

Sławomir
Lachowski

acting
on
Values

LEADERSHIP
in Turbulent Times



A wise and important book.
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Sławomir Lachowski

Acting on Values

Sławomir Lachowski

A c t i n g
on **Values**

Leadership

in Turbulent Times



Warsaw

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To my Wife Marzena

All proceeds from this book will be donated to charity.

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开班培训“英式管家” 范儿 全能“管家” 老“太年轻”

身穿燕尾服、戴马裤、西带银笔，举止优雅的资深培训师在津，培训专为高端人士服务的管家协会“授权的大中华地区唯一培训师”。英国中产阶级“管家”们在我国内地的引



昨天，来自英国的管家培训师们，在津开始了为期一周的培训。

是挑战 大专业

专业管家协会的学员都有很强的服务意识，在28至40岁之间，有一定的生活阅历和心理素质。专业管家协会的培训项目包括管家礼仪、管家英语、管家技能、管家心理学、管家职业规划等。



Preface

*Wisdom can be learnt in three ways.
Firstly, by reflection, which is noblest,
Secondly by imitation, which is easiest,
Thirdly, by experience, which is bitterest.*

Confucius

The global crisis of leadership is a spectacularly grim sign of the times. It leaves no area untouched. In politics, social life and business, few leaders can meet the challenges the world presents. Paradoxically, just as leadership studies are in their heyday, true leadership is in decline. Even worse, poor leadership is burgeoning before our eyes. Both individuals and companies are badly affected. Scams, scandals and swindles continue to rock the economy and the political scene.

A crisis in values is at the root of it. The remedy lies in treating causes rather than symptoms. Values should once again become the norm that shapes our lives and attitudes in politics, business and society. If we want to lay foundations for good leadership that rises to modern challenges, we must go back to them. And good leadership is absolutely indispensable. We need it to seize opportunities, to unleash economic and human potential, and so that our political institutions, private and public companies, the state and its economy are managed efficiently. No one seems to be questioning the fact that leadership can be learnt. The abundance of MBA courses testifies to it. And yet, good leadership appears to be in short supply.

Though many think otherwise, leadership is not elitist. It is universal. Everyone becomes a leader at some point in their lives even if for a brief moment: as a father, mother, leader of a two-player team, sports team captain, founder of social initiatives, project

leader, manager, director, chairman, prime minister or president. Each one of us will be put to the test and, though it may take different forms, we will all have to face the challenge. The quality of leadership, then, is no mean issue. Quite often it is a question of survival. After all, leadership has a major influence on other people's lives. Whether you prove yourself as a parent, friend, spouse, captain, manager, chairman, prime minister or president is hugely important for those who depend on you: your family, subordinates and followers. It is a source of personal satisfaction. It determines your legacy. With that in mind, you must be well-prepared to fulfil your task. Whether it means taking care of your family, leading a two-player team or managing a multinational corporation with thousands of employees, the responsibility is just the same. You influence the fate of others.

Leadership can and must be learnt. But it does not come by itself. Though many may disagree, I believe the conventional ways of honing leadership skills are not and cannot be effective. Good leaders are made through self-education rather than professional coaching. Leadership is not about using fancy persuasive techniques to influence and manage others. It requires self-reflection and finding out what is truly meaningful to you. A future leader must shape their own guiding principles.

Awareness of basic values is a lodestar that points us in the right direction. It is principles that guide our life's choices. The decisions we reach based on them determine our paths through the world. People with true convictions have nothing to hide, do not go round in circles or manipulate others. They are steadfast, uncomplicated and command respect despite controversy. They openly declare their values which magnetize like-minded individuals. Their consistency wins trust. Their aims are clear. And when their goals are ambitious, they are sure to attract loyal followers.

We cannot start working on our leadership skills before we establish our guiding principles. Naturally, these are personal, so we must do it on our own. Leadership is about making it clear to

others what our values are and adhering to them when pursuing our goals. Staying true to your principles ensures happiness. And by happiness I mean lasting satisfaction from your achievements.

In this book, I would like to share my views on leadership that flow from my experience as a leader in different roles: a chief of playground rascals, father, entrepreneur, company owner, leader of large business projects, and chairman of one of the biggest companies in Poland. I led and was led. As a student, sportsman, employee, I had some beloved leaders – teachers, coaches, parents, employers. I have very fond memories of them. Their example and advice has taught me a lot and given me great satisfaction. With their influence, they shaped me as a man and leader, so when I finally had to become one, I was ready. The best universities in Poland, USA, France and UK helped me hone my leadership skills. However, there is no substitute for self-learning. It is a vital part of a leader's education which determines its final outcome. Ultimately, life will verify our leadership skills. Each one of us will have to face this challenge in some shape or form – sometimes completely unexpectedly. This lends leadership a universal quality.

