective "his") whenever referring to a leader in general terms. Nevertheless, I fully acknowledge the many successful female executives for whom I have great respect and admiration.

Acknowledgments

Given that I reflected on experiences and insights from over 40 years of my life in writing this book, it is impossible to mention every individual by name who had an influence on its contents. This, however, does not diminish my gratefulness to those not explicitly mentioned. First and foremost, I would like to thank my family: my parents Heidi and Heinz Wuffli; my spouse Susanne; and my children Beat, Arianne, and Daniel for their unconditional love and care, their emotional and intellectual support, as well as their specific recommendations on how to improve this book. I am likewise thankful to all of my personal friends and professional colleagues for their loyal companionship on my journey to date, through both good times and bad.

I would also like to thank the team of elea Foundation for Ethics in Globalization, namely Andreas Kirchschläger (our CEO), Adrian Ackeret, Nicole Adler, Lina Regula Bee-Müller, Aleksandar Buneta, Sibylle Käser, Stefan Kappeler, and Janik Porzelt for their contributions to making elea Foundation a daily reality and for their advice and support in developing this book. A particular thank you goes to Myrtha Bohni who has been my personal assistant since 1994 and is an essential part of my personal "survival kit."

To those friends and colleagues—beyond my family and the elea Foundation team—who directly supported me in the process of writing this book by making an effort to read the draft version and providing, in many cases, very detailed and constructive feedback, I am also grateful. These include (in alphabetical order): Ann-Kristin Achleitner, Matti Alahuhta, Doris Albisser, Robert Berlinger, Thomas Buess, Pascal Couchepin, André Frei, Marcel Erni, Phil Gramm, Brian Griffiths, Christian Keller, Marco Mancesti, Steffen Meister, Phil Rosenzweig, Dominique Turpin, and Jürg Zeltner.

A further word of thanks goes to the publisher, Martina Bihn and her team from Springer, for their entrepreneurial commitment and technical assistance, as well as to Alexander Haldemann and Paolo Tonti from MetaDesign for their creative and professional development of the cover and the graphics. And last but not least, I would like to thank my "Power Team," Valérie Keller-Birrer and Lisa Levasseur Berlinger, who assisted me with research and editing and whose valuable contributions included challenging feedback, discipline, and humor.

Contents

1 Introduction: A Framework for Inclusive Leadership

On Friday, December 14, 2001 at 3.30 p.m., the Chairman of UBS Group called me to a meeting in his office and announced that I was to be promoted to the helm of the bank, effective Monday of the following week. I asked whether I could sleep on it before accepting this promotion. He agreed but mentioned that it would not change anything; the board meeting confirming my appointment had already been set for Sunday afternoon. They needed me to assume this role.

Let us now fast-forward five and half years. On June 29, 2007, upon returning from a board strategy seminar in Valencia, Spain, the same chairman informed me (again out of the blue) that the board had unanimously decided in a private meeting on the previous day to make changes at the top management level and to nominate my deputy as the new Group CEO. The board had also asked the current chairman to remain in his position for another 3 years, which he had agreed to do. As these decisions left me without realistic alternative options, I handed in my resignation with immediate effect.

These were two "moments of truth" on my journey as a leader that transformed my life, and ones that I will never forget. Both were completely unexpected, both profoundly changed the direction and perspectives of my career from one day to another, and both had a substantial influence on my thinking about leadership and my realization that it needs to be more inclusive.

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1.1 What Is Inclusive Leadership and Why Does It Matter?

Reflecting on the macro evolution of the world with its unprecedented acceleration of globalization over the past 40 years, as well as on my own personal experiences and insights within the microcosm of my professional journey to date, makes me believe that leadership can and should constitute a positive force. Partly driven by these macro trends and partly as a driving force in and of itself, leadership thinking and practice have evolved over this time period. But what kind of leadership is called for today and in the future? And how can these developments in leadership theories and practices be crystallized in such a way that they can inspire as many leaders as possible in order to capture the huge potential benefits for mankind, while avoiding the disastrous wars and revolutions that were the outcome of a previous period of accelerated globalization toward the end of the nineteenth century/early twentieth century? As I will discuss in this book, I believe that a new framework for inclusive leadership could help us to achieve this.

But what exactly does "inclusive" mean? Within the realm of development theory, the inclusiveness concept expresses the need to proactively ensure the participation of poor, underprivileged people in development processes. The dictionary tells us that inclusive means something that "covers or includes everything" or "is not limited to certain people." And within the realm of leadership theory more specifically, "inclusive leadership" has occasionally been used to emphasize the need for more diversity and better leader-follower relationships. As opposed to many leadership books that call for "exceptional leaders" (who hardly exist in real life) to solve the world's problems, I firmly believe that this should be the other way around. That is, we need as many leaders as possible at both the macro and micro levels and across all sectors of society. Leadership should be a holistic, broadly applicable concept, not an exclusive one with excessive thresholds that only very few people, if any, can meet. In other words, leadership should be "inclusive."

Taking the above into account, I therefore suggest four guiding principles when constructing a new framework for inclusive leadership. It should be:

1. Dynamic and Change-Oriented
2. Horizontal: to enable bridge-building across different sectors of society and across cultures
3. Holistic and Broadly Applicable: to involve as many people and diverse situations as possible
4. Explicitly Normative: in terms of encouraging leaders to reflect on and take positions related to their underlying ethics and virtues

In light of the pace of transformation resulting from accelerated globalization, the first principle suggests the need for a change-oriented and dynamic approach, rather than one focused on rigid, inflexible structures. Conventional wisdom during my school days was that there are leaders and there are managers. According to Warren Bennis, “Managers are people who do things right, while leaders are people who do the right thing” (Bennis and Nanus 1997). Based on this thinking, leaders sit at the top of an organization and *know* what the “right things” are, whereas the managers below need not worry and challenge these things but rather should just focus on *doing them right*. In some ways, this reminds me of classical Prussian military doctrine. According to this doctrine, the supreme commander on the hill tells his officers and soldiers where to go, because he has a better overview of the land below. Both leadership thinking and management science have progressed since then and have recognized that this picture is flawed in today’s world for two reasons: (1) there is no hill from which one has better oversight anymore, and (2) the direction in which one needs to go keeps changing very fast. Hence, an inclusive leadership approach is called for where both the what (knowing what are “the right things”) and the how (doing the “things right”), as well as a high degree of agility to constantly adjust to changing environments, are instrumental for achieving success.

With regard to the second principle, the Global Era (with its interconnectedness and urgent global challenges) calls for leadership with an open-minded, horizontal perspective across sectors of society and across cultures. While many walls have crashed and many bridges have been built over the last 40 years, closed-mindedness and fragmentation is still in many ways a reality today. In each of the different segments of society that I have worked in, I have often come across thick walls between these segments, as though each were within its own silo. For example, business leaders work hard to keep their businesses successful and competitive but sometimes tend to ignore a lot beyond the business sphere. Civil society leaders, on the other hand, try to make the world a better place, often with huge misperceptions about what business can and cannot, should and should not accomplish. Political leaders tend to look at everything through the national, or even the regional/local, lenses of their electorate and often fail to appreciate the global forces and connections that are proliferating around them. Even within organizations, with their deep functional specializations and their global scope, "silo" thinking and acting between functions and across geographical boundaries is an often heard concern that needs to be addressed with more inclusiveness. More and more diversity demands even more effective listening, understanding, respect, and collaboration across borders. A new inclusive leadership framework that incorporates bridge-building and provides holistic perspectives and orientations would prove useful in achieving this.

In a similar way, as concerns the third principle, the sheer dimension and complexity of leadership tasks (which should be accomplished in order to address the many challenges of our Global Era effectively) call for lowering the threshold of what is usually meant by the term "leadership." Rather than continuously watching out for "truly exceptional" leaders who so rarely exist in reality, we should instead consider how we can expand the basics of leadership and how we can leverage leadership skills across as many regions, societal silos, and levels of management as possible. Such an inclusive approach to leadership would encourage learning and experience sharing across societal segments and would expand the leadership pool at all levels. It might also provide clues to the timeless questions: What part of leadership comes from personality? Which elements of leadership can be systematically developed and how?

Finally, the fourth principle advocates that leadership thinking and practice should be explicitly normative (in terms of expressing reflections on underlying values as opposed to circumstantial views and opinions). A generation ago, the head of an organization in Switzerland usually knew whether his colleagues were Christian Protestants, Catholics, or (although rare at the time) held some non-Christian faith. In today's more globalized and secular world, this is often not the case anymore. Leaders generally have diverse ethical belief systems and attempt to live up to certain virtues depending on their backgrounds, experiences, and convictions. Even leadership scholars, who tend to root themselves in empirical evidence when testing their hypotheses in line with the principles of positive science, are influenced by normative world views. The fourth principle therefore suggests that leaders should at least try to actively reflect on their personal, underlying ethical concepts and desired virtues and to articulate them in an appropriate way. This would then provide the basis for a better understanding of different perspectives between colleagues and would foster deeper collaboration among them. It is a principle that is easier to live up to with the wisdom of age; at least I find it easier now to be explicitly normative and to stand up for ethical beliefs and virtues than I did when I was younger. This underscores how important diversity across all three "Gs" is, i.e., not only gender and geography, but also generation.

So to summarize, what is inclusive leadership and why does it matter? Inclusive leadership, in the context used in this book, means an approach to leadership thinking and acting that is dynamic, horizontal across societal sectors and cultures, and broadly applicable. It should also take into account the transformations of our Global Era and have an explicit focus on ethics and virtues. It matters because it can and should positively contribute to mastering the challenges resulting from accelerating globalization by helping societies to capture its benefits and hopefully avoid disasters.

Guided by those four principles, I will expand upon my understanding of inclusive leadership by means of a four part structure within the main body of the book (see Fig. 1.1). In Part I (Chap. 2), I will provide more context and better understanding about the transformational forces of globalization over the past 40 years that have influenced, inspired, and shaped current leadership thinking and practice. I will do so by sharing my observations and experiences regarding the metamorphosis of the Swiss financial center in general as well as by describing the specific evolution of Swiss Bank Corporation, and then—after the merger—UBS, during the time of my direct involvement. I will also reflect on how ideas and ideologies have evolved toward higher levels of pragmatism over

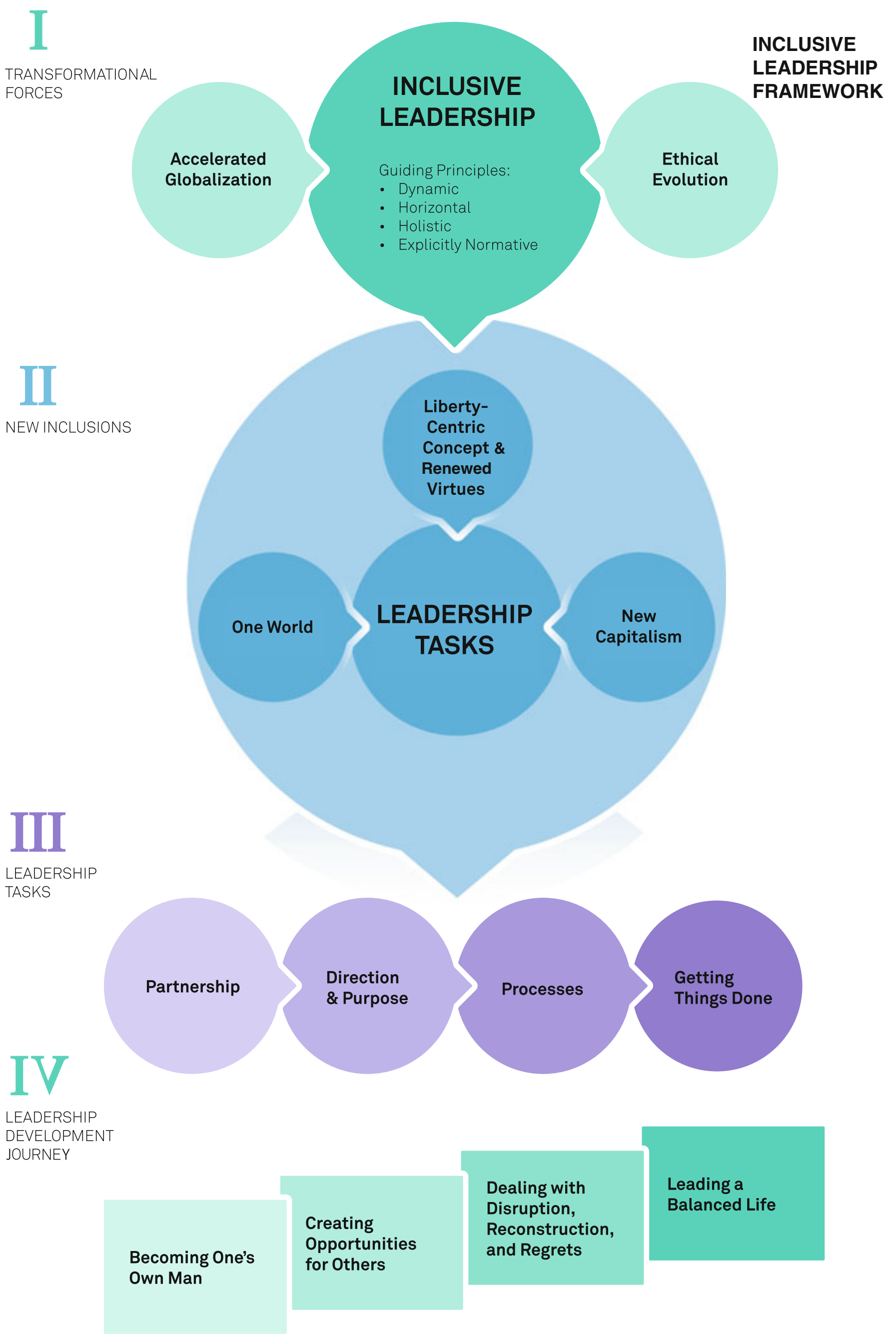

Fig. 1.1 Inclusive Leadership Framework

the last 40 years and why I believe that taking a stance on ethics and virtues is such an essential element of leadership.

In Part II (Chap. 3), I will become more specific and describe in detail the following three central elements that should inspire leadership thinking and tasks going forward and should thus be new inclusions in an inclusive leadership framework:

1. **A new, more holistic "one world" perspective** to take account of today's and tomorrow's global challenges.
2. **A new capitalism** that reflects the profound changes in society's expectations regarding capitalism's role, modus operandi, and benefits.
3. **New ethics and virtues**: I will advocate the merits of a liberty-centric ethical concept and will describe selected virtues to bring this ethical concept to life.

In Part III (Chap. 4), I will elaborate specifically on how this framework can and should influence generic leadership tasks by making extensive reference to examples from my own professional experiences. And finally in Part IV (Chap. 5), in an effort to inspire others, I will look at leadership development as a way of institutionalizing continuous learning and improvement by reviewing the different seasons of my own leadership journey to date as an illustrative example.

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Bennis, W., & Nanus, B. (1997). *Leaders: Strategies for taking charge*. New York: Harper Business.

2 The Context: Transformations and Pragmatism

2.1 Introduction

The three decades of my professional journey to date have coincided with an unprecedented acceleration of globalization that has transformed the world into today's Global Era. I am probably not alone in finding the world today a fascinating, fast changing, and diverse, yet highly complex, confusing, and volatile place, at least as compared to the time when I was growing up. We have information at our fingertips, online and in real time, about every excess from exuberant wealth and growth dynamics to extreme misery and poverty. While these discrepancies always existed, for the first time in human history this broadly available information allows us to easily compare the lifestyle of a hedge fund manager billionaire in California with that of a construction worker in India making seventy cents a day. Or we can compare the lifestyle of a sheik in Abu Dhabi with that of day laborers in Burkina Faso who are digging for gold in the desert under miserable conditions and are fighting for the mere survival of their families.

While the spread between these extremes seems to be getting wider and wider, the time spans within which radical change can happen seem to be getting shorter and shorter. For example, in 2007/2008 we witnessed the worst financial and economic crisis since the Great Depression in the 1930s, and there was a widespread sense that the world might grind to a halt—at least economically. Several years later complacency seems to be creeping in again, and those privileged enough to be able to participate in the world's real asset markets are

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reaping double digit returns on their investments as a result of the once again exuberant market dynamics fueled by loose monetary policy.

Indeed, seen from today's perspective, the world some 40 years ago looked quite orderly. There was a "First World" that traditionally referred to capitalist, industrialized countries like the United States, Western European countries, as well as other industrialized countries like Japan, Australia, and New Zealand. The "First World" covered approximately 15 % of the world's population and accounted for over 60 % of global GDP. The "Second World" was the influence sphere of the former Soviet Union and was closed to all others, hidden behind the Iron Curtain. And the "Third World"—the only one of these three terms that is still occasionally used today, despite its obvious obsolescence—included everything else and was characterized by poverty, famine, war, and natural disaster. Large parts of Asia and Latin America, in particular, were looked at as hopeless in light of overpopulation and difficult climatic conditions, whereas there was more optimism about Africa, based on its wealth of natural resources.[1] The world also seemed comparatively simpler at that time, because there were few challenges acknowledged as being truly global, apart from global security concerns in the context of the Cold War and the international trade and finance architecture established after the Second World War. Therefore, only limited international governance mechanisms existed to interfere with the actions of sovereign states. The state was the predominant point of reference for political and economic thought and action at the time, and it alone was supposed to ensure effective and fair laws, regulations, and policies via democratic processes.

These are observations from today's perspective, but the reality at the time was not so simple given the existence of power blocks that had huge cross-border influence, such as the Western Alliance and the

[1] There was even an alternative "Three World" concept developed by Mao, as former U.S. Secretary of State Henry Kissinger referred to in his comprehensive book *On China* when he quoted Chairman Deng Xiaoping as saying, "The United States and the Soviet Union belonged to the first world. Countries such as Japan and Europe were part of the second world. All the underdeveloped countries constituted the Third World, to which China belonged as well." (Kissinger, 2011, p. 303)

Soviet Union. By comparison, many Third World countries were only nominal states that still reflected their previous imperial and colonial histories. Nevertheless, such simplified observations may be useful to highlight the contrast with the radically different view of today's world. The G20 organization that gained increased influence during and after the global financial crisis of 2007/2008, and whose members constitute over 90 % of world GDP, is just one visible symbol of the obsolescence of the three-tiered world structure that dominated the worldview up until the late 1980s. Growth and political influence have been steadily shifting to major newly emerged economies, whereas traditional economic powerhouses, particularly some in Western Europe, are stuck in uncompetitive structures. They seem incapable of reform despite substantial pressure from dramatic fiscal imbalances, immigration, and unfavorable demographic trends.

The forces that have been driving this accelerated globalization over the last 40 years are well-known and broadly publicized. The most powerful has been the integration of a series of major countries into global economic, and increasingly political, structures. Some examples include China (which started to open up to the world in 1979), Russia (since the fall of the Berlin Wall in 1989), as well as India and Brazil (given their accelerated economic growth, particularly over the last decade). Several countries of sub-Saharan Africa, as well as selected Latin American countries, have also experienced an unprecedented recoupling with the world economy. The integration of all of these countries has fostered the globalization processes for goods, financial services, and labor markets. With regard to financial markets specifically, their globalization has been a major contributing factor to the restructuring of a large part of the corporate world.[2] Only about a quarter of the "Fortune 500" global companies

[2] In 1987, I was part of an international project team at McKinsey that was mandated to conduct the first substantial, internal research on the globalization of financial markets. We analyzed globalization trends and debated hypotheses about explanations and consequences, and we also derived different strategy models for financial firms to consider and benefit from these globalization trends. An interesting insight at a more personal level relates to the high level of diversity of the team members, which was characteristic of our globalizing world at that time. The participants' deep mental models reflected their cultural biases, irrespective of the level of education and the fact that we were all

from 1970 were still more or less active under similar brands and with similar businesses 35 years later, many traditional corporations have disappeared, and others have emerged.

At the same time, the revolutionary progress in information and communication technologies has allowed for local events to be transported immediately onto global communication platforms. As a result, more and more global challenges have emerged that need to be addressed by global governance mechanisms. One of the more recent examples of such mechanisms is the United Nations Millennium Declaration that articulates global Millennium Development Goals to address poverty and encourage development in the world's poorest countries. Other examples include the various summits held to address climate change and the establishment of a new Financial Stability Board (FSB), an international body mandated to deal with the global financial crisis.

We are clearly living in times of radical transformation. But we should be careful not to take these changes for granted, for globalization may be a reversible trend—as becomes evident when looking into the past. As Mark Twain once said, "History does not repeat itself, but it does rhyme." For example, many attempts to build global empires—from Alexander the Great to Genghis Khan and from the Ottoman Empire to the Spanish Empire, to mention just a few—were successful due to great strides that had been made at that time in terms of improvements in technology and communication as well as increased accessibility. Those empires eventually fell, but globalization returned again in modern times before World War I. At that time, at least part of the world was globalized, almost to the extent that we are experiencing today. However, unlike today, globalization opportunities at that time were only accessible to a very small number of people from

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working in a global organization with a consistent value system. The Europeans believed that what went up for an extended period of time must eventually come down. The Americans explored a new paradigm to argue that what went up for an extended period of time would go even higher. In October, the equity crash proved the Europeans right—for that time. Another insight that could be discerned by looking at this experience from today's point of view was the fact that globalization then was still very much looked at from a "First World" perspective. There was no room for a truly Asian, African, or Latin American view.

the upper classes. This is well illustrated by a remarkable, often quoted text from the British economist John Maynard Keynes, which was published in 1920 when he was asked to analyze the consequences of the Versailles peace treaties. His analysis began with a description of the way of life of London citizens at the outset of World War I:

> The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages; … He could secure forthwith, if he wished it, cheap and comfortable means of transit to any country or climate without passport or other formality, … . But, most important of all, he regarded this state of affairs as normal, certain, and permanent, except in the direction of further improvement. (Keynes, 1920, p. 5)

It took over 50 years, two World Wars, and one Cold War to get back to the levels of economic integration that had prevailed, at least within the British Empire, before World War I. Historians Tony Judt and Timothy Snyder describe this journey in their book called *Thinking the Twentieth Century* as follows:

> The two decades following the end of the late-nineteenth century economic depression were the first great age of globalization; the world economy was truly becoming integrated in just the ways Keynes suggested. For precisely this reason, the scale of the collapse during and after the First World War and the rate at which economies contracted between the wars is difficult for us to appreciate even now … it took until the mid-1970s for even the core economies of prosperous Western Europe to get back to where they had been in 1914, after many decades of contraction and protection. In short, the industrial economies of the West (with the exception of the United States) experienced a sixty-year decline, marked by two world wars and an unprecedented economic depression. (Judt & Snyder, 2012, p. 26f.)

These two quotes illustrate that transformations from accelerated globalization are not linear. They have the potential to create huge opportunities for innovation and progress, but also to spell unprecedented disaster in terms of economic loss, violence, and chaos. An optimist in this debate is the well-known economist and Nobel Prize winner Michael Spence who expressed the view in his book *The Next Convergence* that we may be in the midst of a new industrial revolution that could lead to 80 % of the world's population living in middle income countries: "The huge asymmetries between advanced and developing countries have not disappeared, but they are declining, and the pattern for the first time in 250 years is convergence rather than divergence" (Spence, 2011, p. xv).

2.2 The Transforming Swiss Financial Center

In the aftermath of the great financial crisis of 2007/2008, there was a tendency in Switzerland—and possibly in other financial centers as well—to romanticize the past and to look back at the financial sector of 30–40 years prior as having been healthier. Based on my own observations, as well as on anecdotal evidence from others, I cannot subscribe to this assessment. Rather, I consider that period as having been characterized by opacity and a lack of transparency, as well as highly rigid, hierarchical structures.

2.2.1 An Opaque and Hierarchical Place . . .

In the 1970s, business structures in Switzerland—as in many other countries of the Western world—were remarkably stable and predictable. Large companies were institutions built to last, and the goals of stability and organizational survival ranked higher than those of profit and value creation. It was impossible to judge whether potentials were realized or opportunities missed, even with internally available information, let alone information from the outside. Many markets were cartelized, particularly those in the financial industry. Consequently, it was irrelevant to know with which clients and based on which products and services money was earned. And since business results were not known, business leaders—who were not really familiar to the public anyway—were hardly accountable for those results. Furthermore, the modus operandi of leading large companies was hardly understood internally, let alone in the public domain, and today's standard leadership tools such as results-accountable structures, strategic planning and controlling, and business-oriented processes were only just beginning to be applied.

Accounting standards at the time also offered plenty of opportunities to hide the true and fair financial situation of companies. This fact became clear to me when I worked as an intern from 1979 to 1980 in the economic section of the *Neue Zürcher Zeitung* (the leading daily newspaper in Zurich, also known as the *NZZ*). As part of my job, I attended many company media conferences where the information handed out often did not allow the reader to understand for sure whether the company was making or losing money. But answering that question was often irrelevant, since many shares were in the hands of established entrepreneurial families—often in those of the original founders' descendants—and the development of the share price was not indicative of a company's performance. Rather, it was usually kept quite low to minimize wealth tax. For all of these reasons, the business world at the time seemed quite opaque.

This lack of transparency and clarity was particularly evident in the financial industry. Most of the five big Swiss banks[3] in the 1970s did not have a CEO who was responsible to a board of directors for strategies and performance. Instead, they were governed by collective executive boards with often unclear, individual roles and responsibilities. My father—who held various top management positions during this period at what is now called Credit Suisse—once told me that the agenda of executive board meetings was structured based upon what members had to say according to their tenure with the bank, rather than upon a framework of strategic priorities and business accountabilities. I got the impression from listening to him and others that management structures and styles were strictly hierarchical and that there was rather limited, informal collegiality among members of top management. In fact, addressing each other on a first name basis was often considered appropriate only after retirement.

Moreover, members of top management at the time were considered to have absolute power. A subordinate called by his boss would often stand up and run, not walk, to his boss's office. The dependence

[3] These included Union Bank of Switzerland, Credit Suisse, Swiss Bank Corporation, Bank Leu, and Swiss People's Bank.

on the boss was complete, and he was perceived as superior in (almost) all dimensions. I personally experienced this virtually dictatorial style of management in 1987, when I worked on an assignment for McKinsey to improve efficiencies within the subsidiary of a large Swiss bank in New York. The Swiss CEO was, in many ways, similar to the famous Captain Queeg of the novel *The Caine Mutiny*. He was so mistrusting of his staff that he would personally stand watch every morning down at the elevator to check whether his people would arrive on time for work. He also spent most of his time in the office studying statistics, controlling, and auditing reports; he approved all minor purchases of office tools from USD 5[4] and upwards; and he was ruthless in sanctioning even minor mistakes.

From the point of view of employees, professional careers advanced within a company—if at all—in the context of lifelong employment, mostly within the same functional area.[5] For most employees, the essential criteria for determining salaries were their age and their tenure with the employer; it was not necessarily related to an individual's performance and his contributions to business results. In the banking sector, however, managers could enhance their compensation either through private trades, if they were employed in a securities department, or by accepting board mandates from client companies, if they were employed in a commercial credit department. The benefits of such mandates were seen as far outweighing the problematic consequences which could result from conflicts of interests and from the dilution of management focus.

[4] The USD/CHF exchange rate on December 31, 2014 was approximately 1 (0.9934). Therefore, throughout this book figures quoted in CHF would be the same if quoted in USD.

[5] Changing jobs across banks was particularly challenging, given that there were strong business, political, and military networks among the leading personalities. I remember a discussion I had in the 1980s with a newly retired banker who told me how difficult it was in a small city for an employee to change banks, because the local executives would hear about it beforehand and be able to prevent the move. These same executives could also foster such a move if it was in their interests. Given that the Swiss political and military systems are largely organized like "militias," business leaders in the past quite frequently held positions as members of parliament and/or high ranking army officers in addition to their professional positions. Nowadays this is a bit less common.

2.2.2 . . .With a Domestic Focus. . .

The identity of Swiss banks at the time was shaped by an understanding of their primary role as service providers for the national economy. Foreign activities were quantitatively and qualitatively of lesser importance, and international private wealth management (more commonly known as private banking) was a hardly visible and rather underappreciated business activity, as compared to that of the powerful commercial bankers and the increasingly successful securities traders and capital market specialists—commonly referred to today as investment bankers. In fact, commercial bankers tended to look down on those private client advisors who were obliged to go to lunch with wealthy, elderly widows. They, on the other hand, could join corporate boards and meet leading industrialists in the country.

Foreign subsidiaries and branches were consequently small; their main role was to recycle the international financial flows that were attracted to banks in Switzerland due to its safe haven role after World War II. The domestic orientation of Swiss banking was also evident in the fact that the prices of their products and services were, for the most part, set by industry-wide conventions agreed to by the most important Swiss bank executives at their regular meetings.

In the 1980s, the banks as well as the interested public still knew very little about the economic value embedded in the Swiss banking business and how important it was to understand the value drivers in order to improve financial returns and competitiveness. A small group of McKinsey consultants (including myself), who wanted to make a contribution to this increasingly important area, developed an economic model which established a profitability structure based on business activity. According to this model, in 1990 all Swiss banks together achieved a return on equity (ROE) of 42 % in international private wealth management and minus 37 % in retail banking. As a result of this work and other analyses, private wealth management was identified and increasingly recognized as an attractive, highly valuable core business that should be appropriately positioned in the context of a Swiss bank's structure.

2.2.3 . . . Transformed by the Powerful Forces of Globalization

Within the Swiss financial center, this picture of an opaque, hierarchical, and domestically-oriented place—obviously painted in a pointed and highly generalized way—started to change when it became increasingly influenced by strong globalization forces during the 1980s. While traditional Swiss sectors such as machinery, tourism, life sciences, and chemicals had already become international and export-oriented many decades earlier, this trend now began to affect broader sectors of society, in particular the financial industry.

One important driver of this trend at a macro level was the powerful changes that were taking place globally in society and in financial markets. Progress was being made in health care, which meant that people on average were living longer, and an institutional need for financial capital accumulation was emerging that encouraged collective savings. Similar to what happened in other countries, savings in Switzerland shifted from bank and post accounts to collective investment vehicles such as pension funds, life insurance policies, and mutual funds. As a result, large pools of financial wealth were created that fueled liquid securities markets and enabled the development of professional asset management. Along with this professionalization, a more analytically driven approach to investment research nurtured ambitions for higher financial returns. Consequently, a differentiated profile of investors emerged; they became more specialized and institutionalized, ranging from rather passive pension fund administrators to more active investors who developed their own views on value creation based on the work of independent securities analysts.

These structural changes within financial markets created opportunities for many entrepreneurial families to liquefy their assets by selling entire companies or by issuing bonds or shares, thus providing an additional boost to the development of financial markets. At the same time, many members of the first or second generation of founder entrepreneurs started to withdraw from active roles in management and on boards, leaving the field open for professional managers. With the development of business administration as a science, a new generation of university educated managers started to apply professional methods and tools.

Another outcome from these structural changes was the fact that it laid the basis for today's often-stated and increasingly visible gulf between rich and poor. In many cases, owner entrepreneurs and their families had only been wealthy on paper, because their fortune was tied up in the company. Through the liquefaction of real assets, however, a generation of well-to-do people emerged who could actually spend their wealth. Depending on their character and style, they made visible use of this opportunity by purchasing luxurious homes and/or engaging in extravagant lifestyles. While at first, only members of entrepreneurial families had been able to afford such lifestyles, institutional investors and professional managers soon followed in their footsteps. People sometimes say that traditional entrepreneurs used to be more modest in their lifestyles and did not exhibit their wealth provocatively. This may have had something to do with their attitudes, but it was likely due to the lack of available liquid funds.

2.2.4 From Entrepreneurial to Investor/Manager Capitalism

Now that we have taken a look at the structural changes caused by globalization on a macro level, both within the global financial industry as well as within the Swiss financial center more specifically, let us take a look at what effects it has had on a micro level within companies. Since the early 1980s, particularly within large companies, entrepreneurial capitalism has gradually been replaced by what I call "investor/manager" capitalism.

The shift of management from original owner entrepreneurs to both institutional investors and professional managers has led to a fundamental change in companies' aspirations and has put enormous pressure on the traditional Swiss company model which, prior to globalization, was closer to what is sometimes referred to as "Rhineland capitalism." According to this model, the primary focus of companies is on stability, sustainable growth, long-term health, and intergenerational survival. This is in contrast to the Anglo-Saxon philosophy in which a company is essentially an instrument for making money—the more money is made and the quicker it is made, all the better. In line with the Anglo-Saxon philosophy, and as a result of globalization, companies influenced by increasingly active institutional investors began turning their focus to the realization of a company's value creation potential. In the 1990s, debates concerning shareholder value maximization were highly controversial. Switzerland was more exposed to such tensions than other larger European countries, as it had historically developed a strong international orientation and connectedness due to its small size and central positioning in Europe. But driven to a significant extent by the globalization of financial markets, this new focus on shareholder value creation was hard to ignore. New information and communication technologies enabled the liberalization of cross-border capital flows and the emergence of international standards in accounting and securities trading. As a result, a quantum leap in terms of transparency about entrepreneurial activities and financial performance was achieved—at least with regard to publicly listed companies. Superior value enhancement vis-à-vis relevant competitors, along with increasingly global competition for corporate control through takeovers and mergers, thus became a question of survival. As a consequence of all of these trends over the course of the 1990s, most publicly listed and internationally active companies in Switzerland adopted superior shareholder value creation as an important part of their leadership mandate.

This modification of the leadership mandate raised questions about the respective roles of professional managers and institutional investors vis-à-vis that of traditional owner entrepreneurs from previous times and is closely linked to the heated, and not yet ended, controversy about management salaries. In the times before globalization accelerated, compensation for upper management was usually approximately ten to fifteen times the average of a normal employee's compensation. Since then, gaps between the highest and lowest salaries in many organizations and across a series of countries have widened quite substantially. It is unlikely that today's corporate leaders are performing so much better than their predecessors 40 years ago to warrant such dramatic shifts in compensation structures. The reasons for this trend are not yet completely understood and are therefore still being researched. They may have to do with the increasing differences in skill requirements and the greater specialization of top jobs within certain sectors. Or they may have to do with the growing worldwide influence of Anglo-Saxon, particularly American, compensation practices—this was certainly an important factor in the financial industry. Alternatively, they could also have something to do with the shortcomings of corporate governance or with the greater and faster differentiation between "winners and losers" in our highly competitive and transparent Global Era and the consequent need to put high premiums on seemingly winning leaders.

While those and other reasons may explain the developments to some extent, debates about manager compensation still fail to take into account the effect that structural changes caused by globalization had on entrepreneurship, as described in the previous section. Owner entrepreneurs traditionally either enjoyed success or suffered from failure in the form of an appreciation or a loss in company value. But with the shift toward professional managers and institutional investors and the withdrawal of traditional owner families, particularly in large corporations, the value creation or destruction resulting from entrepreneurial decisions had to somehow be distributed among these two new groups. With regard to professional managers, this has usually been done through profit sharing and deferred stock and option plans, and with regard to institutional investors, through the use of asset management and performance fees. By using such compensation mechanisms, the boundaries between the compensation of employees, managers, and investors have become blurred. Simple ratios between the highest and lowest salaries among the employees in a company fall short of explaining these new, more complicated mechanisms for allocating entrepreneurial rewards. The debate about management salaries would consequently benefit from a broader discussion about the implications of a globalization-driven shift from entrepreneurial capitalism to investor/manager capitalism within many companies in terms of the roles, rewards, and risks of investors versus managers.

2.2.5 Changes in Leadership Patterns and Behaviors

In addition to the shift from entrepreneurial capitalism to investor/manager capitalism and the resulting change in companies' aspirations and philosophies (i.e., to a more Anglo-Saxon-oriented one), globalization has affected companies on a micro level in another, more profound way. Leadership patterns and behaviors, as well as internal structures and processes, have been changing. One clear example of these changes was the dismantling of powerful location chiefs in many corporations. As a consultant, I had been able to observe this change in several companies. In the 1980s and 1990s, power began shifting away from locally integrated control centers toward centralized, far away specialist staff functions. The resulting changes in organizational structures and processes were profound. Simple vertical relationships based on hierarchical authority were replaced by multiple, horizontal, partner-like relationships based on complementary, professional capabilities, which often diluted accountability and made decision-making highly complex. Static reporting relationships were also supplemented by more dynamic, temporary project teams. Such changes created broader development opportunities, but they also led to disorientation among many employees who no longer knew where to turn for guidance. Leadership skill requirements have also been changing, insofar as they have an increased focus on so-called "soft skills" in areas such as team building, interactive problem solving, change management, and communication among various stakeholders. It was based on such observations and experiences that I started to develop what I would later call an inclusive leadership approach, which I will expand upon more extensively in Chaps. 3 and 4 of this book.

The dismantling of powerful location chiefs could be observed in the financial industry as well. For example, until shortly before I joined Swiss Bank Corporation (SBC) in 1994, its basic organization was determined by geographic factors. Power lay in the hands of local and regional fiefdoms, covering areas like Zurich, Basel, Geneva, London, and New York. These organizations even managed their own balance sheets with high degrees of autonomy and sometimes took adverse positions against each other in selected financial instruments. When I paid courtesy visits to these local organizations briefly after joining the bank, surprisingly the local leaders often questioned why they would be affected by a reorganization at headquarters. These local leaders were mostly impressive, dominant, charismatic personalities who took the most important decisions (e.g., whom to grant credit) by themselves and had a clear overview of their clients, their employees, their business processes, and their resources. They were well connected with the local business community and often engaged in local society at large, whether in politics, the military, cultural endeavors, and/or charitable affairs—similar to what classical owner entrepreneurs at their best had done. In the next section, I will describe other structural changes that took place at SBC (and after the merger, UBS[6]) in more detail, based on my own experiences there, as an example of how several companies had to undergo a comprehensive transformation process in order to become more globally competitive as well as better cope with the new challenges and capture the new opportunities offered by globalization.

2.3 My Experience with Swiss Bank Corporation and UBS

2.3.1 Consolidation of the Financial Industry

Consolidation in the financial industry, which began in the early 1990s, was shaped by several important forces for change across the globe: the new and more demanding needs of clients, the liberalization of markets, the increased competitive intensity, as well as the growing importance of technology and its implications for the critical size of an organization. All of these were catalysts that encouraged banks to adopt more client-oriented business models and to become more ambitious about growth. Whereas 40 years ago strategic thinking was often driven primarily by processing and logistics capacity—because these functions required massive capital expenditure and long-term planning—with globalization the perspective began to shift toward the market and client ends of the business model. Client relationships began to be analyzed and segmented, and product usage and profitability began to be measured.

Besides these more global trends driving consolidation, a local force for change was the severe real estate crisis that Switzerland experienced during the second half of the 1980s and the first half of the 1990s—as did other European markets, particularly in the Nordic region. For Switzerland, this crisis was the first of its kind, at least

[6] UBS was the name chosen for the bank that resulted from the merger of Union Bank of Switzerland and Swiss Bank Corporation.

since the end of World War II. The restrictive interest rate policy adopted by the Swiss National Bank (SNB) at the time challenged the broad expectation of continuously rising real estate prices, thereby causing a significant decline in real estate values. Another major cause of the real estate crisis was a lack of sophisticated credit risk measurement and management functions within the Swiss banks (Wuffli & Hunt, Fixing the Credit Problem 1993).

Bank shareholders ultimately had to absorb approximately CHF 40 billion in losses—a large amount for a small country like Switzerland (Baumann & Rutsch, 2008, p. 98)—and these severe losses put the banking system under substantial stress. Many banks, both large and small, did not survive the crisis and ceased to exist, in particular those that were not able to cross-subsidize their domestic real estate credit business with profits from their private wealth management business. Luckily, the then prevalent accounting rules permitted a gradual absorption of the losses. This experience was traumatic for the banks as well as for the Swiss banking regulator (the equivalent of today's Swiss Financial Market Supervisory Authority—FINMA) and led to substantial changes. As a result, in the early 1990s banks began to introduce internal credit rating systems, modify products, and differentiate interest rates according to the underlying credit risk. The Swiss banking regulator, for its part, began to adopt a systemic approach to financial crisis prevention and resolution.

When I occasionally meet with Daniel Zuberbühler, who was the top banking regulator in charge at the time, he likes to remind me jokingly that an innocent question I raised at a social occasion was one of the starting points for the stress test thinking adopted by regulators. I asked him what he would do if the Swiss banking sector would run out of equity due to all of these massive provisions on bad loans. He admitted then that he had never thought about such a scenario but that he would take it up with his colleagues. Many years later this process experienced its moment of truth when it was applied to UBS in the aftermath of the 2007/2008 global financial crisis.

The three big Swiss banks that survived the first wave of consolidation in the early 1990s (i.e., Union Bank of Switzerland, SBC, and Credit Suisse) all pursued similar strategies of capturing opportunities from globalization trends.[7] The main focus for all was to seek a profile that could leverage their distinctive positioning in international private wealth management and, more generally, the traditional characteristics and strengths of Switzerland, while taking into account the overall natural constraints resulting from a small home market and a consequently restricted capital base. One strategic element that all three banks had in common was the restructuring and protection of the franchise serviced out of Switzerland, for both domestic and offshore clients, with the aim of improving quality, efficiency, and profitability, and thereby reducing the need for cross-subsidization from private wealth management. The other common element was their goal of building a globally competitive platform of attractive financial businesses that had substantial growth potential yet limited capital requirements, such as investment banking and institutional asset management. None of the "big three" had any appetite for engaging in retail banking outside of Switzerland.

2.3.2 Swiss Bank Corporation (SBC)/Union Bank of Switzerland Merger

Of the three remaining big banks in Switzerland, SBC followed the most ambitious growth strategy, which was mostly driven by mergers and acquisitions. It acquired O'Connor, an innovative equity derivatives trading house in Chicago, in 1992, and the traditional British merchant bank S.G. Warburg, in 1995, as the primary building blocks for its investment banking business. In addition, it purchased Brinson Partners in 1994—a highly successful, global institutional investment management firm based in Chicago. The objective of these transactions was to transform SBC's strategic positioning, its capabilities, and its culture.

When I joined SBC in 1994 as Group CFO, I became part of a team that was determined to transform the bank even further, in a fundamental way. SBC had gone through very difficult times, following big credit losses in Switzerland and abroad during the late 1980s/early 1990s' real estate crisis, and it was clearly seen as number three

[7] Bank Leu, one of the former five big Swiss banks, existed as a stand-alone bank up until 1990 and thereafter as a subsidiary of Credit Suisse.

among the three big Swiss banks. It was obvious to us that this company, the market capitalization of which was hovering at about 80 % of its book value, was dramatically undervalued. We thus saw the opportunity to substantially enhance the value of the business, beyond the acquisitions we had made, through improved transparency and accountability, better risk management, systematic strategic leadership, efficiency improvements, and more results-oriented and accountability-driven structures. Taking on more risk was not part of that plan, however—quite the contrary. Given that the bank had been traumatized by past credit losses, it aspired to adopt a more advisory-oriented approach, rather than one driven by the balance sheet, to serve its corporate and institutional clients. The overall value creation opportunity at the time was estimated to be approximately CHF 20 billion, which would mean a tripling of SBC's market value from CHF 10 billion to CHF 30 billion over 3–4 years.

As a result of all of the changes that we implemented thereafter, by 1997 SBC had indeed succeeded in more than tripling its market capitalization in just 3 years. Against the background of dramatically altered business dynamics in the financial industry, both worldwide and in Switzerland, we were thus ready to begin looking at other options for capturing the opportunities offered by globalization trends. Yet, the various acquisitions we had previously made had exhausted our capital strength. Therefore, we had to analyze different alternatives to fulfill our global aspirations. While link-ups with insurance companies were popular at the time, we were not convinced about their business benefits. Given my experience working for both banks and insurance companies as a consultant at McKinsey, I questioned the synergy potential of this option during internal debates. A merger with Credit Suisse was likewise quickly ruled out, because the two investment banks were similarly successful, proud, and ambitious. A merger-driven integration would consequently cause disastrous value destruction, as there was no obvious leader among the two.

After an initial attempt to merge with Union Bank of Switzerland (hereafter referred to as "Union Bank" in this section) was abandoned in 1995, this strategic option moved into focus again in 1997 when Union Bank seemed weakened due to various adverse developments. Specifically, it was being assaulted by one of the most aggressive activist investors in Switzerland at the time, whose objective was to force substantial strategic and structural change upon the bank. Union Bank had also suffered huge losses from the use of complicated derivative trades in its investment bank, and it had significant structural and leadership issues following a suboptimal corporate reorganization. In February 1997, two top level representatives of Union Bank, our CEO, and I thus met for an initial round of serious merger discussions.

We quickly agreed that the major trends in the industry would be further globalization, consolidation of at least parts of the sector, and intense competition. We also determined that both of our companies were challenged in living up to their respective aspirations and implementing successful strategies based on their own strengths. We therefore all felt an urgent need to act, and our vision and goals were at the center of our debate. We aspired to build a sustainably successful Swiss banking group with leading positions in the international private wealth management, global investment banking, global institutional asset management, as well as the Swiss corporate and retail clients businesses. We wanted to create value for clients, shareholders, and bank employees alike. We also agreed that once the integration process was complete, the long-term goal of the new bank would be to become one organization with one brand that could leverage synergies across its various fields of activities, rather than a loosely coordinated conglomerate of different businesses. To achieve this vision, a rapid integration of the two banks was necessary, which would lead to aggressive cost savings, a consequent divestment of non-core activities, and an organizational model that would be based on clear accountabilities for results and meritocratic leadership appointments. However, two things we could not agree on were the name and the domicile of the new bank, and we did not (yet) spend a lot of time on determining key executive positions.

It was already clear then that such a merger would allow us to come close to our aspirations in the private wealth management, institutional asset management, and Swiss corporate and retail clients businesses. On the other hand, we felt that we were lacking competitiveness in investment banking, given that 50–60 % of the investment banking fee pool worldwide was concentrated in the U.S., and even with our investment banking businesses combined, we would still be below critical mass in that market. Common industry opinion at the time was that only the top six to eight players in global investment banking would profitably survive in the long run. And without a critical scale in major markets (particularly in the U.S.) and a comprehensive palette of financial products, we would have no chance of succeeding in that global business. Based on our assessment of the bank's strengths and weaknesses, we therefore agreed at the first merger discussion meeting in early 1997 that another transaction *had* to follow, preferably in the U.S. investment banking industry. This gap in competitive profile hurt us from the outset of the merged bank. We tried to close it with the acquisition of PaineWebber in 2001, and then with an aggressive organic expansion strategy in fixed income (including some segments of the U.S. mortgage-backed securities markets). But in retrospect, these attempts turned out to be among the main causes of the fatal consequences from which UBS suffered during the 2007/2008 global financial crisis.

It was an intense, very open, and constructive merger discussion meeting after which we all felt that we were writing economic history in planning this, by far, the biggest and most complex merger in our industry at the time. For me personally, it was an important lesson in inclusive leadership. The debate went far beyond pure business aspects and covered many aspects related to the broader ambitions and goals of the Swiss financial center, including consequences for Switzerland as a country. And for me it was a great example of a discussion among potential partners where bridges were built despite the different organizations and hierarchical positions of the people involved.

After weeks of intense and turbulent negotiations, the process came to a halt during the summer and resumed again in the autumn of 1997. Finally, on December 8, 1997 we were able to announce the successful conclusion of our merger negotiations. We caught everybody by surprise; since there were so many rumors at the time, nobody took merger stories seriously anymore. And since such announcements then were not yet met with the cynicism which is often characteristic of today's markets, our share price made a significant jump, thereby already reflecting the full value potential of merger synergy yet to be realized through hard work over the coming years.

In the core team, we knew how difficult the implementation of our ambitious plans was going to be, and we had no illusions about the next 2–3 years. However, there were at least two important global issues that we did not know about then that would complicate the implementation process even more. First of all, at the time of the merger, there was a highly emotional and controversial international discussion taking place about the role of Switzerland and its banks during and after the Second World War with respect to unclaimed assets that originally belonged to Holocaust victims and their survivors. Following complicated and lengthy settlement discussions, these darker aspects in the history of the Swiss financial center finally ended 15 years later, in May 2013. At that time, New York judge Edward Korman concluded in his final report that USD 1.24 billion would be authorized for payment to more than 457,000 Holocaust victims and heirs, and USD 54.5 million would remain in residual funds—amounting to a total of approximately USD 1.29 billion paid to Holocaust victims (Court Order filed by New York judge Edward Korman, who oversees the management of the fund, 2013). This issue was very challenging for us to deal with, as it distracted leadership from focusing on realization of the merger. But it provided another valuable lesson for me in terms of inclusive leadership—namely, that the bank should have been better prepared at the time to deal with such a complicated international challenge that involved historical and political perspectives and went far beyond immediate business dimensions. This experience was one of the reasons why UBS later professionalized their public policy management function and hired professional political leaders to advise and support them.

