

From early man to the boardroom

Discussion Group

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Chair

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Introduction and summary

Although modern humans are far removed from their cave-dwelling counterparts, in evolutionary terms, the time between them and us is but a blink of the eye. There is, therefore, much that evolutionary psychology can offer leaders seeking to manage their organisations more effectively. Criticaleye Members convened at this Discussion Group chaired by **Organizational Edge's Charles Sutton**, an expert in the area, to examine evolutionary psychology and leadership.

Initial thoughts on evolutionary psychology

Evolutionary psychology addresses issues such as how people weigh up tactical and strategic approaches to a problem – short-term necessity versus long-term reward – identifying threats and ‘tribalising’, or pledging allegiance to a small group rather than a larger whole.

Trust plays an important part in all our relationships and is now returning to the financial institutions, at the expense of several scapegoats. Yet our predisposition to trust is affected by how we perceive the general environment – which means that even trustworthy companies have recently been suffering.

Leadership is a combination of certain personality traits, their force modulated by the particular environment in which they're operating. Humans are still predisposed to seeing physical size and strength as leadership qualities, to an extent; but more important is the ability to work with people, to influence and inspire and to make things happen.

Dealing with fear

Protectionism and tribalism are two common responses in business to the fear that naturally occurs when the future is uncertain; it prevents normal business activities such as risk-taking and innovation. Leaders should have a clear vision of where they want to be after the crisis and resist short-termism.

If entering an organisation during the crisis, they should take a clear-eyed view of what is working and what is not, and resist the temptation to fix what is not broken.

One participant spoke of 'temporal arrogance': business tends to think that NOW is always the pivotal time, and crises of the past were less serious. Yet they only seem less serious because we are here *now* – we know that we survived them. Business and society have been through dramatic shifts in the past, and we adapt and eventually prosper once more.

If, as leaders, we can move away from the 'fight or flight' reflex, and view fear not as a paralysing, but as a way to seek out hope, then we can persuade our employees that now is the time for change. We can recognise our natural fearful reaction but consciously change our response. Fear can be transformative.

Above all, we must become more pro-active rather than reactive, and not bury our heads in the sand.

Risk

The discussion moved on to risk, and what the recent past could tell us about it. Clearly, many in financial services recently had the balance of risk and reward wrong. Yet the model had seemed good until it collapsed. In reality, people were often not weighing up risks: risk is about careful consideration, not blind betting.

A collective view of risk is preferable to an individual acting alone; this is perhaps why Goldman Sachs, which has a strong partner ethos, has historically navigated uncertain waters with success.

A culture of risk also needs to be held in check by a strong value system agreed the participants. This is why regulation may not be the answer: it is behaviour we need to change. People must refrain from acting rashly or harmfully to their organisation because it is wrong, not because they are worried about being caught.

Nowadays, too, we must acknowledge 'seismic' risks - climate change for example. These demand a pre-emptive response because, if we wait, it will be too late.

Forging a leader: crucibles of learning

How do true leaders best deal with large, unexpected events when they have no precedent for them?

The events of 9/11 were suggested as one such event, and that Rudi Giuliani revealed himself then an authentic leader at that time. However, another participant disagreed. For him, Giuliani's response to 9/11 smacked of opportunism. In fact he showed true leadership when, as District Attorney, he

pursued and dismantled the mafia. This first challenge, though smaller, had helped him to step up so publicly in 2001.

What made Giuliani take on the mafia, when he didn't have to? Childhood experiences, perhaps? So-called 'crucibles of learning' early in life are where our characters are forged. They determine our later responses. Undoubtedly, our formative years have a large impact on our leadership potential. It is in childhood that the synaptic patterns within our brain are shaped. However, to pose a contrasting view, someone who was, for example, the school rugby captain, may be no better a leader in later life than one of his substitutes on the pitch. Simply, his sense of entitlement propels him further on the same talent.

Leadership styles

Leadership may be, said Charles Sutton, a combination of genetics, environmental conditioning factors and luck and determination. And leaders can change their style only rarely – when personally affected by huge change, for example, or in a crucible of learning. But what has the recent crisis taught us about leadership style?

One participant had met the leader of a large bank only two weeks before it came crashing down. He had seemed inspirational, but this panache, once stripped away, exposed a deeply flawed strategy. Indeed, many 'alpha males' have been humbled in the financial crisis. Perhaps, said another participant, an un-showy and hitherto unfashionable model of leadership – long-term stewardship and 'leading from behind' – was the real way forward. This sort of leadership can build true trust, as employees know that the CEO's interests are wholly aligned with those of the company.

It may also be true that a good leader in boom times is wholly unequipped to deal with a down-turning market. As Warren Buffett famously said, "Only when the tide goes out do you discover who's been swimming naked."

Teams and collective leadership

Many companies have a strong emphasis on being 'part of the team', and embark upon team building exercises after a round of redundancies, for example. Yet psychologically this may be the wrong approach; building allegiance to a team reinforces the team yet leaves confidence in the organisation unchanged – and so has an atomising effect. We should, perhaps, look to *organisation-* rather than *team- building* in these circumstances.

If some CEOs in the past have seemed narcissistic, then the group agreed that NEDs should take a more active role in leading organisations – and taking steps to remove the CEO if they disapprove of his or her behaviour. NEDs are usually at the point in their lives and careers where they have a lot of wisdom to impart; they must be more strident about doing it and properly

empowered so they can be effective. One participant suggested that a “non-executive style of executive leadership” is now necessary.

We must all take a longer-term view, and have a greater sense of responsibility to the whole: leaders should now begin to think more in terms of a legacy than of short-term goals and CV points.

Employing emotion

Many of the recent problems in the financial sector were caused by people insufficiently understanding what they were investing in; in the worst instances, people were using figures and data to mask the true nature of the investment vehicles from the people who were investing in them. In evolutionary terms, we find ideas much easier to grasp if they are presented in story form, and quickly become confused by dry analysis.

Today, leaders should move away from this process-centred and analytical approach and apply emotion to strategy. Emotion is an important aspect of leadership, and particularly important in decision-making. People who work emotionally rather than rationally, through process, are more likely to effect change and create engagement in their organisations.

Creating the right leaders

A good leader today should be all these things, and more, with a back-to-basics sense of respect and openness. This means being able to communicate in a human way, being tolerant of mistakes and being able to recognise and engage with negative elements within the organisation in a sympathetic way.