Books about leadership are plentiful. Nonetheless, I decided to make an attempt at presenting my views and experiences in writing. It comes with a risk. Some may consider them anachronistic while others will think them too obvious. I was lucky to have experienced what it is like to lead and to be led. In a way, this book arises from a sense of obligation to share those memories and experiences. I think the Reader ought to know the book aroused some controversy among those with whom I discussed it. Some claimed it was a waste of time to write about the superiority of values-based leadership when the reality around us seems to undermine that. Nevertheless, I believe such leadership is not literary fiction but a necessity of the moment and a challenge for the future.

Sławomir Lachowski

Introduction

It is the foremost task and responsibility of our generation to re-imagine our enterprises and institutions, public and private.

Tom Peters

Leadership is a journey filled with adventures, unexpected turns, and ever-fresh experiences. It is an ongoing lesson in humility. 2008 was a year of one such surprising event for me. It was the year BRE Bank made it to the top three largest financial institutions in Poland and also the year of my unanticipated departure from it. Unusual enterprises hinge on coincidence. People with brilliant ideas and power to act need to find themselves at the right place and time. Exactly that happened in BRE Bank where I led an extraordinary project of creating mBank – the first Internet bank in Eastern Europe – and Multibank. The latter set new standards in providing service to a rapidly growing middle class and small and medium-sized companies. In eight years, we managed to build two retail banks from scratch. And we entered the Czech and Slovakian markets with success. Our financial discount model proved to be a game-changer there. During that time, BRE Bank's (the mother company) market capitalization had increased by sixfold. When it seemed as though I was at the pinnacle of success, I unexpectedly left BRE Bank. It was one of my most difficult decisions as a leader. I took it with sadness and indignation but I was convinced that it was the only right thing to do. The reason for it was not a difference of opinion with regards to strategy. I felt that my outlook on leadership, the role of values in life and business was radically different. On the day of my resignation, the bank's market value

dropped by nearly 10%. It amounted to a billion zloty – a no mean sum by Polish standards. A comment column in the biggest Polish broadsheet bore this headline: *Billion Dollar CEO Quits*. Despite the claims of various analyses and newspaper headlines, my main contribution to BRE Bank, mBank and Multibank was not the increase in assets, market position or profit. It was changing the way leadership was approached thanks to values-based management which motivated people to achieve great things.

Values are essential in life and business. Living a life guided by values gives you a sense of fulfilment. It ensures happiness – lasting, complete and deserved satisfaction with life. Although values do not directly translate to financial success, it is worth being honest even if it does not always pay. And while at times dishonesty does pay, it is never worth being dishonest.

Values help companies achieve success. They give them a chance to survive in a competitive market. Thanks to values, companies attract talented people who grow as individuals and find satisfaction in their work. Companies in which values are upheld delight their customers with valuable and useful products, and bring their owners stable profits.

Values in life and business are essentially the same. You cannot leave your values at home, shutting the door on them on your way to work and, when you get there, just use different ones. A new, alien set of values that often clashes with those shaping your identity. Contrary to the popular belief that only profit counts, values in business are not a luxury but a necessity to get by in today's ever more demanding economy.

This outlook on how business can be done is not common. It contrasts with what the majority of present-day managers do. While they agree with the principle, they do not follow it. Profit still

remains their paramount aim and their measure of success. In the last few dozen years, it has become accepted that the quality of management determines the value and prosperity of a company. Not so long ago, managers were above all required to achieve short-term goals. Their companies were supposed to run smoothly and risk was to be minimized. But things have become unpredictable. The pace of change in the economic environment is dazzling. Being on top of things today and tomorrow is no longer enough to survive in the midterm. If you are not convinced, take a look at the recent upheavals in traditional industries and the rapid permeation of new technologies. The development of business models and the companies they have given rise to also testify to that. Leaders and companies must take risks, wreck the pattern of day-to-day routine and small-scale upgrades. Being a little bit better tomorrow than yesterday is nowhere near enough. You need to change radically to win. Leadership plays a pivotal role in the battle for the future. Good management is indispensable but insufficient for survival and success in the long run.

The way companies operate owes a lot to their leadership style and methods of management. These are a reflection of the standards and principles the companies adopt. In 1990s it was noticed that adherence to principles was what made the best companies stand out. It was at that point that values-based management gained popularity. It consists in implementing a defined set of basic principles in different areas of company activity. At the beginning of the 21st century, it became clear that the egotistic and greedy desire to maximize profit leads to abuse. The recurring crises it causes, although sparked off locally, can quickly pose a global threat. Trends are emerging that threaten to destabilize the economy. The spread of anti-values is evident in how firms operate. In the face of these dangers, it becomes crucial for companies and their employees to foster ethical and social values.