Another global issue we had to deal with following the SBC/Union Bank of Switzerland merger was the Asian crisis, which broke out in 1998 and seriously affected a prominent hedge fund, Long Term Capital Management (LTCM). Before the merger, Union Bank had engaged in a complicated structured transaction with LTCM that subsequently resulted in a loss of approximately CHF 950 million in the autumn of 1998. Consequently, the 3 months old UBS (the merger having been consummated in June 1998) was already exposed to a huge crisis of confidence, which resulted in the resignation of the Chairman of the Board of Directors and three members of the Group Executive Board (GEB). While terrible at the time, this crisis also had some substantial benefits: it cleared the leadership situation that had started to become difficult, because former managers of SBC and Union Bank were positioning themselves against each other, and it created a sense of urgency to the whole staff that it was time to close ranks and execute the integration plans. It also led to an in-depth analysis of UBS's risk management approach, which was one of the reasons why UBS was spared of subsequent losses that had challenged many other banks during the Enron scandal/bankruptcy in 2001, the collapse of Worldcom in 2002, and the Argentinian crisis of 2001/2002.

All along this intense, risky, and disruptive path of mergers and acquisitions at SBC (and later UBS), change was the only constant. This underlines one of the four guiding principles of inclusive leadership: it needs to be constantly dynamic. I liked to joke that we spent our summers hunting for deals and the winters integrating them and closing the annual accounts. Despite all the textbook wisdom which says that sequential M&A strategies tend to fail and destroy value, as a team we were proud to have achieved a total shareholder return relative to the D.J. World Bank Index of +92 index points during the period 1995–2000 (Wuffli, 2007).

2.3.3 Organic Growth

The merger between SBC and Union Bank is one example that illustrates the opportunities, challenges, and transformations within the corporate world which resulted from the accelerated globalization trend of the last 40 years. However, the years following the merger emphasize even better the large contrast between huge globalization gains and benefits on one hand and the tremendous risks and vulnerabilities involved on the other hand. They also demonstrate how closely related success and failure are, and how volatile and fast changing the corporate world has become.

2001–2006 turned out to be golden years for the financial industry, for UBS, as well as for myself, as I had the honor to serve as President of the Group Executive Board (GEB) and then as Group CEO for UBS. The bank increased its value by 207 % during that time, outperforming almost all of its relevant competitors, and in early 2007, it was among the top ten global banks in terms of market capitalization. In the last public speech I made before retiring from UBS in early July 2007, I attributed our success (among other factors) to our ability to capture benefits from our unique positioning in the financial industry segments that were growing significantly faster than GDP, namely private wealth management, institutional asset management, and investment banking. In 2006, 42 % of our income was generated from private wealth management and institutional asset management, 46 % from investment banking, and the remainder from the Swiss corporate and retail clients business and the corporate center (Wuffli, 2007).

But this success was not without its risks and challenges. Take for instance the challenges we faced in striving for organic growth. In the preceding period, there was little room to think about organic development and growth given the dominant themes of transformational mergers and acquisitions. When I reassessed the situation after my appointment to the top of UBS Group, I continued to share the view of most of my management colleagues that the main focus of the next era had to be organic growth. We felt that we had built the necessary platform to organically develop and grow the business, although we left open the possibility to achieve accelerated growth in some areas through smaller acquisitions. I summarized this view as follows in an interview with the UBS employee journal "Our Times" in January 2002:

> During the last decade our group has achieved a highly successful development. The change of our company has been supported through a series of major transactions. Each of those made a specific strategic contribution. The common denominator was a clear, ambitious strategic framework aimed at building leading positions in attractive global businesses such as wealth management and investment banking. . . . For the first time in our history we now have a platform that meets our ambitions and has no major strategic gaps left. . . . Our businesses are well positioned to grow primarily based on their own strength. (Wuffli, 2002, p. 3f.)

However, in the years after the turn of the millennium, we became increasingly concerned about the size constraints of UBS and questioned ourselves whether we were big enough to sustainably compete with the existing and emerging global megabanks. At that time, Citigroup, HSBC, and Bank of America had market capitalizations that dwarfed ours. The big Chinese banks, for their part, were planning their initial public offerings—in one case even with our help—and it was expected that these giant newcomers would soon enter the global market as well. It therefore became evident that if we did not capture the growth potential that was inherent in our business structure, thereby maximizing our value as reflected in our market capitalization, we would become a take-over target for these global megabanks over time. This would, in turn, have had consequences for Switzerland as a country that were similar to those experienced in other industries, where a lack of ambition and skill caused the marginalization of once famous and successful companies.

Fortunately for us, one weakness of these global megabanks was that they lacked critical scale in global wealth management, which was one of our strengths. As a result, they were highly attracted to our profile, which led to high level talks with several of them from 2002 to 2005. However, in the end we decided that we were strong enough to go it alone, and frankly, having gone through the SBC/Union Bank of Switzerland merger just a short time before, we knew about the tremendous challenges and risks of executing transactions of such complexity. We thus had very limited interest in embarking on such a path again, in particular on an even bigger, even more global scale. For this reason, most of us were aligned to concentrate our strategic priorities on organic growth.

Although we were confident that we had built the necessary platform to organically develop and grow the business, we were not sure about *how* to grow our businesses organically. We were not experienced in this, and the market was not used to expecting it from us. We were known by analysts and investors for our successful acquisitions and integrations, but not for our successful, organic business growth. Ultimately, we decided to select a few specific growth projects that would be sponsored and monitored at the GEB level. The most important were the creation of a European private wealth management business (i.e., onshore businesses in the most important European countries and cities), the establishment of an M&A advisory business in the U.S. (which would allow us to effectively compete with U.S. investment banks for U.S. corporate and institutional clients), and the expansion of our footprint in new markets.

A particular highlight during this time was the position and charisma that UBS was developing in Asia, especially in Japan, Singapore, and China. Increasing our share in this fast growing part of the world represented an important strategic priority for the UBS Group. I therefore personally encouraged and supported leadership initiatives to foster our business in this vast geographic area, and I have many fond memories of fascinating business trips and encounters with impressive personalities. These experiences opened my eyes to a part of the world that was new to me and thereby contributed to my thinking about inclusive leadership and its need to be more holistic and broadly applicable.

A more critical aspect during this period, and an area of constant concern that was related to our goal of organic growth, was our fixed income business. Increasing our position and market share in this business had been identified as a key priority during our merger discussions. Because of our structural weaknesses in several areas of fixed income, however, we were hardly able to benefit from the strong market growth resulting from the low interest rate environment at the time. The fact that we lagged behind our most relevant competitors in this segment was negatively commented on by analysts and investors after almost all quarterly results presentations. We were often not even among the top ten global providers, whereas the goal was to reach a rank between 5th and 8th.

We saw this gap as the Achilles heel of our overall strategy; without a credible position in fixed income, our competitiveness in investment banking would be at stake, and without a competitive investment banking business, our long-term success in important segments of the private wealth management business would come into question. Once again, the important thing here (as in other global businesses) was to be present in the U.S. market, given that over half of the world's revenue in the fixed income segment was generated in this part of the world. One answer we came up with to meet these growth challenges, particularly with regard to the U.S. fixed income business, was to convert our highly successful proprietary trading desk into a hedge fund under a separate brand called "Dillon Read Capital Management (DRCM)" to make it accessible to our clients. While the idea made sense on paper, it was badly executed and had to be closed again soon after its launch. The loss of this unfortunate episode amounted to CHF 229 million (UBS, 2007, p. 2). While I am the first to regret this failed business initiative and the losses that followed, this episode should be put into perspective: between 2002 and 2006, UBS earnings doubled from CHF 5 to CHF 10 billion.

2.3.4 The Pitfalls of Success

UBS was the only large scale financial services company where global private wealth management—then perceived as one of the most attractive financial businesses in terms of growth and profit potential—was so much at the core of the strategy, representing close to half of the Group's overall income and considerably more in terms of value. We therefore found it relatively easy to convince clients, shareholders, and talented people (either current or potential employees) that we were committed to further strengthening and growing this business, which was highly reputable at that time. Results were consistently improving, and qualitatively we were seen as a global winner. UBS had reached the league of respected financial institutions—the first time for a Swiss bank—together with names such as Citigroup, Goldman Sachs, and HSBC. It had also received recognitions from various institutions, which confirmed that the bank was on a path to success.

In the years 2005 and 2006, it seemed to the outside world, and many of our own staff, that nothing could go wrong at UBS. We were seen as the shooting star in many areas. We had also convinced ourselves that our approach to risk control was the best in the industry, and in internal debates we talked condescendingly and with increasing disrespect about our competitors. I found it increasingly difficult to deal with our success, given these signs that complacency and arrogance were creeping into parts of the organization. At the same time, many of us, both at UBS and at other banks, started to develop feelings of unease about the sustainability of the global financial industry boom, constantly nurtured by the all too generous monetary policy of most Western central banks. Nevertheless, despite the unease, the market continued to flourish. As Citigroup's former CEO Charles (Chuck) Prince famously said, "As long as the music is playing, you've got to get up and dance" (Nakamoto, 2007).

I remember one of our annual meetings in Basel, in January 2005, when a few dozen global bank CEOs, central bankers, and bank supervisors got together to assess the state of the industry “off the record.” It became clear to me, and I assume to most of the participants, that interest rates were too low and that the price for credit was not sufficient to compensate for its risk. As I was driving home that Sunday, I thought that if I were the Chairman of the Federal Reserve I would seriously consider a surprise rate hike to shock the market into a rebalancing process. It would have made the industry furious, but this might have been the most impactful action taken by an individual prior to the financial crisis of 2007/2008 that could have prevented the worst.

Many books have been written about the genesis of that financial crisis, which unfolded in the second half of 2007 and thereafter, following my departure from UBS. Given the importance and impact of this unprecedented event, I likewise feel compelled to share some of my reflections on it. In line with expert observers such as historian Niall Ferguson and economist Raghuram Rajan (today’s Governor of the Reserve Bank of India), I do not believe in a simple explanation. Rather, the causes were complex and multi-dimensional and likely originated from deep structural and systemic fault lines across public and private sectors, both in the real economy and in financial markets, across different countries, as well as between investors, intermediaries, and debtors. As Rajan describes in his analysis, these forces and the system dynamics went far beyond specific personalities or institutions (Rajan, 2010, p. 4).

At the same time, it would have been too easy for those in leadership roles immediately before and during the crisis to blame “the system” and look at it rather as a natural disaster than as a man-made catastrophe. To the contrary, people in leadership positions such as myself and many others could have taken steps to prevent the worst, if we had had the imagination to consider seemingly implausible scenarios that developed in reality and had we applied more moderation. This includes bankers with aggressive growth targets, as well as central bankers who nurtured the illusion of free money. Politicians with the dream of home ownership for all (even for those without income) could equally be blamed, as could bigger and smaller institutions as well as private investors who were hunting for attractive yields with supposedly low risk. With the benefit of hindsight, inclusive leadership could have helped us to prevent and manage at least parts of the crisis: by encouraging leaders to look beyond their respective silos, to seek a better understanding of global dynamics, to adopt an integrated and more holistic perspective across sectors, and to be more thoughtful and consequent about ethics and virtues.[8]

Many global banks (including UBS) were severely affected by the crisis that unfolded after the summer of 2007. This was triggered by two developments. The first was the turbulence that started in August 2007, when certain categories of U.S. asset-backed securities with high quality credit ratings worth billions of dollars became illiquid and caused massive, unrealized losses on many banks' books. The second event was the downfall of Lehman Brothers in September 2008. Within a few days, the interbank market was brought to a standstill, and governments were required to rescue numerous banks in various countries—including UBS in Switzerland, which had accumulated losses that amounted to approximately CHF 50 billion. According to the Boston Consulting Group, the events that took place on September 15, 2008 (e.g., the Lehman Brothers' bankruptcy, Merrill Lynch's emergency bailout, and the reorganization of both Goldman Sachs and Morgan Stanley from investment banking structures into bank holding structures) brought on "the end of America's depression-era financial system" (Rhodes et al. 2008, p. 1).

These events were unprecedented for the current generation of financial market participants who had no relevant experience, and accordingly no adequate preparation, for a crisis of that scale. I do not share the view that bankers were too naive in relying on standard models. UBS, as well as many other practitioners, was used to looking at different adverse scenarios and calculating stress implications. It had adopted stress limits as the primary risk control instruments at the top of the organization following the last crisis in 1998, when all risk

[8] Reflecting on the genesis of the financial crisis reminds me of the public debate concerning the causes and responsibilities for World War I that was reignited in 2014, on the occasion of the hundred year anniversary. In his book *The Sleepwalkers: How Europe Went to War in 1914*, historian Christopher Clark even draws an explicit parallel to similar debates concerning European political leaders when dealing with the debt situation. (Clark, 2013, p. 555ff.)

methodologies were reviewed and partly adjusted. What is true, though, is that many (including myself, had I still been with UBS at that time) did not have the imagination to predict that these kinds of global distortions with such catastrophic consequences were possible within such a short period of time. As a result of this observation, I have acquired a new level of humbleness concerning the confidence in my own ability to imagine and forecast the future.

As is publicly known, UBS was more affected by this crisis than some of its big European and American competitors who had similar business strategies. This had a lot to do with the aspirations we had set and the strategic choices we had made within UBS management in the years preceding the crisis. With the benefit of hindsight, we were to some extent overambitious (particularly in investment banking) and some choices turned out to be wrong. Some of those decisions can be traced back to the time of the merger between SBC and Union Bank of Switzerland. As a consequence of the traumatic mortgage crisis in Switzerland in the late 1980s/early 1990s, SBC was very averse to taking on illiquid credit risk and was therefore particularly careful to avoid substantial concentrations of non-tradable credit positions. Already before the merger, SBC had significantly reduced its international credit portfolio because of considerable credit losses.

After the merger another realignment of risk took place, much to the annoyance of many clients who considered UBS as being excessive in avoiding credit exposure. We thus encouraged investments in liquid securities with strong credit ratings, and we expected the investment banking leadership to grow the fixed income business in a way that would focus on highly rated, tradable securities. These included government securities, but also U.S. originated mortgage-backed securities (MBS), which were considered to constitute the second biggest fixed income market in the world at the time—one with a reputation of being highly diversified and reasonably liquid. Investors, rating agencies, and regulators liked this approach. UBS was considered to be the bank that had best learned from the mortgage crisis, and its balance sheet was considered by many as one of the best in the sector, thanks to its high credit quality and high liquidity. The Swiss Federal Banking Commission wrote the following in its "SFBC-UBS Subprime Report" on September 30, 2008:

> Based on its experience from past credit crises (namely the significant losses it sustained on commercial mortgages in Switzerland in the 90's), UBS strictly preferred securitized and thus easily tradable assets over illiquid assets, which is why UBS's balance sheet, prior to the outbreak of the crisis, was generally considered one of the best in its peer group. In practical terms, this, together with its AA+-rating (S&P), meant that UBS could obtain funding in the capital markets on favourable terms. (Swiss Federal Banking Commission, 2008, p. 6)

With the benefit of hindsight, in the years leading up to the subprime crisis, we were overconfident in our belief that tradable and highly rated securities would be reasonably liquid at all times, and we clearly took too much comfort from strong credit ratings. The Swiss Federal Banking Commission was right when it stated in its report that "insufficient attention to the inherent risks related to balance sheet growth and overconfidence in the existing risk management and control mechanisms appear, in retrospect, to have been significant failures" (Swiss Federal Banking Commission, 2008, p. 8).

Besides the sheer size of UBS's exposures, the flaws in risk management were another key reason for the above-average severity of the crisis for UBS. Partly due to our success in risk management during the last crisis from 1999 to 2001, we had developed too much confidence in our own risk managers and systems. However, as it became clear once the crisis had developed, UBS was not capable of reliably aggregating, measuring, and managing all of the risk positions affected by the negative developments in the U.S. subprime market. It had been common knowledge, based on anecdotal evidence since at least 2006, that the subprime mortgage segment was inflated, even though nobody at the time probably knew by how much. Our risk managers were convinced, and made us believe as well, that the market risks had been correspondingly hedged and that our counterparties enjoyed a favorable credit quality.

Today, I am extremely grateful to my former colleagues who—together with highly professional central bankers, bank supervisors, and members of the Swiss government—put together a rescue package that was unmatched by any other government or financial institution in terms of quality. It allowed Switzerland to exit relatively quickly from the crisis without any damage to taxpayers, and the Swiss government even realized a profit when selling back the UBS shares to the market. It also enabled UBS to recover and position itself once again as a highly competitive, global player after it had gone through major changes as a result of lessons learned from the crisis.

2.3.5 Insights and Takeaways

What are some of the relevant insights and takeaways from this rather impressionistic glimpse into the developments of the Swiss financial center, with a special focus on SBC and UBS, based on the positions I have had the opportunity of holding over the last 30 years? First of all, the changes that have taken place, to a significant extent due to interconnected, powerful globalization forces, have been profound and all encompassing. Many of them happened because new opportunities with beneficial impact became available that could be captured by the many people involved, such as clients, employees, and shareholders. I could not disagree more with former U.S. Federal Reserve Board Chairman Paul Volcker who, in the aftermath of the 2007/2008 global financial crisis, famously said that the only beneficial innovation that the financial industry has produced in recent years is the ATM (automatic teller machine) (Ebrahimi, 2012). From what I have experienced, the financial industry has realized tremendous improvements in terms of product offering, client service, risk management, and overall process efficiency.

Furthermore, in addition to opportunities, the pace of transformation has also generated high levels of volatility and an accelerating occurrence of accidents and crises, which has put huge pressure on organizations and significant, albeit temporary, damage to those exposed to risk. Within the financial industry specifically, there have been unplanned changes in top management positions over the past 30 years at almost all financial institutions in Switzerland, often as a result of externally imposed crises and/or internal failures. And in my approximately 14 years within top management at SBC, respectively UBS, the occurrence of turbulence and crises was the rule, not the exception. I would assume that this was true as well for large parts of our industry, and even the economy overall.

And finally, the transformations in the corporate world observed over the last four decades have transcended business models, leadership systems, and industry structures. In many ways the changes have been radical, in the true sense of the word, insofar as they have affected the roots of capitalism and its underlying virtues. Traditional entrepreneurial virtues such as long-term commitment, responsibility, engagement for societal needs, and lifelong loyalty between employer and employee, to name just a few, have been eroding and are being diluted. Meanwhile, new virtues that can convincingly replace some of the old ones have not yet fully emerged. Against such a background of profound changes and challenged leadership, it is not surprising at all that feelings of disorientation are widespread. It is therefore natural that there has been a broad erosion of trust, as trust depends upon a minimum of stability and predictability. But wishing old virtues back is not an option, because old structures have been irrevocably transformed. Leaders have no alternative but to find new virtues and a new ethical orientation that help re-establish trust where it was lost and that convince people about the beneficial aspects of the transformational changes we are experiencing. Hence, I will next explore why ethics matter so much, especially within the framework of an inclusive leadership approach.

2.4 It's Ethics, Stupid

Accelerated globalization and its consequences, as previously described, have expanded the scope of thinking and acting for several billion people who are no longer inhibited by absolute poverty and are now part of a growing middleclass. The breakdown of traditional authoritarian social structures (e.g., those that constrained women relative to men or the young relative to the old) in an increasing number of societies has facilitated this change. These people can now enjoy the many liberties that we already enjoy in shaping our lives, liberties that were not available to our forefathers. For instance, we have immediate access—per mouse click—to just about everything happening in the world, we can benefit from a global offering of products and services in almost all urban centers, and we can travel across the globe and familiarize ourselves with foreign cultures and even different ethical and spiritual traditions. Young people, in particular, increasingly enjoy the opportunity to engage in cross-border experiences and education either through youth exchange programs or international university curricula.

From a business perspective, new and small companies can now tap into non-domestic markets and operate complicated cross-border business models with rather low entry barriers. For example, internet platforms such as elance.com allow them to resource projects within short time frames and to work with freelance project members located in countries as distant as Bangladesh, the U.S., Australia, Romania, India, and Pakistan. Businesses also have many options to structure functions across various locations and to recruit local talent. Furthermore, both organizations and private individuals are able to get access to investment and debt issuance opportunities at a whole range of modern financial centers. All of these choices were not readily accessible only a generation ago, and if they were, then to only a very small proportion of the world's population. As the longstanding professor of sociology at the University of St. Gallen Peter Gross described it: "this multi-option society resembles a gigantic supermarket and stands somewhere between freedom and homeless disorientation" (Gross, 1994, p. 32).

In spite of its benefits, businesses are also challenged by our increasingly complex and fast changing world. My brief analysis of the global financial crisis of 2007/2008 demonstrated how chains of action and reaction are more complicated and have more ripple effects given the increased speed of transformation. This leaves less time for sound analysis and evaluation and requires a bigger number of complicated decisions to be made per unit of time, albeit with a higher level of ignorance. And since the effects of these radical changes have begun to transcend countries and multiple sectors of society, their consequences are becoming very difficult to assess.

This tremendous expansion of scope creates challenges for the growing middle class as well; since there are more choices available, it is indeed harder to make the right choices. Whereas in previous generations parental role models and a lack of realistic alternatives often provided natural orientation and limitations, today guidance is needed to find answers to questions such as the following: How do people become aware of all the choices they now have? How should they shape their life's journey? Where should they live if they enjoy relationship networks across multiple countries? How should they balance professional activities, family life, and engagements on behalf of society, and how should their individual desires for fulfillment be prioritized among these various obligations? What can/should be accomplished in parallel versus sequentially? In short: What is a good life in today's Global Era?—which is a quintessential ethical question.

2.4.1 New and Old Ethical Behaviors

All along this fast pace of transformation, perceptions about what is good ethical behavior have either been changing or have even been reversing. Take for example Swiss banking's long-established policy of secrecy regarding client information. In postwar Europe, it was natural for wealthy families to keep and manage a substantial part of their private wealth abroad, initially to a large extent in Switzerland, and later with a more diversified approach in such places as Singapore. Why? Because they still had vivid memories of how their own countries had destroyed the wealth they had held domestically through war, confiscation, and inflation. In the case of Germany, this happened at least twice within one generation. Bringing private wealth offshore (often with the side effect of tax avoidance) was therefore seen as broadly legitimate, and banks servicing the needs of these clients did not have ethical quarrels about such behaviors. Most Europeans—particularly those from countries with a monarchical heritage—felt more comfortable placing their offshore wealth in Switzerland, since sovereignty there lies in the hands of the people. Europeans could be assured that their wealth would not be abused, for the Swiss people would react very quickly if the Swiss government tried to abuse the power that the people had ceded to them. For Swiss bankers, the main goal was to protect the interests of their clients.

This positive assessment of banking secrecy started to change around the turn of the millennium when, often after the death of the family "patrons" from the first postwar generation, the heirs decided to voluntarily declare their private wealth. War memories had faded, and governments had developed public service-oriented strategies, professional capabilities, and democracy-based laws that reduced the risk of maintaining wealth at home. Also, national financial markets and systems were reconstructed after World War II and had become competitive again in terms of their products and services. This trend toward keeping one's wealth onshore accelerated after the global financial crisis of 2007/2008 when governments tightened up their efforts to collect taxes by enforcing powerful standards regarding international information exchange on tax matters. Banking secrecy was thereby replaced by a duty to create transparency regarding the client's tax status and to only accept taxed wealth. Within half a generation, the meaning of responsibility vis-à-vis clients and governments had turned upside down. It is no wonder that client advisors in the banking sector today are confused about their roles.

Another example is insider trading. Trading financial securities based on special knowledge of internal situations not known by the public has been the basis of financial markets over centuries. Until very recently, no one considered it wrong for people to become wealthy from insider trading. Rumor has it that already in 1815, given his knowledge about the outcome of the Waterloo battle forty-eight hours before the British cabinet was informed, Nathan Rothschild speculated that the victory of the British army would send the prices of UK bonds soaring upwards and thus purchased great amounts of British government bonds. He then sold them a year later at a price that was 40 % higher and made a profit of about £600 million (Ferguson, 2008, p. 86). Similarly, Joseph Kennedy (the father of John F. Kennedy) built a substantial fortune based on insider knowledge before and during the great depression of the 1930s until he, as the first Chairman of the U.S. Securities and Exchange Commission (SEC), introduced a minimum standard for regular disclosure by listed companies.[9] In fact, until the late 1980s, insider trading was broadly seen as a legitimate way to create wealth, not only in Switzerland but also in other international financial centers such as the City of London. It was not regarded as unfair and unjust vis-à-vis those people who did not have access to such information. It is only in the last 25–30 years that insider trading has come to be seen as a criminal offense.[10]

[9] Insider knowledge was not only used to create wealth, but also to solve problems. For example, during the panic of 1907, John Pierpoint (J.P.) Morgan invited prominent Wall Street bankers into his office when the New York Stock Exchange crashed and did not let anyone leave until a solution was found.

[10] An article prohibiting insider trading was added to the Swiss penal code in 1988.

2.4.2 The Importance of Ethics

In order to address these changing perceptions about ethical behavior and their consequences, it is essential to acknowledge the significance of ethics in our daily lives, particularly as regards leadership. During the last decade or so, ethics has become a hot topic in business literature, primarily in the aftermath of spectacular failures and crises. Authors of leadership books often add a chapter on ethics that reflects on perceived moral failures in an attempt to help explain how these flaws contributed to the various crises that we have experienced since the 1990s. "In a post-Enron world, practitioners have strong incentives to select and develop ethical leadership in their organizations, and researchers want to study ethical leadership in order to understand its origins and outcomes" (Brown & Treviño, 2006, p. 595). For instance, in his book *Leadership: Theory and Practice*, Peter Northouse (a professor at Western Michigan University) includes a chapter covering leadership ethics where he defines ethical leadership as the study of leaders' behaviors:

> In regard to leadership, ethics has to do with what leaders do and who leaders are. It is concerned with the nature of leaders' behavior[s], and with their virtuousness. . . . The choices leaders make and how they respond in a given circumstance are informed and directed by their ethics. (Northouse, 2012, p. 424)

In spite of this recent, renewed interest in ethics, ethical leadership—both in theory and in practice—still remains a neglected field. It is often only superficially discussed and limited to recommendations about how leaders should behave from an ethical point of view. But given the fact that ethics is universally relevant, as famous leadership author John Maxwell says in making reference to business ethics, ethics should be embedded in all parts of life and not be fragmented:

> There's no such thing as business ethics—there's only ethics. People try to use one set of ethics for their professional life, another for their spiritual life, and still another at home with their family. That gets them into trouble. Ethics is ethics. If you desire to be ethical, you live it by one standard across the board. (Maxwell, 2003, p. xi)

Another quote that I love, which follows the same logic, comes from great management thinker Peter Drucker who said, "Do not separate personal values of what is right and wrong from the values you put into practice at work" (Drucker, 2004).

To underline my conviction about the significance of ethics in our daily lives, in the title of this chapter I have chosen to allude to the famous line from Bill Clinton's successful presidential campaign against George H. W. Bush in 1992. Clinton's campaign strategist developed the phrase "It's the economy, stupid" to emphasize the importance of the economy in Clinton's campaign (a factor that was instrumental to his success). Similarly, I argue that it is ethics that ultimately counts and will determine the success or failure of our Global Era, and for this reason I have made it one of the cornerstones of my proposed framework for inclusive leadership.

2.4.3 What Is Ethics, and How Has It Evolved?

The Encyclopedia Britannica defines ethics (also referred to as "moral philosophy")[11] as the discipline concerned with what is morally good and bad and what is morally right and wrong, and it answers questions such as "How should we live?" (Singer, 2014). In its essence, ethics deals with three fundamental questions, namely:

What is a good life?
What is responsible behavior?
What is just among people?

Our Global Era encourages us to find new answers to these ethical questions in order to help us meet the challenges and take advantage of the new opportunities that we are facing in this ever globalizing world.

The term ethics can be traced back to the Greek philosopher Aristotle who lived and taught in the third century B.C. (150 years after Confucius, one of the most influential Chinese philosophers). The Greek philosophers searched for answers to ethical questions by reflecting on the universe. They believed in a universe (which they referred to as a cosmos) that was populated not only by humans but

[11] While being aware of philosophical views that differentiate between the terms ethics and morals, I use these terms interchangeably but prefer to use the term ethics.

also by gods with very human characteristics. In their view, leading a virtuous life was a means to the highest end, which meant happiness for Aristotle and justice for Plato.

An alternative approach to ethics was provided by the tradition of Judaism, which started much earlier in approximately 2,000 B.C. and was followed by the three Abrahamic religions—the Jewish, Christian, and Muslim faiths. According to Judaism, answers to ethical questions were delivered by a divine source rather than by human reasoning, as was the case for the Greek philosophers. As an example, when Moses led the "children of Israel" out of Egypt, he received the Ten Commandments directly from God. The great ethical principles of Christianity were also revealed by divine sources. For example: "Thou shalt love thy neighbor as thyself," "Whoever shall smite thee on thy right cheek, turn to him the other also," and finally the famous Golden Rule "Do unto others as you would have others do unto you" all originated from sources such as Jesus' Sermon on the Mount, as described by Matthew's Gospel in the New Testament. Consequently, Jesus' Sermon on the Mount is often referred to as the most powerful expression of Christian ethics (Malik, 2015, p. 52ff.).

How has ethical thinking evolved in the modern era? In order to answer this question we must first consider the great philosophical debate about whether it is *ideas* or *realities* that shape the world and to what extent and how do they influence each other? These deeply philosophical and unresolved questions have been debated for at least two and a half millennia—since Socrates and Plato created Western philosophy. Although I am not qualified—as a leadership practitioner rather than a scholar in philosophy—to contribute meaningfully to this debate, I will discuss aspects of this dichotomy from an ethical perspective, given the importance of ethics in our daily lives. In the past, some big developments that shaped the world in the late nineteenth/early twentieth centuries were much more linked to powerful ideologies based on *ideas* that originated from the Enlightenment and liberalism in the seventeenth century. More recently, however, the forces underlying the multi-dimensional transformations previously described appear to be primarily rooted in changing political, economic, and technological *realities*. Let us therefore now reflect on whether it is ideas (which manifest themselves in ideologies) or realities (which manifest themselves in pragmatism) that can provide us with new answers to the three basic questions of ethics mentioned above.

2.4.4 Left-Wing Versus Right-Wing Ideologies

In the introduction to Chap. 2, I referred to the prevailing three-tiered world view of my youth. Besides this prevailing world view, I also remember the 1970s as having been deeply ideology-driven. I will use the term ideology (as opposed to idealism) in accordance with Susan Neiman's definition from her book *Moral Clarity*:

> Let's define ideology as any comprehensive system of beliefs about the world. . . . This definition is deliberately neutral, without implications that such a system is derived from or reducible to something else. While it is therefore not opposed to idealism, it is very clearly distinct from it. For idealism is not neutral at all: Let's define it, for the moment, as the belief that the world can be improved by means of ideals expressing states of reality that are better than the ones we currently experience. (Neiman, 2009, p. 87)

In the 1970s, two ideologies essentially shaped ethical belief systems. One ideology called for ethics to be individually accounted for and the other for it to be collectively administered. The first ideology was positioned on the right wing of the political spectrum and argued in favor of individual liberty and accountability. In other words, it was up to each individual to search for and to find a good life, to assume responsibility for themselves, and to encourage and contribute to justice among people. Believers in this ideology advocated that the state's role should be limited to that of protecting individual liberty, ensuring law and order, and providing "equality of opportunity."

The second ideology, situated on the left wing of the political spectrum, offered collective answers to the afore-mentioned ethical questions. For proponents of this ideology, the key to a good life—as well as responsible and just behavior—was maximum material equality among people (otherwise known as "equality of outcomes and results"). Believers in this ideology advocated a broad-based and powerful role for the state to redistribute wealth and income in order to come closer to this aspiration. In the early part of the twentieth century, there were many attempts to realize collectivist ideologies through the practice of fascism and communism, the consequences of which we are all familiar with today. Historians Tony Judt and Timothy Snyder refer to this period as one where "moral values were immanent in history" (Judt and Snyder 2012, p. 289). Otherwise stated, such periods in history may have been more influenced than others (at least initially) by powerful, ethics-driven ideologies.

Sadly, it is particularly those episodes in history that are associated with the greatest humanitarian disasters. Take for instance the Christian crusades in the high Middle Ages, and later the similarly motivated Spanish conquest of Mexico and other Latin American countries in the sixteenth century. Remarkably, already at that time, Spanish historian and missionary Bartolomé de Las Casas had exposed the oppression of native Indians in those countries by their European conquerors and called for the abolition of Indian slavery. In fact, he even succeeded in convincing the king to issue laws based on which Indians would be freed over time. Despite these good intentions, however, the conquest was carried out with a violence that is still somehow felt today in the DNA of many Latin Americans.

Turning to more modern times, once the tremendous human cost of the attempts at realizing collective dreams through communism became broadly known in the 1980s and 1990s, disenchantment with the left-wing ideology followed. In an obvious analogy to the famous line by Hannah Arendt (who introduced the expression "banality of evil" when referring to one of the major organizers of the Holocaust, Adolf Eichmann),[12] the last chapter in Judt & Snyder's book is entitled "The Banality of Good: Social Democrat." It captures the conviction of these historians that the period of big collective dreams from the left-wing ideology was succeeded by a pragmatic era of seeking to gradually improve the state of the world by small steps, based on realities rather than ideologies.

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[12] Hannah Arendt reported on Adolf Eichmann's trial for *The New Yorker* and wrote about her experiences in her book *Eichmann in Jerusalem: A Report on the Banality of Evil*. In this book, she uses the phrase "the banality of evil" to refer to Eichmann's claim that he was simply "doing his job" and to show that his actions during the Holocaust were not motivated by ideology or sociopathic tendencies but rather by an unexceptional stupidity fueled by his desire for professional promotion.

Disenchantment with the right-wing, individual liberty-focused ideology, on the other hand, began much later and for other reasons. While the left wing was historically quite articulate and aspirational in expressing its views about morality, the right wing, in particular the liberal thinkers,[13] often focused only marginally on ethical aspects. Initially, when Adam Smith founded classical liberal economics in the eighteenth century, he was still very close to and familiar with ethics. In addition to his most famous book *The Wealth of Nations*, he also wrote *The Theory of Moral Sentiments,* in which he outlined his views about ethical questions. But as economics developed away from moral philosophy toward the scientific realm, many of Smith's successors reduced their image of human beings to that of an abstraction, the "homo oeconomicus," who only seeks to maximize his own self-interest. Consequently, they turned their focus toward models, scientific methods, and mathematics and away from the ethical concepts and virtues that underlie economic behavior.

In the footsteps of Smith's classical liberal economic theory, an important and powerful right-wing, intellectual movement called neoliberalism developed throughout the twentieth century. Neoliberalism started in Europe in the 1920s, in reaction to the crumbling power of the authoritarian European states, as a result of World War I. Switzerland became a major center for neoliberalism after World War II when prominent Austrian and German philosophers and economists (i.e., Friedrich August von Hayek, Karl Popper, Wilhelm Röpke, and Walter Eucken) founded the Mont Pelerin Society there in 1947. This organization became the intellectual center for developing and disseminating neoliberal thought until the 1960s, when the center of gravity for neoliberalism moved to Chicago.[14] Today,

[13] Whenever I refer to "liberal thinkers" or use "liberal" as an adjective in this book, I mean it primarily in the continental European sense (i.e., those who favor individual liberty and a limited scope of interference by the state) rather than the U.S. sense (which often more closely resembles the European Social Democrats who favor "big government").

[14] For an extensive history of neoliberalism and an interesting analysis about the differences between European and U.S.-style neoliberalism, as well as between theoretical concepts and their application in political practice, please see *Masters of the Universe; Hayek, Friedman and the Birth of Neoliberal Politics* (Stedman Jones, 2012). One remarkable difference between the Chicago

neoliberalism is primarily associated with Nobel Prize winner Milton Friedman and his Chicago School of Economics. It is also known for having influenced the thinking of both Margaret Thatcher and Ronald Reagan, two prominent political leaders who were most associated with neoliberal ideas and concepts (e.g., deregulation, the privatization of state enterprises, the protection of property rights, open markets, and free trade).

In recent years, however, the Chicago version of neoliberalism has become a lightning rod for criticism and is perceived as a symbol for the forces that caused the global financial crisis that started in 2007. The two main criticisms of this version of neoliberalism are its approach toward reducing the state through deregulation and privatization and its lack of morality and "warmth" vis-à-vis society. With respect to the first critique, a reduction in state influence may have taken place in the heads of neoliberals as wishful thinking, but never in reality. Hence, the critique is unfounded. Looking at consolidated public expenditure as a percent of nominal GDP, this share went up in all OECD countries from 32 % (average 1970–1973) to 45 % in 2011. Even in the U.S. and the UK, where a neoliberal revolution took place during the times of Thatcherism and Reaganomics, the increase was from 30 to 42 %, respectively from 38 to 49 %, for the same time periods (OECD 2002, 2013).

The second critique against the Chicago version of neoliberalism—its lack of morality—is more difficult to dispel. Although Milton Friedman saw himself as a clear descendent of Adam Smith, he primarily admired Smith's thinking regarding the market mechanism, not his ethical views. Instead, he chose to adopt the pre-eminent view of Smith's successors that humans are rational beings who seek to maximize their self-interest. Hence, he does not seem to have been influenced by Smith's view of a person as a moral being. As Daniel Stedman Jones, author of *Masters of the Universe; Hayek, Friedman and the Birth of Neoliberal Politics,* observes:

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version and the Austrian/German version of neoliberalism, which was highly influential in Switzerland as well, was that the latter attributed a stronger role to states in fighting monopolies and cartels and in supporting public sector welfare.

> Morality was almost always absent in the writings of Hayek, Friedman. . . . In this sense, as a political philosophy, neoliberal thought was fundamentally based in [*sic*] dry economic processes rather than values. . . . Neoliberal thought began . . . with a reductive reading of Adam Smith's premise of man as a rational, self-interested actor. Human liberty depended on the economic individual, whose freedom in the market place, in the neoliberal views, was commensurate with human freedom more generally. (Stedman Jones, 2012, p. 112f)

Milton Friedman himself stated in one of his eminent books *Capitalism and Freedom* that ". . . in a society, freedom has nothing to say about what an individual does with his freedom; it is not an all-embracing ethic. Indeed, a major aim of the liberal thinker is to leave the ethical problem for the individual to wrestle with" (Friedman, 1962 (reprint 2002), p. 12). To the contrary, I am a liberal thinker who believes that leaders *should* take positions and share their views on ethics and virtues, as stated in one of the four guiding principles of my inclusive leadership framework.

As a consequence of this moral void, critics argue that neoliberal economic policies (more generally referred to as capitalism in the quote below) can promote exploitation, social injustice, and inequality. Take for example this statement by the late English sociologist and political scientist Colin Crouch:

> Capitalism has been becoming, not so much 'evil', as increasingly amoral. This has happened because globalization and the dominance of the shareholder maximization model both uproot corporations from the social contexts that previously imposed some ethical constraints on their behavior; and because the reach of corporate actions into wider life—their externalities—have reached levels where critical issues of sustainability are raised that cannot be resolved within the normal economic rules. (Crouch, 2012, p. 373)

Another prominent adversary of neoliberalism, Nobel Prize winning economist Joseph Stiglitz, goes even further when he states that neoliberalism creates social inequality instead of producing growth. In his opinion, markets, even when they are stable, often lead to unequal outcomes that are considered unfair. The global financial crisis, for instance, showed that our economic system is inefficient, unstable, and unfair (Stiglitz, 2013, p. xliiif.).

On a more positive note, however, in recent years behavioral economists have started to build bridges between neoliberal economic theory and ethical concepts by taking altruistic behavior into consideration, instead of merely looking at purely selfish behavior. In other words, they have begun reformulating their views about humans by regarding them as homo reciprocans (humans who demonstrate altruistic behavior) rather than homo oeconomicus (humans who only seek to maximize their own self-interest). In fact, experimental research on altruistic behavior by Ernst Fehr, an economic scholar from the University of Zurich, has shown empirically that economists should take social preferences more into account in order to better understand fundamental economic questions: "A substantial number of people exhibit social preferences, which means they are not solely motivated by material self-interest but also care positively or negatively for the material payoffs of relevant reference agents" (Fehr & Fischbacher, 2002, p. C1).

In spite of these encouraging signs of progress, the right-wing ideology of neoliberalism itself has generally refused to positively address questions of ethics. With regard to the left-wing collective ideologies of the past, a somewhat pointed conclusion is that they have been largely replaced by pragmatism, because their aspirations have either been realized or were proven to be unrealistic. As a result, both of these streams of ideologies currently fail to inspire and guide the search for convincing new answers to the fundamental questions of ethics as a way forward in our Global Era.

2.4.5 Pragmatism Versus the Need for Heroes

Is pragmatism, i.e., the absence of inspiration and guidance through powerful ideologies, good or bad, and can it provide the new answers to the ethical questions that we are seeking? The pragmatism I found immersing myself again into the field of poverty economics has certainly been refreshing and encouraging. When I studied this subject during my university studies in the 1970s, concepts focused on understanding and fighting poverty were seen through highly ideological lenses and often lacked practical applicability. Ideological guidelines were influenced by the Cold War, and they either shaped left-wing colonial exploitation and dependency theories, or they promoted somewhat naive beliefs about the benefits of free market forces without due consideration of the crucial importance of strong institutions within a country (e.g., the quality of governments and legal court systems).

Recently, however, efforts and initiatives in the field of poverty economics have become more practical, insofar as they now focus on what works and what does not in terms of impact and results, largely irrespective of underlying ideologies. Fighting against an idea as a matter of principle, because of the ideological camp from where it originated, occurs much less frequently than it did 40 years ago. As far back as the early 1960s, Chinese leader Deng Xiaoping defined pragmatism very clearly when he remarked that "the color of the cat does not matter as long as it catches mice." In line with this view, he set in motion an unparalleled phase of economic developments in China that resulted in the largest scale poverty reduction effort ever undertaken by humanity. Since then, many other pragmatic initiatives have been successfully realized in other countries as well, in both the public sector (e.g., via public policies in Brazil, Bangladesh, and Peru) and the private sector (e.g., via microfinance and the social entrepreneurship movement). In addition to helping countries achieve worthwhile goals (as these examples indicate), another advantage of pragmatism is that it allows for bridge-building between different backgrounds and perspectives, which is in line with the inclusive leadership approach. For example, at elea Foundation for Ethics in Globalization (the entrepreneurial philanthropy institute that I established with my wife in 2006), we regularly engage in bridge-building across private sector, public sector, and civil society organizations, thereby working hand in hand to fight poverty.

Despite such advantages, pragmatism nonetheless may not be a sustainable replacement for the collective ideologies of the past. Take for instance the renewed push toward idealism by Susan Neiman (who considers herself to be a left-wing, liberal thinker) in her book *Moral Clarity,* which was published in 2009. In this book she recognizes people's moral need for ideals and heroes and encourages the left to once again become more idealistic. She goes on to outline an agenda to revitalize the Enlightenment virtues based on the German philosopher Immanuel Kant. In her opinion, heroes are important carriers of ideals (which may turn into new ideologies at some stage).

Along the same lines, it is quite telling that the new Chinese leader Xi Jinping, upon taking office, indicated that the main theme of his era would be to encourage his people to become more idealistic and to elaborate a new Chinese dream. The recent surge of radical Islamic movements, with their ultra-collectivist ideologies, point in a similar direction. Umberto Eco, an Italian intellectual and author, likewise thinks that people have a need to dream up imaginary places and then to believe them to be real. Visions of ideal societies have recurred throughout history, whether Atlantis, El Dorado, or the land of Cockaigne. "... it seems that every culture—because the world of everyday reality is often cruel and hard to live in—dreams of a happy land to which men once belonged, and may one day return" (Eco, 2013, p. 149).

I certainly do not believe that new ideologies and collective dreams are the answer to our Global Era's challenges of broad based anxieties, lack of trust, and disorientation. History has demonstrated time and again that ideologies in combination with political power have led to violence and—in extreme cases—even genocide. But, I am also not convinced that pragmatism should go so far as to prevent a debate about where to seek new answers to the three perennial ethical questions that are required given the effects of accelerated globalization. While certainly not a panacea for all sorts of problems, a new framework for inclusive leadership that is based on the four guiding principles I laid out in Chap. 1 could positively contribute to this debate and could help provide us with the ethical answers we are seeking.

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3 The New Inclusions

3.1 Introduction

In Chap. 2 of this book, I laid out the relevant context for my proposed inclusive leadership framework. I also described and illustrated the massive changes that have taken place at a rapid pace over the last 40 years as a consequence of accelerated globalization. In doing so, I used the examples of the Swiss financial center (and more specifically of Swiss Bank Corporation and UBS) based on my firsthand experience, in order to demonstrate both the tremendous opportunities that have been captured throughout this transformation process as well as the related vulnerabilities and risks of crisis and failures. I also highlighted how ideologies have been largely replaced by pragmatism as a means for providing answers to the three basic ethical questions. At the same time, I showed that the replacement of powerful, past ideologies by pragmatism—which is overall a good thing—carries a risk that collective dreams and the need for heroes may re-emerge to fill the voids caused by a lack of guidance and orientation, thereby ignoring important lessons of the past.

A new framework for inclusive leadership such as the one I have proposed could provide the orientation and guidance needed in the current era if it takes into account the significant global changes that are happening, has a broad scope across various sectors and management levels, is not exclusively focused on exceptional leaders, and pragmatically set outs an ethical concept that is grounded in applicable virtues rather than comprehensive ideologies. Let us now turn to

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some examples that demonstrate how inclusive leadership could be applied in practice.

A family runs a "mom & pop" shop[1] in La Paz, Bolivia and participates in a capacity building program. During the process, family members recognize an opportunity to change operations, systematize the offering, adopt a more client-oriented approach, and negotiate (together with other shop owners) better terms with suppliers. Within 6 months, they double their income and develop a new sense of ambition and self-confidence about their professional activities.

A team of senior executives at a European services company that has a "loser image" sets out to dramatically restructure and transform the business into a world class institution. They design a radical turnaround program and work hard for the next 10 years through multiple restructurings, a mega-merger, several complicated acquisitions, as well as organic growth initiatives. The stock market rewards the company's improved performance with a substantially increased share price.

A social entrepreneur in the North of Madagascar gets annoyed about constant, heavy winds in the region. He has a background as a green activist who cares about the preservation of nature and the fight against poverty. In the area where he lives, 80 % of the population lives in villages without electricity, and they cook and heat with wood taken from valuable tropical forests. He develops a vision to electrify a rural area of 15 villages with wind machines and other renewable energy devices and works hard to implement it. Quickly, he recognizes that the technical hurdles are only 20 % of the many socioeconomic and political challenges he has to overcome. Five years later, he is about to finalize a first phase of the project, which will have a huge developmental impact for about 5,000 people across six villages.

Three colleagues working for a global financial company identify opportunities for innovative investments and build a company that becomes a global leader in private markets investment management

[1] These are small shops that offer a wide range of groceries and are usually run by individuals (mostly single mothers) or families. In La Paz alone, there are about 14,000 of these.

and serves pension funds, life insurance companies, sovereign wealth funds, and family offices across the globe. Twenty years later, the company is listed on the stock exchange, has a market capitalization of about CHF 7.5 billion, and employs almost 800 people.

I observed these four real life examples, with more or less distance, at various times over the last three decades. They cover a wide territory (from rich to poor countries), involve diverse players (from professional managers to owner-entrepreneurs, from change-makers to business builders, from individuals to teams and families), and tap diverse capital sources (from private, commercial, and philanthropic capital to listed equity). They are all about leadership and its transformational impact, and they make the case for a leadership framework that is inclusive in three new ways (see Fig. 3.1).

The most obvious, but also the most challenging—as I will elaborate on in the next section—is the **integration of a new, more holistic "one world" perspective** that reflects today's and tomorrow's realities, not yesterday's patterns of thought and behavior. For instance, business leaders of the Western world would typically not look for examples of leadership from countries like Madagascar or Bolivia, but they should.

Thereafter I will describe the second important inclusion, which is sometimes called "**new capitalism**." It is a concept that is still in the making, is far from concise, and has many dimensions and aspects. Nevertheless, I am convinced that both the theory and practice of capitalism, as our generation of leaders learned about in school, is to some extent outdated and needs to be reinvented. These examples illustrate how broad the range of capitalistic initiatives can be—from traditional corporate capital to more entrepreneurial types of capital and to philanthropic capital deployed in initiatives to fight poverty. In Sect. 3.3, I will make a few suggestions in terms of what dimensions and based on what ideas such a reinvention of capitalism is occurring.

Finally, these examples touch on **ethical concepts and virtues** that the different leaders applied. The virtue of engagement as a means of addressing large global challenges was one of them. I already mentioned the important role of ethics and virtues in the context of globalization, and it is my deep conviction that this theme should gain in importance when debating leadership. Thus, in Sects. 3.4 and

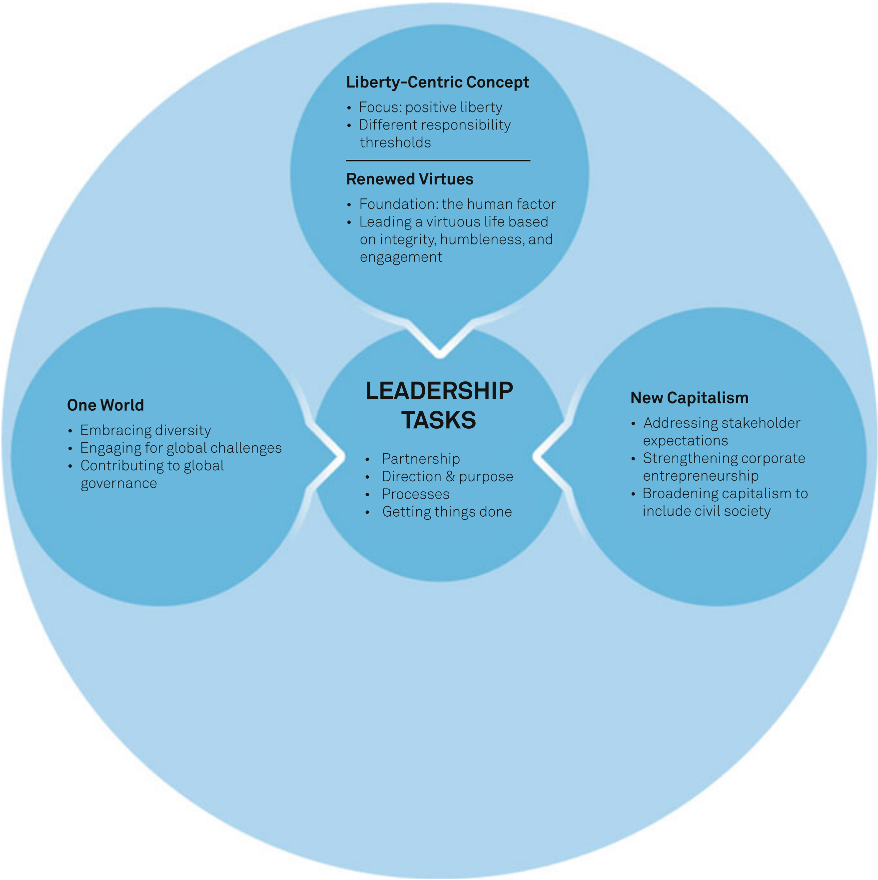

Fig. 3.1 New Inclusions

3.5, I will explore what new answers to the three basic questions of ethics could look like and what types of new virtues could serve as the foundation for my proposed inclusive leadership framework.

3.2 One World

Over the last 30 years, I have visited approximately 50 countries, crossed the Atlantic Ocean well over one hundred times, and lived for almost 4 years on the American continent. My career has been very international in many respects. At IMD, approximately 8,000 executives from almost one hundred different countries attend programs on its campus in Lausanne, Switzerland, every year. When I speak at its MBA program, I am talking to 90 students who represent over 45 different nationalities. Indeed, many of us lead much more international lives than we did over 40 years ago, regardless of our age or the profession we have chosen. But adopting a truly "one world" perspective is a monumental challenge. It is a task to be measured in generations and decades, not in years and months.

In my parents' generation, spending a couple of months during summer break in another part of Switzerland (preferably the French speaking part for those from the German speaking regions and vice versa) was the typical way to gain exposure to an environment with a different culture and language. For my generation, the big fascination was exploring and eventually living in the Anglo-Saxon world, such as in the U.S. or in the UK. In the current generation, the world is even larger. As a result, many young people have a more global perspective and are more aware of the world around them. They are active on social networks and have Facebook friends across the globe, and this is by no means limited to people from the "rich world." They also speak more languages and have more opportunities to travel and get to know other cultures. For example, two of our three children spent a meaningful amount of time in Japan, respectively Taiwan, on youth exchange programs before they reached the age of 20. One is fluent in Japanese and Mandarin and has some knowledge of Korean, and the other also speaks Mandarin. Over just three generations, the world has become larger, and the scope has been extended from the very limited "First World" perspective of the post-World War II generation to our current world view that embraces most of the planet.

I was able to observe the effects of globalization beyond the Western world firsthand during my first trip to Shanghai, shortly after I joined Swiss Bank Corporation (SBC) as Group CFO in 1994. The trip included a visit to the Shanghai Tyre and Rubber Company—one of the largest car tire factories at the time. I remember the conversation we had with their CFO to learn more about their accounting methods. He referred to a very rudimentary cash-in/cash-out accounting system with no explicit balance sheet. It suddenly occurred to me how fundamentally different this part of the world was. This was not a capitalistic country, so why should they capitalize assets and liabilities on a balance sheet? Just a few years later, however, many Chinese companies were listed at stock exchanges, were reporting according to International Financial Reporting Standards (IFRS), and were being audited by well-known global accounting firms. Another part of my first visit to Shanghai was to the stock exchange, which was housed in the ballroom of a historic hotel at the Bund (a waterfront area in central Shanghai) at the time. The president of the stock exchange brought me to the rooftop and pointed across the river to the other side (a largely unpopulated area then) indicating their plans for a new financial center within just a few years. I have returned to Shanghai many times since then (mostly staying at a hotel "across the river"), and each time I am reminded of these two memories as a personal experience of the tremendous, revolutionary, and yet largely peaceful transformation that happened in this part of the world in such a short period of only two to three decades.

In the next four decades, current demographic trends will contribute to a further reshaping of the global landscape. According to the UN, by 2050 a vast majority of the world's population will be either Asian (54 %) or African (25 %), whereas North America, Western Europe, and Australia/New Zealand combined will only contribute 13 % (as compared to one third in 1950). India will then be the most populated country in the world (followed by China), and Nigeria is expected to replace the U.S. as the third most populated country (United Nations, 2013).

What are the implications of this extended world view for leadership? Certainly, it will be harder for leaders to ignore the great global challenges that the world is facing. An important example of this is the fight against poverty—a challenge that is close to my heart, both as an economist and as a philanthropist. Furthermore, efforts toward more globally oriented political strategies at the national level and more effective mechanisms of global governance will be required to address such global challenges. I will thus deal with these three topics in the subsequent sections.

3.2.1 Fighting Poverty

Despite all of the controversy surrounding the intellectual architect of the UN Millennium Development Goals, development economist

Jeffrey Sachs,[2] it is still impressive and encouraging how much mobilizing power these goals have unleashed. World leaders have committed to combat extreme poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women. There is hardly any other global priority that has achieved such worldwide consensus in recent history than these goals, with the possible exception of environmental concerns.

This positive momentum is reinforced by the many successes that have been achieved with regard to fighting poverty in recent years. Since the beginning of the 1980s, we have seen a dramatic decrease in the number of people living in extreme poverty across the globe—those who, according to the World Bank definition, live with less than USD 1.25 per day. From 1990 to 2010, the number of extremely poor people more than halved, from 47 % of the world's population to 22 %—a reduction of about 700 million people. The biggest part of this decrease took place in South East Asia, in particular in China. Indeed, between 1990 and 2010, the proportion of Chinese people living in extreme poverty dropped from 60 % down to only 12 % of the population (United Nations, 2013, p. 7). More recently, Brazil has also been making progress in fighting poverty; extreme poverty there has decreased over the past 20 years from 20 % to 10 % of the Brazilian population. An important driver of this success has been the "Bolsa Familia," started by President Lula da Silva in 2006, which benefits the 13.8 million poorest families in Brazil provided that their children attend school and visit the doctor regularly (World Bank, 2013a). Another striking example of success in fighting poverty is Bangladesh. From 2000 to 2010, the country made remarkable progress in reducing poverty: during that time, the number of poor people declined from 63 million to 47 million, driven by a growth in labor income and by demographical changes, in particular due to a drop in fertility rates (World Bank, 2013b).

[2] Nina Munk, a journalist who was involved in the Millennium Villages Project (a micro aspect of Jeffrey Sachs' quest to end poverty), describes in her very illustrative book *The Idealist*: *Jeffrey Sachs and the Quest to End Poverty* how challenging the fight against poverty is in practice (Munk, 2013).

The decrease in poverty in these parts of the world is closely linked to the strong economic growth rates in those regions. These positive developments should, nevertheless, not hide the still existing, substantial drawbacks. In those parts of the world where economic growth did not take place to the same extent or was dwarfed by an even more rapid increase in population, the fight against poverty has hardly progressed. And even in some fast growing economies, absolute poverty levels could not be reduced in a significant way. In sub-Saharan Africa, for example, the poverty rate has fallen by only 8 percentage points over the last 20 years, and almost half of the population there still lives on less than USD 1.25 a day (United Nations, 2013, p. 7).

Both the diagnostic as well as the suggested solutions to address this global challenge vary widely. Jeffrey Sachs, who was mandated by the UN to oversee progress on the Millennium Development Goals, advocates a macroeconomic approach to address this issue in his book *The End of Poverty*; he recommends a massive increase in public development aid as the main instrument for fighting poverty. He also identifies a poverty trap for those (primarily African) countries that seem stuck in absolute poverty. He describes the problem as follows:

> When countries get their foot on the ladder of development, they are generally able to continue the upward climb. All good things tend to move together at each rising rung: higher capital stock, greater specialization, more advanced technology, and lower fertility. If a country is trapped below the ladder, with the first rung too high off the ground, the climb does not even get started. The main objective of economic development for the poorest countries is to help these countries to gain a foothold on the ladder. The rich countries do not have to invest enough in the poorest countries to make them rich; they need to invest enough so that these countries can get their foot on the ladder. After that, the tremendous dynamism of self-sustaining economic growth can take hold. Economic development works. It can be successful. It tends to build on itself. But it must get started. (Sachs, 2005, p. 73)

By contrast, more market-oriented economists such as Peter Bauer—or more recently Dambisa Moyo, William Easterley, and Paul Collier—challenge the effectiveness of the estimated USD 2.3 trillion of aid transferred from wealthy to poor countries in the last approximately 50 years since the end of World War II:

> Let me be clear: *we* cannot rescue *them*. The societies of the bottom billion can only be rescued from within. In every society of the bottom billion there are people working for change, but usually they are defeated by the powerful internal forces stacked against them. We should be helping the heroes. So far, our efforts have been paltry: through inertia, ignorance, and incompetence, we have stood by and watched them lose. (Collier, 2008, p. 96)

They see the problem less in terms of a disproportion between the needs of the poor and the level of aid resources, and more so in terms of the disappointingly minimal impact of the aid funds transferred. They therefore propose market-based approaches instead and call for stopping public sector transfers because of their often negative side effects. "Remember, aid cannot achieve the end of poverty. Only homegrown development based on the dynamism of individuals and firms in free markets can do that" (Easterly, 2007, p. 322). According to these critical views, development aid encourages corruption, creates long-term dependence, destroys entrepreneurial incentives, removes the pressure from inefficient governmental bodies, and cements dysfunctional structures rather than reforming them. Furthermore, they say that it seldom leads to long-term productive investments, and it often does not consider local economic, geographic, and social conditions. Dambisa Moyo, a Zambian-born economist and bestselling author, says aid is precisely what has held back Africa:

> The notion that aid can alleviate systemic poverty, and has done so, is a myth. Millions in Africa are poorer today because of aid; misery and poverty have not ended but have increased. Aid has been, and continues to be, an unmitigated political, economic, and humanitarian disaster for most parts of the developing world. (Moyo, 2009, p. xix)

Approaches with an emphasis on market mechanisms were boosted when the book *The Fortune at the Bottom of the Pyramid* by the late C.K. Prahalad, professor for corporate strategy at the University of Michigan, appeared in 2005. He redirected the attention of the business world to the attractive opportunities associated with targeting the unmet needs of those "at the bottom of the pyramid" in poor countries around the world through a combination of adapted technology, special organizational forms, and market-oriented principles (Prahalad, 2005). With regard to technology more specifically, probably one of the most spectacular success stories highlighting the benefits of technology in fighting poverty on a grand scale has been the growth in mobile phone penetration in developing countries. In 2012, around three-quarters of the world's inhabitants had access to a mobile phone. The number of mobile subscriptions in use worldwide, both pre-paid and post-paid, grew from fewer than one billion in 2000 to over six billion in 2012, of which nearly five billion were in developing countries (World Bank, 2012). Mobile phones are of particular importance in rural areas. According to the World Bank Vice President for Sustainable Development Rachel Kyte, "Mobile communications offer major opportunities to advance human and economic development—from providing basic access to health information to making cash payments, spurring job creation, and stimulating citizen involvement in democratic processes" (World Bank, 2012). In fact, better access to technology has significantly contributed to furthering the achievement of the millennium goals. As Sachs commented, "The cell phone is the single most transformative technology for development" (Ewing, 2007).

With this in mind, at elea Foundation for Ethics in Globalization we found (and invested in) several initiatives that have the potential to achieve a sustainable improvement in livelihoods by leveraging new technologies such as mobile phones. One such initiative called iCow helps smallholder farmers to increase the productivity of their livestock based on a structured service of SMS that provides them with relevant information and advice. A second initiative enables poor people to afford solar lamps with mobile phone recharge functions based on a pay-as-you-go method.

Another market-oriented development success story, and one with the longest track record to date, refers to microfinance. One of the initiators was Muhammad Yunus, who founded the Grameen Bank in Bangladesh in 1983 and who received the Nobel Peace Prize in 2006 for his life's work. By supporting entrepreneurial independence and self-employment through the development and distribution of repayable microcredits (above all among women), Yunus' organization may possibly have helped some tens of millions of families to try to reach out to the first rung of the development ladder. The concept is essentially based on capitalistic principles but also incorporates elements of solidarity-driven cooperatives. Given his experience and personal development from a left-wing, Marxist-influenced progressive to a defender of the free market, Yunus' private-sector-organized cooperative is an alternative way that presents significant advantages as compared to the financing of public development aid through taxes:

> Another way to achieve this is to let a business earn profit which is then taxed by the government, and the tax can go into building schools, hospitals, etc. But in practice it never works that way. In real life, taxes only pay for a government bureaucracy that collects the tax and provides little or nothing for the poor. And since most government bureaucracy is not profit-motivated, it has no incentive to increase its efficiency. It has a disincentive: the government cannot cut welfare without public outcry, so the behemoth just continues, blind and inefficient, year after year. (Yunus, 1998, p. 213f.)

While microfinance is the most written about and best known of effective poverty alleviation measures, one should not look at this instrument as a one-size-fits-all solution. Evidence to date about its effectiveness is mixed. In their book *More Than Good Intentions*, economist Dean Karlan and researcher Jacob Appel refer to a study in India which revealed that a high proportion of microcredits were used to pay off other debts, rather than to make investments into new entrepreneurial ventures, and that the empowerment of women as a result was not all that clear (Karlan & Appel, 2012, p. 78ff.). The study concludes the obvious, namely that granting credit is a means, not an end, and that somebody does not automatically become an entrepreneur just by having money. Also, as microfinance is one of only a few areas in the field of poverty alleviation with proven profitable business models, there is a risk of "mission creep." In other words, microfinance companies could start to apply aggressive marketing methods and excessive interest rates, and thereby come close to becoming traditional money lenders whose good and bad characteristics have been known for centuries.

Besides public development aid and market mechanisms, an additional, important lever in the fight against poverty is the promotion of gender equality. One of the often diagnosed causes of poverty is the unequal distribution of power and resources within a country, and gender inequality is a noteworthy part of this. According to the Food and Agricultural Organization (FAO) of the United Nations, while women make up 51 % of the agricultural labor force worldwide, they have the least access to the means for increasing output and yields (FAO, 2010). The World Bank believes that giving more resources to poor women, while promoting gender equality, will enhance productivity and thus help decrease world poverty. Empowering women and girls is not only fair but also seems to make economic sense, and countries that invest in women's education as well as promote their social and economic status tend to have lower poverty rates (World Bank, 2014). For example, research has shown that agricultural productivity in sub-Saharan Africa could be increased by up to 20 % if women's access to resources such as land, seed, and fertilizer were equal to that of men's access (FAO, 2010).

Rather than creating controversy by having to choose between a state-funded, ideological stance versus a more market-driven view for fighting poverty, an approach that is more in line with my inclusive leadership framework would integrate both perspectives based on a pragmatic combination of public policy initiatives *and* market principles. An increasing body of evidence demonstrates that this approach could have a substantial impact in fighting poverty. The example of Bangladesh is remarkable in this context. Having once been described by Henry Kissinger as a "basket case" because of its poverty and misery, it has made some of the biggest gains in terms of the basic living conditions of its population ever seen anywhere. An overall economic growth rate of 5 % per annum since 1990 has helped, but it alone is not sufficient. Even more important have been public policy measures like family planning to empower women, productivity improvement in agriculture, and a thriving civil society. Two civil society initiatives that have had a tremendous impact in the field of microfinance, Grameen Bank (as previously mentioned) and the development organization BRAC, have made a significant contribution to this success story (The Economist, 2012).

In line with more recent research insights, at elea Foundation for Ethics in Globalization we take a much more micro-oriented view when we aim to realize our vision to fight absolute poverty via entrepreneurial means. According to this view, finding the right solutions to poverty cannot be answered by theories and dogmas. Rather, they should be based on pragmatic, empirically viable approaches to specific situations. Dean Karlan, a professor at Yale University who is a member of this new breed of economists, similarly emphasized the importance of pragmatism in fighting poverty in his book *More Than Good Intentions,* which he wrote together with researcher Jacob Appel. He did this by referring to the two opposing camps represented by Jeffrey Sachs (who advocates a public development aid approach) and William Easterly (who advocates a more market-based approach):

> My hunch is that, at the end of the day, even Sachs and Easterly could agree on the following: Sometimes aid works, and sometimes it does not. . .The critical question, then, is which aid works. The debate has been in the sky, but the answers are on the ground. . .Let's look at a specific challenge or problem that poor people face, try to understand what they're up against, propose a potential solution, and then test to find out whether it works. If that solution works—and if we can demonstrate that it works consistently—then let's scale it up so it can work for more people. It if doesn't work, let's make changes or try something new. We won't eradicate poverty in one fell swoop with this approach . . . but we can make—and are making—real, measurable, and meaningful progress toward eradicating it. That's the way forward. (Karlan & Appel, 2012, p. 5)

In an award winning book on this topic entitled *Poor Economics*, two MIT economists Esther Duflo and Abhijit Banerjee apply this practical thinking in detail along several dimensions of poverty. According to their findings, a lack of knowledge, skills, and expertise, as well as deeply held misperceptions and rigid norms, are at least as important in terms of poverty diagnostics and solutions as is a lack of financial resources. For example, health problems often arise because people do not have the most basic knowledge of the critical importance of clean water and hygienic practices (e.g., washing hands) or because they blindly trust unqualified doctors who prescribe expensive, yet ineffective, medication. Skills levels are often low because teachers are absent or do not have the necessary qualifications. Furthermore, a lack of productivity and income generation in agriculture is often caused by a lack of understanding about how to deploy fertilizers or by insufficient price transparency, which leads to dependency on the middleman (Banerjee & Duflo, 2011, p. 268ff.).

To conclude, the dialogue about fighting poverty has overall become much more constructive and impact-oriented, as opposed to theoretical and dogmatic—particularly as compared to my experiences 35 years ago when I studied development economics at the University of St. Gallen. There is also a growing body of research insights on what works and what does not. Fighting poverty is just one—albeit very important—example of a worldwide challenge in our Global Era that deserves consideration in an inclusive leadership framework. There are others such as protecting the global climate, dealing with migration and refugees, fighting global terrorism, and optimizing the world's sources of energy—to name just a few—and more will surely emerge in future decades.

3.2.2 More Globally Oriented Political Strategies

Tackling global challenges, such as the fight against poverty, will require more globally oriented political strategies at the national level. These hardly exist today given that the trend of accelerated globalization is still so new. Given my past experience in Swiss politics and dealing with political issues at UBS, I have gained several insights in this regard that I would like to share with you. I have always felt that living in a country like Switzerland, which encourages broad political participation within a direct democratic framework, is a privilege. And given this privilege, its citizens (particularly its leaders) should consider it their civic duty to actively engage in politics. For this reason, I was politically engaged at the national level in Switzerland for many years as a member of the historically dominant liberal (in the European sense) party. Between 1995 and 1999, I chaired an advisory group to the party's president on economic policy, and in 2004, I co-founded an organization to support the party in financial and other immaterial ways.

This political experience at a national level helped me a lot during my time at UBS, given that political issue management became a critical dimension of leadership both during and after the merger between SBC and Union Bank of Switzerland, particularly in relation to the role of Swiss banks during the Holocaust. For instance, I encouraged a more active, systematic framework for dealing with political themes at both the global and national levels. To help us with this, we were lucky to be able to hire two personalities from the international arena who had outstanding experience and charisma in the field of political issue management and who provided critically important insight and advice. One was the late Lord Leon Brittan of Spennithorne, who held various ministerial posts in the UK cabinet under Margaret Thatcher and who became EU commissioner thereafter. The other was Phil Gramm, a former Senator from Texas who helped to shape banking legislation in the U.S. over several decades. I owe a lot to both individuals in terms of the knowledge I acquired about governance and politics on both a national and an international scale. I traveled several times to China with Leon Brittan, and I used to visit Phil Gramm regularly for a few days a year to meet and greet important people in Washington. These were always distinctive, unforgettable learning experiences.

Similarly, UBS got better organized to deal with Swiss domestic and international political issues by hiring the late Adalbert Durrer, who had previously led one of the major Swiss political parties and had been a well-known politician in Switzerland. Upon his recommendation, we systematically identified approximately 200 people within UBS who were holding political mandates at either the national, state, or communal levels within Switzerland. Among those 200 individuals, approximately 40 held political leadership roles. So once a year we invited that smaller group of leaders, irrespective of their specific party affiliation, to a workshop in order to express our appreciation for their work, identify hurdles that made it difficult for them to combine their political mandates with their professional jobs at the bank, and offer them support in their political careers.

All of these engagements brought me into close contact with political leaders at the international and national levels and provided me with a lot of insights into the challenges of adjusting governance models and political structures to the requirements of today's and tomorrow's realities. I not only saw how important it is to engage, but also how complicated and time consuming it is to achieve concrete and sustainable positive outcomes in this regard. These experiences also opened my eyes to the need for leaders to adopt a horizontal perspective across various sectors of society, which is in line with one of the guiding principles of my inclusive leadership framework. I have known many corporate leaders who speak with contempt about politicians. They often view them as incompetent, provincial, and ineffective in getting things done. On the other hand, from the perspective of politicians, corporate leaders tend to engage in political activities, if at all, with only narrowly defined, mostly near-term, business-related lobbying interests in mind. As a result of such stereotypes, the quality of dialogue across these two societal sectors suffers. I have always tried to resist the temptation to accept this stereotype about politicians, in an attempt to understand their perspectives and the distinctly different mechanisms for decision-making and execution which exist in the political sphere, as compared to the corporate world. By following an approach that is grounded in an inclusive leadership framework, I prefer to incorporate long-term perspectives about politics and governance into my leadership thinking than to consider politicians as adversaries and seek confrontations with them.

These experiences also taught me about the need for leaders to adopt a horizontal perspective across geographical boundaries. For example, it regularly strikes me that even high profile politicians in countries such as the U.S. and Switzerland primarily feel accountable to their *local* electorates and consequently have little international exposure and experience. Our generation grew up with the experience of a predominantly national governance framework. Economic competition, if at all, took place between companies and primarily *within* countries, not between them. From the point of view of a Swiss citizen, governance questions were to be addressed in broad public debates and resolved through democratic processes, often subject to the people having the last word through public voting via referendums. There were clear signposts at that time, which depended upon one's ideological stance and provided clarity about what was considered more or less desirable and how political decisions should be guided.

In my case, as previously described, this ideological stance was rooted in neoliberalism (European style). In today's world, however, neoliberalism no longer provides the required signposts, since it only addresses the relationship between the public and private sectors at the *national* level. In other words, neoliberalism says that the state is supposed to maintain order and the rule of law within its borders. It also says that the state should design and enforce a framework of rules and regulations within which private actors can develop and execute their business strategies and plans as freely as possible. But according to this thinking, there is no room for a country to pursue a competitive strategy *vis-à-vis* other countries. In addition, the conventional understanding of neoliberalism has been *static* rather than dynamic, with the assumption that public and private sector actors are more or less stable and enduring institutions. Milan Sojka, author of *Transformation, Integration and Inequality: The case of the Czech Republic*, confirmed this assessment in a different context when he tried to apply neoliberal recipes to the transformation process in the Czech Republic:

> Such a neo-liberal strategy, based on the theoretical framework of mainstream neoclassical economics, is narrow and simplistic. Without any doubt it is unable to cope with the complexities and intricacies of the transformation process that are overwhelmingly of [a] dynamic and institutional nature. As I will argue, mainstream economics is not equipped as a theoretical basis to understand transformation strategy, since it does not provide a dynamic framework. (Sojka, 2003, p. 57)

Like the massive changes that took place in the Czech Republic, the global transformations we are experiencing today are characterized by a more *dynamic* environment of fierce economic competition for jobs, economic value creation, and tax income. For this reason, and since this competition is now happening *between* countries, neoliberalism does not provide the needed signposts to guide political decisions. Hence, a more strategic global positioning at national levels is needed, as are more effective global governance structures and mechanisms (as we will discuss in the next section).

The example of Switzerland shows the difficulties of engaging in such a strategic discussion in a direct democracy, where the power lies in the hands of the people and achieving consensus is more challenging. There were a few attempts to launch this debate over the last 20 years, but the need has not been broadly established, nor has a process been found in terms of how such a debate could be brought to a conclusion. That said, the requirement for a more articulate strategy to position Switzerland in today's and tomorrow's ever-globalizing world and to preserve its attractiveness as a desired location for all types of organizations and for talented individuals is obvious.

One hundred fifty years ago, Switzerland—like other European countries—could not feed all of its inhabitants, so it systematically encouraged parts of its population to emigrate. But at the end of the nineteenth century the tide turned, and it became an immigration country with a high level of industrialization. After World War II, Switzerland benefitted tremendously from its privileged position as a neutral and politically stable country, as it did not suffer from any significant destruction of its industrial base during the war. As a consequence, its companies could rapidly globalize, and some became world leaders in their industries. The traditionally strong financial sector was fueled in its growth as well, all of which helped Switzerland move to the top in almost all international rankings in terms of prosperity, quality of life, and political stability. Even today, according to the 2015 IMD Competitiveness Ranking, Switzerland is still highly ranked (in fourth place) just behind the U.S., Hong Kong, and Singapore (IMD, 2015). But in spite of its strong international orientation and high quality of life, the recent demise of Swiss banking client secrecy, as well as Switzerland's difficult negotiations with both European countries and the U.S. about taxation, are symptoms of the continuous erosion of Switzerland's privileged post-World War II position.

If you asked people in Switzerland today about Switzerland's ambitions and the presumed sources of its success over the next 20–30 years, answers would vary significantly. Some see Switzerland as a service and financial center, others as a location dedicated to research and education, and yet others as a big leisure park. Some would like Switzerland to maintain its global leadership position in terms of prosperity, competitiveness, and attractiveness for talented people worldwide. Others prefer to take a more domestic view and favor intense state intervention and regulatory frameworks, at the expense of competitiveness and lowering the attractiveness for qualified people from abroad. Some see the future of Switzerland as being closely associated with that of the European Union, while others think it should be regarded as an internationally connected city-state, that is, a mix of New York, London, and Singapore. No clear definition of the future success model for Switzerland has yet emerged, and such a definition is far from trivial. It is nonetheless critically important to reflect upon, not only to keep young talented people attracted to our country, but also to protect an economic model that is capable of financing the existing, expensive social welfare state and maintaining our infrastructure at the commonly expected high levels of quality and reliability.

It is no coincidence that countries with more authoritarian government models that do not have to worry so much about establishing a national consensus are ahead of democratic countries in terms of determining their future success models. Examples of countries with clearer strategic positions include: China as an industrial production center with huge ambitions in research and development and services, Russia as an energy supplier, Singapore as a financial and trading center in Asia, and Dubai as a regional commercial/service center and transportation hub. The concerns of the late, well-known German liberal thinker Ralf Dahrendorf that globalization fosters authoritative structures, thereby endangering democracy as an exemplary model, appear to be well justified (Dahrendorf, 1998, p. 48).

3.2.3 More Effective Global Governance Structures

I began learning about global governance issues while at the helm of UBS; I was exposed to questions about global oversight and the regulation of financial industries and markets, the latter of which has increasingly been acknowledged as a global responsibility—particularly following the global financial crisis of 2007/2008. I actively engaged in such topics during my time at UBS as a member of the Board of Directors and the Executive Committee of the Institute of International Finance (IIF), which represents the largest, most global association of financial companies. In this role, I co-chaired a task force on effective regulations. Together with other executives from private sector financial institutions, and in collaboration with regulators at both the national and international levels, we attempted to agree on a series of principles that should guide a constructive dialogue aimed at strengthening the effectiveness of financial regulations. We argued in favor of a globally consistent and less complex regulatory framework, a dynamic assessment of policies and new initiatives, and an intensified dialogue—characterized by mutual trust and respect—between regulators and those being regulated. On September 6, 2006, we were asked to present our thoughts to the Financial Stability Forum (i.e., the FSF, which is known as the Financial Stability Board, or FSB, today), and in December 2006 the IIF published our Proposal for a Strategic

Dialogue on Effective Regulation (Institute of International Finance, 2006).

After resigning from UBS Group in 2007, my experience in global governance issues was further enhanced when I became a member of the Council for Global Financial Regulation (CGFR), together with approximately two dozen other former senior finance executives from both the public and private sectors. Once again, the Council's aim was to explore ways for strengthening globally consistent regulations, while avoiding nationally driven, often protectionist agendas. In this group, we recommended a stronger institutionalization of the FSB as the most appropriate body in international finance that was sufficiently global and representative enough to drive the intentions of G20 countries toward implementation.

The challenge of moving toward more effective *global* governance structures and models is even more pronounced than that of individual countries seeking to define and implement their own competitive strategies, because it entails choosing a set of basic values and principles that everyone agrees on. In an attempt to further develop and internationalize neoliberal thinking, one could argue that there should be an international agreement on guiding principles and binding rules to protect the freedom of sovereign states (and eventually that of other players such as international and supranational organizations, global corporations, and civil society organizations) and to guide the relationships between them. Such an approach would, however, challenge prevailing concepts of national sovereignty. It would also require a globally consistent understanding of what is fair among countries. For example, under what conditions is tax competition legitimate, and when is it not? Is a cartel among big European countries with high taxes, who are trying to defend their interests against smaller countries with low taxes, justified? How can we define the right balance between freedom and fairness? Do developing countries have an unjustified competitive advantage thanks to their lower labor, social, health, and environmental standards? Or should the demand from rich countries for unified higher standards be seen as hidden protectionism?

Furthermore, what does fair competition at a global level mean when more and more sovereign wealth funds are becoming internationally active and not only pursue economic objectives but are also driven, at least to some extent, by the national interests of their more or less powerful owner states? China's long-term ambition to secure a supply of natural resources in areas such as energy and agriculture and in regions with weaker states such as Africa is just one obvious example. How and by whom should themes and tasks that clearly extend beyond national borders be defined and addressed? How should decisions be made, and how should they be enforced? To what extent can and should we rely on formal international or supra-national policy setting mechanisms as opposed to soft law mechanisms? How can private individuals and organizations contribute to the development of governance frameworks and rules?

These are many complex themes and important questions. Economist Michael Spence emphasizes the challenge of resolving these issues when highlighting the need for reforms within the international institutions and with regard to governance mechanisms:

> Managing a growing and increasingly complex set of transnational connections in a multispeed world that is being turned upside down is an even bigger challenge than it was when the G7 dominated the global landscape. Such a world requires better global governance, as well as the implementation of overdue institutional reforms that will give emerging economies proper voice and representation in international institutions. (Spence, 2011, pp. 189–190)

While there is broad agreement among scholars with expertise in this field about the need for adjustment of the international institutions and global governance mechanisms, realizing such reform processes in practice seems to be slow. A complicating factor is the fact that most international institutions and governance mechanisms—such as the UN, the IMF, and the World Bank—still largely reflect the prevailing post-World War II structures of winners versus losers of the war and of asymmetric, post-colonial empires and paternalism that have not yet been adjusted to new world realities. As a result, their effectiveness is called into question due to doubts about their legitimacy. Take for example the IMF, where the distribution of votes has not kept up with the evolution of the world economy, and therefore its role as overseer of the international financial system has become less and less accepted politically (Boughton & Bradford, 2007). Another example is the United Nations Security Council, created in the aftermath of World War II. Japan and Germany, two of the biggest economies in the world, are still not permanent members, and the developing world (with the exception of China) is not represented either (Bradford, 2005, p. 2).

Given that reforms of the current institutions seem to be stalled, developing and emerging economies—not satisfied with a system that continues to favor the Western world—have been organizing themselves. Such organizations include the Union of South American Nations (USAN), the Southern African Development Community (SADC), and most recently the Asian Infrastructure Investment Bank (AIIB), which is being promoted by China as an alternative to the various Washington-based development institutions. At the same time, it appears that real power is not only shifting from established to newly emerged economies, but also toward non-state actors. International civil society organizations, global corporations, and special interest groups have become more and more experienced at mobilizing and influencing public opinion (EUISS & NIC, 2010, p. 11f.). This trend adds to an international system that is already highly fragmented and specialized, whereas the challenges to be met are increasingly interconnected and global. Such fragmentation complicates decision-making and limits the potential for multilateral governance.

At the same time, it is far from clear what an ideal global governance architecture should look like. In an essay from the IMF, an attempt for such a vision is made:

> The ideal of global governance is a process of cooperative leadership that brings together national governments, multilateral public agencies, and civil society to achieve commonly accepted goals. It provides strategic direction and then marshals collective energies to address global challenges. To be effective, it must be inclusive, dynamic, and able to span national and sectoral boundaries and interests. It should operate through soft rather than hard power. It should be more democratic than authoritarian, more openly political than bureaucratic, and more integrated than specialized. (Boughton & Bradford, 2007)

Although I agree that such a framework "must be inclusive, dynamic, and able to span national and sectoral boundaries and interests," such a top-down approach seems utopian to me and reminds me of a new collective dream dressed up in bureaucratic clothes. I personally don't find such an aspiration desirable at all and rather favor more tangible, bottom-up initiatives to address real problems. From this standpoint, fragmentation—far from being bad—encourages people and organizations to use their individual liberty for active engagement, thus fostering active international competition between the most effective models and systems. That said, there have indeed been some success stories that followed such a bottom-up approach, like the aforementioned UN Millennium Development Goals (MDG) that show how global coordination toward a common goal (in this case, that of developing a universally endorsed framework to fight common global issues) can be achieved. One of the primary success drivers of the MDG has been that, while supported and agreed to by national leaders, the goals have come from society (civil society organizations and private sector leaders) and not from governments alone (Bradford, 2005).

3.2.4 Insights and Takeaways

To conclude, I would like to summarize my personal insights and takeaways, as well as the implications for my proposed framework for inclusive leadership, from the reflections above. My first insight is that we must recognize the monumental generational task ahead and the consequential need to manage expectations. Transforming the three-tiered world of our youth into a convergent "one world" will take another couple of generations. All of the questions and challenges raised in this chapter emphasize the difficulties associated with such a transformation, as well as the fact that the only alternative to conflict and war is to gradually and patiently advance and progress based on empathy, dialogue, and a collaborative attitude.

My second insight is that leaders, wherever they come from, need to learn as much as possible about the world at large, particularly about those countries that they are less familiar with but which have an impact on global issues. They should ask themselves: What are their origins? What do they aspire to? How are they different? What can we learn from them? IMD, for example, has created special incentives to encourage its faculty members to write cases about unfamiliar, new world countries and markets. For corporate leaders, this could mean extending business trips beyond airports, hotels, and conference rooms and making extra efforts to visit places that are off the beaten track. The international rotation of board meetings could also serve a similar purpose. I remember how powerful a signal it was when we started to systematically rotate the UBS Board of Directors and Group Executive Board meetings between Europe, the U.S., and Asia and regularly linked these meetings with client visits, staff conferences, and other more public communication platforms. Encouraging international transfers of employees at all levels and across sectors could likewise help leaders to learn more about the world around them. Particularly for public sector leaders, who are often bound by domestic constituencies, encouraging international transfers of high potential future leaders would be very beneficial for adopting a more "one world" perspective. The high mobility of professionals between domestic and international organizations (as happens quite frequently, for example, between central banks and international finance organizations/development banks) could be a blueprint for other sectors as well.

A third insight is that leaders need to actively embrace diversity in their governance models, and not just defensively to avoid legal exposure, as is unfortunately too often the case in the corporate world. The more diversely composed that boards and executive teams are, the higher the likelihood that difficult questions such as the ones raised above (which may be of huge strategic relevance for an organization) can be efficiently addressed. Also, the more that policies and practices are reviewed and challenged by geographically and otherwise diverse groups within an organization, the higher the likelihood that they will be appropriately understood and complied with. I was reminded of the importance of this when I started working at SBC and was informed that some policy instructions were still being sent to their international offices in German rather than English. Some people were actually surprised that these directives were not implemented or complied with. As the saying was in Latin America in colonial times, "una ley se acata pero no se cumple" (i.e., a law which was sent as an example by the King of Spain is acknowledged but not complied with).

Fourthly, corporate leaders in particular should actively participate in public political debates and problem-solving, be it at a national or a global level. Public policy frameworks and global governance mechanisms can only benefit from collaborative efforts that include actors from both the public and private sectors, even if this is time consuming and often seems both inefficient and ineffective. I personally have no regrets whatsoever for having engaged substantially in both national politics and global governance matters, and I have always felt that such engagements can broaden one's horizons and help one to be a more reflective, inclusive leader.

Finally, corporate responsibility programs should include engagements on their agenda that favor big global challenges. During my time at UBS, this meant actively fighting money laundering and abuse of the financial system (e.g., to finance terrorism). I will discuss more examples of this in the next section when I talk about new capitalism as a second important inclusion in a framework for inclusive leadership.

3.3 New Capitalism

In Chap. 2, I described the transformation of capitalism over the last 40 years as I have experienced it, with accelerated globalization profoundly changing industry structures, business models, and corporate organizations. I likewise delineated the evolution that took place from an initial era of entrepreneurial capitalism to one that I call investor/manager capitalism, which was more characterized by institutional investors on one hand and professional managers on the other. Entrepreneurial capitalists often had long-term time horizons and, in many ways, respected commitments to engage on behalf of communities and societies that were affected by their companies. In that era of capitalism, it was clear who benefited in good times and who suffered from losses in bad times, namely the owner entrepreneur and his family.

By contrast, during the current era of investor/manager capitalism, entrepreneurial tasks (e.g., defining the purpose of an enterprise, setting directions, developing strategies for growth, organizing financial aspects, and assessing risks) are, in practice, frequently assumed by a combination of institutional investors and professional managers. They do this with different skills and sometimes different virtues than owner entrepreneurs would have done. They also tend to be more driven by short-term-oriented financial market dynamics, and they are often oblivious to the moral responsibilities that society attaches to such roles. This shift in and fragmentation of entrepreneurial tasks challenge the previously valid rules of interaction between businesses and society and raise very fundamental questions such as: How should crucial strategic decisions about a company's aspirations and directions be made, and who should legitimately take the long-term entrepreneurial view? Which group of people (investors and/or managers) should devote entrepreneurial passion and a dominant part of their life's energy to the well-being of a company in order to realize that company's potential and pursue its aspirations and strategic directions? How should risk appetite and the approach to risk-taking be determined? Who should ultimately be accountable for the success and failure of a company, and consequently, how should entrepreneurial value creation and the pain of loss and value destruction be shared?

Unfortunately, there is no broad consensus about valid answers to such questions, and therefore there is a lack of clarity regarding entrepreneurial roles and responsibilities. This is the fundamental systemic problem at the root of the complicated debate regarding the compensation of top managers, for how can their contributions be adequately evaluated if it is not clear how entrepreneurial their roles are. On top of this systemic problem, over the last 20 years or so (particularly before the global financial crisis of 2007/2008) a small number of corporate leaders have fallen prey to typical boom time phenomena like hubris, abuse, and criminal offense and have thereby lost touch with reality. Both of these problems have helped to discredit capitalism in recent years and have cemented a public perception of business leaders as irresponsible, immoral human beings with greed as their primary motivation.

Basic questions about capitalism and the roles and responsibilities of business leaders were highly relevant in my daily work as an executive at SBC, and later UBS. For instance, in public debates, I always refused to be compared to celebrities from the world of sports, music, and television/film when asked to explain high levels of executive pay. My rationale for this was that applying the delusional hype typical of the entertainment industry to the corporate world would have a negative effect on the efficiency and productivity of individual companies as well as capitalism in general, as it would not be in line with the holistic, long-term commitments and responsibilities required for successful enterprises. I therefore argued to the contrary that top managers should rather be compared to entrepreneurs, because they hold similar roles and responsibilities as those that society had previously expected from owner entrepreneurs. This implies that top manager compensation should be highly aligned with a company's long-term goals, something which can be achieved through substantial ownership of long-term restricted shares.

My views about this highly controversial topic were influenced by my own experience during the transformation of SBC from 1994 to 1997. At that time, the entrepreneurial roles and tasks were carried out by a small team composed of the chairman, the CEO, the CFO, and some other key members of the board and the executive team. There was no significant owner entrepreneur to turn to for guidance, so we took the major decisions and felt responsible for the overall strategic direction of SBC, as well as its financial results and long-term value creation. These decisions had a substantial influence on the performance of the company, and—given the very difficult situation that the bank was in at that time—even on its survival. This was exactly the type of role that would have previously been assumed by owner entrepreneurs, and it called for people with an entrepreneurial mindset and appropriate skills, as well as personal characteristics such as ambition, energy, stamina, courage, and a willingness to work hard and share the success (or failure) of decisions made and initiatives taken.

At the same time, a new type of activist investor—one that was pursuing a clear agenda of value maximization—was getting involved with large Swiss companies. At SBC, we were interested in ambitious and professional external investors that could support us in our transformation process. But we also felt that (along with the bank's shareholders) we, the executive team in charge of implementing this entrepreneurial initiative, should get at least some share of the realized value creation as a result of the tasks we engaged in. After all, we were the ones betting our careers on a positive outcome. That is how one of the first share and options programs for senior management in Switzerland was created, with a minimum vesting period of 3 years for options, respectively, 5 years for shares. We were of the opinion then—and I still am today—that the entrepreneurial initiatives and performance of both owner entrepreneurs as well as professional managers should either be honored or penalized in an entrepreneurial way, dependent upon success and results.

3.3.1 Creative Destruction

The micro-experience that I had at SBC shows how capitalism can either create or destroy value through change—a process that the great liberal economist Josef Schumpeter called creative destruction:

> Capitalism . . .is by nature a form or method of economic change and not only never is but never can be stationary. The . . .process of industrial mutation . . . incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism. It is what capitalism consists in and what every capitalist concern has got to live in. (Schumpeter, 1976)

Such a *dynamic* understanding of capitalism requires companies and their leaders to be entrepreneurial by constantly spotting new opportunities, making bold decisions, taking risks, constantly making changes, and then living with the consequences. It also implies that leaders possess entrepreneurial qualities that are difficult to objectively measure and judge from the outside. However, recent trends in corporate governance (that is, how leadership is organized at the highest levels of a company between the owners, the board, and the executive team) point in a different direction. Under the influence of public policy debates and regulatory efforts in the Western world, these trends advocate detailed regulations, complicated mechanisms for control and supervision, highly formalized qualifications for board members, and formula-based performance appraisals of executives. They thereby follow a belief that risks can be "organized away" with appropriate rules, which does not take account of the fact that failure is an inherent part of capitalism.

Although many improvements recently made in corporate governance were of absolute necessity to clarify roles and responsibilities at the top—as compared to the situation that I and many others experienced with large boards of questionable quality and effectiveness 30 years ago—these efforts at bureaucratic fine-tuning can get in the way of the dynamic, entrepreneurial nature of capitalism. Take for example the requirement that a majority of board members in listed companies must be independent (as stated in many best practice codes and regulations of corporate governance). While I acknowledge the merits of having a diverse board that provides quality decision-making as well as checks and balances when assessing risks, I see a problem with having too many independent directors: by definition, they lack closer ties to the company and are therefore hardly well-positioned to bring the necessary commitment and passion required for true entrepreneurial alignment.

Evaluation of and compensation for business leaders is another example in which bureaucracy risks damaging entrepreneurship. It is often discussed in *static* ways, comparing groups of highest versus lowest paid employees, as if private companies were merely hierarchically organized bureaucracies rather than entrepreneurial undertakings where status and power, not one's contribution to entrepreneurial success, determine the level of compensation. Short-term-oriented financial performance metrics are often used in public debates to assess the performance of business leaders. But such criteria do not allow for judgment calls about entrepreneurial qualities and tend to encourage wrong behaviors, possibly even fueling the already accelerating turnover of CEOs. Whereas in the 1990s CEOs used to serve approximately 10 years in their roles, this tenure has come down substantially in recent years. A study by Booz & Co among the 2,500 world's largest public companies showed that in 2010 CEOs stayed in their jobs for an average of 6.6 years, as opposed to 8.1 years a decade earlier (Favaro, Karlsson, & Neilson, 2011). Anecdotal evidence today suggests even shorter tenures at many corporations. It is not surprising that turnover rates for CEOs of private companies tend to be lower as compared to CEOs of public firms, given that they are more independent and thus less influenced by investor pressure to deliver short-term results (Gao, Harford, & Li, 2013).

This trend toward more independent boards and shorter tenures of executives is in contradiction to the requirements of executing major entrepreneurial change in the Schumpeter sense. At a large corporation with tens of thousands of employees, genuine and sustainable changes in behaviors and mind-sets (beyond just technical adjustments) takes years, and it is challenging and risky. In my personal experience, it takes about one full year to execute profound changes to one layer of hierarchy, which means that even flat structures with four to five layers will need 4–5 years. How can such change be led in an entrepreneurial way and aligned with a long-term perspective if a majority of the board of directors is independent and the CEO expects to be around for only 5–6 years or less?

Before taking a look at "new capitalism," I would like to leave you with a few concluding thoughts. A lot of the hostility in society toward business leaders in general, and those active in the financial industry in particular, is completely understandable and justified, in light of the huge disappointments and losses that followed the global financial crisis of 2007/2008. At the same time, the babies (i.e., entrepreneurship and long-term value creation) should not be thrown out with the bath water. In other words, an inclusive leadership framework should take account of the lessons learned from the crisis and address the flaws of investor/manager capitalism discussed here that have become evident over the last four decades. It should also provide ideas about what a more sustainable model of capitalism could look like in the future.

3.3.2 What Is "New Capitalism"?

It is against this background that the somewhat fuzzy term "new capitalism" emerged in the years following the global financial crisis of 2007/2008. While no broadly accepted concept has been created to clarify this term so far, it seems to imply that there was an old capitalism that needed renewal. This is based on the fact that "old capitalism" is sometimes criticized for not appearing to serve the needs of people and for neglecting to provide social benefits. Milton Friedman is often—in a misleading way—quoted in this context as one of the classic representatives of "old capitalism." In his classic book *Capitalism and Freedom,* he wrote that capitalism is about managing resources to earn profit and not about social goals:

> The view has been gaining widespread acceptance that corporate officials and labor leaders have a "social responsibility" that goes beyond serving the interest of their stockholders or their members. This view shows a fundamental misconception of the character and nature of a free economy.

> In such an economy, there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud. (Friedman, 1962 (reprint 2002), p. 133)

The shorter version of this thought, "The business of business is business," is used by Ian Davies (the former Managing Director of McKinsey & Company) (Davies, 2005, p. 106).