In my last book – *It's the Journey Not the Destination. Values and Life and Business* – I have expressed my conviction that val-

ues-based management entails going back to the roots of interpersonal and business relations, and responds to the challenges of the future. The moment I finished it and read the last sentence out loud – “Management by values starts with good leadership and for better or for worse that is also where it end” – a sudden fear gripped me. “Have I just made a dreadful mistake? Perhaps I should have tackled the question of leadership first,” I thought. After all, it is through leadership that company values are manifested. It exists prior to management style and determines company culture. Effective management is impossible without leadership based on values. This thought haunted me all the time. My observations led me to conclude that managing by values does not come by itself. It starts with values-based leadership and is nurtured by it. I saw values die when leaders stopped identifying with them. I saw them perish when their successors focused on quick profit instead.

It is not uncommon for companies to define their set of principles. But more often than not it is just pandering to political correctness. “If others have it, so should we.” Rarely is it meant to be more than following a trend. It is reduced to a mere public relations trick – a contradiction of the noble idea. A company’s actions, the products it offers, how it approaches its clients, and the way employees interact with each other are the real manifestation of the power of corporate values. Leaders play an essential role in formulating company values consistent with the mission, vision and business model of their firms. Demanding though it is, a more difficult task is putting values into practice on a day-to-day basis and encouraging employees to follow them. Values are a company’s only lasting element. That is why it so crucial for successive leaders strongly to identify with them. Otherwise, the company gets stuck in mediocrity. Values require careful and non-stop cultivation, or else they wilt and perish. In many cases they do so irreversibly. But even if they can still be brought back to life, it is an extremely difficult task.

Values in life and business are interconnected. A person's individual code of ethics plays a crucial role. It makes leading by values possible. And such leadership enables effective management by values.

The world, however, is more complicated than one might expect and values-based leadership is not at all obvious. Leadership has two faces – good and evil. When we talk about leadership, we usually mean good leadership which edifies, energizes, and gives a sense of fulfilment to followers. In teams and companies, good leadership brings satisfaction not only to their members and employees but also their supporters and customers. Unfortunately, bad leadership is more common than we could imagine. And it must not be ignored because its influence is tremendous. Contrary to the popular belief, bad leadership is not a problem for leaders but their followers. They do what they are told voluntarily or under duress. Bad leadership emerges in different spheres of life and business. It is a change for the worse without a change of leader. It can also come about when a good leader steps down and is succeeded by an inferior one. Whatever its reason it quickly leads to irreparable damage. It can cause frustration and distress to those dependent on a bad leader. Some of them will be forced to find new ways of fulfilling their plans and aspirations while others will remain unable to escape its destructive influence. In the real world, both good and bad leadership exist. There are leaders who, together with their followers, are a force for good, and there are those who do evil.

Though this book springs mainly from my life and business experiences and focuses on values-based leadership, it deals with leading in a broad sense. A change for the better in social life, politics and business can happen. I am convinced it is possible to achieve not through new laws and regulations but by going back to the principles of classical upbringing and treating values in life and business as essentials. The challenges facing the world in the 21st century require leadership of a higher calibre, true leadership based on values. One that will forge new paths to progress, encourage effort, solidarity

and healthy compromise. Growth is necessary to fight poverty and ensure access to basic amenities, but the multiplication of wealth should not be an end in itself in developed countries. The desire to maximize profit is considered an undisputed paradigm, a foundation for the “sacred” economic growth. It is wrongly associated with progress. It comes as no surprise, therefore, that greed is the mantra of present-day business. It cannot continue this way. As the crises of the last decade demonstrate, capitalism of that kind can be self-destructive.

The first part of the book concerns leadership in revolutionary times, and more precisely, the problems with leadership in today’s world. The recent social crisis and cyclic economic breakdowns arise not only from the excessive complexity of modern life, its uncertainty and unpredictability, and the speed of change, but they are primarily caused by the lack of true leadership. Where have all those great leaders of the past gone, whose ideas stirred imagination like the most cherished dream, and whose voice inspired, spurred us to action and made us do our utmost to become better and better? Max Weber remarked that “not every individual in power must be a leader.” This is somewhat paradoxical; you can be in power but, at the same time, not a leader.

Political leadership capable of meeting the challenges of the 21st century is hard to come by all around the world, in USA, EU and also Poland. Critical observers conclude the landscape of leadership is dominated by mediocrity, and power is all that current politicians in the East and West strive for. The contemporary economic crisis in Europe serves as the best example.

The problems besetting today’s companies pervade the entire economy in the form of unforeseeable periodical crises and breakdowns. They are the backwash of poor leadership. The world is lacking in inspirational leaders who prompt us to act, and replete with bad leaders who threaten company stability and torment employees. This causes the crisis of leadership. Where have the times

gone when flaws and failure were not the stigma of incompetence but an opportunity to improve and strive for perfection?