"New" capitalism, by comparison, often invokes higher levels of social consciousness. Even though published long before the great financial crisis (in 1998), a quote from Muhammad Yunus' autobiography, entitled *Banker to the Poor*, provides a possible meaning for "new" capitalism:

> Somehow we have persuaded ourselves that the capitalist economy must be fueled only by greed. This has become a self-fulfilling prophecy. . .. If you are a socially conscious person, why don't you run your business in a way that will help achieve social objectives? I profoundly believe, as Grameens' experience over 20 years has shown, that greed is not the only fuel for free enterprise. Social goals can replace greed as a powerful motivational force. Social-consciousness-driven enterprises can be formidable competitors for the greed-based enterprises. (Yunus, 1998, p. 215)

Among others who are searching for a new type of capitalism that reshapes the relationship between the economy and society is Yale professor and Nobel Prize winner Robert Shiller. In his recent book entitled *Finance and the Good Society* (which was published in the aftermath of the crisis), he makes a plea for better alignment between financial capitalism and the good society. With a particular focus on financial firms he asks: "How can finance promote freedom, prosperity, equality, and economic security?" and "How can we democratize finance, so as to make it work better for all of us?" (Shiller, 2012, p. 2). He goes on to encourage financial firms to improve the general well-being of society by acting as protectors of society's assets (e.g., through valuable financial products such as mortgages, pension funds, and insurances).

Are the differences between the old, profit-only-oriented and the new, more socially conscious capitalism really so huge? After all, generating competitive profits continues to be a basic requirement for survival, at least for profit-oriented business organizations whose owners choose not to prioritize other aspirations and goals. It is indeed hard to argue against those few examples that Milton Friedman used to make his point, e.g., that a business leader should not apply social policies by keeping salaries artificially high or by selling goods for charitable motives at artificially low prices. He also criticized—rightly so—businesses that assume social responsibility by making arbitrary contributions to charitable causes from the coffers of a corporation's assets, since these assets belong to its owners, the shareholders. In effect, what he said is that the property rights of the owner should be respected, which is—at least in my opinion, as a liberal market economy proponent—an important requirement for both old and new capitalism. However, one can criticize Milton Friedman for not properly addressing social issues in his work and for the simplicity of his arguments, which leaves no room for the many practical possibilities that business leaders have in today's world to actually pursue social goals in combination with—and sometimes even in support of—financial value creation.

I was struck by how perceptions regarding Friedman's thinking about capitalism have indeed progressed when I gave a lecture in 2013 at a seminar on corporate governance for law students at Harvard Law School. The students had to write essays discussing Friedman's famous article in the *New York Times*, in which he stated that the sole responsibility of corporate leaders is to increase profits (analogous to the quote above from his book *Capitalism and Freedom*). In fact, all students agreed that Corporate Social Responsibility (CSR) has become an integral part of running a business. According to one study, sustainability has a permanent place on 70 % of management agendas (Haanaes et al., 2012, p. 3). Although CSR has traditionally often been delegated to public relations and corporate philanthropy departments, it is now at the top of overall strategic priorities' lists in more and more companies, next to themes like business growth, client centricity, talent development, and global value chain management.

Indeed, while at a conceptual level it is unclear what new capitalism exactly means, the reality is—as an increasingly broad-based body of evidence shows—that capitalism is actually being reinvented on a daily basis. A business is influenced by many parties: by its clients/customers, its suppliers, its investors, its owners, as well as all the employees and managers doing the daily work. And along all of these dimensions, views are regularly being transformed about how companies should accept more social responsibility and engage in more conscious reflection about the criteria that reflect society's expectations at large, beyond purely microeconomic and financial aspects.

Consumers, for example, are developing a clearer understanding about the products and services they buy, particularly about the environmental and social conditions under which they are manufactured. Whereas they have always expressed their views about products and services through their buying decisions, given today's higher level of consumer consciousness and the mobilization power embedded in social media, consumers have more influence on companies than ever before. This influence extends far beyond purely expressing individual product and service preferences; it increasingly acts as a force for political and social change, as Hainmueller et al. observe in their book *Consumer Demand for the Fair Trade Label: Evidence from a Field Experiment*:

> Consumer boycotts aimed at punishing businesses for bad behavior of one form or another have been an intermittent feature of politics for more than two centuries, organized by groups advancing a range of political and social causes . . .. But now a more stable form of politicized consumption appears to be emerging as a mainstream political phenomenon: an everyday mechanism by which citizen-consumers vote with their shopping dollar to influence the behavior of firms and bring about political and social change, bypassing traditional political channels through which they might address the same issues. (Hainmueller, Hiscox, & Sequeira, 2011)

As Hainmueller et al. refer to in their book, certificates confirming "fair trade"[3] help to attract clients. Worldwide sales of fair trade

[3] The world of fair trade is highly fragmented with various regional organizations that have different certification requirements and provide their own fair trade certification. Examples include FAIR TRADE USA (www.fairtradeusa.org), the World Fair Trade Organization (WFTO: www.wfto.com), and Fair Trade in Tourism: South Africa (FTTSA: http://softlite-co-za.dev2.wadns.net/fttsaapplication_live/). The FAIRTRADE certification mark, however, is a registered trademark of Fairtrade International (FLO:

products, while still at low levels in absolute numbers, grew about 15 % in 2013, reaching EUR 5.5 billion (CHF 6.6 billion).[4] Investments by our elea Foundation in these sectors support such evidence. For instance, we invested in "Pakka," a still young social enterprise that imports organic nuts from all over the world (in particular, organically grown cashew nuts from Southern India) into selected European markets. We also invested in "Coffee Circle," a start-up that trades and imports specialty coffee directly from remote Ethiopian farmers into Germany and Switzerland at premium prices. In both cases, revenue growth rates are typically in the double digits, which compares favorably versus the highly competitive, and otherwise broadly stagnant, food and retail markets.

To meet this consumer demand for more socially conscious products, many companies are developing products that promise explicit benefits in drawing less on natural resources, such as Unilever's new detergent that requires less water for rinsing the laundry. Their "Sustainable Living Plan" includes global well-being goals like improving health, nutrition, and hygiene for more than a billion people. As a part of this plan, Unilever has also started an initiative to teach people in poor countries to wash their hands with soap more frequently, thus hoping to save millions of lives by preventing diseases such as diarrhea and respiratory or eye infections (Unilever, 2014). This strategy not only provides social benefits but also seems to be good for business. Since implementing their Sustainable Living Plan, Unilever has increased growth and profits by saving money (e.g., on energy and packaging), winning over consumers, fostering innovation, and inspiring their people (Whitman, 2013).

Another well-publicized example of a company whose proactive strategy captures the benefits offered by these trends is The Body Shop, a pioneer in CSR. Over 20 years ago, long before CSR and related business practices became fashionable, The Body Shop developed a fair trade program and started to publish a full report about

www.fairtrade.net), which is now the most widely recognized social and development label in the world. The mark is owned and protected by FLO on behalf of its members such as Switzerland (see www.maxhavelaar.ch) and South Africa (www.fairtradelabel.org.za).

[4] The EUR/CHF exchange rate on December 31, 2014 was 1.2 (1.20419). This exchange rate will be applied throughout this book to figures quoted in EUR.

their CSR initiatives that described how it was an integral part of the products they sell. Their values include defending human rights, protecting the planet, and supporting a fair trade community.

Companies are increasingly expected to act socially responsible, not only by adhering to high standards in their own operations, but also by insisting that their *suppliers* comply with such standards. This is, in fact, in their best interests, for reputational risk becomes a concern if a company's suppliers are exposed for either abusing human rights or natural resources. For instance, in 2004, consumers boycotted GAP Inc. (an American multinational clothing and accessories retailer) when it was publicized that some of GAP's factories were using child labor. As a result, GAP began taking clear steps to improve working conditions in their supplier factories in developing countries. More recently, Apple's clients have been demonstrating to improve the poor working conditions of factory workers in supplier firms such as Foxcon who are producing and assembling components for Apple iPhones and iPads (Segall, 2012). Sadly, however, such measures are often taken only after a disaster or scandal has mobilized global attention. We all remember the collapse of the clothing factory building in Dhaka, Bangladesh, in 2013 that killed more than 1,000 people. This tragedy focused global attention on unsafe working conditions in the textile industry in Bangladesh, one of the biggest exporters of clothing in the world, and prompted multinationals to take a closer look at the working conditions of their suppliers and to increase their commitment to the protection of labor rights (Montera Vena, 2013).

Encouragingly, some companies follow a more proactive approach vis-à-vis their suppliers. Nestlé, for example, believes that investing time and energy to optimize the working conditions of suppliers, rather than simply stopping to work with them if conditions are unsuitable, is a more effective way of making food supply chains more sustainable (Best, 2012). The Swiss food giant is investing CHF 110 million over the next 10 years to help farmers with cocoa cultivation, thereby making its supply base more sustainable. Launched in 2009, the "Nestlé Cocoa Plan" aims at eliminating child labor and enabling farmers to run profitable farms while developing a sustainable supply chain for Nestlé's cocoa. It trained 27,000 cocoa farmers in 2012 in the areas of good agricultural practices, farm management, and social and environmental issues and will have built 42 schools in Côte d'Ivoire by 2016 (www.nestlecocoaplan.com, 2014).

The same call for increased social awareness holds true for the finance industry. The increasing concern for the world, its people, and the environment is reflected in investment strategies, as more and more investors want more than just a monetary return on their investments. This is shown by the impressive growth of Socially Responsible Investing (SRI), an investment approach that considers environmental, social, and governance (ESG) criteria with the goal of generating both a long-term, competitive financial return and a positive societal impact. SRI—also referred to as sustainable investing, socially conscious investing, "green" investing, or ethical investing—has grown exponentially since the mid-1990s and amounts to at least USD 13.6 trillion today, more than a fifth of the total assets managed professionally (Global Sustainable Investment Alliance, 2013). As a result of this growth, more and more investment management companies are adhering to ESG guidelines in a systematic way.

This increasingly applies to the private markets investment management industry as well. Partners Group was one of the first investment firms in this industry to join the United Nations Principles for Responsible Investment in 2008. It pursues an ESG integration methodology with both defensive and proactive elements that protects returns and mitigates risks, as well as attempts to create additional value and identify new investment opportunities with ESG. For example, the ESG team of Partners Group's initiated a project to systematically review and improve the supply chain of Action (one of Europe's fastest growing non-food discount retailers) with respect to environmental and labor standards. Another example is Partners Group's investment in MultiPlan, a leading provider of health care cost management solutions in the U.S. that generates savings of over USD 11 billion in medical costs on about 40 million claims annually. Partners Group's conviction in making this investment was strengthened by the fact that the company addresses a long-term societal need.[5]

[5] For these and further examples, please see the Partners Group Annual Report from 2014.

Besides public and private investment markets, a new segment called "impact investing" has been emerging in recent years. A comprehensive guide to impact investing defines the concept as "investing with the specific objective of achieving positive social and/or environmental impact as well as financial return" (Balandina Jaquier, 2011, p. 14). Major areas for investment include agriculture, education, energy, the environment, financial services, healthcare, housing, and water. According to the market studies referred to in this guide, the market comprised USD 50 billion in capital commitments in 2009, and this number is expected to multiply in the years to come.

Many employees and managers are also becoming more socially conscious. For socially responsible professionals, a good remuneration package and an interesting job is not enough anymore; they want to work for companies that exhibit good corporate citizenship. Associate Professor for Entrepreneurship at INSEAD Filipe Santos labeled these new forms of socially conscious professionals as "social intrapreneurs" (Santos & Williams, 2013). Having a job that is considered socially meaningful is an important life goal for them. A recent study found that employees who have the opportunity to realize a direct social and environmental impact through their job report higher satisfaction levels than those who do not. Students are particularly optimistic about their chances to make a difference. In fact, 45 % of students about to enter the workforce would agree to take a 15 % pay cut in order to have a job through which they could have a social or environmental impact (Zukin & Szeltner, 2012).

At elea Foundation, we have found that an entrepreneurial philanthropy institute such as ours can successfully compete with traditional private sector firms in attracting entrepreneurial and business management talent, because we offer an opportunity to meaningfully contribute to the "great challenges" that the world is facing. In response to this opportunity, we thus created an explicit elea Foundation Professional Development Plan that sets out the criteria needed to attract talent to our sector, establishes a clear career progression plan, commits to invest in professional development, and provides consistent mentoring and coaching.

3.3.3 Strengthening Corporate Entrepreneurship

Many of these changes in the behaviors and expectations of clients, investors, owners, and employees have encouraged companies to adopt value propositions that serve society's needs and requirements in a positive way. The question remains, however, how corporate entrepreneurship can be protected and strengthened in a world that is characterized by ever increasing levels of regulations and by ever more complex stakeholder influence (e.g., that of civil society organizations who often lack legitimacy) on corporate governance. The answer to this question lies in respecting the rights of the business owners and their representatives on the board of directors to steer the company and in encouraging them to implement a more entrepreneurial type of corporate governance. It is true that different stakeholders do influence businesses in many ways. However, allowing corporate executives to selectively choose which of the many and various stakeholder needs and expectations should be fulfilled would clearly violate the property rights of the owners.

In my vision of corporate entrepreneurship, therefore, a board of directors should be diverse and balanced between some truly independent outsiders on the one hand, and long-term committed, entrepreneurially engaged insiders who know the industry and the company intimately well on the other hand. I find the example of Partners Group highly attractive in this respect, where the founder entrepreneurs together with the long-term CEO work as insiders—and substantial owners—alongside several independent, external directors in a way that is entrepreneurial but also benefits from many of the requirements that apply to listed companies in terms of transparency, risk control, and compliance.

Based on this model, the independence of board members should not be evaluated by primarily focusing on formal criteria such as whether somebody has an employment contract or in what way he is compensated. Rather, it should follow a self-assessment of the board based on more meaningful aspects that support entrepreneurship. At Partners Group, we stipulate that the most important criteria for true independence are accomplished, distinctive, and authentic personalities who are respected based on their achievements, contribute relevant professional skills, commit substantial capacity, and add to the diversity of the board in terms of background, perspectives, and views (Partners Group, 2014, p. 155).

In further developing my vision of corporate entrepreneurship, the board—together with the executive team—would then assume entrepreneurial tasks and responsibilities, and all would be aligned long-term (maybe for 10 years) with their companies. They would do this through long-term incentive schemes (e.g., stock ownership), either granted as a part of their compensation or even acquired by taking on personal debt. They would also engage in civil society activities beyond their business duties and thereby regain the respect and trust of the public as entrepreneurs. A broad application of this vision may sound idealistic, and today it surely is. But maybe over time societies in the Western world, particularly in Europe, will shift their views away from the frequent, anti-business rhetoric observed today toward once again recognizing the crucial value of corporate entrepreneurship for the longer term well-being of society at large.

Increasing competition between companies at the level of ownership structures and governance models, analogous to competition at the client and product levels, could be another way to help protect and strengthen corporate entrepreneurship. The large and growing availability of pools of private capital can help companies to tailor various structures and models to their specific activities. An example of this is an investment by Partners Group in Seabras-1, a 10,000 km undersea fiber optic cable that will transport data between New York and São Paulo. Traditionally, these infrastructures have been built by international consortia of large public and/or private cable carrier corporations. However, in this example, an independent, highly competent management team with a strong track record found a private capital partner to establish an alternative ownership and governance model for this entrepreneurial initiative (Gourntis, 2015, p. 33ff.).

3.3.4 More Capitalism in Civil Society and Philanthropy

This discussion about competing ownership structures and governance models can be extended even further, for capitalism does not stop at the border of the private sector. In many countries, particularly previously communist ones such as Russia or China, governments (i.e., the public sector) have become the biggest capitalists through their industrial groups and sovereign wealth funds. And then there is a "no man's land" somewhere between the private and public sectors that is often referred to as the nonprofit sector or non-governmental organizations (NGOs), but which I prefer to more positively refer to as "civil society."

I was not aware how deep the divisions between various sectors are, particularly between the private and public sectors, until I became active as a philanthropist at the elea Foundation where we often act as cross-sector bridge-builders. Several forces in the second half of the twentieth century helped to foster the divisiveness between the private and public sectors. Many business leaders of my generation were raised, educated, and professionally developed in an environment where neoliberal thinking was paramount. According to this logic, the private, profit-oriented sector is seen as the engine for creating economic growth and financial wealth, while the role of the state (i.e., the public sector) is confined to defending and protecting individual liberty, ensuring the proper functioning of free market mechanisms through appropriate regulations, and providing social services in fields such as education, health care, and retirement benefits. The continuous expansion of the state's role, which was enabled by economic growth in the post-World War II period and driven by society's increased need for protection and egalitarianism, was viewed with skepticism by many business leaders who often regarded the public sector as adversarial, an enemy that needed to be challenged and fought. The same was true within the public sector, which likewise viewed the private sector with skepticism. The eventual levelling off of economic growth in the 1970s and 1980s, the ever increasing tax burden, and, more recently, the frustration created by crises, failures, and increasing inequality have prepared the ground for strong populist, anti-business sentiment among politicians and bureaucrats.

Civil society, as the zone in between the public and private sectors, has only recently become a topic for systematic research, although it has a long history in many countries. In Switzerland, for instance, there is a strong tradition of civil society initiatives that dates back to at least the liberal movements from the first part of the nineteenth century. One of the leading global experts in this field, Helmut Anheier, describes civil society as the sum of institutions, organizations, and individuals located between the family, the government, and the market, in which people associate voluntarily to advance common interests (Anheier, 2005). Civil society is a diverse field which covers a broad range of activities, organization types, and funding methods. It deals with such themes as culture and art, education, humanitarian aid, development cooperation, nature and environmental protection, human rights, health, as well as science and research—to name just a few. The term "philanthropy" refers to a sub-segment of civil society that is based on the motivations of specific donors and contributors. It usually describes an altruistic approach to supporting others, often in the form of organized philanthropy through charitable foundations.

As civil society and philanthropy have become the subject of a more intense research focus, the dimensions of this area of activity have become clearer. One study estimates that in the 40 countries examined, civil society represents USD 2.2 trillion in operating expenditures (Salamon, 2010, p. 187). Evidence from another study shows that, on a global basis, this sector is growing at a faster rate than the general economy, and that the nonprofit workforce now represents more than 7 % of general economic activity, placing it ahead of major industries such as transportation or finance (Salamon, Sokolowski, Haddock, & Tice, 2012).

A development in philanthropy that has recently come to light is its particularly pronounced expansion in new growth countries that continue to suffer from substantial poverty, such as India, Bangladesh, and Brazil. Research by Bain & Company, for example, shows that high net worth individuals (HNWI)[6] in India donated, on average, 3.1 % of their income in 2011, up from 2.3 % versus the previous year. Nevertheless, this is still significantly less than in the U.S., where HNWIs donate, on average, 9.1 % of their total income (Bain & Company, Inc, 2012, p. 2).

There are also many signs that civil society, in particular philanthropy, has recently become more capitalistic. Entrepreneurial philanthropy (more commonly known as venture philanthropy), impact investing, microfinance, and social businesses are all examples of

[6] HNWIs are individuals with investable financial assets in excess of USD 1 million.

concepts that in many ways draw on capitalist philosophies and methods. In an article entitled *Virtuous Capital: What Foundations Can Learn From Venture Capitalists,* Christine Letts and her colleagues suggested a philanthropic model already in 1997 that is aligned with venture capital mechanisms. They also argued that traditional philanthropy would benefit from adopting some of those practices (Letts, Ryan, & Grossman, 1997). Venture philanthropy is a term used to describe a trend toward clearer measurement of success, more transparent governance, and a more professional approach to management. Willie Cheng highlights this point when he observes that there is a second philanthropic revolution taking place (the first having included pioneers such as John D. Rockefeller and Andrew Carnegie over 100 years ago). He qualifies this revolution as follows: "It's more ambitious, it's more capitalistic, it's more personal, it's more collaborative" (Cheng, 2008, p. 165).[7]

It was against this background of an entrepreneurial approach to philanthropy that my wife and I created elea Foundation for Ethics in Globalization in 2006. Our main motivations for setting up this foundation were to build bridges between the winners and losers of the globalization process, to overcome divisiveness across geographic borders and societal sectors, and to foster the passion that I have nurtured since my university years for themes such as globalization, ethics, and development economics. We set up our institute at the end of 2006 and launched its operations in the summer of 2008. Since then, we have clarified our strategies, learned from successes as well as some failures, developed our small team and organization, and started to attract third party, philanthropic capital providers. As its name indicates, elea Foundation for Ethics in Globalization aims at making the world a better place. Although there are numerous ways and broad levers to choose from when refining the mission of a foundation, we decided to contribute to sustainable economic development as a means of alleviating poverty. And we have done so with a focus on absolute, not relative, poverty, since we believe that this type

[7] For more information on systematic measurement of success, see also: (Kappeler, Kirchschläger, Müller, & Wuffli, 2012), a publication that is accessible via elea Foundation's website: www.elea-foundation.org.

of poverty is not a question of fate but rather something that can be successfully addressed.

The elea Foundation aspires to be a role model organization with charisma in the field of entrepreneurial philanthropy and is guided by virtues rooted in partnership, professionalism, and a high standard of ethics. “Touching lives in a changing world” is a daily challenge for the elea Foundation team, a small group of professionals with backgrounds mostly in economics and business management. Since its inception the Foundation has made about two dozens investments that cover three themes (i.e., global value chains, new technologies, and vocational skills), and it works with partners in countries such as Bolivia, Kenya, Madagascar, Ethiopia, India, and the Philippines.

The modus operandi of elea Foundation is to apply philanthropy with a private equity mindset by engaging in a rigorous, disciplined due diligence process before making investment decisions and by using an internally developed, proprietary analytical method to carry out the systematic measurement and control of its social impact. In striving to maximize social impact, elea Foundation uses multiple forms of investment that cover grants, loans, and equity. During a typical investment period of approximately 5 years, the Foundation not only contributes financial but also intellectual capital. This can include business knowledge, leadership coaching, and access to an increasingly broad and deep network of like-minded organizations and expert advisors. Investments are selected with a focus on local needs, as determined by local ownership, and with the perspective to scale up. The Foundation also acts as an intermediary for entrepreneurially driven philanthropic capital and is interested in attracting like-minded philanthropic investors, entrepreneurs, foundations, and companies. Its investments often combine public policy and free market approaches to achieve social impact. In one of elea Foundation’s investments, we work with a South African civil society organization known as SSACI (the Swiss South African Cooperation Initiative) to engage both public sector and private companies in working together to provide vocational skills training to those young and underprivileged South Africans who do not qualify to attend university.

Anecdotal evidence and literature reviews suggest that civil society and philanthropy in general, and entrepreneurial approaches more specifically, are showing strong growth rates and face ever higher expectations to substantially contribute to addressing and resolving the global challenges of society, such as poverty and environmental damage. In many ways, this growth momentum follows a rather sobering experience of the ineffectiveness and powerlessness of states as well as international and supranational organizations in addressing such issues.

3.3.5 Insights and Takeaways

What conclusions can be derived from these observations about capitalism, both old and new and across various stakeholders and sectors, that can be applied to a framework for inclusive leadership? I suggest four takeaways. Firstly, leaders—particularly those from the private corporate sector—must do a better job of publicly articulating and explaining both the benefits of their business for society and the mechanisms by which such benefits are created. In other words, there is a call for leaders to tell credible and understandable stories. Currently, the publication of sustainability reports is considered to be a valuable instrument in this regard and is thus applied by 70 % of companies and more than 90 % of the world's largest corporations (KPMG International, 2013). But this alone will not be sufficient. The perception that companies must focus on profits only, as suggested by Milton Friedman in his famous quote, has done capitalism and free markets a huge disservice, as it has encouraged corporate leaders to concentrate their communication efforts on financial metrics, as opposed to emphasizing all of the benefits that many businesses provide to society. The leaders of financial institutions, in particular, should be more present on public platforms, in order to contribute to a more balanced view in society about the opportunities and risks of the financial industry in the aftermath of the global financial crisis of 2007/2008.

Secondly, leaders should be aware of and support entrepreneurship wherever it appears, whether in the private corporate sector, in the public sector, or with regard to civil society and philanthropic initiatives. In particular, encouraging entrepreneurship in large global corporations is critical, as it seems threatened by overregulation and ever more complicated corporate governance. Leaders should thus develop the courage to deviate from compliance with mainstream corporate governance suggestions when those go against entrepreneurship, in line with the corporate governance principle of "comply or explain." Furthermore, by engaging in entrepreneurial approaches within the realms of civil society and philanthropy, the potential benefits of capitalism and free markets should increase.

Thirdly, inclusive leadership also means considering alternative ownership structures and governance models to meet the changing requirements of a company's activities in order to strengthen entrepreneurship and help it reach its targeted goals. Having spent almost 15 years working in a highly regulated, publicly listed, global company without dominant shareholders, joining the board of Partners Group in 2009 was a mind-broadening experience. I was able to learn about the benefits of an alternative ownership structure and governance model, namely those of a typical family business that combines founder/partner dominance with a public listing, versus those of a public company with dispersed institutional shareholders. Similarly, the experience of working with IMD and elea Foundation have provided me with insights regarding the benefits of a foundation structure for certain entrepreneurial tasks.

And finally, leaders should recognize that corporate responsibility belongs at the core of any leadership agenda. Companies cannot afford to ignore the changing attitudes of their stakeholders with regard to sustainability and social impact. Inclusive leadership means making an effort to understand how stakeholders and their expectations are changing. For example, my predecessor as Chairman of Partners Group encouraged all board members to meet "mission critical" external stakeholders, e.g., by attending client conferences or meeting shareholders and investors on roadshows. That said, a more ethically conscious capitalism is unrealistic unless leaders reflect on and consciously apply appropriate ethics and virtues in their daily practice. These critical elements of my inclusive leadership framework will now be explored in the next two sections.

3.4 A Liberty-Centric Ethical Concept

Whether a leadership framework should be grounded in ethical concepts and desirable virtues is controversially debated in academic leadership literature. According to the critique of Joanne Ciulla of the University of Richmond, "History defines successful leaders largely in terms of their ability to bring about change for better or worse. As a result, great leaders in history include everyone from Gandhi to Hitler" (Ciulla, 2004, p. 310). As a consequence, Ciulla believes that the study of ethics is fundamental for understanding leadership and, in particular, for understanding what *good leadership* is:

> By understanding the ethics [of leadership as a particular type of human relationship], we gain a better understanding of leadership, because some of the central issues in ethics are also the central issues of leadership. They include the personal challenges of authenticity, self-interest, and self-discipline, and moral obligations related to justice, duty, competence, and the greatest good. (Ciulla, 2004, p. 302)

In line with Ciulla's belief, it is my strong conviction that an inclusive leadership framework should incorporate an explicit stance on ethics and virtues. In today's Global Era—with its complexity, its fast pace, its pragmatism, and its secularism—society needs leaders to articulate ethical signposts for better orientation and guidance and to give them a basis for trust. If new, plausible answers to the three age-old ethical questions (What is a good life? What is responsible behavior? What is just among people?) are developed and put into practice by leaders, this would inspire organizations and individuals in dealing with the challenges of our Global Era.

More specifically, within the parameters of an inclusive leadership framework, leaders should be encouraged to actively reflect on ethics and virtues and to make their underlying beliefs in this respect transparent when debating and proposing leadership ideas. Leadership definitions, theories, and practices cannot be ethically neutral and should not apply equally to initiatives aimed at saving the planet as to those that seek to destroy humanity. And since we live in an interconnected world in which the actions of one country, company, or individual can affect the well-being of those living farther away, the societies of the converging world community should aspire to at least find some minimal consensus on answers to these ethical questions over time.

3.4.1 Why a Liberty-Centric Ethical Concept?

In democratic societies, individuals are free to subjectively choose the ethical concept and virtues that they prefer to follow. They make such choices based on their personal backgrounds, cultural roots, and rational reasoning. They are also able to choose whether to adopt a secular world view or a metaphysical one that is derived from religious or other spiritual sources. So what ethical concept underlies the reflections in this book? Taking into account the insights I have shared with the reader so far and influenced by my upbringing in the liberal and Christian traditions of the Western world, it is not surprising that I take a normative stance in favor of a liberty-centric concept when advocating ethics and virtues as elements of an inclusive leadership framework. I thus sympathize with the type of liberalism that evolved in the early part of the nineteenth century in response to the restoration efforts following the Napoleonic wars in Europe. In his comprehensive history of liberalism, Edmund Fawcett states that its original ideas went far beyond the idea of individual liberty and included the desire for progress and reform along ethical, economic, social, and political dimensions (Fawcett, 2014, p. 4ff.). "Liberal ideals were about containing monopoly powers, promoting human betterment, and showing people due respect" (Fawcett, 2014, p. 65). The great liberal thinker John Stuart Mill expressed this same idea when he argued for liberty to not only promote happiness but also social progress:

> As it is useful that while mankind are imperfect there should be different opinions, so is it that there should be different experiments of living; . . . it is desirable, in short, that in things which do not primarily concern others, individuality should assert itself. Where, not the person's own character, but the traditions of customs of other people are the rule of conduct, there is wanting one of the principal ingredients of human happiness, and quite the chief ingredient of individual and social progress. (Mill, 1859, p. 105)

Approximately 100 years later, following the same tradition, the Austrian-American philosopher Friedrich August von Hayek (one of the preeminent neoliberal thinkers) saw liberty both as a consequence and an enabler of civilization's evolution toward a modern society. He described the transformation of tightly controlled, small clans in ancient times—which did not enjoy large degrees of liberty—into larger, more complex societies where newly created, abstract rules protected individual liberty and where people could use their own knowledge and capabilities for their individual purpose, thereby contributing to social progress:

> . . . it is largely because civilization enables us constantly to profit from knowledge which we individually do not possess and because each individual's use of his particular knowledge may serve to assist others unknown to him in achieving their ends that men as members of civilized society can pursue their individual ends so much more successfully than they could alone. (Hayek, 2006 [first published in 1960], p. 23)

A final argument in favor of individual liberty is that it is the essence of a human being. Oxford philosopher Isaiah Berlin (1909–1997) formulated this thought as follows: ". . . it is sufficient to say that those who have ever valued liberty for its own sake believed that to be free to choose, and not to be chosen for. . .[is] what makes human beings human" (Berlin, 1969, p. LX).

3.4.2 Positive Liberty Versus Negative Liberty

Isaiah Berlin wrote an influential, yet highly controversial, series of essays in the 1960s in which he distinguished between negative and positive liberty. According to his view, negative liberty answers the following question: "What is the area within which the subject—a person or group of persons—is or should be left to do or be what he is able to do or be without interference by other persons?" (Berlin, 1969, p. 121f). In other words, ***negative liberty*** *is about protecting individuals from unwanted interference by governments or society.* Examples of negative liberties include democratic voting rights to restrict the scope of state influence, freedom of speech, and freedom of religion. **Positive liberty**, on the other hand, *is defined as the freedom an individual has to be his own master and fulfill his own potential*: "I wish my life and decisions to depend on myself, not on external forces of whatever kind. I wish to be the instrument of my own, not of other men's acts of will. I wish to be a subject, not an object" (Berlin, 1969, p. 131). Examples of positive liberties include freedom of choice with regard to trade and commerce, the right to mobility (e.g., within Europe's Schengen area), and free choice regarding educational offerings.

Classical liberal and neoliberal thinkers have been mostly concerned with negative liberty. Given the history of liberalism, not surprisingly their main focus has been to protect individual liberty from arbitrary collective influence, be it from monarchs or dictators, be it from totalitarian systems of the political right or left, or be it from modern social welfare states and their intrusion into more and more private domains. At the same time, many liberal thinkers are sceptics when it comes to articulating and debating positive liberties, as they consider these to be private affairs and even see a risk of undesired governmental interference as a consequence of such a debate. That such a concern is not just theoretical but real became evident in 2010 when "the Giving Pledge" campaign was established by Bill Gates and Warren Buffet to encourage the wealthiest people in the world to make a voluntary commitment to give at least half of their wealth to philanthropic causes. In doing so, these individuals voluntarily exercised their positive liberty by consciously donating much of their wealth to effect positive change in society as a whole. Opponents in many European countries like Germany, however, feared that this voluntary pledge would encourage their governments to reinstate the wealth tax, thereby inviting governmental influence, which would be totally opposed to the idea of liberty.

Protecting negative liberties and drawing a clear line between what is public and what is private remain ever important tasks of liberal thinkers and doers. Nevertheless, positive liberty has to be positioned more prominently in an ethical concept that seeks to provide relevant answers in our Global Era. I will explain my reasons for this conviction in the following section.

3.4.3 A Stance for Positive Liberty: Searching for a Good Life

The starting point for my stance in favor of positive liberty is the fact that, unlike previous generations, many more people today across the globe enjoy unprecedented levels of positive individual liberty, including the far-reaching liberty to choose their own individual ethical concept from among the entire offering of human history.

For instance, we can choose between Greek virtues, Asian spirituality, the knightly code of honor (i.e., chivalry), the utilitarian pursuit of happiness, the Christian faith and other religions, as well as the enlightened principles of reason, to name just a few. More and more people also have the financial means to realize their life's goals independently and to fulfill their desire for a good life, whether that means having a fulfilling professional and/or family life and valued friendships, engaging in the arts/music or sports/fitness, dedicating one's life to entrepreneurial or philanthropic activities, or indulging in science and philosophy. Educational offerings, communication technology, mobility, and labor market flexibility all enable the implementation of an individual's lifestyle according to one's own value system. Ethics, in terms of searching for a good life, is put into practice daily by millions of people, and in many cases personal goals and ambitions are achieved.

While many of us already enjoy these unprecedented, high levels of positive individual liberty on a daily basis—and the resulting diversity of life experiences—we are also constantly being made aware of how big the discrepancies are between those who have such liberty and those who do not. It is surely no coincidence that the country with the highest number of poor people (India) has produced one of the most influential thinkers on topics regarding liberty and justice, the Indian philosopher Amartya Sen, who views freedom primarily as the capability to do or not to do something:

> The focus here is on the freedom that a person actually has to do this or be that—things that he or she may value doing or being. Obviously, the things we value most are particularly important for us to be able to achieve. But the idea of freedom also respects our being free to determine what we want, what we value and ultimately what we decide to choose. (Sen, 2009, p. 231f.)

Taking into account such discrepancies, there are several arguments that favor a dialogue about positive individual liberty. First of all, an ethically inspired dialogue which brings to light how some people strive for a good life by using their positive individual liberty to benefit society could help to inspire those in similar situations to reflect on and act upon such opportunities. This would thereby enable more people to enjoy a good life. Rankings of wealthy people by the size of their financial assets are very popular in many countries, but wouldn't a ranking based on the positive impact that wealthy people have on societies through the use of their wealth be more valuable, insofar as it could encourage and nurture such a beneficial dialogue?

A discussion about the differences between Western liberal virtues and the experiences of other civilizations that are not primarily based on individual liberty (e.g., Asian cultures)[8] could also prove to be constructive. As a result, competition between different ethical concepts could be inspired and awareness about positive liberty could increase. Francis Fukuyama articulates this thought very nicely when he describes why a discussion around positive individual liberty is more appropriate today than it used to be:

> Most liberal democracies have been able to avoid [the] question of what positive freedoms they want to encourage because they haven't been challenged. Now they are challenged by minorities—Muslim immigrants in Europe, for example—or in some way by rising cultures in Asia that have a very strong sense of their own moral community, their own non-liberal values. (Fukuyama, 2007)

However, the most powerful argument in favor of a dialogue about positive individual liberty is that it could highlight the need for a link between liberty and ethics. Few scholars have built the bridge between political philosophies (like liberalism) and ethics. According to economics and philosophy professor Deirdre McCloskey, "All modern political theory. . .lacks a sensible ethical grounding" (McCloskey, 2012). On the other hand, ethical scholars have a tendency to focus on ethical duties and not enough on the liberty to choose. A link between liberty and ethics, which I refer to as "liberal ethics,"[9] is what is called for. An inclusive leadership framework could be one way of creating this link, as it enables bridge-building

[8] While it is not fair to say that all Asian value systems generally lack an emphasis on individual liberty, relative to European and Western societies, it is still true that Confucius—one of the most influential thinkers of the East—emphasized order and respect, not individual liberty, in his work. For further discussions on this topic, please see (Sen, 2009).

[9] This is a term that I defined in great detail in *Liberale Ethik*, a book that I wrote in German in 2010 (Wuffli, 2010). In fact, I drew on the content of *Liberale Ethik* on several occasions in writing *Inclusive Leadership*.

between political liberalism on one hand and ethics on the other. What does liberal ethics mean, and why is it important? To address these issues, we need to reflect on the ethical companion of liberty, namely responsibility, and seek an answer to the question "What is responsible behavior?"

3.4.4 Differentiated Thresholds of Responsibility

Peter Drucker, one of the most influential thinkers and writers on the subject of management theory and practice, once said, "Freedom is not fun, it is responsible choice" (Drucker, 2004, p. 49). In an ethical concept, there is no liberty without responsibility. Friedrich August von Hayek highlighted this when he said that the choice to do or not to do something implies the need to bear the consequences of this behavior, be it praise or blame. He also emphasized that liberty and responsibility are inseparable: "Liberty not only means that the individual has both the opportunity and the burden of choice; it also means that he must bear the consequences of his actions. . .." (Hayek, 2006 [first published in 1960], p. 63). Similarly, Milton Friedman stated in his book *Capitalism and Freedom* that freedom only works with responsible people:

> Freedom is a tenable objective only for responsible individuals. We do not believe in freedom for madmen or children. The necessity of drawing a line between responsible individuals and others is inescapable, yet it means that there is an essential ambiguity in our ultimate objective of freedom. Paternalism is inescapable for those whom we designate as not responsible. (Friedman, 1962 (reprint 2002), p. 33)

German philosopher Hans Jonas, quite possibly the philosophical scholar most associated with the term responsibility, delineated three conditions that need to be fulfilled for responsibility to be effective: "The first and most general condition of responsibility is causal power, that is, that acting makes an impact on the world; the second, that such acting is under the agent's control; and the third, that he can foresee its consequences to some extent" (Jonas, 1984, p. 90).

Liberty, where it exists today, was usually gained through tough battles. As possibly one of the most universally accepted concepts, it forms an integral part of many proclamations worldwide and is also part of the six essential universal values delineated in the UN Millennium declaration. Yet, many are critical and suspicious about the use of individual liberty in real life. One of the reasons may be because liberty is often perceived as not being applied responsibly. What does this mean? Referring again to Hans Jonas, he said that responsibility has three components: the responsible person, the object of responsibility, and the addressee of responsibility. The **responsible person** is the individual with liberty, judgment, and the capability to act. Increasingly, institutions are also being made responsible for their actions, as the debates around Corporate Social Responsibility (CSR) and the developments in penal law for corporations indicate.

The **objects of responsibility** are the specific actions and inactions and their consequences that the responsible person has freely chosen to do or not to do based on the beliefs, virtues, and ethical guidelines he has chosen to follow. A highly controversial and deeply philosophical debate on this subject involves the question whether responsibility should be judged by the intention and the mindset behind an action, or rather by the real consequences of it. Consequentialist philosophers argue in favor of the latter and say that the consequences of an action are what matters when taking an ethical decision. Deontological philosophers, on the other hand, derive the rightness or wrongness of one's conduct from the character of the behavior itself, rather than the outcomes of the conduct. For example, Immanuel Kant looked at the intention behind an action to determine whether it was right or not: "In law a man is guilty when he violates the rights of others. In ethics he is guilty if he only thinks of doing so" (Kant, 1997, p. 192). The *Stanford Encyclopedia of Philosophy* similarly states that, according to deontological philosophers, some choices are morally forbidden and cannot be justified by their effects—no matter how morally good their consequences are (Larry & Moore, 2012, Edition).

Without going into detail here, I would like to highlight how important this distinction is for the practical judgment of leaders as regards entrepreneurship. Should entrepreneurship be evaluated based on its success or on the intentions and mindsets behind its ambitions? The Anglo-Saxon world tends to be more results-driven, more encouraging of entrepreneurial initiatives, and more forgiving of failures, whereas in Continental Europe there is a tendency to scrutinize motivations and be suspicious of success while being quick to condemn failure. This reflection triggers a discussion that goes far beyond ethical concepts and addresses deep cultural differences. Having worked in and between both worlds, I have always felt that combining the best of both worlds (by incorporating an appreciation for results with more rigorous, down-to earth analytics in the case of failure) would be an attractive compromise between both attitudes toward entrepreneurship.

Even more challenging is the definition of the third component, the **addressee of responsibility**. In other words, to whom are we responsible? Traditionally, various religions have provided last recourse for this definition. For example, in the Christian religion you are ultimately responsible to God for your actions, something often referred to as the "Christian conscience." Even today, as evidenced by a study in thirty-nine countries, many people around the world believe that it is necessary to believe in God to be a moral person and have good values (Pew Research Center, 2014). Around 74 % of Americans believe in God (Harris—A Nielsen Company, 2013), and even in a traditionally secular European country like Great Britain, the affirmative responses to this question are 37 % (Eurobarometer, 2010, p. 204).

During the Age of Enlightenment, the traditional "Christian conscience" became secularized and was given different names. Kant called it "independent reason," whereas Adam Smith called it the "neutral observer," and both claimed that it should be distanced, objective, and impartial. While this concept is complex and controversial in philosophical debates, it has significant practical meaning, particularly in today's Global Era. It calls us to ask, "What level of distance, objectivity, and impartiality is realistic given that human beings, by nature, are shaped by emotions and social interactions?" With impressive foresight, Adam Smith (1723–1790) crystallized the ethical dilemma that we face in today's Global Era when he described a fictitious reaction to the disappearance of China in his book *The Theory of Moral Sentiments*:

> Let us suppose that the great empire of China, with all its myriads of inhabitants, was suddenly swallowed up by an earthquake, and let us consider how a man of humanity in Europe, who had no sort of connexion with that part of the world, would be affected upon receiving intelligence of this dreadful calamity. He would, I imagine, first of all, express very strongly his sorrow for the misfortune of that unhappy people, he would make many melancholy reflections upon the precariousness of human life,

> and the vanity of all the labours of man, which could thus be annihilated in a moment. He would too, perhaps, if he was a man of speculation, enter into many reasonings concerning the effects which this disaster might produce upon the commerce of Europe, and the trade and business of the world in general. And when all this fine philosophy was over, when all these humane sentiments had been once fairly expressed, he would pursue his business or his pleasure, take his repose or his diversion, with the same ease and tranquility, as if no such accident had happened. The most frivolous disaster which could befall himself would occasion a more real disturbance. If he was to lose his little finger to-morrow, he would not sleep to-night; but, provided he never saw them, he will snore with the most profound security over the ruin of a hundred millions of his brethren, and the destruction of that immense multitude seems plainly an object less interesting to him, than this paltry misfortune of his own. To prevent, therefore, this paltry misfortune to himself, would a man of humanity be willing to sacrifice the lives of a hundred millions of his brethren, provided he had never seen them? (Smith, 1790 (first published 1759), p. III.I.46)

While this reflection was highly abstract for Smith in his time, it is a daily reality for us today to ask ourselves: "Should our lives be affected by all of the tragedies caused by natural disasters and human violence around the world that we are constantly confronted with in the media?"

In coming to grips with questions about responsibility, I have found Smith's idea of an internal, neutral observer within oneself who judges one's own responsibility (a sort of internal addressee of responsibility) to be a highly useful and practical tool that I have often applied and continue to apply in my work as a leader. You can assign this observer a certain characteristic depending on the decision you have to make. For example, when making business decisions at UBS, I frequently asked myself and my colleagues at the Group Executive Board whether we would support a certain view in our role as shareholders rather than corporate leaders. Or when dealing with long-term political or philanthropic questions, I imagined that the internal observer within me was one of my children in 30 years or so, and I asked them what would be the right thing to do. In many decisions, you could also apply the publicity test by considering your internal observer as the representative of a more or less enlightened public opinion in order to better assess what reaction a certain initiative or decision could draw.

German philosopher Hans Jonas proposed yet another addressee of responsibility when he established the theory that responsibility is an ontological fact, in other words, an integral part of the fabric of life. He used the example of a newborn child that embodies responsibility by being so vulnerable and unprotected. Peter Singer, another well-known scholar in this field, extends this thinking by arguing that it is one's inherent duty to help people in need. He uses the simple example of a child that falls into a pond and thereby appeals to people's sense of responsibility in a very profound way: "If I am walking past a shallow pond and see a child drowning in it, I ought to wade in and pull the child out. This will mean getting my clothes muddy, but this is insignificant, while the death of the child would presumably be a very bad thing" (Singer, 1972, p. 231). Based on this example, he argues that supporting poor people is a basic act of moral responsibility: "If it is in our power to prevent something bad from happening, without thereby sacrificing anything of comparable moral importance, we ought, morally, to do it" (Singer, 1972, p. 231).

Coming back to our discussion about liberty and its positive and negative characteristics, and now adding in the concept of responsibility, it becomes obvious that positive and negative liberty are different in yet another way. Whereas negative liberty comes across as more of an absolute concept (i.e., your liberty in certain respects is either protected from interference by others or it is threatened by it), positive liberty appears to be more relative (i.e., you can have more or less positive liberty depending upon your level of will power, resources, and capabilities). Hence, if the level of responsibility is proportionate to the level of liberty, then employing positive liberty requires differentiated thresholds of responsibility. Putting this ethical concept into practice has highly controversial consequences, for it implies that the more positive liberty somebody has, the higher the threshold of responsibility he has to meet. Or as Voltaire said: "With great power comes great responsibility."

Despite the skepticism of liberal thinkers regarding this topic, I have come to agree with this concept of linking liberty and ethics, that is, liberal ethics. Consequently, referring back to the questions I posed in the previous section (What is responsible behavior? Why is liberal ethics important?), my answers are as follows: if someone has the advantage of enjoying a higher degree of positive individual liberty, then he should assume a higher threshold of responsibility for the benefit of society as a whole. Personally, and at a practical level, I have chosen to help others better cope with the powerful, fast-paced globalization trends discussed in this book by means of my philanthropic engagement. I would also argue that my active contributions to economic activity in my country, both in terms of the various mandates I am involved in and the fiscal contributions I make as a result, help to protect its prosperity.

3.4.5 Justice/Fairness in the Global Era[10]

So when does the liberty of some negatively affect the liberty of others, and what can and should be done about it? These are issues related to the third ethical question "What is just among people?" Isaiah Berlin brought this challenge to the point when he observed that "freedom for the wolves has often meant death to the sheep" (Berlin, 1969, p. XLV). For ethical philosophers, the starting point for answering questions regarding justice has typically been the so-called "Golden Rule" or "ethic of reciprocity." This moral maxim is commonly used nowadays with the expression "you should treat others the way you would like to be treated," or in its negative form (originating from Confucius), "what you do not want done to yourself, do not do to others" (Flew, 1979, p. 134). Immanuel Kant's famous categorical imperative, based on this rule, suggested that people should behave in such a way that their behavior could become law for everybody: "Act only in accordance with that maxim through which you can at the same time will that it become a universal law" (Kant, 1785, p. 4:421).

The answer to this question of what is just among people has been controversially debated between those who favor an individual liberty approach to ethics versus those who favor a collective approach. The controversy usually starts with regard to how to realize this claim. Those who favor a collective approach to ethics would argue that these ethical rules should be enforced by the laws of sovereign states,

[10] While differences between the concepts of fairness and justice do exist, there is no generally accepted view about these differences. Therefore, I have chosen to use these terms interchangeably.

while those who favor an individual liberty approach see them as an appeal to our morality. Justice in the *liberal* sense, according to John Stuart Mill, is defined as follows: “It is universally considered just that each person should obtain that (whether good or evil) which he deserves; and unjust that he should obtain a good, or be made to undergo an evil, which he does not deserve.” He also defines as unjust what comes from depriving someone of something he has a moral right to possess (Mill, 1863).

Harvard philosopher and liberal thinker John Rawls defined justice as equal basic liberties for all citizens and formulated his first principle of justice as “each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system for all” (Rawls, 1971). The role of the state in democratic societies, in this regard, has traditionally been to uphold the rule of law to enforce “equality of treatment” in order to protect individual liberty. As democratic societies have modernized and become more complex, however, this principle has been enlarged in many countries—particularly in the European welfare states—to encompass the broader concept of “equality of opportunity.” This includes, for example, equal access to safety, education, health care, and old age benefits.

For a liberal thinker, the problem starts when it is no longer “equality of opportunity” that is enforced by states but rather the “equality of outcomes and results”—as advocated by the collective approach to ethics—particularly if it is used as a means for achieving material equality through economic redistribution. Friedrich August von Hayek articulated this problem very clearly when he argued that material equality, when sought after in the name of social justice, is incompatible with liberty, because liberty will necessarily lead to differences in outcomes: “From the fact that people are very different it follows that, if we treat them equally, the result must be inequality in their actual position, and that the only way to place them in an equal position would be to treat them differently” (Hayek, 2006 [first published in 1960], p. 76).

Since World War II, most European states have sought to achieve material justice on behalf of their people by expanding their social welfare states. This has not only included vastly improved equality of access to opportunities—a good thing from a liberal point of view—

but also very substantial economic redistribution between individuals, regions, and societal sectors. While ideology has played a certain role in this drive toward more material equality, it has also been inspired by the pragmatism described in Sect. 2.4.5, in terms of finding the right balance between economic efficiency and economic justice. Such a balance is required, because social cohesion in a country—and as a consequence, confidence in its political institutions—can suffer if a certain threshold of material inequality between the rich and the poor are exceeded, and this can ultimately threaten stability and peace. In fact, most economists nowadays believe that extreme income disparities are economically destructive and that extreme material inequality can harm economic growth (Van der Weide & Milanovic, 2014).

This topic has recently attracted the interest of economists, philosophers, and politicians alike, given that there is growing evidence of increasing material inequality in several Western countries (particularly in the U.S.), and it is being debated from both an economic and a moral point of view. Material inequality between people "within countries" has been an issue for centuries, if not thousands of years, and has continuously led to riots and revolutions. Material inequality "between countries," on the other hand, likely became a topic for debate following decolonization and the rise of development aid (with its initial promise to equalize development opportunities). However, material inequality "on a global scale" (i.e., the measure of income inequality assuming that the world is one country) is still a new topic. As a result, some relevant data on this has only recently become available. One of the global experts on this topic, Branko Milanovic writes:

> Beyond the problems with the data, until recently income distribution was seen purely as a national issue, not a global one. There was no need to think about or compute seemingly irrelevant concepts like global inequality. It is only with the rise of globalization, with closer and more numerous contacts among peoples of different nations and continents, as well as with the timid emergence of something that may be considered 'the incipient institutions of global governance,' that it began to make sense to compare our incomes with the incomes of faraway peoples.... (Milanovic, 2011, p. 150)

While there are no conclusive time series available yet, it is clear that global material inequality is extremely high, higher than material inequality in any single country in the world. It is far from clear whether this number will rise or decline in the future, but it could well be that the gap between the "haves and have-nots" (as Milanovic calls it), both in terms of income and their access to education and technology, will widen further in the years to come, possibly creating an even higher level of global inequality.

How material inequality relates to justice is a controversial topic, and adopting a "one world" perspective raises very fundamental issues. Extremely stated, what is the moral justification of national welfare systems to help fight relative poverty within one country when there is so much absolute poverty in other countries? For instance, the poorest U.S. citizens are better off than more than two-thirds of the world's population, and the richest Indians have the same per capita income as the poorest Americans—except for a few Indian billionaires[11] (Milanovic, 2011, p. 116ff.). At the same time, expanding the idea of justice beyond a community or a state to include the world is utopian. Even Indian philosopher Amartya Sen, the most articulate thought leader in this field, is very hesitant in calling for higher levels of equality on a global scale:

> If equality is important, and capability is indeed a central feature of human life,. . .would it not be right to presume that we should demand equality *of* capability? I have to argue that the answer is, no.. . .. The central issue here concerns the multiple dimensions in which equality matters, which is not reducible to equality in one space only, be that economic advantage, resources, utilities, achieved quality of life or capabilities. My skepticism. . .is part of a larger critique of a unifocal view of equality. (Sen, 2009, p. 295ff.)

Fighting *absolute* poverty, however, is acceptable even for a liberal thinker like Hayek, who acquired a reputation of being "cold-hearted" due to his opposition to social justice. He said:

[11] In order to compare income worldwide, Milanovic converted incomes into PPP$ (purchasing power of parity measured in U.S. dollars).

> There is no reason why in a free society government should not assure to all protection against severe deprivation in the form of an assured minimum income, or a floor below which nobody need to descend. To enter into such an insurance against extreme misfortune may well be in the interest of all; or it may be felt to be a clear moral duty of all to assist, within the organized community, those who cannot help themselves. (Hayek, 1976, p. 87)

Consequently, from a liberal point of view, initiatives to fight absolute poverty could be meaningful contributions to global justice.

3.4.6 Insights and Takeaways

So where do these reflections lead us in terms of finding new answers to the three age-old ethical questions (What is a good life? What is responsible behavior? What is just among people?)? I believe that a liberty-centric ethical concept should provide the basis for such answers. Both the growth in and the diversity of positive individual liberties that are now accessible to a vast and growing middle class worldwide, as well as the tremendous level of material discrepancies between the rich and the poor, suggest the need for a broader awareness about these liberties and for deeper reflections about how to use them in order to lead a good life.

As a second, related insight, a positive understanding of liberty should be combined with a strong sense of responsibility and the pursuit of justice when seeking these new answers. In other words, liberalism and ethics should be integrated. The huge, visible, and possibly expanding global discrepancies between those who have a lot of individual liberty and those who do not call for those in privileged situations to deal responsibly with their liberty to provide inspiration, perspective, and confidence to those who do not. Furthermore, thresholds of responsibility should be differentiated based on differing levels of individual liberty. This means that those who enjoy more wealth, capability, influence, and other resources should accept being measured by higher standards and should articulate what they can do and/or are doing to live up to these higher standards. This applies particularly to those in leadership positions. By creating the elea Foundation whose mission is to fight absolute poverty by entrepreneurial means, my wife and I developed our version of such a new answer. Creating access for poor people to globalization opportunities through education and vocational skills development, technology, and sustainable business models can be seen as a constructive contribution to higher levels of global justice.

As a final insight, higher levels of ethical consciousness are needed to address the specific questions of our Global Era. While many kinds of "specialist ethics" have emerged in fields such as business, science, medicine, and technology in recent years and decades, I sometimes feel that a dialogue concerning broader ethical topics, such as those discussed in this chapter, is missing. Inclusive leaders need to step back from their day-to-day pressures on a regular basis in order to make room for self-reflection on such topics and to debate these issues with colleagues, both within their organizations and within society at large. In the next section, I will elaborate on how these rather conceptual ideas about ethics, liberty, responsibility, and justice can lead to practical relevance.

3.5 A Commitment to Renewed Virtues

Developing a practical answer to the question "How can leaders live up to the higher thresholds of responsibility expected of them?" is, according to a liberty-centric ethical concept, dependent upon an individual's background, choices, perspectives, and experiences. I have found that an active, regular, and purposeful reflection on virtues helps to clarify such answers. For me personally, the foundation should be a positive, people-oriented approach toward others that is inspired by sympathy, kindness, and respect—something I like to call the "human factor." This seems rather obvious, particularly for Christians, given that this idea is rooted in Christian heritage, but it is sometimes easier said than done.

Throughout my career I have met many very senior leaders who became bitter and negative toward other people as a result of all of the personal disappointments they had endured during their long careers. Some world famous leaders even seem to have made their negative, disrespectful behavior toward others a part of their leadership story. However, when dealing with other people, a minimum appeal to the "human factor" is an essential element of successful leadership. The substance, intensity, and form of this appeal will vary depending upon the individual characteristics of one's personality. For example, somebody who is extroverted and energized by being with others will employ the "human factor" very differently than somebody who is more introverted and tends to feel that other people are intruding upon his private space.

Without romanticizing the past, it was easier then to make room for the "human factor" in interactions between people, since people mainly lived within close communities, were unable to communicate with those living further away, and generally led a less hectic lifestyle. By comparison, today's Global Era is far more complex, fast-paced, and fragmented, and thus bringing the "human factor" to life requires a special effort. The liberal thinker Ralf Dahrendorf once observed that globalization fosters competition, hinders solidarity, and institutionally accelerates a Darwinist fight for survival among people (Dahrendorf, 1998, p. 48). A conscious and disciplined effort is therefore required to implement this people-oriented approach.

For my part, I try hard (although I may not always succeed) to exhibit a positive attitude toward others, one which starts with respect for them. Preparedness and the ability to listen are important elements of such an approach. In his classic book *The Road Less Traveled*, Scott Peck made the following observation based on the experience he acquired in his psychiatric practice:

> By far the most common and important way in which we can exercise our attention is by listening. We spend an enormous amount of time listening, most of which we waste, because on the whole most of us listen very poorly.... Listening well is an exercise of attention and by necessity hard work. (Peck, 1978, p. 121)

Building on such empathy, a people-oriented approach calls us to be sensitive to the physical and psychological damage we do to others and to minimize it as much as possible. Higher levels of thoughtfulness and sensitivity in daily communications, particularly when using electronic media, can go a long way in avoiding hurt feelings and unnecessary damage to the good life of others, without compromising a performance-oriented culture. This is not only relevant in the grand strategic and structural decisions of leaders; it is also important in daily life and small gestures. Particularly in large, complex global organizations, decent human behavior often falls short, not because of an unethical character, but simply because of a lack of thoughtfulness and sensibility. For example, during several restructurings, I observed senior leaders who just forgot to tell their personal assistants in due time what would happen to them and their jobs as a result of a corporate change.

In addition, a people-oriented approach encourages us to put a premium on enduring relationships with family and friends. Particularly in our Global Era, with its fast pace and constant change, the value of such well-founded relationships cannot be overestimated. Whenever I am asked to give a speech to young people who are looking for career advice, I always remind them never to sacrifice family or friends for short-lived professional success. As I will describe in Chap. 5, in the more challenging periods of my life's journey to date, I experienced just how crucial trust-based, intense human relationships are in terms of leading a good and responsible life.

To summarize, the philanthropic (in the original Greek meaning of the word) approach to humankind that I described above, which entails constant and conscious efforts to be a caring and sensitive individual vis-à-vis other people, even under pressure and stress, should be the basis for any ethical framework. Furthermore, based on my own personal experiences (both on a private and a professional level), I believe that integrity, humbleness, and engagement are essential virtues that should be included in any ethical framework, particularly from a leadership perspective. All of these virtues are not new, but there are instances where they need to be renewed. I will thus describe them in more detail here.

3.5.1 Integrity

Integrity is possibly the virtue that is most encouraged in academic leadership literature. Dwight D. Eisenhower once said, "The supreme quality for leadership is unquestionably integrity. Without it, no real success is possible, no matter whether it is on a section gang, a football field, in an army, or in an office" (Kiisel, 2013). But what is integrity exactly? The Center for Creative Leadership defines integrity as being consistent, honest, moral, and trustworthy (Gentry, Cullen, & Altman, 2012). In my experience, integrity in leadership is best exhibited when one expresses his ideas, ambitions, and intentions in a clear and reasoned way—based on a strong foundation of ethics and virtues—and when his concrete actions are in line with this. In other words, when saying what you are doing and why you are doing it and then actually doing it manifest the consistency in your ethically grounded convictions and thinking. This is an essential element of integrity.

However, the concept of integrity goes much deeper than a superficial call for honesty and consistency. Integrity is ultimately about credibility, it affects the holistic identity (i.e., clarity about who you are) and authenticity (i.e., being true to yourself in your thoughts and actions) of an individual, and it is a basic prerequisite for relationships based on trust. Integrity is therefore a vital virtue for leaders seeking to live up to higher thresholds of responsibility.

A first step toward acquiring integrity involves self-awareness, self-consciousness, and autonomy. In the Western world approximately 300 years ago, the Enlightenment movement gave an important push in this direction: people became more self-conscious, learned how to understand and capture their individual opportunities, fought against secular repression and metaphysical terrors (e.g., by religious organizations), and were increasingly able to develop their particular identity and to apply their newly discovered personal autonomy in political, economic, scientific, and cultural spheres. It is thus no coincidence that, during that time, Enlightenment philosophers like Immanuel Kant compared the general development of humankind with that of a maturing teenager seeking to establish himself as an authentic personality and described the Enlightenment as the liberation of man from his self-imposed immaturity.

In this deeper sense of striving to establish one's identity and authenticity, integrity is threatened in our Global Era and consequently requires protection and strengthening. The extreme fragmentation and specialization of roles in today's society, and the fact that many individuals are constantly changing roles, challenge and threaten our integrity as individuals. While these trends started shortly after the Enlightenment with urbanization and industrialization (after 1780), due to accelerated globalization they have now reached an unprecedented pace. Our private roles as partners and family members, our professional responsibilities at work, our duties as citizens and members of our communities, our engagements for important civil society goals—all of these tasks need to be increasingly fulfilled on a global scale and tend to pull us in different directions. People also spend their days in completely different worlds: in the international environment of a highly specialized professional activity, at home with the family (possibly in the form of a multi-cultural patchwork), in the local community, in various circles of friends and acquaintances, or in different cultural, sporting, and political spheres. The more diverse and artificial these different worlds and their respective virtues are, the harder it is to shape one's life holistically, to develop an authentic ethical concept, and to find meaning in terms of how it all fits together. The result is high levels of personal stress, and many people feel torn and do not appear self-assured with regard to their identity and authenticity. This also applies to leaders whose orientation and credibility could consequently be jeopardized.

Unfortunately there is no silver bullet solution to protect and strengthen the virtue of integrity. While individual liberty offers the means for shaping one's identity and authenticity, it also carries the risk that one may get lost in fragmented activities without meaning. One possible solution may be Swiss philosopher Wilhelm Schmid's suggestion of "smart self-care" in developing and realizing one's life plan. This approach entails balancing all of life's physical, rational, emotional, and spiritual dimensions into a coherent self that is characterized by high integrity. According to Schmid, such an approach to leading a balanced life not only facilitates friendship with oneself and with others but also fosters happiness (Schmid, 2004, p. 26f.). As I will elaborate on in Chap. 5, this conscious and systematic means of planning and balancing life, as well as practicing the articulation of a coherent life's story, is particularly useful in more disruptive periods along a leadership journey.

3.5.2 Humbleness

Humbleness manifests itself in an open-minded, curious, and learning-oriented attitude based on which one constantly seeks to close knowledge gaps and make conscious efforts to understand complex realities by connecting the dots. It also means applying care and caution when forming and voicing one's opinion. Our globalized world has come a long way from the traditional village community where everybody basically had the same knowledge and was therefore able to opine on everything. In our Global Era it is crucial, especially for leaders, to put oneself in other people's shoes in order to understand different points of view before building and articulating one's own opinion about complex things.

This advice for leaders to adopt a learning-oriented attitude may sound banal and obvious, but it actually represents quite a challenge in daily life. Indeed, due to the multiple pressures of daily life, one often forgets to be curious and inquisitive. As a result, this lack of knowledge can create prejudices and superficial opinions about people or facts and can lead to wrong decisions and/or hurt feelings. Given the increased challenges that leaders face in forming plausible and convincing opinions in today's diverse and complex world, the expectations set on leaders to think and act faultlessly keep rising, thereby creating dangerous expectation gaps. Consequently, the virtue of humbleness not only calls for leaders to uphold the quality of analytics and problem-solving, it also calls for them to be more aware of the risk of being perceived as intellectually arrogant and to try to guide societal expectations vis-à-vis leaders to more realistic levels.

Humbleness also means moderation and balance, both in terms of how one chooses to live his life and how one chooses to lead. For example, while enjoying the opportunities that our comfortable life situation has provided us, my wife and I have always tried very hard not to fall into the trap that we have observed around us, namely that of losing touch with reality by adjusting one's lifestyle to his career progression. We have also tried to avoid defining ourselves along superficial criteria such as wealth and status. For this reason, as my career advanced, we continued to lead a normal life in a small, family-oriented, middle class neighborhood, and we raised our children accordingly. In fact, we have lived in the same house since 1990, surrounded by neighbors who have known me since I was a management consultant at McKinsey. Adopting the basic skepticism that characterizes humble people and keeps them from thinking of themselves as indispensable is a way of applying this type of humbleness to leadership. Because they are aware of the questionability of alleged certitudes, they are thankful for the opportunities they have been given, without clinging to set positions. Such an attitude is in stark contrast to the behavior of many leaders whom I have met during my career. In particular, I remember a remark from a leader in the

U.S. financial sector who, after just having recently taken a new job at the tender age of approximately 80 years, remarked in a conversation, "I shall not retire—never!"

A good additional reason for leaders to consider adding humbleness to their own ethical framework is that recent research suggests that humbleness is a quality of successful leaders. Management expert Jim Collins found that those executives able to transform a good company into a great one possess a combination of deep, personal humility and intense professional will. He defined humble leaders as those who demonstrate modesty, shun public adulation, and are never boastful: "We found that for leaders to make something great, their ambition has to be for the greatness of the work and the company, rather than for themselves" (Collins, 2001).

A particularly important lesson in humbleness that I learned resulted from my experiences before and during the global financial crisis of 2007/2008. If somebody had approached me in 2006 with a scenario of what would happen in the financial world within the next 5 years, I would not have taken him seriously at the time—obviously at my peril, with the benefit of hindsight. The volatility, vulnerability, and pace of change characteristic of our Global Era should teach us never to be complacent in our views about what could possibly evolve. While humbleness should emphasize modesty and respect, it must not be confused with fatalism or cynicism, and it should not jeopardize our ambition to at least try to shape our destiny through active engagement.

3.5.3 Engagement

Mastering the challenges of our Global Era, more than ever, requires active engagement by all of us. The call for people to be active can be traced back to antiquity. The Roman poet Horace postulated "Carpe Diem" ("seize the day") when he called upon us to focus on life today and to put as little trust as possible in the next day. More recently, the American philosopher Susan Neiman points out in her book *Moral Clarity* that ". . .happiness is active: It isn't something that befalls you, it's something that you do" (Neiman, 2009, p. 183). She further describes how Immanuel Kant differentiated his ethics, which support engagement, from those of the newly discovered South Sea islanders in the eighteenth century:

> For as we know from the South Sea islanders, Kant says, it is possible to imagine a world in which people let their talents rust and give themselves over to idleness, pleasure and reproduction. But no reasonable being could truly will such a world, since our talents are given to us for all kinds of purposes. (Neiman, 2009, p. 183f.)

In essence, to be actively engaged means identifying and pursuing appropriate ambitions and seeing them to fruition, and it involves setting appropriate goals and priorities and being disciplined about their implementation. It is also about leveraging opportunities based on one's capabilities, motivations, and contextual factors. In this sense, the term "engagement" is close to the term "commitment." Psychology professor Heidi Reeder established a powerful framework for this in her book *Commit to Win* (Reeder, 2014). For her, commitment is the experience of being psychologically attached to something and intending to stay with it, and it consists of two components: dedication and constraint. Throughout the book, she elaborates on what she calls the "Commitment Equation" in terms of constantly weighing the satisfactions, contributions (i.e., resource investments), and benefits of alternative options against each other. Then at the end, she recommends developing an articulate, holistic commitment plan to uphold and strengthen the commitment level necessary to reach an identified ambition.

Yet engagement as a virtue for living up to the particular responsibility thresholds of a leader is more than just a question of will and the establishment of a commitment plan to achieve certain personal goals. From an ethical perspective, just wanting to become a successful professional, gain private wealth, or build a happy family won't suffice. In my opinion, there has to be a component that contributes to addressing the great challenges of our Global Era. How best to implement this type of engagement depends upon the specific circumstances and possibilities offered at different stages of one's life. It could range from leveraging entrepreneurial talents to engaging in cultural, intellectual, philanthropic, or political activities.

Furthermore, engagement is also not just about having a good idea and the energy and determination to implement it. One must also have the right tools (as defined by key leadership tasks) for making ideas more concrete and turning them into reality. Therefore, in Chap. 4, I will now explore how the new inclusions for my proposed inclusive leadership framework discussed in this chapter specifically influence concrete leadership tasks.

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4 How Leadership Tasks Become Inclusive

4.1 Introduction

In Chaps. 2 and 3, I established the context and described the new inclusions that should be considered when constructing my proposed framework for inclusive leadership. In doing so, I linked leadership challenges to the world we live in, a world which has been transformed by accelerated globalization and which is increasingly driven by pragmatism. Now, in Chap. 4, I will get to the heart of how to practice leadership in an inclusive way. The approach I will follow is characterized by a reflective exploration of ideas and insights based on my practical experience. Rather than inventing a new theory of leadership on top of the hundreds that already exist, this approach aspires to provoke and guide a thought process with the reader that is hopefully of practical relevance and usefulness. It is one that should help to make connections and to deepen understanding about leadership issues and to eventually lead to new insights that inspire current and future leaders in their daily tasks.

Defining leadership is anything but easy. Often the term radiates exclusiveness rather than inclusiveness, given that it is still influenced by the "Great Man Theory," which was highly favored in the nineteenth century. This theory was first popularized by Thomas Carlyle who wrote, "The history of the world is but the biography of great men" (Carlyle, 1841). Since then, the understanding of leadership has proliferated in many different directions. It either focuses on "people," or it focuses on "things." It either describes the essence of

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leadership tasks, or it emphasizes the situational influences that affect chosen leadership styles. More recently, the bulk of leadership research and literature is concentrated on the transformational role of leadership.

Yet, particularly business writers are often drawn to write about the quest for exceptional leadership. Libraries are filled with books celebrating exceptional leaders, often those of U.S. origin. Deanne den Hartog and Paul Koopman certainly had a point when they stated in their book *Leadership in Organizations* that “legends and myths about what distinguishes ‘great leaders’ from ‘commoners’ seem to have always attracted people” (den Hartog & Koopman, 2001, p. 166). John Gardner, another great thinker on leadership, went a step further when he observed that the often heard cry for better leadership “sometimes sounds like a cry for salvation” (Gardner, 1990). Leadership is therefore often embodied in the specific personality types of leaders. In particular, the charismatic, visionary leader is a type often sought after: “Leaders with vision and charisma. . .are immediately appealing—in part. . .because they make us forget our problems are actually difficult to solve. The craving for big, bold leadership, in this light, ends up clouding people’s judgment” (Neyfakh, 2013).

In his book *Searching for a Corporate Savior*: *The Irrational Quest for Charismatic CEOs*, American organizational theorist Rakesh Khurana shows that, in recent years, corporations have had a tendency to look for CEOs outside of the company in the hopes of finding “a savior.” They have focused on charismatic leaders whose fame and personality would impress analysts and the media, sometimes even at the expense of experience and ability. This has led to a concentration of leaders with almost identical social, cultural, and demographic characteristics (Khurana, 2002). Furthermore, investors, analysts, professors, consultants, and journalists alike create images of CEOs that are far from realistic and produce expectations that are bound to disappoint. Warren Bennis seems justified in his critique that “one of the truly dreadful trends of the 1990s was the emergence of the celebrity CEO” (Bennis, 2009, p. xvi). Particularly in the U.S., CEO glorification knows almost no limits, as a quote in Robert Shiller’s book entitled *Finance and the Good Society* demonstrates:

> The CEO of a company is in a very special position, because he or she stands for an idea—the core idea behind the company's activities, a way of thinking that defines the work of all the company's employees, and a culture that includes its corporate values, connecting the company to the larger society.. . .The CEO embodies the purpose of the company. (Shiller, 2012, p. 19)

This popular notion that he not only embodies the purpose and the idea behind a company's activities and values but is also in charge of connecting it to the larger society is often reflected in public portraits of CEOs. What a big mandate for a single individual with his human traits and weaknesses! No wonder CEOs have a tendency to detach themselves from reality when they read such phrases about themselves and their mandates. The belief that leaders must have great—even exceptional—personalities is, however, deeply set in people's minds. In his search for the qualities that leaders from great companies possess, business author Jim Collins found his conclusions to be quite counterintuitive; while his research showed "humbleness" (which he refers to as "humility") to be a central attribute of successful leaders, "people generally [wrongly] assume that transforming companies from good to great requires larger-than-life leaders—big personalities like Iacocca, Dunlap, Welch, and Gault, who make headlines and become celebrities" (Collins, 2001a, p. 3).

Philip Rosenzweig, a professor and my esteemed colleague at IMD, describes the complicated mechanisms and the many delusions characteristic of the relationship between leadership and the success of a company with the phenomenon of the "halo effect" in his best-selling business book with the same title. When a company's sales and profits are up, people often conclude that it has a brilliant strategy, a visionary leader, capable employees, and a superb corporate culture. When performance falters, they conclude that the strategy was wrong, the leader became arrogant, the people were complacent, and the culture was stagnant. He goes on to say, "For all the books written about leadership, most people don't recognize good leadership when they see it, unless they also have clues about company performance from other things that can be assessed more clearly—namely, financial performance" (Rosenzweig, 2007, p. 61).

A review of relevant literature shows a broad range of leadership definitions. One of the eminent scholars on leadership Ralf Melvin

Stogdill said already in 1974 that "[there are] almost as many definitions of leadership as there are persons who have attempted to define the concept" (Stogdill, 1974, p. 259). Indeed, I know from discussions with leadership experts at IMD that you usually end up with at least as many definitions as there are people sitting around the table. The shortest definition of leadership I'm aware of is by best-selling author Joseph Grenny, who said, "Leadership is intentional influence" (Grenny, 2009). At the other extreme, the most comprehensive and probably the longest definition is the one offered by leadership scholars Bruce Winston and Kathleen Patterson in a paper they wrote about an integrative approach to leadership. It covers five long paragraphs and includes almost every possible angle from which leadership can be looked at. I was so impressed with its completeness that I have chosen to quote it in its entirety for those readers with a deep scholarly interest in the matter. All others should feel free to simply admire its length and move on.

> A leader is one or more people who selects, equips, trains, and influences one or more follower(s) who have diverse gifts, abilities, and skills and focuses the follower(s) to the organization's mission and objectives causing the follower(s) to willingly and enthusiastically expend spiritual, emotional, and physical energy in a concerted coordinated effort to achieve the organizational mission and objectives. The leader achieves this influence by humbly conveying a prophetic vision of the future in clear terms that resonates with the follower(s) beliefs and values in such a way that the follower(s) can understand and interpret the future into present-time action steps. In this process, the leader presents the prophetic vision in contrast to the present status of the organization and through the use of critical thinking skills, insight, intuition, and the use of both persuasive rhetoric and interpersonal communication including both active listening and positive discourse, facilitates and draws forth the opinions and beliefs of the followers such that the followers move through ambiguity towards clarity of understanding and shared insight that results in influencing the follower(s) to see and accept the future state of the organization as a desirable condition worth committing personal and corporate resources towards its achievement. The leader achieves this using ethical means and seeks the greater good of the follower(s) in the process of action steps such that the follower(s) is/are better off (including the personal development of the follower as well as emotional and physical healing of the follower) as a result of the interaction with the leader. The leader achieves this same state for his/her own self as a leader, as he/she seeks personal growth, renewal, regeneration, and increased

stamina–mental, physical, emotional, and spiritual–through the leader-follower interactions.

The leader recognizes the diversity of the follower(s) and achieves unity of common values and directions without destroying the uniqueness of the person. The leader accomplishes this through innovative flexible means of education, training, support, and protection that provide each follower with what the follower needs within the reason and scope of the organization's resources and accommodations relative to the value of accomplishing the organization's objectives and the growth of the follower.

The leader, in this process of leading, enables the follower(s) to be innovative as well as self-directed within the scope of individual-follower assignments and allows the follower(s) to learn from his/her/their own, as well as others' successes, mistakes, and failures along the process of completing the organization's objectives. The leader accomplishes this by building credibility and trust with the followers through interaction and feedback to and with the followers that shapes the followers' values, attitudes, and behaviors towards risk, failure, and success. In doing this, the leader builds the followers' sense of self-worth and self-efficacy such that both the leader and followers are willing and ready to take calculated risks in making decisions to meet the organization's goals/objectives and through repeated process steps of risk taking and decision-making the leader and followers together change the organization to best accomplish the organization's objectives.

The leader recognizes the impact and importance of audiences outside of the organization's system and presents the organization to outside audiences in such a manner that the audiences have a clear impression of the organization's purpose and goals and can clearly see the purpose and goals lived out in the life of the leader. In so doing, the leader examines the fit of the organization relative to the outside environment and shapes both the organization and the environment to the extent of the leader's capability to insure the best fit between the organization and the outside environment.

The leader throughout each leader-follower-audience interaction demonstrates his/her commitment to the values of (a) humility, (b) concern for others, (c) controlled discipline, (d) seeking what is right and good for the organization, (e) showing mercy in beliefs and actions with all people, (f) focusing on the purpose of the organization and on the well-being of the followers, and (g) creating and sustaining peace in the organization–not a lack of conflict but a place where peace grows. These values are the seven Beatitudes found in Matthew 5 and are the base of the virtuous theory of Servant Leadership. (Winston & Patterson, 2006, p. 7) (http://www.regent.edu/acad/global/publications/ijls/new/vol1iss2/winston_patterson.doc/winston_patterson.pdf)

Based on these and other definitions, as well as my own views and experiences, I have chosen to focus on tasks rather than personality traits in this chapter. In line with the guiding principles of my proposed inclusive leadership framework, I have selected generic tasks that apply across sectors and levels as a means of exploring opportunities for cross-border learnings. The three main leadership tasks that I have found to be surprisingly similar across the different types of institutions I have been involved with, despite obvious differences in form and the level of sophistication, are aligning people through partnership, setting purposeful direction, and designing and implementing processes (see Fig. 4.1).

The first one, aligning people through partnership, is the most important and the most challenging task for leaders in general. It is also the task that is and will be most affected by the inclusion trends described in Chap. 3. The second task, setting purposeful direction, is likewise challenging within the context of an inclusive leadership framework. The future desirable state toward which an organization's activities and efforts are directed should increasingly be defined beyond mere survival and pure financial profit to explicitly aspire to a purpose that is linked to broader goals that seek to benefit society. The third task deals with the sustainability of leadership beyond individuals though the establishment of processes. The main mechanism for achieving this is leverage, a concept that acquires new meaning and importance when applied within an inclusive leadership framework. Finally, I provide some practical suggestions about how leaders could get things done more effectively.

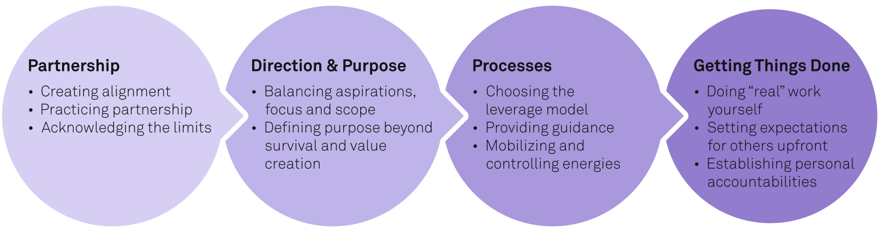

Fig. 4.1 Leadership tasks

4.2 Creating Partnership Principles and Alignment

On Friday, December 14, 2001, when I was asked to take on the top executive job at UBS, I had one overriding concern among the many thoughts and feelings racing through my mind at the time; I asked for the opportunity to change the top management team according to my preferences, arguing that UBS could only be successful if it had a team at the top that could work together guided by the principles of partnership. I articulated this as the only real condition subject to which I was ready to accept the offer.

The justification for my request was that the situation at UBS at the time was characterized by dysfunctional team dynamics. The shock of September 11, 2001—when four coordinated terror attacks destroyed the World Trade Centers in New York, damaged the Pentagon in Arlington (Virginia), and caused approximately 3,000 casualties—was an important contributor to the grounding and consequent bankruptcy of a Swiss icon, its flagship airline company Swissair. UBS was hugely affected by the turmoil created in Switzerland as a consequence of this, which just added to the series of internal strategic, structural, and governance issues that UBS was dealing with at the time. All of these problems had started to affect the top team, the Group Executive Board (GEB), and the Office of the Chairman in a major, negative way.

It was the most difficult period of my career at UBS, even more than the events which took place in the autumn of 1998 when UBS incurred a huge financial loss of approximately CHF 2 billion resulting from its unfortunate engagement with Long Term Capital Management. During this new crisis in 2001, nobody trusted anybody anymore, and it was not clear who was pursuing which agenda. Accountabilities and modus operandi were becoming fluid and nontransparent, and there were parallel meetings taking place that were dealing with similar issues in confrontational ways. It felt like wandering in a thick fog without direction.

After my appointment was confirmed by the board of directors, fixing the leadership team was therefore one of my first priorities. Within a few weeks, I clarified roles, initiated some changes, and started to define the rules of partnership. Having professionally grown up at McKinsey—a true partnership in spirit and substance—I was always a strong believer in the horizontal partnership approach as a superior way to align aspirations, solve problems, mobilize and motivate people, and ensure quality in decision-making and control. I thus wrote down six points on a piece of paper and dedicated part of one of the following GEB meetings to discuss these points. My objective was to make these points the key principles guiding our partnership at the top of UBS. They were in essence the following:

1. **Same Agenda**: The success of the group as a whole and a commitment to shared goals and principles have to be given priority over particular divisional or functional priorities and the personal interests of individual team members.
2. **Involvement and Engagement**: A partnership can only be effective if its members are involved and engaged. This means actively contributing views, ideas, and solutions to problems. It also means being transparent in articulating positions and changes of opinion. The basis of this principle is uncompromising integrity, discretion, and trust.
3. **Respect**: Partners deserve the professional respect of their fellow partners. Respect becomes evident when we listen to each other in order to understand each other's perspectives. It also calls for assuming good faith and best professional efforts when judging each other's views and actions. Respectful relationships require that conflicts between individuals be resolved directly between the ones involved. Talking badly about colleagues behind their backs is disrespectful.
4. **Debate**: Important and controversial issues and decisions require intense, open debates within the team. Critical and sensitive arguments and opinions need to be articulated within the confines of human politeness, irrespective of hierarchies. Mental reservation on important decisions is unacceptable. Equally unacceptable is extension of the debate beyond the team, once a decision has been made (in other words, confidentiality is required).
5. **Mutual support**: Each member of the team has to view his colleagues as partners. A partner is somebody who wishes for and contributes to the success of his fellow partners. Support can range from verbal encouragement to active help in dealing with important business and personal issues.

6. **Contribution**: An effective partnership lives from the success achieved as a result of individual contributions. Contributions can vary in their nature and over extended periods of time. However, team members who cease to contribute over a longer period should lose their right to partnership.

Following an intense debate about these points, we finally agreed on a version that we all committed to living up to in our daily work, and we agreed to dedicate our agenda two to three times a year to discussing where we stood in making these principles a reality.

4.2.1 The Primacy of People Leadership

Why do I start my reflections about inclusive leadership tasks with this story? While many conventional business textbooks primarily emphasize strategic analysis and direction setting, organizational structure design, development of a firm's culture, or procedural and systems-related aspects as the primary tasks of a business leader, in my experience the most decisive and also most challenging aspect of leadership is people. As computer scientist and U.S. Navy Rear Admiral Grace Hopper once said: "You manage things, you lead people. We went overboard on management and forgot about leadership."

Are the capabilities of the key people in charge up to the task? What drives their motivation? How passionate are they, and how solid is their commitment to the success of a company? Are they willing to dedicate a substantial portion of their life's energy over an extended period of time to it? Is there alignment on aspirations and a shared agenda among a small number of influential people at the top of an organization? Do these people have a common foundation in terms of ethics and virtues? Can they effectively and efficiently work together? These are the kinds of questions one must answer when leading people in an organization.

Rigorous and insightful studies about markets and products, analytical assessments about the external and internal forces affecting a business (e.g., the famous SWOT analysis), development of sophisticated structures and systems, as well as other issues concerning the

"It" dimension[1] are necessary to engage in as well, depending on the mission of an organization. Answers to the people-related questions raised above, however, are indispensable and—at least in my experience—are often not consciously and systematically debated enough. The different dimensions cross-influence each other insofar as aspirations and excitement, required skills and capabilities, as well as the modus operandi of working together depend upon the realities and the potential of a company. Clearly, people leadership deserves primacy among the principal leadership tasks.

4.2.2 The Merits of a Horizontal Partnership Approach

There are a variety of people leadership theories and practices available, and the approach that is chosen will be shaped by the respective personality traits, backgrounds, and professional development experiences of individual leaders. Personally, the horizontal partnership approach that I described in the six points above has been at the heart of my leadership philosophy as long as I can remember. This may well have started on my very first day at McKinsey when we were taught that each professional in the firm, even the youngest beginner in a debate, not only had a right but an obligation to disagree with the most senior partner when it was about finding the best possible solution to a client problem. Thereafter, throughout my 10 years at McKinsey, I experienced numerous examples of how to live and how not to live partnership principles. A particularly rewarding experience was a joint leadership assignment that I engaged in together with a German colleague who had exactly the same tenure at McKinsey as I had. We were asked to agree on a definition of responsibilities and tasks between ourselves and consequently had many intense, open, and emotional debates, as you would expect from

[1] The "It" dimension is part of the Integral Theory developed by Ken Wilber, an American philosopher. This theory sets out a framework in which all areas of human experience can be observed within the context of three dimensions: the "It" dimension refers to social systems and the external environment, the "We" dimension refers to the collective behavior of people and culture, and the "I" dimension refers to the self and individual consciousness. For further information, please refer to *Conscious Business*: *How to Build Value Through Values* by Fred Kofman, who describes this theory in more detail (Kofman, 2006, p. 12ff.).

two slightly over-ambitious, young, and inexperienced project managers. While time consuming and challenging in many respects, the project was highly successful. We both learned a lot about partnership, and after more than a quarter of a century, we have remained good friends.

Given this background of experienced partnership, I was in for quite a shock when I joined Swiss Bank Corporation (SBC) as CFO in 1994. Prior to my joining the finance department, it was about as hierarchical as one could be. For example, communication among leaders in that group took place mainly in writing rather than through dialogue and discussion, and employees without a title were rarely, if ever, given a voice. For somebody used to horizontal, often hierarchy-free debates, this was a major adjustment challenge that I addressed by introducing elements of a partnership culture within SBC's finance function. This was also one of the eye-opening experiences that contributed to the development of my inclusive leadership approach. Since then, I have consciously tried to live by the six principles of partnership I described above, be it at UBS, be it within our small team at elea Foundation, be it at IMD, or at Partners Group.

Now more than ever, I believe that a commitment to a horizontal partnership approach is one of the crucial elements of an inclusive leadership framework for responding to the globalization challenges that I described in the previous chapters. Indeed, according to research conducted by the global management consulting firm Hay Group, because of globalization many leadership tasks have become too big and complex for any one individual to handle on their own, making collaboration among different people even more essential (Hay Group, 2014). Consequently, a converging world calls for a horizontal partnership approach in which agendas are aligned across diverse cultures, geographical boundaries, and perspectives. Looking at the future workforce and leadership trends, a white paper by the multinational corporation Cisco recently forecasted that those leaders who are able to work across a broad range of global cultures, while at the same time propagating a coherent organizational culture, will have the best chances of achieving success (Cisco, 2011, p. 30).

I learned about the importance of collaboration across boundaries firsthand when I transferred from UBS headquarters in Zurich to Chicago in 1999 to lead its smallest division, the Global Asset

Management business. At the time, most of the careers at UBS and its predecessor banks were still developing vertically rather than horizontally. As a consequence, there were only a small number of colleagues at the GEB who had had experience in more than just one functional area. I personally found it extremely useful to get acquainted with the institutional asset management business in Chicago, after more than 5 years as Group CFO. The contrast between a CFO position, which had constant access to all information and was located at the Group's headquarters, and a position in the smallest business division, which was at a remote location and separated by eight hours of flight time and a seven hour time difference from headquarters, could not have been greater. The experience also taught me that if people have different opinions, it may just be due to the fact that they have different perspectives, depending on where they sit. Speaking louder usually does not help in such situations, but listening and showing empathy, understanding, and respect for others' views do help.

New capitalism's call for higher levels of social consciousness, as explored in Chap. 3, also advocates the use of a horizontal partnership approach across boundaries. At elea Foundation we implement the horizontal partnership approach by regularly striving to build bridges and bring worlds together that used to be separated. One example is the previously mentioned iCow project in Kenya, where we support a social entrepreneur in bringing expertise to small holder farmers via text messaging (i.e., SMS) and mobile telephony. Through an alliance with Accenture Switzerland, we have been able to bring world class telecoms expertise to Kenya in order to upgrade their technological platform and support an alliance with Safaricom, Kenya's leading mobile network operator. It is a concept in which private business meets the social entrepreneurship world, rich country representatives meet poor country representatives, and, as a result, everyone involved broadens his horizons and win-win situations are created. Yet it is also one where a horizontal partnership approach, as described in the six points above, is paramount. Without a shared agenda, without true respect for one another's backgrounds and perspectives, and without hierarchy-free debates about the best solutions, this partnership would not work. Such a horizontal approach is in stark contrast to the history of both public sector development aid as well as paternalistic charitable foundations, which are often still inspired by a mindset of post-colonial, asymmetrical, and hierarchical relationships in which a "donor" helps the needy and does not really consider them as partners.

The philosophical roots of this outdated mindset go back several thousand years, when—taking the example of Confucius—hierarchical relationships between superior and subordinate, man and woman, and old and young dominated thinking and acting. In light of the fact that large parts of our "new" world still adhere to this mindset across various sectors, fostering partnership principles and behaviors is a particular challenge. But there is no alternative to a horizontal partnership approach gaining ground and eventually becoming the dominant pattern of how humans work together. This is probably the biggest, and the most challenging, paradigm shift in leadership situations across countries and types of organizations, since we are moving from a fragmented to an ever more integrated and interconnected world. Three hundred years after Immanuel Kant, technology and social media can give enlightenment a new boost, although this shift will not take place overnight. It is a generational task that requires ethics, skills, and practice for successful application.

The ethical foundation and renewed virtues suggested in Chap. 3 likewise advocate a horizontal partnership approach, rather than rigid vertical structures. For instance, a liberty-centric ethical framework encourages the availability of a broad range of possibilities for fellow leaders to choose from in their quest to assume higher thresholds of individual responsibility, e.g., by engaging as entrepreneurs, philanthropists, or in political roles. And humbleness should remind a leader about the limitations of his own superiority, as well as the need to show respect vis-à-vis the "otherness" of a fellow partner in leadership. As a study projecting leadership requirements for 2030 points out:

> The time of the alpha male—of the dominant, typically male leader who knows everything, who gives direction to everybody and sets the pace, whom everybody follows because this person is so smart and intelligent and clever—this time is over. We need a new kind of leader who focuses much more on relationships and understands that leadership is not about himself. Georg Vielmetter, Hay Group's regional director of leadership and talent. (McGregor, 2014)

I occasionally refer to my horizontal partnership approach to leadership when teaching business students, and it regularly provokes a fascinating debate. Young people often see this as common sense, and they are of course right. There is indeed some evidence that, particularly in large, global companies, leaders have become more collaborative as compared to the prior generation. A study published in 2007 by the Center for Creative Leadership confirmed this trend, based on a broad global survey of top and middle management executives, according to which 50 % of the respondents observed that work within their organizations had become more cooperative in recent years. The same study states that, over time, leadership has been evolving from a position at the top into a process throughout the organization (Martin, 2007, p. 9). In other words, it is becoming less hierarchical and more partnership-oriented, less vertical and more horizontal.

4.2.3 The Challenges of Applying Partnership Principles

Looking back, I still find it striking how many times the basics of partnership (as expressed in the six "common sense" principles described at the beginning of this chapter) were violated during the three decades of my professional career. For example, when I was a management consultant, a project was typically started by holding one-on-one meetings with the key executives leading a company in order to establish a common agenda. More often than not, though, a *common agenda* was hardly visible. This was due to the fact that the views of many executives were in stark contrast with each other, and so many individuals were focusing on pursuing their own particular interests. Under such conditions, it is impossible to lead a company in a certain direction and to mobilize the energies of its people—two elements that are necessary for its success. Keeping *confidential information* within the team is another principle that I saw violated over and over again. On several occasions, the main arguments from what should have been privileged GEB discussions were published in the *Financial Times* a few days later, thereby reducing any incentives for open, trusting, and controversial debates.

A third principle, having *respect for other people's opinions and their differences*, is particularly challenging in a globalizing world that is composed of varying cultural backgrounds. At McKinsey we used to joke about German charts versus American charts. The first ones were highly analytical, very complicated to understand, listed all the possible complications, and were unclear about the actions to be developed. The latter were extremely simple, described highly ambitious goals with marketing jargon, did not mention the risks, and recommended a clear and convincing path forward. During my time at UBS, culture-driven tensions and misunderstandings that had to be dealt with between the Swiss and Anglo-Saxons, Europeans and Americans, or Westerners and Asians were almost daily occurrences.

Related to the principle of respect, when meeting client organizations and peers throughout my career, I was often shocked by the self-centeredness and lack of empathy of many leaders. I remember several professional meetings with world famous corporate and civil society leaders who basically lectured during the entire meeting without once bothering to ask a question that signaled an interest in other points of view. For instance, one of SBC's IT partners, the owner of a technology firm who was approximately 25 years my senior and very famous, lectured me for half an hour about the need to be client-focused until I respectfully interrupted him and suggested that it may now be a good time to start listening to me, a client of his who happened to be very unhappy. (He later apologized with a friendly letter.) Throughout my career I have met with hundreds of leaders: award winning, high profile CEOs of large, publicly traded companies; tycoons from Asia or the Middle East; senior patrons of southern European family businesses; high profile U.S. financiers; and leaders of civil society organizations. Yet sadly, the empathetic, partnership-oriented leader who is open and curious to learn new things and considers himself on par with others was the exception rather than the rule.

This realization is unsettling and raises many questions: What is at the heart of it? Is it a question of generational influence? Am I too idealistic in my expectations? Is the "alpha-male" leadership approach unavoidable in our era as well as in the future? Or even worse, do I sometimes fall into the same ego trap without realizing it? (My wife and my children would certainly argue that I am sometimes not as humble and modest as I presume myself to be.) Maybe the glorification of corporate leaders as heroes has tempted many into believing that their superiority and irreplaceability is reality? Yet, as the old saying goes, "the cemeteries are full of indispensable men." Or maybe it is just a fact of human nature that the power leaders hold within an organization can corrupt them after a certain time. Whatever the causes are, identifying such behavior is of particular importance, for if left unchecked, arrogant leaders can have a destructive impact on an organization. For example, such leaders do not mentor junior colleagues, nor do they motivate a team to benefit the organization as a whole. They thereby contribute to a negative social atmosphere in the workplace.[2]

Steve Forbes summarizes the effect that arrogant leaders can have on an organization in his book *Power Ambition Glory*:

> Seduced by their success and the constant praise of those who surround them, they come to believe that they alone know what is best. They stop seeking, listening, and learning. They become rigid, authoritative, and no longer receptive to feedback from subordinates in their own organizations or the markets. When this happens, a corporate version of hardening of the arteries sets in, the flow of fresh ideas to the top is slowed, and the end is usually close. (Forbes & Prevas, 2009, p. 105)

The media—which tends to concentrate, personalize, and emotionalize leadership personalities—does not help the cause for partnership, for such stories may tempt those leaders in the limelight to believe what they read and to begin thinking of themselves as all-powerful and irreplaceable. This temptation is particularly pronounced when a company is riding a wave of success, and observers like the media attribute this success to just a few or even one supreme individual. Consequently, if those individuals fall prey to this illusion and ignore the fact that their power is in actuality not absolute, then they risk losing touch with reality. And the reality is that, depending on the size of the company, dozens or hundreds of managers actually take important decisions within their respective areas of responsibility and balance the interests of clients, employees, and shareholders,

[2] Researchers at the University of Akron and Michigan State University have developed a "Workplace Arrogance Scale" to help identify arrogant bosses. The scale's aim is to measure managers, so that arrogance can be spotted early and stopped before it has bottom-line consequences (Silverman, Johnson, McConnell, & Carr, 2012).

as well as other interest groups, on a regular basis. Very often people who do not wish to be in the limelight have at least as much influence as those who are. Yet, over time, this asymmetry between perception and reality can damage the cohesiveness of a team and destroy the vital checks and balances of an organization. In extreme cases, the successful management of the company could then be put at risk.

To be aware of these temptations and to make conscious efforts to stay close to reality is a first step to avoid falling into the ego trap. An important point of reference for me is the already mentioned book *Good to Great* from the researcher and successful author Jim Collins, who described "Level 5 Leadership" as a "paradoxical blend of personality, humility, and professional will" (Collins, 2001b, p. 20). I found a way of putting this into practice though regular contacts with various clients, whether big or small, happy or unhappy, private or institutional. When discussing concrete servicing experiences with them, it quickly became clear how close success and failure are and how reality is neither rosy nor black but always somewhere in between. Meeting with employees from different functions and levels also served that purpose. When I was the head of institutional asset management at UBS, for example, I frequently organized lunch meetings with about a dozen randomly chosen, yet diverse, employees whom I usually asked three questions: What is it that you like about your job? What is it that you don't like about your job? What would you change tomorrow if you owned the company? These discussions usually led to highly critical and controversial debates, and often concrete recommendations for small, as well as more significant, improvements were the result. I found this experience to be a very helpful way to regularly "feel the pulse" of the organization. Confidential discussions with representatives from human resources organizations or internal social counseling services could contribute to the same objective.

4.2.4 Partnership in Practice

For inclusive leaders who share my conviction that a horizontal partnership approach is paramount in our Global Era, what can they do beyond defining principles in order to bring this concept to life in an organization? So far, I have encountered four important levers during my career. The first and most important is indeed **clarity about the agenda**. The more clearly that the purpose, goals, desired impact, and measures of success of an entrepreneurial undertaking are defined, the easier it is to align people's motivations, energies, and activities around that agenda. This not only applies to the big strategic agenda of a company but also to all of the daily tasks that involve agenda setting. Leaders tend to spend an enormous part of their day-to-day activities in meetings. And yet, again and again I have been surprised and disappointed to see how little thoughtfulness and creativity often goes into thinking through what a meeting should accomplish both in substance and in spirit. It is crucially important for leaders to clarify the expectations and define the agenda *before* scheduling a meeting and determining its participants. Furthermore, to be significantly more effective and more inclusive, once the meeting is scheduled, leaders should circulate the proposed agenda and a list of expectations to participants 1 week ahead to allow them to provide input.

While it may sound almost too trivial and insignificant to mention in a book about leadership, **the *way* in which meetings are conducted** (**and more generally, the *way* in which you interact with your colleagues at all levels**) is another crucial lever for implementing a horizontal partnership approach within an organization. Again, given the amount of time that leaders tend to spend in meetings, I am amazed at how little time often goes into determining how a meeting will be run. Defining the process and behavior guidelines (in terms of how the meeting will be structured and how participants are expected to contribute) at the beginning of any meeting sets the tone and encourages participants to speak up. This can prevent people from either dozing off into the passive listening mode or becoming actively destructive. As a consultant at McKinsey, I once advised the CEO of a large German industrial group who had a habit of inviting his top team to full day meetings on Saturdays. At these meetings, he would typically talk for four to five hours with hardly any dialogue between him and his colleagues. Basically, they were there to occasionally fill in a gap in his flow of thinking, and when someone dared to voice an independent view, he risked being treated in an abrasive, condescending way. This is not what partnership is about.

An alternative way to structure and run meetings would be to differentiate between the specific discussion types required for each of the agenda items, being sure to leave room for contributions from each participant. As an example, four such discussion types can be distinguished:

1. **Pure updates and information exchanges:** These should be minimized, as they can be dealt with more efficiently in written form.
2. **Raising broader issues and framing discussions:** With an inclusive leadership approach in mind, this is the most important—but also the most challenging—discussion type, and sadly often the most neglected one in the top teams of organizations. Its goal is to discuss issues that go beyond immediate, pressing business requirements, for example, new business opportunities, organizational issues, or corporate risks. The task of the leader is to ensure that the topic is prepared and positioned appropriately and that the right questions are posed. Then, crucially, the leader has to be more in a listening than in a talking mode to ensure that particularly contrasting points of view, as well as innovative ideas and non-conventional opinions, are brought to the fore. He should intervene when the discussion risks going off on a tangent or when someone tries to manipulate the group for his own personal agenda, and he should help prevent the discussion from jumping too soon from the identification and analysis of an issue to its solution.
3. **Decision-shaping discussions:** These are different in the sense that an issue is already well understood, and a directional proposal is being made by a business group or a functional area. The objective is to challenge the choices proposed, to contribute additional perspectives, and to provide guidance on how to finalize decision-making. Here again, it is vital that all critical voices are listened to, so that those partners who have not yet had a chance to contribute their views will not feel discouraged from doing so. The role of the leader is to ensure that all relevant perspectives are brought into the debate before articulating his own views. If he does so prematurely, depending on his style, this may then discourage others from expressing their own opinions. Finally, at the end

of the meeting, the leader should prioritize and synthesize the outcome and define the next steps.

4. **Decision-making discussions:** These are at the center of a lot of academic literature on leadership, yet in practice they often tend to be the least interesting discussions. This is due to the fact that, at this point, the homework has usually already been done, and the opinions have already been formed. Only rarely at this late stage are decisions fundamentally challenged. In this case, the task of the leader is to ensure that everybody stands behind the decisions made and supports them both internally and externally and that they are communicated appropriately.

A third lever for implementing a horizontal partnership approach is the **performance measurement and reward system** applied in an organization. The more it is designed as a horizontal, two-way dialogue about mutual expectations, goals, achievements, and disappointments, the more it helps to anchor a partnership approach in the DNA of an organization. It should always start with a self-evaluation given that, in our complex world, nobody usually knows better how a task was performed than the one in charge of that task. Ideally, the views of peers, subordinates, and eventually even clients are taken into consideration, in addition to the opinions of the superior. A system that differentiates between a relative performance evaluation vis-à-vis peers (usually suitable for the fair allocation of financial rewards) and an absolute assessment of contributions and capabilities (as measured against a development path) is superior to the often used, mono-dimensional vertical feedback on performance from a boss to his subordinate. It should likewise mandatorily include a part where the superior receives (hopefully) open, honest, and constructive feedback from the person being evaluated.

This is an area where one is often tempted to over-engineer instruments and processes. As a consequence, resistance against the performance evaluation process could build up in the organization, and a perception could be created that this process merely serves an empty bureaucratic purpose rather than being a vital instrument for embedding a leadership philosophy throughout an organization. To avoid this, a leader should enforce substance over form. One way to achieve this would be for the leader to write a simple, straightforward letter that includes a description of the purpose and expectations of the performance review process. This could then serve as a supplement to the technical instructions that the Human Resources Department distributes regarding this process.

A final powerful lever for creating and strengthening a horizontal partnership approach within an organization is **the encouragement of horizontal career development** (i.e., changing positions across departments and divisions) as a complement to vertical promotion. This is the logical consequence of a development-oriented approach to measuring and managing performance. As already referred to when discussing my experience at SBC, most careers evolved vertically within a given functional area and hardly any members of the executive team had any experience whatsoever in their colleagues' areas of responsibility. A retail banker advanced in his career through the branch network, and a commercial banker by taking on bigger and more complicated credit responsibilities. A securities trader would hardly ever move into commercial banking. As a result, debates at the top could not be shaped by empathy, because there was no real insight or understanding about the responsibilities of one's fellow colleagues. Therefore, it was very difficult to engage in productive, controversial debates and to provide mutual support on substantive issues that affected the entire organization. By encouraging horizontal career development, this problem could be avoided.

4.2.5 Limits to the Partnership Approach

What are the limits to a partnership approach? One is, paradoxically, the phase of creating or reconfiguring a team, for in order to create a team where partnership has a chance to work, a somewhat dictatorial approach is required. Otherwise said, the leader has to be the one with the final say in choosing his fellow partners. But making changes to the team and adding or replacing members are among the hardest decisions and the most challenging tasks to execute. On one hand, partnership needs to be protected and further strengthened, and on the other hand, you sometimes have to disappoint individuals, either because you have to let them go, or because they were not involved in the selection process of other team members. Unfortunately, there is no magic formula for reconciling the partnership principles described above with the need for a decisive process to put together a team with good chances for alignment.

Another, special form of this limit to partnership is the chairman/ CEO relationship. While both can and should be aligned on many aspects and tasks of leadership, there is one task where alignment is, by nature, very challenging—if not impossible. This is the case when a CEO has to be replaced. The chairman has to keep a certain level of inner independence to be able to shape such decisions without feeling compelled to step down as well in such a critical moment for an organization.

With regard to a board of directors in general, partnership along the lines I have postulated here is a challenging concept as well. Strong, independent, and autonomous personalities interact in a field of tension between their passions, their desire for alignment on behalf of the company, and the importance of maintaining independent judgment, as required by corporate governance rules. The board members often come from other sectors, only vaguely know the company, and invest their professional energy and financial resources in other activities. In the case of difficult decisions and trade-offs, and particularly in times of crisis, board members will often give priority to protecting their own personal liability profile and reputation, irrespective of whether it coincides with the best long-term interests of the company. This is natural and, to a certain extent, also welcome. Nonetheless, when the majority of board members act in this way, there is an increased risk that the wrong decisions will be taken and that the company concerned will either suffer a loss in competitiveness or, even worse, will fail—a risk that is particularly pronounced in today's Global Era with its complexity and its fast pace. It is a difficult balancing act that should be given more attention in discussions about best practices for corporate governance.

Finally, partnership is particularly affected and often challenged in the case of a crisis. Trust earned during good times can quickly evaporate during a crisis. By the same token, successfully going through a crisis situation can be a powerful bonding exercise and can help to strengthen partnership. On several occasions, I experienced how a team facing external challenges successfully stuck together, while in other situations I was bitterly disappointed. Over the years, I have learned to better understand the wide range of human behaviors and to be less often surprised or disappointed when someone's behavior does not meet my expectations, for one's character often changes under pressure. As the popular saying goes, that is when their "true colors" (i.e., their "true character") are revealed. Ideally, however, even in such situations of crisis the basics of decency should not be forgotten and the rules of constructive human interactions should be maintained. Leaders should at least try to constructively learn from disappointments they have experienced with partners and colleagues without becoming distrusting and bitter—traits I have observed with quite a few long-serving corporate leaders.

In concluding this chapter, one of the most important lessons I have learned is to invest in partnership during "normal times," as it will be too late to do so during times of stress or even crisis. One of the most successful Senior Leadership Conferences (SLC) concerning partnership that UBS organized under my watch took place in 2005 in the mountains of western Switzerland. Its motto was "Understanding—Commitment—Trust," and its main goal was to contribute to the development of a "one firm" culture. It was based on practical, outdoor teamwork experiences among colleagues from different functions and countries who often did not even know each other. While it is always difficult to measure the success of such events, I was confident then that this unconventional teamwork experience contributed to the establishment of personal networks that fostered collaboration across the various functions—networks that may have proved useful in later times of crisis when pressure was high and nerves were stretched.

Such examples reinforce my assertion that the "people dimension" of leadership is one of the most important factors of leadership, and certainly the most challenging and the most decisive. The importance of having high quality interpersonal relations between the people involved in an organization is closely related to questions concerning the aspirations, visions, goals, and strategies of that organization. These questions need to be answered, so that an organization can direct its activities and its people in the right direction, one which is grounded in meaningful purpose—a topic that I will deal with next.

4.3 Setting Direction Grounded in Meaningful Purpose

As a young management consultant, I once advised a Swiss health insurance company on their corporate development. One of the options they were considering was merging with a competitor, but an initial discussion with a potential merger candidate was leading nowhere. So during a break, I challenged the leadership team to make at least one decision, whether to stay or to go. This leadership team lacked professional experience and expertise and was therefore completely paralyzed by the task ahead.

This simple anecdote reminds me of a very basic task of leadership that is required once an initial team is in place, that of deciding on which direction to take. One should ask such questions as: Where do we want to go, and why is it desirable to go there? What are our aspirations when pursuing our way? What is the ultimate purpose of our undertaking, and what is its impact on society? These are some of the questions that I would like to explore in this section.

Determining a vision of the future state of an organization is often stated as a requirement for setting direction. Such a vision can be grand or modest; it can also be expressed in the words of a dreamer or those of a technocrat. But the usefulness of a vision is controversial. When Lou Gerstner took over IBM in 1993, in hugely troubled times, he declared that the last thing IBM needed was a vision. Similarly, the former German Chancellor Helmut Schmidt once observed that “if somebody is having visions, he should go and see a doctor” (“Wer eine Vision hat, der soll zum Arzt gehen”) (di Lorenzo, 2010).

In contrast to these famous “anti-vision” statements, I do consider the definition and articulation of an organization’s desired future state, in the form of a vision, as an essential requirement for aligning people and mobilizing resources to achieve a desired goal. According to my proposed inclusive leadership approach, this does not just apply to the “greatest leaders,” but rather to any and all leaders. In fact, some of the most powerful articulations of visions that I have experienced were actually not in the business world but in the field of philanthropy. Take for example Sabriye Tenberken, a German woman who became blind at the age of eleven. She developed and implemented an ambitious vision for herself, that of creating the first school for blind children in Tibet—a vision she realized together with her partner Paul Kronenberg. She likewise inspired the kids in her school to articulate dreams for their lives. One of them wanted to become a taxi driver, but since he was blind, he would never be able to drive a taxi. So he decided to become an entrepreneur that employs a taxi fleet. Today Sabriye and Paul run an institute called Kanthari International that trains and encourages social entrepreneurs in Kerala, India, to bring their visions to life.

4.3.1 Aspirations, Focus, and Scope

An important element that leaders should consider when defining their vision is the level of their (or their organization's) *aspirations*. Do we aspire for global or for local impact? Is our time horizon three or 20 years? Is it size, quality, or influence that is at the heart of our ambitions? When I became Group CFO at SBC in 1994, the reference point for defining our aspirations was still comparing ourselves to the other two big Swiss banks, Union Bank of Switzerland and Credit Suisse. The controlling department spent an enormous amount of time and effort analyzing the three big banks along many, more or less meaningful financial and non-financial data. One of my first actions as Group CFO was to abolish this report, for in the leadership team we believed that it was necessary to extend our strategy beyond comparing our big "Basel Swiss Bank" with the two big "Zurich Swiss Banks." Given that our aspirations had become more global, we were becoming more interested in measuring ourselves against the best in the industry. We thus started to gather intelligence on J.P. Morgan (the role model among investment banks at the time) and Wells Fargo (one of the most successful retail banks). We also started to compare the performance of our private wealth management division with private banks in Zurich and Geneva. In short, we changed our set of aspirations from one constrained by national boundaries to one which sought global excellence with regard to specific business activities.

At that time, we were still mentally bound to a three-tiered world perspective. However today, in line with a leadership framework that includes a new world perspective, we need to be aware of comparable benchmarks wherever they may exist around the world. But just how aspirational should a vision be in the Global Era? As described in Chaps. 2 and 3, the Global Era presents huge challenges. For example, among the virtues that I suggest to be included in an inclusive leadership framework is the call for higher levels of engagement, particularly among individuals with high degrees of positive liberty. This would speak in favor of very high aspirations, but the higher the aspirations, the greater the likelihood that they will not be achieved. Furthermore, particularly in Switzerland, people have always been and are now even more suspicious when grand aspirations are articulated, given the vulnerability and the ever more frequent occurrence of crises in our Global Era. Western societies, in particular, are showing signs of disorientation and deep anxieties due to all of the fundamental changes taking place and the highly volatile political and economic landscape of the last two to three decades. Thus, people's tolerance for risk has understandably been substantially reduced, and finding the right level of ambition between high aspirations and realism has become a challenging balancing act.

Another element of defining a vision is finding the right balance between *focus* and *scope*. As McKinsey consultants, our mantra was to focus on the core business. This was partly the result of a pendulum swing that followed many failed diversification strategies in the 1960s and 1970s. It was also the reflection of a deeper understanding of the skills and capabilities necessary to successfully compete. McKinsey's research on what made companies stand out in terms of their performance, which was subsequently published as a best-selling business book under the name *In Search of Excellence* (Peters & Waterman, 1982), found seven relevant factors (the famous "7-S model"). These include: strategy, structure, systems, skills, shared values, style, and staff. More specifically, these analyses encouraged us to concentrate on undertakings that matched our core competencies. As previously mentioned, at SBC (and later UBS) we often debated the value of bringing together banking and insurance at the time when this was popular, but I was skeptical because of the resulting dilution of focus that such a move would bring about. Consistent with this viewpoint, when I became the top executive of UBS, I spent a substantial amount of effort on divesting our non-core activities, whether it involved a hospital chain, a power generation and distribution company, or our huge holdings of real estate at the time.

In today's Global Era, this mantra of focusing on the core business is increasingly challenged. For example, the difficulties experienced by highly focused businesses during the global financial crisis of 2007/2008 suggest that for at least parts of the financial services industry a certain rebalancing of the pendulum away from specialized business models toward ones with *greater scope* was required. Both during and after the financial crisis, banks with a broader business footprint generally fared better than those with business models that had a narrower focus. The numerous opportunities and challenges posed by the expanded range of choices and actions, as well as the unprecedented access to new technologies, likewise call for business models with greater scope. Going forward, businesses should thus at least consider engaging in a bolder and broader approach to pursuing innovation, beyond just focusing on their established core businesses, so long as it is within the realm of their current or potential competencies.

My wife and I were confronted with this balancing act when we interviewed many philanthropists to get their experienced advice on how to set up elea Foundation. The most frequent advice we got was to focus on one project, one geographic location, or one theme. Despite this advice, we decided to maintain a certain breadth of scope covering three thematic areas (i.e., new technologies, global value chains, and vocational skills), and we did not restrict ourselves to specific geographic priorities (other than those given by our focus on fighting absolute poverty). Today, we benefit from this breadth, as we can increasingly leverage our experiences across themes and different countries. Take for instance our efforts in the area of vocational skills. With engagements in Bolivia, South Africa, Burkina Faso, India, and Thailand, we have developed a good sense of how different stages of economic development, different political structures, and different cultural backgrounds influence our choice of whether and how to engage in such initiatives. These comparisons have also helped us to decide whether to focus more on private sector versus public-private partnerships or those that emphasize life skills versus more technical competencies.

4.3.2 Meaningful Purpose

Direction setting goes far beyond defining the level of aspirations and the breadth of activities in focus. Based on trends toward new capitalism and in order to appeal to talented people, directions have to be increasingly grounded in meaningful purpose with sufficient clarity about the raison d'être of an undertaking. The Ewing Kauffman Foundation is a U.S.-based nonprofit institute with a vision to foster "a society of economically independent individuals who are engaged citizens, contributing to the improvement of their communities." They assert that organizations thrive when they are clear about what needs to be done, who needs to do it, and how they should do it. Especially in light of our fast changing world, people have become more insecure and need to know why the organization exists (Kauffman Foundation, 2006).

Why is it important to have a clear purpose? Rajeev Peshawaria, CEO of "The Iclif Leadership & Governance Center" in Malaysia, strongly believes that "genuine leadership transformation is only possible when there is clarity of purpose and values together with a deeper understanding of human consciousness" (Wei-Shen, 2013). While such questions are basic, finding convincing answers is far from trivial and has, in many ways, become even more complicated as we have progressed through the massive changes resulting from globalization. The evolving and sometimes conflicting expectations of clients, talented people, and investors make it particularly challenging for leaders to define a clear purpose for their organization. This challenge is different for business organizations with an institutional shareholder base as compared to those that are more self-guided, such as family businesses, partnerships, and foundations. The former are bound by their fiduciary responsibility vis-à-vis their owners. This means that unless the owners explicitly and legitimately express different views, a financial return on investment that is competitive with other comparable investment opportunities (in terms of liquidity and risk profile) is the organization's goal. Self-guided institutions, on the other hand, have much broader choices in defining their vision and purpose.

In the first two decades of my career, I dedicated a lot of my work to the first type of challenge, that is, the objective of achieving a competitive financial return on investment. In recent years, however, given mandates that I am involved in outside of the financial sector within self-guided institutions (e.g., the elea Foundation and IMD), I have been facing the challenge of trying to define a vision and a purpose among a broader range of choices. What are some of the insights and lessons I have learned from such efforts in different types of organizations?

Defining meaningful purpose in “real-economy” industries seems rather straightforward. For example, the pharmaceutical industry contributes to society’s health, the food industry to its nutrition and overall well-being. Engineering companies promote sustainable energy technologies, and the car industry increases mobility. The raison d’être of businesses that address basic societal needs is obvious, so there is no reason to question their existence and their impact. But what is the actual purpose of banks and financial institutions? Is it really just about achieving a competitive financial return on investment, or do they exist to serve clients?

This fundamental question received renewed focus in the aftermath of the global financial crisis of 2007/2008. For many observers both inside and outside of the financial industry, excessive leverage and reckless greed led to a perceived purpose that was closer to that of a casino than to that of a serious sector of the economy which serves societal needs. This debate is, of course, not new. I experienced it already about 30 years ago. As described in Chap. 2, before the accelerated globalization of financial markets and the fall of cartels in the banking industry during the 1980s, banking was more of a utility that served the interests of the national economy and its main actors. Thereafter, banking clients became more demanding and sophisticated in their needs, and with the growing complexity of financial markets and the increasing automation of transaction processes, professional advice moved more and more to the center of client service. This provided client-oriented banks with an opportunity for differentiation by means of a special focus on individual demands, tailor-made decision-making support, and trust-based relationships.

With accelerating globalization and the expanded liquidity of financial markets, volatility increased, as did the broad-based perception that the pricing of financial assets followed irrational criteria that were seen to be more and more detached from reality. This made it much more difficult for banks, in general, to serve clients with valuable advice and created many opportunities for trading financial assets. I remember highly controversial debates which took place on this topic in the years of the dot-com bubble and its burst (1999–2002). One venue for such debates was IMD's "CEO Roundtable"—an annual event where approximately 70–80 global leaders from diverse industries, countries, and company types gather in a research-based setting without media presence to hold an open and often controversial dialogue. Leaders of "real-economy" companies accused the financial executives of encouraging their equity analysts to create company valuations without any connection to reality as we know it. Financial leaders answered that the financial markets reflected societies' assessments of opportunities, and that analytical research helped to keep the "real economy" companies responsive and accountable to their investors.

Similar debates took place within UBS. Financial market traders often talked about counterparties, not about clients, and saw their "raison d'être" primarily in leveraging market inefficiencies to make money for the shareholders and for themselves. On the other hand, people who came from client service-oriented professions such as consulting, like myself, saw the purpose of banks and financial institutions as providing clients with professional advice, so that they could enjoy peace of mind and confidence in their financial decision-making. For most of UBS's businesses the concept of client focus prevailed. Client focus, as a corporate purpose, was established at the top of the corporate hierarchy of values and came to life publicly with the advertising slogan "You & Us," while pure trading businesses without a client-focus were not encouraged. All the same, to my dismay and regret, a small number of primarily fixed income traders were slow to adjust to client-driven business models, thereby causing huge proprietary trading losses with disastrous consequences for UBS in 2008 and thereafter.

At Partners Group, establishing a meaningful purpose is, in a way, simpler. We exist to deliver superior investment performance to our clients (mainly institutional investors such as pension funds, life insurance companies, and other financial intermediaries across the globe) by realizing the potential of private markets through our integrated global platform. And we see ourselves as being responsible for the dreams of the over 100 million people who ultimately benefit from those investment results by way of increased prosperity.

Defining meaningful purpose for the elea Foundation is a different challenge. The global philanthropy sector is characterized by a vast opportunity set resulting from the broad range of issues and challenges facing humanity. Multiple ways of engagement are possible, and a variety of partnering options are available to execute the chosen engagement. I have huge respect for the challenges that many charitable organizations face in delivering on the often-used claim to "make the world a better place." And I have taken note of efforts by former business leaders who, in spite of their best intentions to transport their global business aspirations into the world of philanthropy, often had to acknowledge that these expectations were unrealistic in terms of scope and speed.

At elea Foundation, we have chosen to follow a more pragmatic approach, given that our initiative is tiny and has limited resources, as compared to other, larger charitable organizations. When setting up the foundation, our aspiration was to make a tangible, visible difference for the better in the lives of poor people through highly selective engagements. We also decided to apply poverty in an absolute way, focusing on countries and regions whose citizens earn, on average, around USD 2 and less in daily income. We are looking to achieve the economic improvement of livelihoods within the visible contexts of, say, a region or a village community. The purpose is to make a meaningful contribution to improve the world with a distinct profile and positioning.

In the field of philanthropy, there are two schools of thought regarding potential sources of differentiation. One is to rationally go about analyzing opportunities in order to come up with a concept that maximizes social impact. Another more intuitive way is to just follow one's own passion and realize the dreams of the foundation's founders. There have been intense debates regarding the first approach in terms of how to define and measure success. Should nonprofit initiatives be measured at all in terms of their social impact? If so, then how and why? The topic is both important and controversial. Its importance derives from widely held beliefs that the effectiveness and credibility of civil society initiatives could be enhanced if their impact were more systematically measured and assessed. Its controversy has two roots, a fundamental and a technical one. According to the fundamental objection, the notion of a rational approach to an idealistic purpose is challenged in principle. On technical grounds, critics argue that the field is too diverse and complex to allow for a satisfactory balance between specific and standardized measurements.

In spite of the critiques, at elea Foundation we have chosen the former approach based on a deep conviction that social impact measurement is feasible and desirable. We want to deploy resources where the impact is the greatest in relation to the invested capital and where we can touch more lives in a positive way. In 2009, we therefore started to apply a method for systematically measuring the social impact of all our investments—the "elea Impact Measurement Methodology" (eIMM). This method was developed by us and is described in more detail in a publication that is accessible on elea Foundation's website.[3] In early 2012, we considered "eIMM" to be sufficiently robust to warrant an annual external audit that is carried out by BDO AG Switzerland, a company of the international BDO audit firm network.

The three examples of defining meaningful purpose in different types of organizations presented above, based upon my personal experiences, help to illustrate that the traditionally acceptable forms of "raison d'être" are no longer enough. Given the call for a new capitalism in our Global Era, some of the traditional goals of many businesses (e.g., of mere survival across many generations or of being an instrument for financial profit only) do not satisfy society any more.[4] Inclusive leadership means that more organizations—particularly

[3] (http://www.elea-foundation.org/files/pdf/eIMM_Paper.pdf) (Kappeler et al., 2012).

[4] In 1988, I wrote an article for the *NZZ* with the title "Value enhancement or institutional survival" (Wuffli, 1988). In this article, I contrasted the two views regarding the purpose of businesses at the time. It was either (1) survival as an institution across many generations, a purpose that family businesses, in particular, had (and many still have today) at the top of their agendas, or it was (2) a vehicle to create wealth for its owners and their beneficiaries, who were increasingly institutional investors operating on behalf of pension funds and other collective savings instruments, as is characteristic of a more Anglo-Saxon business concept.

those with ambition, resources, and charisma—will have to accept a higher threshold of responsibility by defining and articulating a purpose that plausibly addresses society's needs and creates beneficial impact. There already seems to be a trend of convergence between different types of organizations in this respect. For example, impact investing and venture philanthropy approaches seek to combine altruistic goals for the betterment of society with the need to be more explicit and accountable in terms of defining and measuring success. And businesses in general, more and more, are looking for and articulating ways to benefit society through their activities. Being unique and making a difference in this respect will become ever more important, unlike a generation ago when leaders were not necessarily expected to stand out but rather to "serve and disappear" (servir et disparaître)—as a popular saying in Switzerland goes.

Consequently, maintaining a continuous dialogue within the leadership team in which the meaningful purpose and desirable future state of the business concerned is constantly being articulated, critically reviewed, and further refined and developed, is a primary leadership task. As appropriate, this dialogue should also be held with those stakeholders who potentially influence value creation in a major way, such as clients, shareholders, business partners, regulators, political leaders, and relevant civil society organizations. However, in order for all of this to become reality, as opposed to merely dreams and wishful thinking, processes are needed based upon which ideas can become actionable.

4.4 Designing and Implementing Processes

The term "process" is derived from the Latin verb "procedere," which means "go forward." According to the dictionary definition, it is "a series of actions, motions, or occurrences." It also refers to a "method, mode, or operation, whereby a result or effect is produced." Designing and implementing processes is the leadership task that translates vision into reality. Without process, aligned people and great ideas about direction and meaningful purpose remain just that, ideas without consequences.

Since business administration became a professional discipline, systematic methods and processes have been seen as an essential lever for leadership. Processes through which responsibilities and tasks are assigned to the people in an organization define their job content, and thus the organization's principal activities. By shaping planning, decision-making, and communication processes, professional ambitions and energies are channeled in a certain direction. Control processes then help a company to navigate its activities in that direction. All of this serves the purpose of moving and transforming realities toward directions grounded in meaningful purpose. Process is also the instrument for extending impact beyond individuals. Through clearly defined and institutionalized processes, organizations become less dependent on key personalities.

Had this book been written 30 years ago, the title would probably have been "structure and process." At that time, the structure of a company was seen to be a stable framework that only exceptionally had to be adjusted. While listening to my father talk about his career, my impression was that in his approximately 20 years with Credit Suisse, during the 1960s and 1970s, he never experienced a comprehensive reorganization. When I joined Swiss Bank Corporation (SBC) in 1994, on the other hand, the bank was in the midst of a radical restructuring of its entire organization.

As a result of the accelerated pace of globalization and the resulting transformations that we are experiencing today, restructuring is now a permanent feature of most business organizations. It has therefore become one more process amidst all the others. While organization charts are probably still one of the most used instruments of leadership, their shelf life is getting shorter and shorter and their complexity bigger and bigger. They may eventually lose significance or even disappear completely, as it is becoming virtually impossible to visualize the four to five dimensional and constantly changing task assignments that have already begun to characterize many global organizations today. In light of the ever-changing global environment, a dynamic understanding of inclusive leadership will have to take into consideration that structures are becoming less durable and therefore less distinguishable from processes.

Whereas both partnership alignment and direction setting are leadership tasks that are generically applicable to all sorts of organization types, the main differentiator between the corporate world and other types of organization tends to be process. Formalized corporate calendars, sophisticated job descriptions, differentiated goal setting, detailed rules and policy manuals, standardized operating systems and procedures, planning and controlling methods, independent internal and external audit processes—to name just a few—are found in most large, global business organizations. On the other hand, more intuitive ways of steering things with only a minimum of formalized procedures, limited transparency, and low degrees of standardization and formalization characterize many nonprofit organizations, as they have only very few or no professional staff working for them. An inclusive leadership framework could offer an alternative by encouraging leaders to consider an integrated perspective that allows for finding cross-fertilization opportunities between these two different types of approaches. One way would be to ask business people to contribute their expertise to civil society organizations by becoming a member of the board of trustees or acting in an advisory capacity.

Yet, a topic of huge practical controversy in each and every company that I have been active in is to what extent processes should be structured, standardized, systematized, and formalized. Given my experience as a consultant and a CFO, I tend to be on the process side of the argument. I usually feel that mobilization of energy toward a chosen direction requires a systematic way of identifying and organizing activities, measuring outcomes and progress, and adopting corrective measures in case goals are not met or circumstances change. I do, however, fully respect the opposite view, according to which effective leadership has more to do with how charisma, inspiration, and excitement can mobilize the energies of an organization. Advocates of this opposite view tend to believe that process fosters bureaucracy, slows down the pace of activities, and makes things more complicated and expensive, while reducing the scope for individual initiative and creativity.

Balancing both tendencies—that of over-engineering and fighting unnecessary bureaucracy on one hand, and that of underdeveloped processes eventually causing lower efficiency and higher vulnerability levels on the other—is a constant challenge. In organizations where processes hardly exist, introducing them helps to raise the overall appreciation for professional management. Take IMD as an example. This institute was managed for an extended period of time by a charismatic and dominant leader who inspired clients, sponsors, faculty, and staff, while putting little emphasis on establishing systematic administrative processes. Following this period, I worked intensely with the new President and the management team and strongly encouraged them to adopt a more process-driven approach, with the objective of increasing organizational stability and leverage and reducing IMD's dependency on a small number of key people.

From the other perspective, tearing down over-engineered processes can help to foster entrepreneurial initiative and accountability. For example, under my watch at UBS, the highly complex and prescriptive top-down planning and budgeting process was replaced by a system which gave significant responsibility to all profit center heads to develop and achieve their specific goals based upon the potential of their local markets and resources. This management initiative was praised by some as a welcome increase in entrepreneurial freedom, although it was denounced by others due to its increased performance pressure.

4.4.1 The Ethical Perspective

What is often overlooked in this debate about the value of processes is the ethical dimension. Whereas ethics and virtues in aligning people and in setting direction grounded in meaningful purpose are often self-evident, processes have a reputation of being technocratic, or otherwise said, ethically neutral. I disagree with this view and would argue the opposite, that ethics and virtues manifest themselves in processes at a very practical day-to-day level. One example is increasingly regulated and controlled work processes that reduce both positive liberty and individual responsibility. Going in the other direction, the UBS profit center example just mentioned was an important initiative that had a huge ethical component, given that it expanded individual liberty and also called for higher levels of accountability.

Retired people sometimes claim that the work environment in the old days used to be more humane and more ethical. It is difficult to objectively validate the plausibility of such statements, for according to which ethical concept and choice of virtues and based on which data should you measure this? As we saw in Chap. 2, the entrenched, rigid, hierarchical company structures from the 1960s and 1970s did not, in fact, allow for many liberties; it was rather order and discipline that prevailed. Furthermore, lifelong employment and vertical career paths within the same function did not necessarily encourage entrepreneurial initiative, mobility, or teamwork—characteristics of today's work environment that are taken for granted by our generation. Although we enjoy more liberties today, reflections about ethics and virtues are sometimes neglected given the intense and increasingly global competitive pressure to perform. The loyalty between employees and employers may also suffer as the result of high volatility and fast pace of change. These few examples suggest that leaders should engage in specific efforts to build awareness and lead conscious debates about desired ethics and virtues, even when discussing seemingly technocratic methods and processes. A practical way to do this would be for leaders to always ask for objectives and guiding principles upfront whenever a proposal for a new or redesigned process is submitted.

4.4.2 Business and Leverage Models

Designing and implementing processes that help move organizations toward a chosen direction first require clarity about the business model and leverage model of a company. During my time as a McKinsey consultant, one of the standard tools we used was called "business system analysis." This was a structured way of looking at the different functions and steps of a value creation process. In an industrial company, the "holy triangle" of research and development, production, and sales—as one of my clients once called it—was at the center of such an analysis. Today's more frequently used term to describe essentially the same concept is "business model design." This method helps a company to systematically understand the different components of a value creation process, as well as the relationship between these components, in order to assess the potential, the characteristics, and the constraints of a company.

My professional experience was centered on the "client-oriented" services business area, not industrial activities. In this section, I will therefore reflect on the lessons I learned about how this area of economic value creation has been affected by globalization and how the processes in this domain have naturally become more conducive to an inclusive leadership approach in our Global Era. More specifically, I will highlight two essential shifts that I have experienced over the last three decades where processes needed to be revised and consequently led to a much more integrated and holistic process as a result of the transformations that have taken place. One is the change from a production-centric to a client-centric approach, and the other is a broadening of the idea of leverage.

As already described, banks were forced to adopt a more client-oriented approach within the context of the numerous changes resulting from accelerated globalization. This was particularly true for the most valuable business of a typical, large Swiss bank, namely its private wealth management division. While this sounds like common sense, or merely a trivial change, its practical implications in the process architecture of a company can hardly be overestimated. Typically in the past, many banking and financial services businesses operated based on a so called “product distribution model” in which the firm originated transactions that were then allocated to the portfolios of wealthy clients. Bankers presented clients with a capital market transaction, suggested a fund investment opportunity or an investment in an individual company, or made a financing proposal. If the client happened to need and/or like the suggested product/investment idea, the deal was done. We used to refer to this process as building and growing distribution channels, a term that often provoked me to challenge the thinking and imagination of my colleagues by asking: What is a channel typically used for? Would you want to be sitting at the end of a channel where you are stuffed with what is being pushed through it? Or would you rather be—as a client—at the beginning of a process where you help to drive what is being offered to you?

Over time, by adopting a more client-focused perspective, the dynamics of this process changed completely. It became much more holistic and integrated. The standard client advisory process introduced in the new UBS after the merger started with an active approach that entailed first listening to clients in order to fully understand their needs, ambitions, constraints, and risk appetites. Only then would ideas, solutions, and products be offered that would either originate from the bank itself or from third party providers. This change not only required a fundamental redesign of the sequence, tools, and methods of this process, but it also called for a substantial change in the skills and mindsets of client advisors. Rather than concentrating on presenting specific product ideas and investment views, broad capabilities such as curiosity, active listening, empathy, and problem solving became much more important. This change was in no way confined to private wealth management. I have seen it at IMD as well, where the markets were traditionally viewed in a fragmented way through the lens of IMD's product architecture, such as open programs (programs offered to executives of many different corporations) or customized partnership programs (programs tailored to the needs of a specific client organization). IMD used to talk about either an open program client or a partnership program client. However, reality evolved in such a way that clients started to increasingly request a much more holistic offering that involved a combination of both approaches.

This shift from a production-centric to a client-centric approach has also become evident at Partners Group. Whereas the private markets industry traditionally created a new fund and then raised the capital from those clients who happened to like the concept, there has been an increasing demand by institutional clients for tailor-made mandates across many asset classes and types of investments that are driven by their very specific needs and balance sheet characteristics.

The second big shift I have observed in the client-oriented services business area over the last three decades is the rising importance of a broader, more holistic, and conscious view about leverage. It may be surprising to find this term with such prominence among a list of leadership tasks. Usually leverage is understood to be a rather technical term that describes the financial structure of a company in terms of debt versus equity financing. I make the case here for a much broader application of this term; in my understanding, leverage describes the mechanism through which the effectiveness of people and skills within an organization is enhanced and their impact is extended. And given that the increased scope for choice and action as well as the increased access to new technologies in the Global Era allow for unprecedented levels of leverage, this concept is becoming much more powerful.

Accordingly, the more SBC (and later UBS) was transformed from a commercial bank to a client-focused financial services institution, the more our leverage model focused on the people dimension. I remember a moment at an SBC leadership conference in Paris in 1996 when the CEO and I compared notes on our impressions, and we both felt that our leadership teams needed to be at least twice as large to deliver on our aspirations. It was at that time that SBC was able to attract a high profile Managing Director from J.P. Morgan for the first time. We also expanded our talent pool at SBC, and thereby our capabilities, by acquiring other companies, and thereafter by merging with Union Bank of Switzerland.

More recently, with my new role at Partners Group, I have learned to appreciate the leverage provided through people and skills even more. With almost 800 employees, Partners Group is valued at approximately CHF 7.5 billion and achieves a profit of close to CHF 500 million, as compared to the much larger UBS, which employs almost a hundred times more people but only has approximately tenfold its value and profitability. So for me, an important lesson on my journey to becoming a more inclusive leader has been to become more aware and conscious of alternative leverage models as a basis for challenging and evolving them.

Leverage as a concept of leadership does not only apply to business. It is highly relevant in philanthropic work as well. One of the main ideas behind the establishment of elea Foundation was the attempt to leverage financial capital as well as human energy, ideas, and expertise for better social impact to fight poverty via entrepreneurial means. How we can leverage the success achieved in one project by expanding it on a larger scale or by transferring these experiences from one geographic location to another are constant considerations when we evaluate philanthropic investment proposals. The most desirable leverage path in philanthropy follows the market-driven growth of a company. For example, at elea Foundation we regularly make equity investments in social enterprises. Two such enterprises already mentioned in Chap. 3 are “Pakka,” a Swiss start-up company that imports organically grown cashew nuts from Kerala in Southern India into several European markets, and “Coffee Circle,” which sources specialty coffee from Ethiopian farmers for online sales in Germany and Switzerland. Both are initiatives that needed patient, philanthropic capital at the beginning based on the expectation that these start-ups would, over time, develop a business track record and a growth trajectory that attracts commercial capital and thus creates impact in a sustainable way. Other ways to achieve leverage in philanthropy are to combine market mechanisms and public policies (e.g., vocational skills programs or rural electrification schemes) or to use technology for improving productivity, as is taking place in countries like Kenya via the expansion of mobile phone services.

To summarize, inclusive leadership calls for a conscious and holistic approach to leverage that takes into consideration the full range of opportunities that today's Global Era offers in terms of geographical and technological choices. But doing so may not always be easy, given the trade-off between ambitious growth and leverage on one hand, and a partnership inspired leadership model and organizational culture on the other. The challenge lies in the fact that the more high caliber people you try to incorporate into your partnership model to help leverage resources toward a vision, the more likely it is that you will not succeed in channeling and directing their ideas and energies effectively because of the "prima donna" phenomenon. I have worked in sectors where prima donnas abound, be they high profile investment bankers or investment management professionals, be they business school professors or opera singers. Dealing with prima donnas is a topic worth a book on its own. I have usually erred on the side of embracing their qualities while—sometimes to my detriment—too generously overlooking their weaknesses, because I believe in their potential for leverage.

4.4.3 Processes for Guidance and Alignment

In order for senior leaders to effectively steer a business toward a desired state, guidance and alignment within their organizations are essential. Inspiring talks with company employees, in addition to hands-on influence in terms of raising issues as well as shaping and making decisions within responsible governance bodies, are obvious activities that can help in this respect. However, particularly in medium to large-sized organizations, a systematic process is required to articulate and communicate the chosen direction and the guiding values[5] in order to achieve buy-in. Crisp and relevant "vision and values statements" that articulate shared purpose, direction, impact measures, and guidelines can facilitate this task, as they can be a powerful instrument for making abstract ideas practically relevant, tangible, and action-oriented.

I am fully aware that such statements are often met with cynicism and that they are sometimes dismissed as public relations measures without real benefit. One can certainly find many examples where basic problems in strategy, structure, or culture were glossed over with superficial statements. In those cases, formulating vision and values statements is indeed quite a useless exercise. Besides their supposed lack of effectiveness, another criticism about vision and values statements is their lack of specificity to the company concerned. It is true that these statements are too often not company-specific enough. In today's more complex and highly competitive globalized world there is arguably a much bigger need for unique definitions about differentiated purpose and vision than there might have been in the past. This is due to the fact that, unlike in the past (when many sectors were constrained by national borders and organized by industry cartels), international competition is now a key factor in driving business.

On the other hand, one could also argue that not all statements need to be differentiated. In fact, a commitment to similar values by many companies and organizations should be welcomed, as it confirms a convergence in ethics and virtues in today's Global Era—a trend that supports inclusive leadership. The larger the number of organizations that follow a similar set of values, the more likely that these will evolve into a set of globally accepted ethical principles. Let us take gender diversity as a practical example. Thirty years ago, the role of women in leadership positions was viewed by most—even by top management and in large companies—quite skeptically. Today, the

[5] In this section, I apply the term "value" rather than the ethical term "virtue," which is used in the various chapters on ethics in this book. While they are related, value is a broader concept and is more commonly seen in corporate statements.

inclusion of diversity in the core values of many companies has greatly contributed to eliminating many barriers. This leaves space for companies to concentrate on the removal of other, more practical hurdles that still keep women from climbing the corporate ladder, as Facebook COO Sheryl Sandberg articulates very convincingly in her bestselling book *Lean In*. While recognizing the huge progress that has been made, Sandberg explores the question of why only very few female college graduates in the U.S. reach the top leadership positions. One of her primary beliefs is that gender-specific, social stereotypes hold women back:

> Aggressive and hard-charging women violate unwritten rules about acceptable social conduct. Men are continually applauded for being ambitious and powerful and successful, but women who display these same traits often pay a social penalty. Female accomplishments come at a cost. (Sandberg, 2013, p. 17)

She goes on to say that, as a consequence of these social norms, women are afraid that they will not be liked if they succeed. And since they do not believe enough in themselves, they miss opportunities. Sandberg therefore encourages women to "lean in," sit at the table, and believe more in themselves (Sandberg, 2013).

A third criticism of vision and values statements refers to the relationship between ethics and business success. According to some critics, if certain values are in favor of a business's success, then they are considered trivial and not worthy of mention in the corporate vision and values statements. In other words, it goes without saying. On the other hand, if values blatantly conflict with a business's goals, then it is unlikely that they will be lived up to—so again, why include them in the corporate vision and values statements. It is true that corporate leaders cannot be expected to support values that obviously hinder business success and competitiveness and thereby destroy value. This is particularly true for leaders who must act with a fiduciary duty, because they are employed by companies that are owned by somebody else. In such cases, divesting a business may be the only solution. For example, when SBC decided to get out of its consumer lending business in the 1990s, one of the reasons was indeed that we could not reconcile the commonly used aggressive marketing practices in this business with our values.

This is, however, an extreme case. Usually, there is no fundamental contradiction but rather a certain level of tension between values and business success due to very specific temptations to sacrifice principles for short-lived gains. It is exactly in such cases that it helps to have well-reflected and well-articulated binding values in an organization (via a vision and values statement) in order to guide behaviors. Furthermore, taking a far-sighted position on an ethical question even though it may hurt short-term profitability is an important aspect of a liberty-centric ethical concept, with its differentiated thresholds of responsibility. A great example of this is Swiss industrialist Stephan Schmidheiny's decision to get out of asbestos processing already in 1981 (long before his competitors) due to its damaging health effects. This was a pioneering initiative that created awareness and contributed to a worldwide ban of this practice.[6] In general, a reflected, articulate, and visible stance on ethics in the context of corporate vision and values statements may well contribute to dispelling the broad perception in society that business is either ethics-neutral or even void of ethics.

With regard to the first two critiques mentioned above, in my experience the success of vision and values statements as an effective instrument for guiding and aligning behaviors and actions in a large organization depends upon the *way* in which these statements are developed and implemented. The following conditions are crucial:

- The content must be created by the leadership team, as opposed to proposals coming from public relations staff or external consultants.
- They should be the result of intense, well-prepared, and controversial debates around relevant choices that a company is facing.
- The "triviality test" should be consistently applied, meaning that a reasonable person should be able to argue the contrary of a particular statement.

[6] As a consequence, sadly and unfairly, Stephan Schmidheiny is one of the entrepreneurs who has been subjected to intense, hurtful legal proceedings due to the visibility of his position.

- Periodic checks of the validity of these statements and compliance with them (e.g., through regular employee surveys) should be carried out, and they should be regularly adjusted as needed.
- A careful, systematic process to create ownership, alignment, and practical relevance throughout the organization (e.g., through a series of well-planned, organized workshops) should be set up to facilitate the implementation of these vision and value statements.

Specifically referring to the last point, once the vision and values statements are established, a well-structured process is required to bring them to life in daily practice, one which visibly links the priorities of the leadership team with the day-to-day activities of the organization. One example of this from my UBS days was related to our establishment of a client-focused culture in 2001 to support organic growth. How to best serve our most important clients was hardly on the agenda of Group Executive Board (GEB) meetings before 2001; because of our transformational change programs, we had been excessively busy with ourselves—a justified criticism that was often mentioned by many of our clients at the time. But times were changing, and we had to change too in order to remain competitive. For this reason, I introduced a concept of client responsibility at the top, whereby all members of the GEB were required to directly sponsor, lead, and support a number of key client relationships. We would then discuss the specifics of one or two client situations at every meeting as an official agenda item. This turned out to be an effective way to learn more about opportunities, as well as barriers, in providing great service to our most important clients. It also sent a powerful signal throughout the organization that we cared about our clients at the top of the organization. An additional initiative to further these processes to guide and align behaviors and actions were the leadership conferences we organized in which we invited interesting, challenging, and provocative clients to work with us directly in giving feedback and improving our client service skills.

4.4.4 Processes for Mobilization

Once a framework for guidance and alignment has been created and accepted, the question arises as to how to mobilize the energies of an organization (i.e., the ambitions, intellectual horsepower, and passionate emotions of each individual involved) to implement this framework within that organization. In my experience, an important element of mobilization is a broad sense of unity and identity. When I was at the helm of UBS, our aspiration to become one UBS in terms of identity and culture—both from an external as well as an internal perspective—was at the forefront of our endeavors. This was a great challenge, because of our corporate history as different firms with proud legacies and differing identities. The new UBS consisted of many differences in mentality and culture (i.e., Anglo-Saxon vs. Swiss/European business cultures and, due to the various businesses that comprised it, trading vs. advisory, transaction vs. relationship, and private vs. corporate/institutional cultures). However, it proved to be highly compatible with my inclusive leadership approach, and most members of the top team shared a strong conviction that it was worth pursuing an integrated approach that was in the interests of our clients, our shareholders, and our talent base. It had been our ambition to build one bank even during the first merger talks between Union Bank of Switzerland and SBC representatives. The alternative, putting together a conglomerate of loosely linked financial businesses, would not have justified the tremendous risks and challenges of merger integration.

We were then (and I am still today) deeply convinced that what we called our "integrated model" was very powerful in servicing clients, creating value for shareholders, and—most importantly—mobilizing our people. This model was seen as exemplary at the time and was copied by several competitors, such as Credit Suisse and Barclays. We estimated our corporate premium from shared services, internalization of revenue across business divisions, and integrated capital management to be in the order of 15–20 % as compared to a standalone positioning of all of these entities. I could personally see how much our clients appreciated this model when I visited wealthy entrepreneurial families, particularly those in the new markets in Asia, the Middle East, and Latin America. They appreciated having a full range of offerings that included wealth and asset management services; equity, fixed income, and foreign currency trading products; as well as capital raising and M&A advice all under the same roof. This appreciation, in turn, mobilized and motivated the UBS specialists in various countries and departments to meet, if not exceed, their expectations.

In addition to the challenge of creating one UBS identity from among the various businesses and cultures that formed the new UBS, a related challenge involved the controversy about our brand. Although the direction toward a single brand for the Group was already set at the first merger meeting, the tactics and speed of getting there were far from clear. Our investment bank, in particular, had already experienced several name changes in its short history: from SBC Warburg to SBC Warburg Dillon Read, to UBS Warburg Dillon Read, to UBS Warburg. News agencies were starting to make fun of our corporate names. I was thus determined early on to make brand unification a main objective among all of my leadership tasks, because it seemed to have a huge practical and symbolic value in demonstrating the different era that UBS had embarked on in its corporate development. It also helped to mobilize and motivate our people as members of one powerful integrated company.

The main resistance to having a single brand understandably came from our investment bank, where the famous Warburg name was a symbol that represented the development of the investment banking industry at large. Taking this into account, and having read the fascinating Warburg history written by Ron Chernov, I asked the project team to seriously consider naming our Group "UBS Warburg." But given the strong opposition to this proposal, I instead decided to try to convince our colleagues from the investment bank to adopt "UBS" as a single brand. The opportunity to do so came following a trip I had made to the U.S. to get to know PaineWebber, the only UBS business that I was not familiar with at the time. It struck me that most PaineWebber employees that had client contact proactively demanded acceleration of the name change toward UBS and complete elimination of the name PaineWebber. Having worked so hard to develop their firm from a second-tier, U.S.-focused securities broker to a top-tier, global institutional bank, they felt they could gain much more from being associated with UBS than they would lose by dropping the name, and with it the history, of PaineWebber.

Equipped with these arguments, I prepared the ground with our investment banking colleagues for adoption of a single UBS brand. I had huge respect for the execution of such a decision, as it would essentially be an irreversible move. We initiated a highly sophisticated research effort based on extended interviews with a large sample of our constituencies to develop, communicate, and execute the new branding approach. In the end, apart from a few difficult phone calls with former and current S.G. Warburg bankers, the change went smoothly, and we did not—to my knowledge—lose any clients.

Following the implementation of brand unification, our next objective was to enhance brand visibility via a global campaign. Our specialists favored a Formula 1 racing sponsorship as the launch platform for such a campaign, and they were so convinced of being able to secure the agreement of the GEB that they did not bother to explore other realistic alternatives. Within the GEB, however, we did not like the idea at all. We felt it would better fit a retail brand rather than an upscale premium brand like ours. Furthermore, we could not identify with the underlying values and felt that it would be far too expensive.

By pure coincidence, as we were discussing with Ernesto Bertarelli whether he would join the UBS Board of Directors, we learned about the opportunity to sponsor the Alinghi America's Cup Challenge. It became the most successful campaign I had seen during my time at UBS—of course, we were lucky that Alinghi won the Cup. The Alinghi sponsorship was highly appealing externally, and it was a great way to mobilize and motivate our employees internally, because it symbolized the need to work as a high performance team in order to effectively handle a rough and dynamic environment. It also supported our goal of creating a team-based culture and emphasized excellence and the need to focus on details.[7]

4.4.5 Processes for Control and Risk Management

Let us now take a look at control and risk management processes that help to navigate the course of a company's activities. When visiting

[7] The decision to sponsor Alinghi was the opposite of systematic, well-thought-out decision-making, and thus a perfect example that sometimes coincidence and luck can play a role in successful leadership.

small farmers in Kerala, India, who grow organic cashew nuts sold through the start-up "Pakka," I was stuck by how each and every farmer proudly showed his farm record, a small booklet where he writes down volumes, revenues, costs, and materials as an essential requirement for receiving a certification for organic growth and fair trade. Introducing such a booklet and controlling its accuracy has proven to be one of the most tangible benefits of this initiative, as it allows for measuring results, comparing notes with fellow farmers, and learning from both good and bad experiences. Similarly, in the "mom & pop" shop project in La Paz, Bolivia, that I mentioned in the introduction to Chap. 3, the ladies running their shops use a notebook to keep track of their daily incomes, inventory changes, product and material supplies, and pricing evolution as a major instrument for improving their effectiveness and efficiency. Again, this has proven to be highly valuable in measuring ongoing success and avoiding losses. For example, it makes unauthorized consumption by family members more transparent.

Due to my CFO background, the topic of control and risk management has been close to my heart for many years. I started my job at SBC at the beginning of 1994 by attending the strategic, off-site seminar that took place every year for the first 3 days in January. There were numerous presentations about a large number of business initiatives, but one of the priority topics was how to grow the business in the Asia Pacific region. As the new CFO, it struck me that every presenter used different terminology to describe financial success. One speaker talked about revenue, another about net income, a third about profit contribution. It became obvious to me that the bank did not have a consistent global framework to communicate, measure, plan, and control the results of its business activities beyond very rudimentary financial accounting data. Therefore, I decided that the establishment of a consistent, group-wide management accounting and controlling framework (in the form of a manual) that would define concepts, methods, and process standards in this important area would be one of my first priorities in order to contribute to SBC's global transformation process. Consequently, I assembled an internal task force that brought together the best specialists in their fields across geographic boundaries and hierarchy levels. For my part, I was able to leverage the experience I had gained a few years before at a major, German-based, international insurance group where I co-led a McKinsey engagement to introduce an international planning and information system.

The work to create this new SBC planning and controlling manual took about 3 months to complete and was unbelievably challenging, but in the end I was very pleased with what we had achieved. The manual not only codified an important part of financial leadership, but it also helped to mobilize and align the people working in this field within SBC. The core of this manual served for 14 years (and possibly in some shape or form is still in use today). It was a key element of SBC's transformation process and also contributed to an external perception of SBC as a pioneer. For the first time in the history of a Swiss bank, the financial performance of individual business segments was made transparent externally.

In the introduction to this chapter, I confessed that I tend to be a "process-person." Whenever I find myself in a leadership situation, I concentrate a lot of my efforts and energy on finding a suitable structure of practical steps and measures that fit the challenge at hand and make it actionable. I believe in the benefits of such a leadership approach, as it contributes to the enhanced stability and effectiveness of an organization, while indirectly helping to codify leadership principles and ethical virtues, such as entrepreneurial initiative, positive liberty, transparency, and responsibility. As we have seen in an earlier section about choosing suitable business and leverage models, a focus on process also helps companies to consciously redesign activities in a systematic way in response to the transformational changes and new opportunities of our Global Era.

4.5 Getting Things Done

As we come to the end of our discussion about the three main leadership tasks, I would like to share with you five insights that I have acquired based upon the personal experiences and practical examples that I described in this chapter. Firstly, I am convinced that the growing diversity of our Global Era makes the primacy of people leadership even more pronounced. Adopting a partnership approach, taking time to listen and understand other points of view, and investing the necessary effort to build respect and trust will be even more crucial for leadership effectiveness in the future than it has been in the past.

Secondly, explicit ethics and virtues, as well as the trend toward a new capitalism, will raise the bar in choosing convincing, differentiated, and meaningful directions to take when leading an organization. These new inclusions also create a broader range of possibilities for leaders to choose from. Creating clarity about the level of ambitions, balancing the focus and scope of opportunities, and identifying and articulating a company's purpose in society are criteria that will have growing importance in the future.

Thirdly, the ongoing transformations in our Global Era make continuous process design and redesign an imperative for leadership. As we saw with the two examples concerning client centricity and leverage opportunities, it helps to adopt a holistic and integrated view when analyzing and transforming processes and business models.

Fourthly, many of the leadership tasks I described in this part of the book are applicable across different organizational types. Experiences in one sector can and should be leveraged wherever possible in another sector. For example, when developing vision and values statements for large, global corporations, I have benefitted a lot from my experience in the field of entrepreneurial philanthropy. Likewise, my experience in working for large, global corporations has helped me when leading organizations whose structures are closer to that of partnerships or family businesses.

Finally, I have observed many leaders—including highly successful ones—that have very different, more intuitive, and less systematic ways of leading organizations and channeling energies and initiatives toward a desired direction than the often more structured and process-driven approach that I have presented here. The goal of this chapter was not to deliver a prescriptive list of recipes on "how to lead." This would be preposterous and violate the virtue of humbleness. Rather, it was to illustrate how conventional leadership principles are massively challenged by the transformations of the past four decades and to hopefully inspire ideas of how a more inclusive leadership approach could work better in the future and possibly replace some of the more obsolete conventional methods from the past.

The more I study leadership, the more it remains somewhat of an enigmatic field to me where very few insights hold up to the scrutiny of finding a universal truth. Many different approaches and styles can be successful, and my overriding conclusion is that leaders should make more efforts to consciously reflect on finding and applying the approach that best suits their own personalities. Fred Kofman expresses a very similar line in his book *Conscious Business* when he defines success beyond success:

> You are most effective when you act out of essential human values. When you behave with integrity, you use the challenges in your life to express your higher self. You might not always achieve success, but you can always behave honorably. You can act in alignment with essential values, attaining the peace of mind I call "success beyond success". Essential integrity allows you to develop strength, inner peace, and self-confidence. (Kofman, 2006, p. 65)

Although their approach and styles may differ, one common denominator among leaders is that they need to get things done. I will thus end this chapter with a few reflections on how this can be achieved.

4.5.1 Doing "Real Work"

When I described the leadership tasks, I purposefully did not differentiate between strategic and operational tasks—something that is very common, at least in the sphere of business leadership. I have not done so with good reason. While I cannot always avoid it myself, I regularly struggle with this distinction. What is strategic and what is operational? Is one level about thinking and the other about doing? Is one more long-term and the other more short-term? Does one happen more at the board level, the other more at the executive level?

The distinction between these two types of tasks is very fuzzy and often leads to temptations for abuse. Strategic projects in a company are often the ones on which the most money is wasted and where lower levels of scrutiny, transparency, and control are accepted throughout the organization. They are treated like sacred cows that cannot be challenged. For example, in corporate development or human resources planning, strategic projects are often the ones where voluminous theoretical and conceptual papers are developed without visible consequences and impact in an organization. Or even worse, processes are designed that tend to complicate things by putting form over substance without obvious improvements in effectiveness or efficiency.

I have occasionally met leaders who complained that they did not have enough time for strategic thinking. Some even said that they have to make room in their agenda for strategic reflections. By contrast, when analyzing myself, I often think most strategically when I am most busy. And some of the best strategic ideas come to mind when I don't necessarily expect them, e.g., during an early morning hike in the Swiss mountains on the weekend. I find that some of the most operational tasks have huge strategic consequences, and some big strategic issues call for very operational approaches. In short, as a general guideline, I find this distinction between strategic and operational tasks unhelpful.

The common denominator for leaders across tasks, levels, and functions is that they have to get things done, either through their own actions or through other people's actions. Getting things done always implies a combination of either thinking and doing, strategizing and operational activity, or complicated conceptual work and straightforward action plans. An inclusive leadership approach does just that, by bringing these two dimensions together in a holistic way to get things done. A concept that separates the strategic and operational dimensions may appeal in theory but often fails in practice in the real world.

What does this mean? First of all, leaders have to do "real work" by being directly involved in tasks and projects themselves. Applying formal instruments and methods without mastering the underlying substance does not qualify as real leadership work. Many times in the early phases of my career, when a high rank in the Swiss military was still an important requirement for promotion in business, I observed how business leaders had applied methods from military command to solve business problems in a schematic way. They did this without having bothered to really analyze and understand the true nature of the business problems that they were trying to solve. The results in these instances were business plans with bold objectives articulated in an appealing way that eventually led in a disastrous direction.

The other way around—finding a solution based on a thorough understanding of the business problem but not knowing how to organize and align people to implement it in reality—is also problematic. For example, there was once a famous company in Switzerland that consistently used professional, partly external moderators to organize and facilitate internal meetings. They did this because the internal leaders only felt comfortable in dealing with substantive issues but not in creating an environment for their people to thrive and get things done.

Doing "real work" means that a leader must be able to analyze a problem and write a paper about it himself as a basis for discussion with colleagues. Or it means that he must draft the agenda of a meeting, define both content and process objectives and guidelines, and then review and improve the minutes to make sure clear accountabilities with milestones and deadlines are established. Or it means he must sit down to develop the first draft of a statement regarding an organization's purpose, vision, and values, or to write internal and external speeches by himself, at least in terms of their main structure and messages. Doing real work as a leader accomplishes two things: It (hopefully) clarifies how people should align themselves, where they can find direction and purpose, and how they can design processes in an organization. It also goes a long way toward earning the respect of peers and colleagues.

4.5.2 Practical Suggestions

Doing real work as a leader calls for **rigorous time and energy management**. This involves planning ahead which tasks to choose for one's own work and which ones to delegate, thereby focusing on those with the most impact and the best fit with one's own strengths and capabilities. It also involves thinking through which ones to do when and why. It took me many years to find out which tasks I should ideally do during which times of the day, which days of the week, and which seasons of the year and to organize myself respectively. What I learned was that my effectiveness varies not by a few percentage points but by factors of two to three depending upon which time/day/season I choose. For instance, I can write a speech on a quiet morning at 7 a.m. in an hour's time. On the other hand, I would need three hours to write a speech on any busy afternoon toward the end of the week and would still not reach the quality of the early morning draft.

This approach to managing one's *own* time and energy is the basis for similar efforts at the team and organization level. Taking sufficient time to define and frame goals and expectations early on, at the beginning rather than at the end of an effort, and to direct and channel a team's activities and energies toward the desired solutions are important elements of getting things done. Unfortunately, leadership teams often spend most of their time on reviewing budgets for the next year at the end of the current year when already 90 % of the budgeting work has been done. By contrast, when I redesigned SBC's budgeting process in my role as CFO, I made sure that we would spend most of our time in the early autumn to focus on critical issues that we would like to see answered during the budgeting process. This was an effective way to ensure that our business leaders would spend their efforts on finding answers to issues that we felt were relevant to our corporate strategy, as opposed to finding answers to questions that nobody was asking—a phenomenon that I have frequently seen in corporate leadership processes.

This leads to a second suggestion about how to get things done within a team or organization: **by defining the issues at hand in the form of questions rather than tasks**. By phrasing a desired outcome as a question rather than an activity, there is a bigger chance that the outcome will meet the expectations. Take for example the development of a business plan for a new market. If I clearly articulate my questions at the beginning of the effort (e.g., How big will the new market be? How fast will it develop? What profitability levels can I expect? Who will be the potential competitors and with what products?), this will likely lead to a much richer result than if I ask a business leader to describe and assess the attractiveness of a market and its competitive dynamics. In having to answer specific questions rather than describing vague trends, a team will have a much clearer understanding about what is expected and where to concentrate its efforts.

The third suggestion about how to get things done concerns the overall quality of a deliverable in any leadership task, be it a proposal for a reorganization, a business plan, a framework for risk control, a financial strategy, or the assessment of a leadership team. Depending on the intensity of a process, the capabilities of the people involved, their drive and ambition, and the sheer workload put into a task, an effort will either be hugely impactful or meaningless. Its quality can also vary by factors of two to three. **Setting quality benchmarks** is thus an important tool for helping leaders to get things done. In this case, form can sometimes nurture substance. For instance, at both UBS and Partners Group I made it known throughout the organization that I prefer a well-structured, fully worded memorandum of three to four pages over packages of thirty to forty PowerPoint slides with bullet points. This preference is based on the fact that it takes much less effort to put together a package of slides on a topic than to carefully think through the logic of a short paper with fully worded text. It is also important that leaders provide explicit feedback to colleagues about the quality of such papers, either by praising great examples or by criticizing work that does not meet expectations, so that they can benefit from such exercises as a learning experience.

A fourth, essential suggestion is that **individuals (or small teams of a maximum of three people) should be held accountable for their respective tasks**. I personally spend quite a lot of time reviewing the minutes of leadership meetings that I chair for the simple reason that minutes (and even more importantly pending items lists) are the main tools for planning agendas, setting deadlines, and establishing concrete accountabilities.

Finally, and most importantly, getting things done means that **a leader should motivate, inspire, encourage, teach, praise, support, coach, and—if necessary—challenge, sanction, and punish team members**. Charisma and a people-oriented approach help in this task. Before becoming President of the Group Executive Board of UBS and later Group CEO, I had approximately 15 years of experience behind me as a management consultant with McKinsey and as a bank executive. During these years, I had the privilege of learning from a large number of situations, organizations, and—first and foremost—people. I am sometimes asked by journalists who my role models were as I developed as a leader. I find this question tough to answer because there were so many different people with whom I had close professional interactions and from whom I learned an enormous amount about how to get things done. But those leaders whom I most remember were the ones who could just step into the office for a minute or two and say a few inspiring words that energized us for an entire day or more. Those were the kind of leaders who got the most things done.

All of this advice may sound terribly basic or somewhat technocratic, and to a large degree it is. Nonetheless, these are some of the areas where the greatest distinctions can be made between the most and the least effective leadership. This becomes even more important in our Global Era, for the more complex the environment is, the more complicated the tasks get, and the more important it is for an inclusive leader to ensure that complexity does not lead from analysis to paralysis but rather to action. And action happens when committed, capable individuals or small teams deliver on time, within expectations, and at high quality levels.

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5 Seasons of a Leadership Development Journey

5.1 Introduction

Mastering leadership tasks well and inclusively is challenging. A key follow-up question therefore is: "How can we develop the necessary mindset, skills, and experience to succeed at it?" The theme of leadership development is thus discussed in this final chapter (before drawing some overall conclusions). It is a complicated field, and the complication already starts with terminology: Is it about developing individual inclusive leaders, or is it about inclusive leadership as a systematic process within a team or an entire organization? And what are the implications of this distinction?

When I became Group CFO of Swiss Bank Corporation (SBC), part of my mandate was to coordinate policy issues with the Human Resources Department at the Group level. Leadership development was one of the issues we dealt with. However, at that time, even establishing a human resources function at Group level was highly controversial within the bank. In particular, my colleagues from what was then called "Capital Markets & Treasury" and "Corporate Finance" (the predecessor departments of what later became the Investment Banking Division) were skeptical. They felt that their primary leadership tasks were to identify and hire good people and to ensure that they would be well paid, and they did not understand and appreciate the added value of expertise and policies coming from Group Human Resources in general, let alone a distinct investment in leadership development.

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Compare this view with the opinion of Noel Tichy, Jack Welch's partner in creating General Electric's leadership development center (i.e., the John F. Welch Leadership Center at Crotonville—one of the most high profile efforts in the field of leadership development over the last few decades). In his view, creating a teaching organization is the most important factor for ensuring the sustainable success of a company:

> . . .a company's success is directly tied to its ability to create leaders. The companies with the most leaders are the most successful. And companies get leaders by consciously creating Virtuous Teaching Cycles that constantly improve the abilities of people at all levels of the organization. (Tichy, 2002, p. 152)

The contrasting views above reflect the most frequently asked and unresolved questions in the field of leadership development. As articulated by strategic executive development consultants James Bolt and Michael McGrath, these include: Is leadership development relevant for the bottom line? Are leaders born or made? (Bolt, McGrath, & Dulworth, 2005, p. 117). Other questions are: Can capabilities best be acquired by learning through teaching or learning by doing? Who is responsible for what in leadership development? Is it primarily the duty of the individuals involved, or is it the responsibility of that individual's boss or his boss's boss, or the primary duty of Human Resources and the Chief Learning Officer?

The answers that scholars and practitioners provide for these fundamental questions vary widely, and proposed frameworks and theories seem far from generally accepted. And we have not even touched on the additional topic of inclusiveness yet, which would require answers to other questions such as: Is the development of leadership capabilities keeping pace with the rapid evolution of the challenges we face in an increasingly globalized world? Are the institutions that enable skills development equipped with the relevant expertise and capabilities that are called for? What insights and lessons learned can be derived from relevant experiences to date for the development of future leaders?

In light of the lack of objectivity and conclusiveness in academic literature on this topic, Ken Blanchard (one of the bestselling authors in the field) suggests an important subjective starting point. He calls it "determining your leadership point of view" (Blanchard, 2007,

p. 281). When I occasionally give lectures to students on themes related to my career, I am regularly asked such questions as: What is your leadership philosophy? How do you explain your success? What is at the core of your development as a leader? What lessons did you learn, and what advice can you give? How similar or different are the leadership challenges you faced in the various fields that you were/are active in, and to what extent can synergies be gained? How did your leadership profile change over time?

I will follow Blanchard's advice and use my own leadership development journey as a starting point for a discussion to derive more general insights and lessons that could benefit both current and, more importantly, future leaders. Borrowing from another classic in psychological development literature, *Seasons of a Man's life* (Levinson, 1978), I have organized this chapter into four sections that characterize my professional journey in the form of seasons (see Fig. 5.1). In the section dealing with spring, I summarize my development in the early stages of my professional career when I was a management consultant at McKinsey and then a young executive at SBC. The main goals during this season were to acquire relevant skills and experience, to reflect on where I came from (e.g., why I was who I was and what I aspired to), and to learn my limits. According to Daniel Levinson, spring is about "Becoming One's Own Man." He defined this phase as advancing toward one's goals in life, becoming a senior member in one's world, speaking more strongly with one's own voice, and having a greater measure of authority. He added that this

Fig. 5.1 Leadership Development Journey

progress carries with it rewards, but also the burden of greater responsibilities and pressures (Levinson, 1978, p. 144).

My summer season began when I was promoted to the helm of UBS in December 2001. During this season, the focus increasingly changed from developing myself as a leader to creating development opportunities for others. In other words, it was about finding systematic levers and processes to ensure leadership development throughout the company. After a brief autumn, winter hit brutally and unexpectedly when I had to resign from UBS in the summer of 2007. Dealing with a major career disruption, reconstructing my professional life, reflecting on accountabilities and regrets regarding my journey to date, and developing a new vision of life that would transcend my corporate career and focus on contributions to society at large were among the central themes of this phase of my journey. I finally conclude with a glimpse at my current life, which has a higher level of balance and in many ways resembles a second spring.

5.2 Spring: Becoming One's Own Man

The earliest moment in my life when I can remember having thought about leadership in some form was when I was 10 years old. My father had just been promoted to become an executive board member at Credit Suisse (CS) at the exceptionally young age of only 40 years. While I felt proud of my father and happy for my family, in an awkward way I was slightly jealous of him and thought that I could do the same as an adult. Career ambition is a personality trait that can be traced back to my ancestry.

5.2.1 Reflect on Who You Are

My maternal and paternal ancestors came from a Swiss German, protestant, middle-class background. They were either farmers, mechanics, butchers, pastry cooks, or governmental employees in Eastern and Central Switzerland.[1] One of my grandfathers had a particularly interesting life. Although he came from a humble

[1] Our ancestors apparently migrated to Switzerland in the 16th century from Belgium. The origin of the name Wuffli stems from Belgian waffles.

background, he was able to graduate with a technical education. Then at the age of 20, he boarded one of the first passenger ships to cross the Atlantic in the post-World War I period and established himself in the U.S. For 2 years, while in the U.S., he acquainted himself with a new injection molding technology that he thereafter introduced to the Swiss market upon his return to Switzerland. He then worked for an industrial company where he gradually rose to management level.

His youngest son (my father) likewise followed a successful career path. He was the only one among his three brothers who had had the opportunity to study at a university, the University of St. Gallen, where he earned a PhD in business administration. Thereafter, he pursued an outstanding career at CS. My mother was the daughter of a dentist in Northern Switzerland, and she graduated from college with a commercial baccalaureate. As was the norm in those days, she was responsible for the organization of the household as well as the education of the children (my brother and myself) and was in many respects the emotional center of our family.

I was born in Switzerland in 1957 and spent the first year of my life in New York, where my father was completing an internship for CS. A few years later, following our return to Switzerland, I attended school in the canton of Zurich. Our family life was guided by the middle-class virtues and qualities typical for the time, which included a sense of duty, discipline, order, honesty, frugality, moderation, and decency. Somewhat hidden below the surface was my emotional life, my deep enjoyment of music, art, and poetry, together with a love for nature and a strong need for harmonious and authentic human relationships.

Within these parameters, my parents gave me a lot of room for independent development and encouraged most of my initiatives. This attitude reflected their trust in my judgment and my abilities early on. "Help yourself, and God will help you" was a frequent motto in my family. As a kid, I took part in numerous activities, the most life shaping of which was my passion for radio amateurism. At the young age of only 15, this commitment helped me to connect with many people across a large number of countries who shared the same hobby. It also allowed me to get comfortable with speaking different languages and awakened my interest for the world beyond the Swiss borders. This hobby was, quite possibly, my first experience of openness to the world and may have served as the basis for my inclusiveness approach to life. It also prepared the groundwork for two longer stays abroad later on during my academic years, one in Spain and one in Mexico.

My process of maturation was accelerated by two different strokes of fate that affected my family. The first one occurred when I was 17; I lost my younger brother in a tragic car accident. This incident deeply impacted my family and me. I was confronted with questions of life and death at an age when others were simply enjoying the opportunities and temptations of this special season in life. It also had the effect of bonding our small family of three together. I was treated as an equal vis-à-vis my parents and no longer felt like one of two kids in a family of four. As a result, we developed a discussion culture at home that was characterized by a level playing field, while the typical paternalistic parent-children asymmetry was largely absent. Thanks to my parents, this was a real world lesson in inclusiveness that surely shaped my character. The discussion culture within my family likewise inspired my view of partnership principles as an essential foundation for leadership.

Three years later my family suffered another stroke of fate. At the age of 50, just after being nominated as President of the Executive Board, my father had to resign from his position at CS as the result of employees' criminal activities. This was the first time in a big Swiss Bank that a scandal fueled by tabloid media forced "heads to roll." The roller coaster of seeing my father transformed from a celebrity in Swiss banking to a "non-entity" from one day to another was a shock for my mother and me and for many of our relatives and friends. It was also my first exposure to opportunism as a core human trait. Some former colleagues afterwards even switched sides of the street when walking in Zurich in order to avoid having to greet my father, despite having sent him warm postcard greetings during their holidays before his resignation.

Although this sobering experience had a tempering effect on my ambitions, I maintained my aspirations to pursue a career in business and economics. However, I did not consider a career in banking at the time, for I found the prospect of working at the bank where my father had made his career equally as unappealing as working at a financial institution that was in competition with CS. I had developed an interest for economics early on and chose to study business at the University of St. Gallen, not because my father had studied there, but rather in spite of this fact. The primary reason I decided to study there was because this gave me an excuse to live independently away from home. My specialization was in international economics, with a particular focus on developing countries; I graduated in 1984 with a doctoral thesis on Swiss direct investment in Mexico (Wuffli, 1985). It was at that time that my passion for themes such as globalization, ethics, and economic development was cultivated—a passion that still remains alive to this day and helped to shape the creation of elea Foundation 22 years later.

Why am I telling this personal story? The longer I observe myself and other people with leadership responsibilities, the more convinced I am that family origin and early upbringing have an important influence on one's leadership approach, style, and effectiveness. Having grown up in a family with strong personalities, an intense culture of debate, and deeply rooted virtues is an advantage that can hardly be overestimated and for which I am forever grateful. The pioneering attitude that my grandfather exhibited around the time of World War I and the stories that my father told about it were clearly a factor that contributed to my openness to the world and to my perception of globalization primarily as an opportunity and not as a threat. I am also convinced that the trust my family and others showed in me during my youth helped to influence my leadership philosophy of trusting colleagues by delegating leadership tasks to them, while holding them accountable for results and outcomes, rather than micro-controlling them and others. Furthermore, experiencing several life-altering strokes of fate during my youth put things into perspective and gave me the inner independence and strength to deal with other adversities later on in life. Taking the time to reflect on who you are, where you come from, why you are who you are, and what has shaped your inner life is something that I have practiced for many years, and I consider it an essential starting point in leadership development.

5.2.2 A World of Opportunities

From my earliest childhood, I was confronted with the banking world on an almost daily basis. Whether I would want to work in this world at some point in my life was therefore a valid question early on, but one which I avoided for quite some time. When selecting my first professional engagement, an important criterion was independence from the world of big banks in which my father had had a huge influence. A first answer to this challenge was a 6 month internship in the economics department of the *NZZ* (the leading daily newspaper in Zurich), which has a reputation for independent, high quality journalism within an ideological framework of liberalism. I learned a lot there, among other things the ability to organize thoughts and to put them in correct written format while working under time pressure.

After completing my studies at St. Gallen, considerations of independence also played a role when I applied for a job as a consultant at McKinsey—a firm that operates based on meritocratic values on a global scale, far beyond the reach of my father's influence. It was there where I learned a lot about being a leader and about leadership development. McKinsey is built around the idea that young talent can be trained, shaped, and developed to acquire broad-based leadership capabilities and to adopt a distinctive leadership profile over time. While assessments about the value of management consulting versus other professional roles vary widely depending on one's perspective, the unique advantage that McKinsey offered at the time was the possibility to be assigned to a substantial number of rather short engagements across different industries, countries, and types of problems to be solved. Consequently, I was exposed to and could learn from an impressive variety of role models (both internally and externally) with distinctive leadership profiles and capabilities as well as diverse strengths and weaknesses. It was up to me to choose which ones to imitate or to avoid. Already then, I had started to develop my own typology of different leader profiles. I was particularly attracted to those leaders who could combine an analytical, fact-based approach with the ability to convince a team to practically engage and get things done. To the contrary, I was turned off by those who tried to compensate for a lack of competence and knowledge with smart political maneuvering.

Heavy pressure was a consistent element of my working life at McKinsey during this phase due to the mismatch between responsibilities and authorities. For example, my second assignment was to improve sales productivity at the Spanish subsidiary of a big Swiss insurance group. The McKinsey manager who had been assigned to this project had left the firm shortly after I had started, so I found myself doing his work as well after less than 2 years with the firm. Another young associate from our Lisbon office was assigned to support me on this project, which gave me my first experience in leading a colleague. This was particularly challenging, as I was not prepared for the responsibility, and my colleague was not much less experienced than I was. It was also probably my first experiment in addressing a leadership situation with partnership principles. Another stretch assignment that taught me some valuable lessons was an efficiency improvement program at the New York subsidiary of a big Swiss bank, whose boss was adamant about rejecting the idea that management consultants could make a positive contribution. In working hand in hand with the internal project leader, we were able to convince the mid-level managers about the opportunities of this effort. These experiences taught me a lot about how to get things done in an organization even when there is no support from top management.

A further example of adverse conditions from which I learned a great deal was an assignment at a Swiss engineering company that had a strong engineering culture and where I ran a large business development program as the only economist on a team of engineers. Under these circumstances, it was initially very hard to be accepted by the team as a still rather junior project leader. I therefore spent a lot of energy and effort on listening to the engineers and trying to understand their perspectives in order to, at least partly, speak their language and be respected and trusted over time.

I owe a lot to all of these challenging tasks to which I was assigned and all of the training and experience that I acquired as a result. As a consequence, I was able to develop a wide range of professional skills, and I got used to working hard under challenging, and often adversarial, conditions. Furthermore, the fact that I was continually confronted with ever-changing tasks in ever-changing environments kept me from developing a feeling of entitlement and ownership, which often hinders change in other, less dynamic organizations. On the other hand, starting over and over again with new clients and new engagements without seeing through the consequences of our recommendations started to wear on me, and I began to show signs of fatigue. After 10 years of working as a consultant, I was open for a new professional challenge, and I increasingly felt a desire for a longer term role with executive responsibilities in another organization.

It was at that time that I was offered the position as CFO at Swiss Bank Corporation (SBC). This was a newly created role that combined certain line management responsibilities with strategic and conceptual tasks, thereby allowing me to leverage the professional profile and experience I had developed at McKinsey. It was not easy to leave McKinsey, and SBC had suffered materially and reputation-wise due to its massive credit losses during the Swiss real estate crisis, but following a long period of back and forth reasoning, I finally decided to accept this opportunity. It may well be that my upbringing in a "banker family" was the tipping point in my reaching this conclusion, in spite of my earlier reservations in this regard. But more importantly, it was just the kind of challenge that I was looking for and one that would lay the foundation for the next phase of my career. SBC had just embarked on its radical transformation program, and I would become a part of the core team driving this important effort.

When I joined the management team at SBC in 1994, I had my hands full trying to establish the CFO position as a professional, "value adding" function that supported the overall metamorphosis of the bank. Important elements of this effort were the implementation of new planning and budgeting instruments as well as performance measurement systems to better define ambitions and focus and to strengthen the accountability of leaders. There was also a clear understanding between management and me that the CFO role was an important entry position but that at some point in time I would lead a business within the bank. After 6 years in this role, having experienced the turnaround of SBC and then the negotiation and integration of the merger with Union Bank of Switzerland, I felt the need to move on and thus started discussions internally about a possible next assignment.

The opportunity struck when Gary Brinson, my colleague in charge of UBS Brinson (later to become UBS Global Asset Management) at the time, asked me whether I would be interested in becoming his successor, which would involve moving to Chicago for at least 2 years. I was intrigued by this opportunity and immediately declared my readiness to discuss it further. A few months earlier, one of my best friends from university had decided to transfer to Chicago with his family. I had strongly advised him to take this opportunity and had discussed it intensely with my wife. We both felt a bit jealous that we did not have a similar opportunity. As a result, when I came home from work and asked my wife whether she would still be ready for an assignment in Chicago, we both felt immediately excited about this adventure for our family.

Following up on this idea with my CEO and with the board, I sensed very limited enthusiasm. UBS Brinson was regarded as a business with huge challenges. It was the smallest of the four business divisions and the one where integration had been the most difficult after the merger. Also, given its fundamental value approach to investment management, its performance had suffered terribly during the stock market hype of the dot-com bubble, which resulted in institutional investors withdrawing billions of mandated money. Another complication was that it was not obvious who would take over my position as CFO. The chairman felt that I was only interested in this opportunity because of my ambition to become Group CEO, and he tried to convince me that this route would be more risky than staying on as CFO. These debates made me think a lot about my ambition and career plans going forward, and I had to answer questions about my intentions to the entire board of directors. I recall saying the following: "I can very easily imagine a happy life without ever having been the CEO of UBS. I learned early in life how fragile such positions are and that there is a fine line between success and defeat. However, I could also imagine a situation in the future where I was unexpectedly, with little time for reflection, asked to become the CEO. And then I would want to be in a position of having sufficient self-confidence in my own qualifications for the job. But without the experience of having run a business division, I would feel that I lacked both the necessary professional skills and the required credibility vis-à-vis my peers."

After a lot of back and forth debates, the move finally happened. In the summer of 1999, my family and I transferred to Chicago. While challenging, particularly on the professional front, it was a highly rewarding experience. Privately, we enjoyed an intense, positive family life in an environment that was new for all of us. And professionally I learned important lessons about how to build an effective, cross-cultural leadership team, how to deal with an important and urgent turnaround situation, and how to find acceptance as a Swiss in the U.S.

5.2.3 Insights and Takeaways

So what did I learn during this season of my development, and what are some more general insights? First of all, I acquired a valuable set of practical skills—many of them useful for leadership tasks—across a broad range of fields. These included analytical tools and conceptual frameworks as well as methods for engaging teams, working across cultures, solving problems, and articulating solutions. The experience of acquiring these skills across an extensive range of assignment types, functional areas, industries, companies, and geographical locations nurtured a conviction that a large number of methods and instruments are transferable and can be applied broadly. My appreciation for an inclusive, versus an exclusive, leadership approach was already starting to form.

I also got used to working hard and learned how to manage the physical and emotional energies required of such work. And most importantly, I became realistic about my capabilities as well as my limits and learned the value of self-reflection (in terms of how to improve myself) due to the frequent feedback I received from people whom I admired and respected. It became clear to me that I was the primary one responsible for, as well as the primary beneficiary of, my development. While corporate programs can positively contribute, this task cannot be delegated.

Therefore—as a first general insight—when asked by young people in their "spring" season for advice based on my experiences, I recommend that they prioritize diverse learning and development opportunities over considerations regarding pay and career advancement. Facebook COO Sheryl Sandberg gives similar advice by encouraging people to reduce their career spreadsheets to one column: potential for growth. She refers to careers as "jungle gyms" rather than "ladders," since career paths nowadays no longer evolve vertically, but instead offer more creative exploration and various ways to get to the top (Sandberg, 2013, p. 52). This also means that individuals need to take their careers into their own hands and feel responsible for their own development as future leaders. All too often, people believe that someone else is responsible for their development, whether it be the Human Resources Department, their managers, or their mentors/coaches (Petrie, 2011, p. 6).

A second insight of a more general nature is that skills development should be practical rather than theoretical. All too often leaders are taught about leadership, rather than being given the opportunity to learn about it by experiencing it firsthand. The many challenging assignments I was given at McKinsey, and later at SBC and UBS, were instrumental in developing the leadership capabilities that I needed to continue on my path. Based on my own experience, I therefore strongly believe that job assignments are one of the most effective leadership development tools. Alternating professional assignments across functions, geographic locations, or even industries is also considered by leadership development scholars to be among the most effective ways to build such capabilities: "The most common way to prepare executives for leadership is to give them accelerated experience across different domains, by rotating them through a series of projects, functions, lines of business, or geographies" (Anand & Barsoux, 2013, p. 77). But not just any kind of assignment is effective in developing leaders. Research has shown that the most effective active learning comes from giving leaders job assignments that really stretch them, for instance by putting them in a business that is unfamiliar to them or in a different country (Mercer Oliver Wyman, 2007, p. 13).

Thirdly, in line with my proposed one world perspective, leadership development should be as global in scope as possible. In other words, leaders need to have practical experience within multilingual teams and in multicultural environments to be successful in our Global Era. My assignment in Chicago for UBS was a significant building block in my development as a global leader. International assignments allow leaders to develop sensitivity to other cultures and an appreciation for cultural diversity. Leaders with heightened cultural sensitivity are also better equipped to lead heterogeneous and diverse teams, and this gives them the ability to think globally and increases their awareness about global perspectives: “To be effective in global roles, leaders require experience working and living in multiple countries. Extensive travel overseas is no substitute for living there, gaining fluency in local languages, and deeply immersing in the culture” (George, 2012). Yet, sometimes longer assignments abroad are not possible. In this case, another way of effectively developing global leadership skills is to take extended business trips. For example, a manager can work intensively with a local team for a couple of weeks or months as a means of immersing himself into the local culture.

At elea Foundation, we offer the opportunity for companies that are partnering with us to go one step further by providing talented people with leadership potential within those companies the ability to take part in entrepreneurial initiatives for fighting poverty. This not only helps them to acquire diverse skills and experiences, but it also expands their horizons in other important ways. For instance, they learn about the value of building bridges between private companies and social enterprises. It also gives them the chance to reflect on deeper ethical issues regarding our responsibility for the global challenges that society is facing. We learned about the benefits of such an approach through our partnership with Accenture Switzerland. The CEO of this firm made the partnership with elea Foundation an essential part of his corporate responsibility program. He also linked it explicitly with leadership development when he mandated a team to support one of our investments in Kenya.

As a final insight, I also encourage young people to seek balance beyond their professional lives. The lifestyle of young consultants, investment bankers, and lawyers today is scary. They work from early morning to late at night, often with assignments on weekends, leaving almost no room for a private life. In essence, they are leading unsustainable lives. Due to globalization, business life has become much more accelerated, and technology enables us to always be connected. It is, however, the responsibility of senior leaders not to exploit this and to shield their employees from the unreasonable expectations of clients. I have tried very hard, even during my toughest assignments, to have time for family and friends, to avoid making weekends regular workdays, and to take all available vacations. Sacrificing a family for short-term professional objectives is one of the worst things that one can do. To avoid this, one should be aware of and appreciate his limits both in terms of skills and ambitions. For example, the discussions I engaged in about my reassignment from the CFO position at UBS to the Head of UBS Global Asset Management in Chicago involved a lot of thought about the hierarchy in my priorities. I learned that the immediate question to be answered when confronted with such a new opportunity is "Can I do it?" closely followed by "Do I want this?" Yet time and time again I was surprised to observe in career discussions how often candidates take it for granted that they have the abilities to succeed. In my view, not being promoted is far better than being over-promoted into a position that has requirements which exceed an individual's personality and skills set.

5.3 Summer: Creating Opportunities for Others

The summer season of my leadership journey began with my unexpected appointment to the top executive position of UBS in 2001. By that time UBS had settled into a successful path, following a short readjustment in response to the burst of the internet bubble, which had affected UBS much less than most of its competitors. David Levinson would probably describe this season of my life as "advancement within a stable life structure," which he characterizes as follows:

> Here, life proceeds more or less according to expectations. . .his ambition heightens from within and an emphasis on advancement is intensified from without. . ..To a large extent, he succeeds. He may experience a good deal of hardship and suffering, but the stresses are manageable and the satisfactions outweigh the difficulties. (Levinson, 1978, p. 151)

I worked hard, traveled a lot, and had full workdays without much room for leisure or undisturbed thinking. While I had focused my energies in the spring season of my career on developing myself as a leader, the development of others as leaders became more important in the summer season. I spent a lot of psychic energy on listening to clients, coaching colleagues, orchestrating meetings, making decisions, resolving tensions and conflicts, managing crises, and representing the bank at official events. On several occasions when I had to play a representative role and act more in a ceremonial capacity, I sometimes asked myself whether it was the person in the grey or blue suit that actually mattered to the people I met or simply my title and position. Perhaps it was a bit of both. But knowing the answer to this question was not important, for success and a sense of accomplishment were the important motivations for me during that life phase, as well as a key source of satisfaction and happiness. My life was busy, interesting, and challenging, and I enjoyed it.

At the same time, however, I continued to adhere to my belief in the importance of keeping balance in my life beyond my professional career. My wife and our three children are very important to me, and they provided me with valuable emotional support and kept me down to earth. I thus took great care to protect my family life: I managed to take 2–3 weeks of summer holidays every year; I rarely worked on weekends, except for longer overseas trips and emergency situations; and I treated important time commitments with my wife and our children, such as visiting days at school or conferences with teachers, exactly the same as professional commitments with clients or staff. I also made it a point not to neglect my friends from the times before I made a career in banking. Furthermore, I maintained some commitments and took on a few new ones that were not strictly critical for my success at UBS but that I considered important duties and contributions for the benefit of society. In doing so, I followed the advice of Noel Tichy that "business leaders must engage as citizens" (Tichy, 2002, p. 256ff.). Consequently, after accepting my appointment as President of the Global Executive Board (GEB) in 2001, I decided to maintain my positions as a board member and Vice Chairman at IMD, I joined the board of the Zurich Opera House, and I got more actively involved in supporting the Swiss Liberal Democratic party, an important political party in Switzerland with a liberty-centric agenda. In 2005, I also began to develop my thoughts about the creation of elea Foundation for Ethics in Globalization.

5.3.1 Establishing a Leadership Development System

With the shift of my focus from developing myself as a leader toward fostering leadership development throughout UBS, I started to reflect on how best to set up a professional leadership development system. In my new position, there were many leaders who either reported directly or indirectly to me. As I have expressed numerous times throughout this book, I am not a believer in the value of cultivating a single charismatic leader to ensure the high performance of an organization. Instead, I favor the establishment of a participative organization that endures beyond individuals, where leadership is assumed at every level. I fully agree with the well-known leadership scholar Ken Blanchard when he brings this thought to the point by saying, "High performing organizations do not depend on a few peak performers to guide and direct; rather, they have broadly developed leadership capabilities" (Blanchard, 2007, p. 14).

The process for developing other leaders already started before I took on the top job at UBS in 2001, when I discussed my views about the future top team with the chairman. My choices about who would be a part of the new team, with implicit preferences for certain types of leadership personalities over others, was in and of itself an important signal to the organization about my views on leadership development. A more broadly visible step that I took to articulate my commitment to a professional leadership development system was the creation of the "UBS Leadership Institute" in 2002, a small organization with a handful of dedicated leadership development professionals under my direct watch. Given that UBS was in many ways still a patchwork of different business structures, each with its own culture, to deliver on our organic growth plan the Group needed to align itself to a common overall strategy and identity by creating "one UBS." The objective of the UBS Leadership Institute was to help align and develop our top leaders toward our new corporate agenda and to introduce a more client-focused culture. To achieve this objective, the Institute focused on understanding and strengthening the leadership profile and capabilities of the approximately 600 most senior leaders across UBS and then rolled out the new strategy and culture throughout the whole Group.

A professional leadership development system was thus created that provided business relevant learning experiences as well as practical leadership challenges by offering complementary programs. It was based on collaboration among leaders across all UBS business groups and was occasionally supported by external leadership development experts. This effort was conceived of as an inclusive and completely integrated element of our corporate leadership agenda. It was not an isolated learning and development initiative by Human Resources that was decoupled from the day-to-day business. To provide additional support for this integrated effort, I was directly involved as the sponsor of this initiative.

An important, initial contribution of the UBS Leadership Institute was to support the process for implementation of a new vision and values statement for UBS. The first step of this process included a debate among the members of the Group Managing Board (GMB) at the Annual Strategic Forum (ASF)[2]. One outcome of this debate was that leadership workshops were organized across the entire organization. These were led by GMB members whose job was to explain the meaning of the vision and values statement in detail and to make the values applicable and relevant for daily work. A new mentoring program for senior executives was also launched at the ASF, whereby the Group Executive Board (GEB) members would mentor GMB members, who in turn would mentor other key leaders within the bank. Following the success of the ASF another event was launched: the Senior Leadership Conference (SLC), which was a gathering of the top 600 global leaders across UBS. Its objective was to create unity and alignment around the UBS strategic agenda and to ensure the capacity for its execution.

A final element of the professional leadership development system at UBS was the creation of an executive development program for senior leaders, called the Global Leadership Experience (GLE), whose goal was to foster leadership skills and the sharing of best

[2] The Annual Strategic Forum was an event held off-site once a year to review and discuss important strategic and organizational themes. The Group Managing Board comprised the approximately sixty most senior leaders that reported to the Group Executive Board, UBS's top executive team.

practice experiences. Run at the Group level, it involved the chairman, the Group CEO, as well as GEB and GMB members as sponsors, leaders, and faculty. Most of the teaching was conducted by UBS senior leaders, which allowed for content to be business-specific.

5.3.2 Assessment of the UBS Leadership Institute

During the 5 years that I oversaw this leadership development effort at UBS, close to 600 managers attended about 8,000 days of strategic leadership seminar programs, thereby broadening their professional network across the Group and creating concrete projects and business opportunities. The overall objective was that the company would evolve over time toward a more open, trusting, collaborative, and thus more ethical culture. This holistic approach to leadership development was seen by several experts in the field as exemplary, and it was documented as a case study in several books.[3]

In 2014, I had a discussion with Chris Roebuck, who was a member of the UBS Leadership Institute at the time and is now a visiting professor at Cass Business School in London, as well as an author and consultant on leadership development themes. We exchanged our views and experiences and had a good talk about the achievements and disappointments of the UBS Leadership Institute. In the end, we both concluded that the approach we took at the time was the right one and is still today in line with best practices.

In terms of achievements, the UBS Leadership Institute was designed to launch and support an ongoing process, not a single one-off event or program. It was also fully aligned with UBS's vision and values statement. In many ways, it followed the advice given by my colleagues at IMD in their comprehensive book *Quest: Leading Global Transformations* regarding efforts of this type, i.e., that "…developing leaders is not a program, but a journey. The best exponents continually review their approach to try to make it more

[3] See for example the books *Strategic Executive Development: The 5 Essential Investments* (Bolt et al., 2005), *Lead to Succeed* (Roebuck, 2014), and the Harvard Business School case study *UBS: Towards the Integrated Firm* (Lal, Nohria, & Knoop, 2006).

inclusive, more integrated and better aligned to the skills needed by the next generation of leaders" (Anand & Barsoux, 2013, p. 88).

Another scholarly article emphasizes that leadership development should have a direct link to the business:

> . . .organizations must develop leaders and leadership competencies that correspond with and are specific to their distinct business challenges and goals. . .. The leadership competencies of a best-practice organization uniquely fit the organization, its particular strategy, and its business model. (Hernez-Broome & Hughes, 2004, p. 28)

Similarly, the UBS Leadership Institute was fully aligned with UBS's business strategies. This was achieved in two ways. Firstly, the business relevance and professionalism of the Institute, as well as line management's commitment to it, were ensured by the combined involvement of Human Resources and line management. Professor Shlomo Ben-Hur at IMD warns against an overreliance on just Human Resources (HR). Handing over leadership development responsibilities to HR might have the advantage of freeing up capacity for the line managers to focus on the business, and HR is able to have a more holistic view of talent supply and demand and is designed to manage career paths across the company. However, the risk of HR's over involvement is that line managers will no longer feel responsible for the development of their people. This is important, as line managers play a crucial role in the development of their direct reports: "Line managers are close to their people and can detect their real strengths and areas for improvement, as well as what makes them tick. They play a vital role in both development and retention" (Ben-Hur & Barsoux, 2014). Furthermore, top management's clear and visible involvement in the Leadership Institute showed their commitment to leadership development. Not only was I its direct sponsor, but my GEB colleagues and I were involved in nominating senior leaders to participate, we acted as teachers in developmental programs, we were mentors to high potentials, and we showed our commitment by attending and actively participating.

While there was a lot that we felt we could be proud of regarding the design and early implementation of this initiative, with the benefit of hindsight, it also provided me with some more sobering insights about the challenges that organizations face in creating a professional leadership development system. In my discussion with Chris

Roebuck, where we reflected on the impact of the UBS Leadership Institute, we both agreed that we had simply not had enough time to realize the full potential of our new approach to leadership development. It was just a beginning, whereas development journeys are actually a matter of decades, not the usual 2–3 year time periods as is common in large corporations today.

These sentiments were echoed by the experienced U.S. corporate leader Robert Knowling when he said that the issue of longevity is "the hardest part" of leadership in his foreword to Tichy's *The Cycle of Leadership* (Tichy, 2002)—one of the best-selling books in this field:

> I have been fortunate in my career to have had repeated opportunities to move on to bigger leadership positions... This movement has had a downside, however. It is that I did not stay long enough to change the DNA of these organizations, to ensure the perpetuation of the leadership cycle. The most painful thing that I've ever gone through as a leader is leaving an organization and seeing the good work, the results of a lot of hard effort on my part and on the part of the brave and dedicated team members who worked with me, get erased because we didn't get the needed mind-sets and values encoded deeply enough in the DNA of the organization. (Tichy, 2002, p. xviii)

This observation is even truer today than it was over a decade ago when it was written. I agree with Preston Bottger of IMD that, at a minimum, "executives have to stay in each job long enough for their failures, as well as their quick wins, to show up. When we rotate them too often, they become experts at just one thing—starting new initiatives" (Anand & Barsoux, 2013, p. 83). Martha Maznevski, another professor at IMD, points out that research on expats has shown that assignments of a minimum of 4 years, or even better 5 years, are needed for a manager to be able to see the impact of his actions. A company that sends its leaders on 2–3 year assignments is not developing leaders who learn to live with the long-term impact of their decisions (IMD, 2014).

Another challenge of the leadership development system at UBS was the realization that the support for and commitment to this initiative was very uneven across the bank. Our investment bank in particular did not see a lot of value in reviewing and eventually changing our culture and in becoming more systematic about the development of leadership skills. This also had to do with the fact that our investment bank, more so than other divisions of the bank, was created from various mergers and acquisitions. As we had already learned with the merger of Swiss Bank Corporation (SBC) and Union Bank of Switzerland, it is very challenging to effectively inspire, align, change, and shape such a large, diverse group of senior executives with different backgrounds, skill sets, and personality types. Albeit it a purely hypothetical thought—and one that can never be proven—it may well be that a stronger and broader based commitment to systematic leadership development across all divisions of UBS could have helped to prevent some of the fatal consequences from which UBS suffered during the global financial crisis that started in the autumn of 2007.

5.3.3 Dealing with Diversity

The broad range of different leadership personalities, with their diverse styles, that make up the leadership structures of most large global firms is indeed a fundamental challenge that can stand in the way of systematic leadership development. Reflecting on the people I have come across during my career so far, I have developed my own leadership classification approach as follows:

- **Intellectuals**: These personalities are very knowledgeable, have a broad overview about today's, yesterday's and tomorrow's ideas, and are used to solving problems analytically and conceptually. They tend to see the world in a complicated way and are often sensitive to criticism. They sometimes find it hard to take a decision, as they consider its many implications. Oftentimes they are introverts and find the development of social contacts energy-consuming rather than energizing. Their success is primarily based on their intellectual capabilities. Consequently, they tend toward intellectual arrogance. They come across as somehow "untouchable" and are seen as somewhat technocratic, lacking warmth and human touch.
- **Charismatics**: They are the most common type of corporate executive personality, at least in the Anglo-Saxon world. They are inspiring, motivating, and energizing for others. When they enter a room, they immediately dominate the scene. Their success is

based on their personality, and they are often seen as power seekers. Structures and processes have little value for them; they typically view them as a bureaucratic nuisance. Their decisions are often intuitive, based on “gut feelings.” Because of this, they don’t always react well to rational, thoughtful objections. They have big egos and are typically not humble, but thanks to their obsession with their vision and their inspirational force, their weaknesses are often generously overlooked.

- **Careerists**: They lack superior intellectual capabilities as well as influential personalities and thus compensate with ambition, hard work, technical skills, and perseverance. Their loyalties first lie with their own careers. Careerists are very useful for the company because of their high commitment and predictability, but they are not particularly popular among employees. They can also be dangerous at the top of organizations because of their opportunism and lack of intellectual independence.
- **Networkers**: Most of the time their career progression occurs through client service and sales, and they know “everyone in the world and his wife.” They are usually pleasant and sociable and can be seen at all social occasions. Typically extroverts, they feel energized by attending social gatherings. They have a tendency to confuse other people’s ideas and knowledge with their own and to opportunistically adapt their views and convictions to each relationship. They are popular and are considered human, though the effectiveness of their commitment is sometimes questionable.
- **Specialists**: Their performance and motivation is based on concrete involvement in specific tasks. For example, in a bank they may be an IT developer, a finance controller, a securities trader, an investment banker, or a portfolio manager. They are promoted to manager positions thanks to their outstanding work, though they might lack the needed leadership qualifications, such as people management skills. Their importance has significantly increased due to the higher levels of complexity and technological progress resulting from accelerated globalization. Their mantra sometimes is: things would be easier if there were no people. Hence, they tend to lack interpersonal sensitivity and are not very effective in understanding team dynamics and in resolving conflicts.

- **Mercenaries**: The mercenary types are mostly interested in money. In the last 20 years, they could often be found in the global investment banking world, but not only there; they even exist among musicians and business school professors. They can be recognized by their frequent discussions about the right remuneration, and they debate this with various ethical arguments. For instance, a colleague of mine once told me that he had had a dream about receiving a godly mandate to become a billionaire (I believe he was not joking!) and had to use his talents (he was extraordinarily talented) from an ethical point of view for this purpose. Another one refused to take part in any discussions for weeks, because he felt underpaid and wronged after having received a very substantial million dollar (USD) bonus that in his view fell short by a few million. From today's perspective, this behavior may sound outrageous, shameful, or ridiculous, depending upon one's standpoint. But both cases were meant to be taken seriously and show the broad scope of ethical reflections in the real global world.

This typology illustrates the enormous diversity of structurally different types of leaders, a list that is far from exhaustive. All of these different personality types—and in the real world they mostly appear as some combination—exhibit different leadership behaviors, are grounded in different ethical systems with diverse virtues, and typically have their own distinctive development needs. This poses a huge challenge to companies seeking to achieve effective alignment and leadership development. Other factors, such as cultural and familial background, education, career histories, and what is sometimes called "three G" diversity today (i.e., geography, gender, and generation) further complicate the picture.

Consequently, executives in charge of developing either individuals or teams as leaders have to address questions such as: How should I define my portfolio of desired leadership profiles? When putting together a leadership team, should I focus on choosing individuals with similar profiles in order to ensure a consistent "unité de doctrine"? Or should I prioritize diversity and make it as inclusive as possible, thereby ensuring the representation of a broad range of perspectives and styles that is typical in a large global organization?

Furthermore, based on what reflections and criteria should I make these determinations? Should they be primarily driven by industry and business requirements, by the internal culture and values of a company, or by my personal preferences and biases? How should I then seek to understand the profiles of the existing leaders and define their individual development needs? And how should I support and monitor whether the actual development of these leaders has been successful? Finding answers to such questions is quite possibly one of the most demanding and complicated tasks of any leader in a top management position.

At UBS, we addressed these questions by leveraging our performance measurement and management process (PMM). Besides its use for annual performance reviews, this was also an important instrument for developing leaders throughout the company. It consisted of an intense, structured dialogue regarding not only individual performance but also leadership potential and development measures for each employee at every level of the company. This process was owned by line management but was professionally supported by Human Resources as a strategic partner. Its philosophic underpinning was the belief that leadership development is a joint responsibility between the individual and the organization. Moreover, it followed the "grandfather principle," insofar as reviews would take place at two hierarchical levels above an individual to ensure that there was a good balance between knowledge and familiarity with a person versus the required objectivity.

As a part of the PMM process, once a year at the GEB level we organized an extensive debate that involved the upper two layers of management and where two types of tasks were dealt with. The first task concerned the organization chart and called for the identification of either immediate or midterm succession candidates across the entire organization for each position in the upper two layers of management. All identified candidates were assessed based on their capability profile, their character and values, as well as the gaps that needed to be filled in order for them to be considered for the next position. Important input for this meeting was an anonymous 360 degree review process where superiors, direct reports, and peers were invited to contribute their views about the identified candidates. Following this meeting, the GEB members defined responsibilities in terms of working out individual development plans for each candidate, with the goal of closing those gaps that seemed accessible to improvement measures.

The second task involved the identification of outstanding, high potential candidates throughout the organization who seemed underutilized in their current role relative to their potential. There, the focus was on finding the right assignment to develop their capabilities. While there was sometimes an overlap between the outcomes of these two tasks, they were held apart, as the perspective was distinctly different: one was more focused on the organization's needs, and the other on the development of an individual's potential.

5.3.4 Developing a Diverse Top Leadership Team

How to deal with diversity is a particular challenge at the top of an organization when the development of a board of directors and an executive team are concerned. When I joined SBC, for example, our board had 24 members and was—at least in some respects—highly diverse. Following an extensive transformation process and the subsequent merger with Union Bank of Switzerland (which had a board of the same size), we reduced the combined number of board members from forty-eight to twelve, at the expense of some diversity. The GEB also clearly lacked diversity—it was "male and pale." One of the possible reasons why UBS fared less well during the global financial crisis of 2007/2008 than other banks could be due to the lack of diversity among its leaders. As a consequence, the board had an insufficient scope of imagination for risk scenarios, as well as a shortage in certain technical skills (e.g., specialized knowledge of the fixed income business).

Reflecting on my professional experience, as well as on the implications of the inclusive leadership framework presented in this book, if I were advising someone on how to design the architecture of a top management team today, I would rather err on the side of diversity. When I became Chairman of Partners Group, diversification of the board along several dimensions such as gender, region, and industry expertise was a high priority for me. I also encouraged and fully supported our co-CEOs at Partners Group when they chose to combine a small, less diverse executive committee for day-to-day operational decision-making with a large, diverse global executive board to help develop and implement strategies and foster a one-firm, inclusive culture. Taking into account today's technology, with its simple use of video conferencing and virtual boardrooms, leading and developing even large teams of over 20 members is easier than ever.

This argument in favor of diversity is very much in line with evolving best practices. As a report on human capital trends by Deloitte (a leading audit and consulting firm) asserts, a one-size-fits-all approach works less well in today's Global Era, and different situations require different kinds of leadership:

> Many companies have spent decades trying to identify and clone the mythical perfect leader. But it turns out there is no such thing. Businesses today face a virtually unprecedented variety of challenges…. Each of these unique challenges requires a unique kind of leader. One size does not fit all. (Adachi, Gretczko, & Pelster, 2013, p. 20)

Similarly, a survey among human resources executives revealed the belief that top leadership groups in the future will be characterized by people who have a greater diversity of experience and "thought styles," e.g., more analytical styles versus more "by the gut" ones (Thomas, Bellin, Jules, & Lynton, 2013).

But can higher levels of diversity within a top management team diminish its effectiveness? Differences in personality, leadership style, cultural background, experience, as well as language indeed make it harder for teams to effectively work together and align themselves, especially in times of conflict and crisis. As a study by the Center for Creative Leadership states, the recent rise in the use of diverse senior leadership teams has not (yet) been matched by an increase in the ability of CEOs and senior leaders to effectively work together and leverage the potential of those teams (Riddle, 2008, p. 3). This insight is consistent with my own observations. The barriers for leadership teams to effectively work together are numerous. Members of leadership teams are usually leaders in their own fields who are used to leading and somehow "being their own bosses." There might also be competition between individuals who are aiming for the chairman's or the CEO's position, which can lead to tensions.

However, as described in Chap. 4, alignment toward a common agenda could help in this regard. Furthermore, by valuing and leveraging diversity, these differences in perspectives could also lead to better decisions and greater innovation (Bonner, 2010, p. 17). To overcome these challenges, new development programs have been created that focus on the entire team rather than on individuals. Coaching and providing feedback to teams are two elements that can help improve a team's effectiveness. Another important way to manage a team's effectiveness is to make sure that these teams have a clear purpose and strong support and that they effectively share information among themselves as well as with important stakeholders (Gentry, Eckert, & Stawiski, 2014, p. 9).

5.3.5 Experiences in Other Industries

As compared to the challenges that large listed corporations like UBS face with regard to leadership development, in terms of dealing with the challenge of diverse leadership personalities and styles, the experience is different in organically grown companies such as McKinsey or Partners Group. Organically grown companies already have strong homegrown cultures, and the core talent base consists of people that joined at a young age and have been hired, developed, challenged, and supported in a systematic, consistent, and holistic way. In such an environment, the challenges of leadership development are thus more about ensuring some depth and breadth of skills and perspectives in order to avoid too much "groupthink." This could possibly be enhanced by lateral hires of experienced talent or external leadership development programs.

My involvement with IMD also opened my eyes as to how firms in other industries and with other corporate set-ups have addressed leadership development. IMD's vision is to be the best in the world at enabling the development of successful global leaders, whether they are individuals, teams, or organizations. One of the ways that IMD lives up to this ambitious vision is to offer leadership development programs that fit the various stages of one's lifelong journey. For instance, an executive who wants to evaluate himself relative to the standard global leader profile in terms of experience and skills, as well as relative to his peers, can access IMD's global leadership index through its website (see www.imd.org).

With regard to family businesses, whether large or small, they are often better suited to establishing a sustainable, long-term leadership development system than is realistic for a listed corporation owned by institutional shareholders, because they likely have longer term goals. A role model in this respect is Hilti, a highly successful, global leader in the construction and building maintenance industry based in Liechtenstein. It is a family business that employs about 22,000 employees in more than 120 countries around the world (Hilti, 2015) and one that I know quite well through our common commitment to IMD over many years. I have known four generations of their CEOs and always come away feeling impressed about how systematically they implement leadership development and how carefully they continuously strengthen their corporate culture.

Given that Hilti's corporate culture is seen as an important driver of long-term success, the company invests a lot of money (USD 10–15 million per year, i.e., 2–3 % of sales) and energy on cultural training and development. A program called "Our Culture Journey (OCJ)" involves 32,000 working days of corporate culture workshops every year. Every 15–18 months, all employees take part in a 2–3-day training course to get inspired and to further develop their culture and values (Hindle, 2011). The values include: teamwork, integrity, the courage to embrace change, and commitment.

Following a long history of in-fighting, initially among family members and then with outside executives (once they were allowed in), the company decided to recruit its top executive team exclusively from its own talent base to ensure deep alignment with its corporate culture (Hindle, 2011). To ensure that its promotion from within strategy was successful, Hilti devised a plan to develop its talent in-house. It is called the Strategic Manpower Development Program and seeks to identify the leadership behaviors needed to achieve sustainable, profitable growth. It also seeks to equip existing managers with the skills they need to become better leaders at Hilti, both in terms of its culture and strategy. Meetings are held to identify and evaluate the top high potentials, based on their achievements and their ability to develop themselves as well as their people. In order to identify who is ready for promotion, the high potentials are given stretch assignments, and the company watches whether they are up to the challenge. They look at how these managers perform and whether they act in accordance with the company's culture and values, while also developing their employees. As a result, 80 % of Hilti's management openings are filled internally (Hertig & Peters, 2013).

Hilti's leaders are young, managers are promoted early, and there is a rule that executives have to retire when they turn 56. However, the retirement rule does not mean that the company loses its top executives completely once they turn 56. Some are re-employed as consultants, others remain active as trustees of the Martin Hilti Family Trust, or they are appointed to the main board of directors (Hindle, 2011).

Hilti's unwavering commitment to its workforce is mirrored by a high level of employee satisfaction. According to the Global Employee Opinion Survey, 92 % of Hilti employees are proud to work for the company, while 82 % would recommend it as a great place to work (Hilti, 2013). In 2013, Hilti was ranked #15 out of 6,200 companies worldwide on the list of the World's Best Multinational Workplaces 2013 (Great Place to Work, 2013), and in 2014 it was ranked #17 out of 2,300 European companies on the list of Best Multinational Workplaces in Europe (Great Place to Work, 2014).

The Hilti case illustrates some of the important elements of inclusive leadership development that I mentioned earlier. Hilti's development program is an ongoing process that is holistic and focuses on the company's values and strategy. By making sure that business issues are taken into account, the relevance of their leadership development program is assured. Top management also shows a strong commitment through its involvement as trainers when rolling out the program throughout the company. Finally, workshops are extended to all employees, not just the top leadership team, and a special focus is given to high potential employees in the form of special "stretch" assignments, thus leveraging "on-the-job" experiences.

A final example of a different approach to leadership development involves the creation of CLS Communication. Sometimes leadership development is not primarily about actively developing leadership skills, but just about unleashing already existing entrepreneurial energy within an organization. This story started in 1995, shortly after I became the CFO of SBC, when we decided to reassign several corporate functions as part of the bank's reorganization efforts. There was a unit called "translation services" with approximately sixteen staff members that used to translate brochures, press releases, and annual reports. Nobody in top management was interested in this unit, and as the youngest member of the GEB, it was assigned to me. Initially, I did not have time to take care of it and thought that translation services were not necessarily a critical function at headquarters.

Soon thereafter, I received a letter from Doris Albisser who, after several years of running translation services at a rival bank, was interested in setting up her own technology-driven language services company (something that would be new to the market). When she approached me to explore whether SBC would be interested in supporting her in this endeavor, I invited her for a meeting. I was fascinated about her entrepreneurial ideas and decided to hire her to work for us at SBC. Together, we then developed the vision of a service provider that would be spun out of the bank over time and would offer comprehensive, technology-based translation services to institutional clients all over the world. As she started to work on this project, I personally coached and supported her toward implementing this vision. First, I helped her to create a legally independent entity that was able to joint venture with the language services of a large insurance company. Then, I enabled the management buy-out of her and her team. Today CLS Communication is a global leader in translation services with operations in 10 countries, a staff of 600, and a network of 5,000 external language experts.[4] Without the simple act of encouraging and unleashing Doris Albisser's entrepreneurial vision and energy, this service at today's UBS would possibly have only 20 people, and all of these additional jobs would not have been created.

5.3.6 Insights and Takeaways

So what are the conclusions that can be drawn from my reflections in this chapter, and what are the lessons learned? Firstly, at some point during the transition from spring to summer, a conscious shift of focus is required when the development of others as leaders begins to take

[4] In January 2015, the company was acquired by Lionbridge Technologies for approximately CHF 74 million (CLS Communication, 2013).

precedence over the development of oneself as a leader. As a natural consequence of my rapid career advancement at a young age, I initially spent a lot of time with elder, more experienced superiors and senior colleagues. For a long time, I regarded this as a privilege to be able to learn from their insights and experiences. But sometime during the transition phase from spring to summer, I found myself starting to prefer the company of younger leaders. This was partly because of certain disappointments that I had experienced with some of my elder role models, and partly because my focus had shifted toward facilitating the leadership development of others.

Secondly, leadership development is one of those tasks that can hardly be delegated. Yes, support from human resource professionals, with regard to processes and systems, is surely crucial, but at the end of the day it is the charisma of leaders as role models that counts. And, as every father knows, children do as parents do, not as they say. This applies to leadership development as well. A substantial and personal commitment by top managers to spend time with high potential, future leaders within their organizations in order to understand them, inspire them, and coach them is paramount.

Thirdly, leadership development is a complicated field with many disciplines and dimensions and where reliable measures for success are rare. Some industries are better in engaging in it than others. For instance, industries that were exposed to global competition much earlier than the financial industry are far more advanced in this respect. The philanthropy sector is even further behind the financial industry in adopting a systematic approach to people and leadership development. At the same time, leadership development is a task which can be more easily transferred between types of organizations and sectors of society than others, because its goals and principles are generic; it is about people and realizing their potential.

And, finally, leadership development is a marathon, not a sprint, and it takes patience and endurance. At IMD, we refer to it as a lifelong journey that goes far beyond the time spent with a single organization. It is possibly also the task where the requirements to succeed are in starkest contrast to today's trends of shorter and shorter time horizons. And as we will see in the next section, when we review autumn and winter, leadership development endures far beyond the summer season.

5.4 Autumn and Winter: Dealing with Disruption, Reconstruction, and Regrets

In looking back at my time at UBS, I feel proud about what the bank achieved during the period when I held the top executive job. I am also very thankful that I had the opportunity to be a part of this impressive story. After a short initial phase of uncertainty, due to the turbulent conditions surrounding my surprise promotion, I became excited about my new role. I had the possibility of working with a great team, and our strategy was compelling. In the period following my first 3 years in the job (2004–2007), I increasingly received recognition in the form of leadership awards for my personal contribution to the widely noticed success of UBS. But as is common when everything seems to be going right, riding on this favorable wave of success made me start to wonder if I was about to pass the pinnacle of my corporate career.

In light of the strokes of fate from which my family had suffered, I had always been aware of the fragility and vulnerability of life in general, and particularly of positions such as the one I was in. In media interviews, I occasionally compared my professional situation to that of a bullfight where, within a matter of minutes, a winning streak can turn into a trip to the hospital or even death. I therefore never took things for granted and occasionally looked at my development with some inner distance and skepticism. During longer car rides, I sometimes (rather prophetically) even went through the mental exercise of imagining what I would do if my career came to a sudden stop. I wondered what this would mean for my life and what the consequences would be for my family. I also reflected on the quality of my relationships and asked myself who were "business friends" likely to be bound to my position, as opposed to "true friends" who would stick around irrespective of what I do professionally. In a way, with this exercise I followed the advice of American self-help legend Dale Carnegie, who wrote in one of his books:

1. Ask yourself, "What is the worst that can possibly happen?"
2. Prepare to accept it if you have to.
3. Then calmly proceed to improve on the worst. (Carnegie, 1985, p. 23)

Little did I know that my instincts would soon prove to be right; the leaves were indeed starting to change color.

5.4.1 Disruption

I had already indicated to the chairman at the time of my promotion to Group CEO that I considered a time frame of 5–7 years to be appropriate for such a role. He, in turn, had been encouraging me for several years to consider succeeding him as chairman, as was then common practice in the Swiss banking world. Even though I found the Group CEO position at the time at least as satisfying as the chairman's role, it was an attractive proposition. This topic had been discussed with the board on numerous occasions in the context of longer term succession planning. At its meeting in the spring of 2007, I had been assured of the board's full support for the envisioned succession approach, namely to elect me as Chairman of the Board at the next shareholders' meeting in 2008 and to appoint my deputy as Group CEO at the same time.

The winter season of my professional journey struck just a few months later in the midst of summer, in June 2007, when I was informed that a decision had been made to make changes to top management (i.e., that my deputy would be named the new Group CEO and that the current chairman would remain in his position for another 3 years). I was shocked and literally speechless, something that I do not experience often. The previously agreed succession plan at the top had been discarded without involving those who would be most affected by it, namely my deputy and myself. These decisions left me no other choice but to resign. My presentiments had become reality, and there was at least a superficial parallel between my experience and that of my father, who had also had to resign from the top job at Credit Suisse 30 years before (coincidentally at the same age), even though the circumstances and reasons were completely different and not comparable.

At the time, there was a lot of speculation in the media about what was driving the board's change of heart. As I personally did not attend that decisive meeting, I could also only guess based on hearsay and some hints from people who were there. However, one thing I am sure of is that the decision had nothing to do with the global financial crisis, for as of the end of June 2007 there was no sign of it yet. In early August 2007, UBS published record earnings for the first semester, and only later in the year did indications of substantial market dislocations in certain fixed income segments, such as U.S. subprime, emerge. The principal reasons I was given for the board's change of opinion (e.g., the failure of the then newly launched Dillon Read Capital Management hedge fund and some criticism regarding my leadership profile) did not make sense to me. These points were all known and had been discussed before, and nothing major had changed in the prior few months since the board of directors had unanimously agreed to support me as its next chairman. There was also no external pressure from investors, analysts, or regulators in favor of such a change. The only explanation I could come up with was that the discussion evolved in a direction and with a dynamic that the chairman was either not able or not willing to control and steer in order to live up to his and the board's previous commitments.

Besides the problems that this decision caused for UBS, as well as for my family and me, I had to somehow cope with the maelstrom of feelings that overcame me. These included anger, grief, and deep disappointment at being let down by people with whom I had worked so closely and whom I had trusted throughout the years. How could they treat a loyal employee who had worked hard and overall very successfully for so many years in such a disrespectful way? How could it be that within twenty-four hours hundreds of intense working relationships that had developed over several years could be cut off? How could professional managers in a highly reputable company like UBS take a decision with such severe consequences for all stakeholders without having had a constructive dialogue with those most affected? And how come none of the board members (with the exception of the chairman, with whom I had to negotiate my termination agreement with the bank) took the trouble of contacting me after my resignation with some words of recognition or at least some expression of well wishes for the future?

From a factual standpoint, had a professional and fair dialogue with plausible reasoning taken place, I am sure that we could have found a solution that was in the best interests of the bank and was acceptable for all people involved. Becoming chairman, although an attractive prospect, was not an essential goal in my life. My criticism of the board's decision had more to do with the *way* that my resignation was forced upon me, for I did not consider it to be in the best interests of the institution. Moreover, I felt then—and still do today, with many years of distance—that the situation was handled unprofessionally and unfairly and lacked both style and decency. This is what hurt the most personally.

5.4.2 Reconstruction

Despite the bitterness that I felt from my loss of trust in people whom I had considered close to me at the time, other feelings soon emerged as well, such as freedom, relief, as well as excitement about the opportunity to start new things at the still young age of 50. The thought of no longer shouldering ultimate operational responsibility on a daily basis for a large global organization—one with millions of clients, hundreds of thousands of shareholders, tens of thousands of employees, and the constant worry that something bad might happen somewhere around the UBS world—soon started to create some feelings of hope and happiness.

I also had to acknowledge that my having to resign from UBS was not a unique fate. It has happened many times before, to individuals at all levels, particularly throughout the last transformational years and decades within the overall economy in general, the financial industry in particular, and within UBS very specifically. This reflection put my experience into the right perspective, and I started to better appreciate the negative ripple effects that such decisions can have on employees throughout an organization in terms of their sense of fairness and loyalty vis-à-vis their employers.

The reconstruction of my professional life was a transformation process that took approximately 3 years and was characterized by periods of deep self-reflection, pain, and sadness, as well as feelings of excitement, self-fulfillment, and personal renewal. I talked with friends and colleagues who had gone through similar experiences in their lives, and I read several books with relevant philosophical or psychological content. Benjamin Franklin expressed it this way: "Those things that hurt, instruct" (Peck, 1978, p. 16). One recommendation I followed was not to engage in various activities just for the sake of filling up my agenda. It is true that, after a quarter of a century of being tremendously busy with hardly a blank space in my schedule, it felt awkward and uncomfortable to have an empty agenda over several weeks, even some months. And there was a clear temptation to just get busy by accepting work offered by others, some with good motivations and others with less altruistic ones.

I considered this advice helpful for three reasons. Firstly, this was a great opportunity to have the time and capacity to explore what I wanted to focus on in the next phase of my life. Not knowing if this would be the only such chance, I did not want to waste it. I also needed my emotional energy to deal with the hurt feelings I was experiencing following my abrupt departure from UBS. Such a mourning process is neither trivial nor linear: it comes in waves. As somebody else wisely advised me, one should consider bad thoughts like clouds (i.e., "They come, stay, and go."). Finally, I was aware that it was quite easy to accept new tasks, for example board mandates, but much more difficult to get out of them, and I did not want to be committed to a position for the wrong reasons. In short, I wanted a time for reflection and healing, while maintaining the capacity to allow for opportunities to emerge. Fortunately, I was in a financial position that allowed me to do so, something for which I was and am immensely grateful.

Another good piece of advice that I received from a friend of mine was not to fall into the trap of self-pity. He used the metaphor of a boxer in the ring and advised me that the sooner you dust yourself off and stand up again after having received a serious blow, the better off you will be and the more respect you will receive from others. The temptation to fall into this self-pity trap clearly exists. I witnessed it with several former friends and colleagues who publicly talked about their perceived humiliations following similar experiences, while not recognizing how self-centered and relative such experiences are as compared to the fate of many, many millions of less privileged people on our planet. My work for elea Foundation has helped me in this respect. Coming back from a trip to Madagascar or Bolivia quickly puts things into perspective and demonstrates over and over again how fortunate we are in Switzerland and how lucky I have been to be able to enjoy the career that I have had.

My private life was likewise affected by this experience and, in many ways, also had to be readjusted. For instance, during the period immediately following my departure, interactions with my friends and former colleagues were difficult. Many felt overwhelmed and helpless, unwillingly made thoughtless and sometimes hurtful comments, or did not really know if and how they should react. Many shied away from direct conversations with me, while others who spoke with me quite evidently avoided sensitive topics. I learned that it was critical to quickly open the dialogue, to let the current of communication flow again as soon as possible, and to resist the temptation of withdrawing and hiding feelings through self-chosen isolation, even though it would often have been easier and emotionally less exhausting. The support and backing of my family and some close friends during that time was an immeasurable help.

An important element in this adjustment process was the recalibration of my family life. While my family had always been unwavering in their support and loyalty—something for which I will always be thankful—it was also evident that my wife had her own program and commitments, and my children had their own lives. As a result, they were only marginally affected by what had happened to me. My daughter, who was a teenager at the time, made it quite clear that she did not want a "stay-at-home" Dad, and household considerations also suggested that I should resume the regular lifestyle of a professional with an office outside the home as soon as possible. It helped that only a few months after having left UBS, I was able to move to a new office that we had rented to operationally set up elea Foundation. In doing so, I was able to assume the regular, professional modus operandi that I was used to. In reconstructing one's professional life in such a situation, dealing with and resolving practical questions (e.g., Where do you work? How do you describe what you do to others? What is your job title? How do you deal with office administration issues like IT?) are important steps toward regaining a sense of purpose and identity.

Besides the immediate, practical issues, I also had to deal with very deep questions like: What should I focus on? What should I aspire to? How can I find meaning in the next phase of my life? These are questions that one typically experiences in his mid-forties as part of the commonly referred to "midlife crisis." Although I had absolutely no capacity to deal with such a crisis in my forties, I was now facing those questions at age 50. In searching for answers, I reread a book that still stands out in the ocean of U.S. style self-help literature called *The Seven Habits of Highly Effective People* by Stephen Covey

(Covey, 2004). One of his recommended habits is to define your goals and always keep them in mind. This means, for example, imagining your own obituary in order to realize how you would like to be remembered:

> This is your funeral, 3 years from today. All these people have come to honor you, to express feelings of love and appreciation for your life...What would you like each of these speakers to say about you and your life? What kind of husband, wife, father, or mother would you like their words to reflect? What kind of son or daughter or cousin? What kind of friend? What kind of working associate? What character would you like them to have seen in you? What contributions, what achievements would you want them to remember? Look carefully at the people around you. What difference would you like to have made in their lives? (Covey, 2004, p. 96f.)

He also recommends developing a personal "mission statement" as a means of conscious and disciplined reflection on goals and principles, something he calls "begin with the end in mind":

> To begin with the end in mind means to start with a clear understanding of your destination. It means to know where you're going so that you better understand where you are now and so that the steps you take are always in the right direction. (Covey, 2004, p. 98)

When I did these two things, it became clearer to me how my priorities would change in the future. In the past, my focus had primarily been on building and developing my career, my family, my character, and my role in society, in line with my ambitions and a strong focus on personal independence. Following my departure from UBS, however, my priorities began to change toward wanting to achieve a more balanced, sustainable, and healthier lifestyle; leveraging my past achievements to make meaningful contributions to society, and thereby leaving a legacy; becoming a positive and relevant role model for the next generation (particularly for my own children); and using the freedom I enjoyed for tapping into new opportunities for learning and growth.

5.4.3 Regrets

When somebody is given an opportunity for extended reflection at a mature age, it is natural for questions about responsibilities and accountabilities, missed opportunities, regrets, and guilt to be raised. In my case, this was not just a private dialogue taking place within my own mind. Since the global financial crisis was unfolding and UBS consequently needed to be rescued with public support in the years following my resignation (from 2007 to 2009), these questions were the subject of public discussion, with daily headlines and pertinent questions debated in the media. Thoughts about my responsibility for these unfortunate developments became my daily companions, and the bank's institutional shortcomings and errors turned into nagging doubts and questions of a more personal nature.

With the benefit of hindsight and the many years I have had to reflect on this since leaving UBS in 2007, there are five major regrets that I have identified in terms of things that I could have done differently. First of all, I should have been more realistic and critical in my assessment of our investment bank's potential and less forthcoming in my support of the ambitions of its leadership. Secondly, I should have picked up warning signals earlier regarding the questionable character and motivations of some of my investment banking colleagues, and I should have acted upon them, regardless of the risks of disrupting the organization and losing talented people. Thirdly, I should have recognized the flaws in our investment bank's culture and fought hard to change it by insisting on more ethical leadership. Fourthly, I should have paid closer attention to market signals that pointed to structural weaknesses in the U.S. real estate market by putting more effort into understanding these aspects myself and putting less trust in our own risk specialists (including the specialized members of our board) and in rating agencies. Finally, I should have encouraged more diversity in our risk control organization, and I should have spent more time and effort in developing and evaluating different adverse scenarios with my colleagues.

In actuality, it is hard to say whether acting differently as indicated above would have prevented the crisis from which UBS suffered in the years following my departure. But my conscience is tempered by the knowledge that I had always worked hard, with diligence and ethical sensitivity, and with the best interests of UBS in mind. I went to work every day because I liked to overcome challenges, was motivated by a feeling of achievement, and enjoyed working in a team with great people. Furthermore, personal greed was never a motivational driver for me. It is true that I have made more money in my lifetime than I could ever have anticipated, given the career choices that I made and thanks to a combination of hard work and some good luck. But as I stated at the very beginning of this book, I am a firm believer that this privilege calls me to assume a higher threshold of responsibility for the benefit of society. It was exactly for this reason that my wife and I chose to dedicate a substantial portion of our wealth to set up elea Foundation, which we did already in 2006 when the financial world still seemed to be largely in order.

The fact that greed is not a motivating factor for me likewise influenced my decision in early 2008 to voluntarily give up part of my contractual, profit-related compensation that had been awarded to me at the time of my separation from the bank in the summer of 2007. This compensation was based upon the *expectation* that the bank would realize a substantial profit for 2007. However, with an entrepreneurial perspective in mind, it has always been clear to me that bonuses should be paid out of profit and are only justified *ex post facto* when a company performs well. Many people were surprised by my decision, because I was one of the first in the financial industry to do this, but it made perfect sense to me and was consistent with the ethical framework I have chosen to follow along my life's journey.

5.5 A Second Spring: Leading a Balanced Life

When I started to look around for new professional tasks, there were many more questions than answers, but a few things were clear. Having enjoyed success at the top of a highly respected, large global organization during almost 6 years, I was not interested in another CEO job. I wanted to create a future, not recreate the past. Therefore, my focus early on was directed at board level mandates, in line with what I had already been planning before leaving UBS.

I also did not want to work for a competitor of UBS as a matter of principle, despite my disappointments with some of its key people. There were a number of attempts by competitor organizations to tap into the knowledge I had acquired at UBS over the years, but I refused to even consider such a path. Legal questions regarding my contractual obligations aside, I had invested so much of my professional time and energy into the UBS success story that I could not imagine a role where I would, in any way, be forced to act against my own legacy. This would also have violated the virtue of integrity that I try to live up to—although I did want to keep a foot in the door of the financial world to maintain and further develop my expertise and skills in that domain. Finally, given my desire for a more balanced life, I decided not to focus my energies on one single, full-time, dedicated activity. In my Christmas letter to friends in 2007, I wrote: “I want to dedicate my future to a series of responsibilities and tasks that cover a broad range of interests. . .. It is not my intention to become an artist, a full blown politician, or an academic.”

One activity that I wanted to spend more time on was elea Foundation. I assumed the chairmanship in 2007 (previously held by our family lawyer, who is one of the trustees for the foundation), and together with our newly hired CEO, I laid the ground for its operational start in the summer of 2008. There were also two board mandates, for IMD and the Zurich Opera, that I had held while at UBS and which UBS asked me to continue to hold beyond my resignation. Both institutions were in the process of a leadership transition with a substantial challenge to find suitable successors, both had launched a systematic search process with professional help, and the chairmen of both organizations had asked me to participate in the search process—as I then had more capacity to spend the necessary time. In 2008, I agreed to become Vice Chairman of the Zurich Opera, and during the further evolution of the leadership transition at IMD, I was asked to assume the chairmanship, which I did in 2010.

Although the three above-mentioned activities, which originated from my time at UBS, were consequently taking up a more substantial amount of my time, after leaving UBS I was still interested in finding at least one other board position. Soon thereafter, I was asked by the founders of Partners Group whether I would be interested in joining their board. When I wanted to better understand their expectations for my role, they gave me the following answer: “Two years after the IPO, we feel that we are becoming a real company. Help us to find out what this means for us.” At the time, Partners Group had approximately CHF 18 billion in assets under management, and it had a staff of about 250 people. As Chairman of the Risk and Audit Committee, I saw my initial contributions to this mandate as helping to professionalize the dialogue about risk at the board level, creating a state of the art internal audit function, and ensuring that risk control policies, methods, and tools were adequate for Partners Group's scope and business model.

Since then, the firm has more than doubled in size and value, and more importantly, its client services and investment management platforms have been vastly upgraded toward offering more comprehensive solutions and more value-added investment content. In the summer of 2013, I was asked whether I would consider stepping up my role in the board to become the first non-founder chairman. With the unanimous support of my colleagues at the board, I was elected in May 2014. I accepted the position with enthusiasm, based on my passion for this extraordinary entrepreneurial success story.

As I am writing these lines, I feel as though spring has sprung again. My life is blooming, both privately and professionally. I have a dream portfolio of fascinating mandates across various sectors such as private markets investment management, entrepreneurial philanthropy, executive education, and the arts. I enjoy great relationships with my family and friends, and I clearly have more time and capacity for reflection, learning, and development—even to undertake writing such a book. The reality of my daily life comes very close to the goals that I articulated in my personal mission statement in 2007, following my departure from UBS.

I am occasionally asked whether I feel that my life, overall, is better or worse off than it would have been if the alternative scenario had occurred, i.e., if I had remained at UBS and become its chairman. While this is a speculative question without a definitive answer, my usual reaction to it is that I have benefitted enormously from the experiences I have had since retiring from UBS. I have learned a lot about the world and myself, and I have achieved a better balance across diverse activities. I have, surely, also matured and mellowed in many of my views. In a nutshell: sometimes the bad things that happen to us are blessings in disguise.

Another conclusion I have drawn in looking back over the last period of my journey thus far is to recognize the benefits of all the time and energy I had previously invested in other dimensions of my life while still at UBS, ones that complemented my professional career. Be it time spent with family and friends; be it my engagements at IMD and the Zurich Opera, as well as for politics; or be it my commitment to elea Foundation, all of these investments in personal capacity during my UBS time paid off big time when I retired from UBS. If I had not been involved in any of these engagements and commitments before I stepped down from my position at UBS, the challenges and personal crisis that I faced would have been completely different and much more difficult to deal with.

Finally, by experiencing a period of radical change in my life, I gained valuable insight about how life can proceed in a varied and often unpredictable way, and I learned how to respond to such a situation. Although some elements of life can be planned and prepared for, those which cannot call for a positive attitude in facing the unknown, as well as confidence in one's ability to adjust and learn.

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6 Overall Conclusions and Outlook

I have now reached the end of my broad "tour d'horizon" regarding my proposed inclusive leadership framework. I have covered huge territory, from highly abstract perspectives about global developments to very specific insights drawn from my personal life's journey. The principal goal of this endeavor has been to share my thoughts and the lessons I have learned as a means of encouraging current and future leaders to reflect on how the challenges of our Global Era, a "one world" perspective, debates about new capitalism, and a suggested, enhanced focus on ethics and virtues can and should affect and transform the tasks that they as leaders perform on a daily basis. Leaders should also reflect on how they would like to develop themselves throughout the different seasons of their professional journeys.

As is typical of such an ambitious undertaking, reflection triggers new questions and dilemmas such as: How can the benefits of partnership principles be reconciled with the value of individual bold, decisive, and visionary leaders? How can corporations better articulate their purpose for society without inviting dysfunctional, bureaucratic interventions by governments? How can the complicated requirements of an ever more globalized and complex world be balanced with the need for simpler and more effective processes? And how can the higher demands placed on leaders be fulfilled in spite of the ever higher pace of transformations and consequent turnover of leadership personnel? These are just a few of the

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questions that could be debated further regarding the theme of inclusive leadership.

Our Global Era leaves room for both confidence and pessimism about our abilities to tackle current and future challenges through more inclusive leadership. Whether somebody sees encouraging signs of evolution toward the better in our world, or whether he continuously finds evidence to the contrary, ultimately depends upon his personal choices on ethics and virtues, which are influenced by his character, perspective, mindset, and will. For my part, I have always been a “glass-half-full” kind of person. Having immersed myself often into historic accounts from different periods and regions, I would not want to swap lives with anybody from ancient times. A sense for history also prevents me from falling prey to the tendency to romanticize the past and to glorify the good old times. Similarly, I also make conscious efforts to resist the frequently observed temptation that some people have as they grow older, namely that of confusing the decline of their personal life cycle with that of the world around them.

Overall, I remain optimistic about the future. Over the past 40 years, the world has made substantial progress along many dimensions, and it will likely continue to do so. More people enjoy longer lives and have more means to shape their destinies, and a relatively smaller proportion of the global population now lives below the threshold of absolute poverty. Innovation in technology and other fields has increased our comfort and quality of life to a level that we often fail to fully appreciate. Capitalism has evolved and may even become more multi-faceted with strong, global platforms being complemented by agile, entrepreneurial microstructures. The proportion of countries with at least some form of democracy has substantially increased, and social media will likely become an even more important tool for preventing the abuse of power. All of this favors the emergence of more inclusive leaders that can flourish across various sectors and levels of society.

I would like to conclude by summarizing three main suggestions that have resulted from reflections I had regarding my leadership experience along the process of writing this book. I try to apply them in my work, and hopefully they will be of relevance to others. The first suggestion is to remain curious. The high pace of change in our globalized world has added so many fascinating, new aspects to our lives over the last 40 years that an individual's lifetime is too short to fully grasp and understand the challenges of even the most relevant trends. The virtue of humbleness means staying curious by asking questions, listening to answers, and embracing new questions.

The second suggestion—following the virtue of engagement—is to adopt a bias for action. Complexity invites paralysis and the risk of non-action, as individuals become overwhelmed by details and the numerous choices available to them. I am always reminded of this when we consider making new investments for poverty alleviation at elea Foundation. There are always good reasons not to engage, and for many, complexity serves as an excuse to abstain, not least of all because of the many risks involved. On the other hand, the only truly scarce resource that could limit us is our finite lifetime and energy. While the chapters on ethics in this book have demonstrated that I am more liberal and agnostic than religious, I fully support the belief that spending a life in idleness without realizing one's potential comes close to what could be considered sinful neglect.

And my final suggestion is a continued commitment to critical reflection, adjustment, and change, which is aligned with the virtue of integrity in terms of being true to oneself in thoughts and actions and being clear about who you are. In a transformational environment, integrity can only be achieved with agility. Without it, ossification is the only alternative. This is the hardest of the three suggestions to follow, because organizations and individuals find it hard to cope with change. As soon as a level of comfort has been reached, resistance to change starts to creep in. This applies to Western democracies as well as to dictatorships and authoritarian systems. It can also be observed in successful corporations as well as in nonprofit organizations. Unfortunately, adjustment and structural change often seem to happen primarily under stress and in crisis situations, and far less frequently as a consequence of rational analysis and conscious decisions.

Looking forward to the next 30–40 years, an end to the process of profound changes seems unlikely. It is more probable that somebody writing a similar book around 2050 will be as surprised about all of the unprecedented developments that will have taken place between now and then, as we all have been while living through the current period of our Global Era. Fostering mindsets and mechanisms that support and facilitate continuous learning and improvement at all levels within one's scope and area of activity will become all the more important—be it in our political systems, at the level of the organizations we shape and lead, or in our personal lives. Learning and improving from experience will be the only way to mitigate widening gaps and divides between those able to capture new opportunities and those who lack such capabilities. The many encounters I have had, and continue to have, along my leadership journey with role-model, inclusive leaders all over the world and in many different sectors—who are regularly engaging to capture the benefits and master the challenges of our Global Era—give me cause for optimism. This applies most of all to the young, ambitious, and talented people who embrace the concept of inclusive leadership and for whom coping with the challenges of our Global Era appears to be a natural task that they embrace with fervent enthusiasm.

About the Book

In his book *Inclusive Leadership*, Peter Wuffli advocates that a one world perspective, characteristics of new capitalism, and an explicit stance on ethics and virtues (most notably integrity, humbleness, and engagement) are essential, new elements that should be included in an inclusive leadership framework for today's Global Era. In the context of accelerating globalization over the past 40 years, which has transformed the world in very profound and structural ways, Wuffli elaborates on how leadership tasks are being affected and shaped by these new inclusions by applying an approach that is more dynamic, horizontal, holistic, and normative than traditional leadership concepts suggest.

Reflecting upon his 30 years of leadership experience across both profit and nonprofit sectors; in large, global corporate organizations, entrepreneurial firms, and microstructures; and at both the board and executive levels, Wuffli links practical leadership challenges and tasks to the transforming world we live in and is able to illustrate his concepts with plenty of real life examples. In doing so, he shares his views on a wide range of topics, including the financial crisis and his UBS involvement, philanthropy and fighting poverty, neoliberalism and ethics, and global governance—to mention just a few.

Inclusive Leadership provides a distinctive approach by linking leadership and ethics, which is often missing in conventional leadership literature. It also stresses the importance of leadership development as a way of contributing to the institutionalization of continuous learning and improvement and is meant to inspire leaders by

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provoking and guiding a thought process that will deepen understanding and eventually lead to new insights about leadership. Building the bridge between theory and practice, *Inclusive Leadership* addresses both leadership practitioners with intellectual curiosity as well as leadership scholars with a real world focus.

About the Author

Peter Wuffli, born in Switzerland in 1957, currently holds leadership positions in both profit-oriented and non-profit organizations. He is the Chairman of Partners Group and also chairs the Foundation and Supervisory Boards of IMD. In addition, he is the Founder and Chairman of elea Foundation for Ethics in Globalization. (For more details about these organizations, please see the next page.) He likewise serves as Vice Chairman of the Zurich Opera House.

From 1984 to 1993, he worked as a management consultant for McKinsey & Company, where he became a Partner in 1990. In 1994, he joined Swiss Bank Corporation (SBC) as the CFO. Following SBC's merger with Union Bank of Switzerland into today's UBS in 1998, he continued to serve as CFO until 1999, when he became Chairman and CEO of UBS Global Asset Management. From 2001, he was President of the Group Executive Board of UBS, and from 2003 onwards, Group CEO of UBS, until his resignation in the summer of 2007. During this time, he also received several awards such as the "Best Bank CEO Europe Award" from Institutional Investor (2005 and 2006), the "European Banker of the Year Award" (2006), and the "BBC World Visionaries and Leaders Award" (2007).

Peter Wuffli obtained a Ph.D. in economics from the University of St. Gallen in Switzerland in 1984 with a dissertation on Swiss direct investments in Mexico.

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Partners Group, an entrepreneurial success story within the Swiss financial center, was founded in 1995 and is currently a leading private markets investment management firm listed at the Swiss stock exchange. It operates across 18 offices with close to 800 employees, and its clients include pension funds, life insurance companies, sovereign wealth funds, and family offices across the globe. It manages over CHF 40 billion in institutional assets on behalf of its clients and has a market capitalization of approximately CHF 7.5 billion. As a young firm, its people are highly energized, passionate, and talented, and it has a strong, collaborative, entrepreneurial, and professional culture. Peter Wuffli joined their board in 2009 and became its chairman in 2014.

IMD is a top-ranked business school and expert in developing global leaders through high impact executive education that is based in Lausanne, Switzerland. It is an institute that Peter Wuffli has been involved with at board level since 1995. IMD is a nonprofit organization that was established by industry to serve industry. It has over CHF 100 million in annual revenue and a faculty and staff of approximately 300 people. Since 2010, he chairs both its Foundation and Supervisory Boards.

The **elea Foundation for Ethics in Globalization** was established by Peter and Susanne Wuffli in 2006 as an entrepreneurial philanthropy institute with the goal of fighting absolute poverty by entrepreneurial means and the vision to be a role model organization with charisma in the field of entrepreneurial philanthropy. Since it became operational in 2008, elea Foundation has developed a portfolio of over a dozen entrepreneurial investments in countries and regions with less than USD 2 daily income and in areas such as global value chains, new technologies, and vocational skills development.

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