The crisis of leadership stems from the crisis of values. Today's leaders talk copiously about business ethics, but they rarely put words into action. Their methods stand in glaring contrast to their declarations. The return to centuries-old principles and customs of leading and managing by values is an answer to future challenges in social life and business in terms of creating sustainable development.

The leader is called to act faultlessly. Leadership is surrounded by an aura of mystery as if it were a gift granted to the chosen few. It is considered a rare, inborn talent. The belief could not be more wrong. No one becomes a leader by birth but through hard work. This is both good and bad news. Good because at times like these when we urgently need true leadership in so many areas such as business, public and political organizations, institutions able to educate future leaders are indispensable. Bad because, though the demand is great, leadership is in short supply. Good leaders are so few and far between because educating them cannot be completely institutionalized. Leadership is also the result of self-learning and constant self-work. It derives from personality too. That is why it requires self-reflection, balance, justified confidence in oneself and humility. The leader should have high emotional and social intelligence. Other crucial leadership competences are credibility, trustworthiness, delegating responsibility and adaptability.

In the second of part of the book, I deal with the phenomenon of bad leadership, its traits and symptoms which often cause frustration and discouragement, especially because these days bad leadership is not an occasional exception – it has become the rule.

The shortage of great leaders is not the biggest problem of modern times. A far more serious one is bad leadership and leaders who

try to achieve their goals at all costs, often resorting to cheating, manipulating, embezzling and counterfeiting. Sooner or later such behaviours are revealed and result in companies going bankrupt. They also cause immense problems for employees, subcontractors and investors. Pressure to succeed in the world of unbridled desire for material growth is unrelenting. It gives rise to frequent examples of bad leadership. More and more often, we witness degenerate, ruthless and villainous leaders enter the political and economic scene.

Contrary to the widely held view, the quality of leadership can be given an easy and unambiguous definition. When assessing a leader, we need to take their effectiveness and the ethics of their actions into account. Good leadership is both effective and ethical. Bad leadership has many hues. It is bad beyond doubt when ineffectiveness and lack of ethics go hand in hand. But it can be ethical and still bad if it yields no results. Where the code of ethics is broken, however, results alone are useless. Effectiveness is a straightforward criterion. It is easy to apply in assessing leadership quality. Ethics, on the other hand, is a broad concept. Using it as a criterion will be subject to many a debate, especially in the face of its myriad philosophical connotations. To make it more simple, I have categorized bad leadership according to five key, commonly found traits: incompetence, hypocrisy, intemperance, greed and corruption. I am well aware that the list is not exhaustive, but these characteristics manifest themselves in real-world examples of bad leadership and perfectly illustrate its dangers.

In the third part of the book, I describe leadership based on values. At the bottom of the concept lies the return to the source, a rediscovery of the truths known for ages that, once treated as obvious, have now become forgotten and are no longer adhered to. Leading by values has a universal aspect. It marries personal life with business. So far the two have been investigated separately. Because values are related to identity, they shape the leader's attitudes and de-

fine their style of leadership. Values-based leadership is not achieved through administrative or economic coercion; it is based on a sense of community and, that is why, I like to call it true leadership. Some of us identify themselves with it consciously, others subconsciously. The leader is required to define their own values and apply them in life and business with full awareness. A personal system of values is formed when you seek and discover them for yourself. It can be used as a point of reference in group- and teamwork, which is the essence of values-based leadership. It is shared principles that unify a group of people and ensure the effectiveness of their work. You can control a group whose members have differing values, but leading it is impossible. Each of us have their individual set of values, and it impacts our conduct more than any instructions or procedures. When values are one and the same, leader-team member relations become highly effective. Conversely, a clash of values hinders such relations. Without a community of values, leadership is simply impossible.

In the last, **fourth part of the book**, I present five essentials of leading by values – perfection, goal realization, responsibility, willingness and involvement. I provide examples of applying these in life and in business, and the results you can achieve by doing so. A detailed description of each category demonstrates their wealth of meaning and the dynamics of their application.

It is important, even vital, to show how significant values are through the example of desirable attitudes and practices. This helps avoid any misunderstandings and ensures that values remain at the heart of leadership and teamwork. Naturally, I acknowledge that my list is by no means complete. After all, the world of values is as rich as the world of human characters. The ones I mention are intended as examples of values which, in my opinion, are the most essential and tested ones in the context of various business projects.

Values-based leadership has above all a human dimension. It relates to attitudes and behaviours of employees and manag-

ers as they interact with each other, with customers, shareholders, suppliers and their environment in its broad sense.

Leading by example is indispensable to convey the significance and impact of values in practice. It should not be a one-off, but needs to be an integral part of the leader's management style. Followers are not a random group of people. Nor are they an elite team of the best, whom we just happen to lead. They are hand-picked companions in our journey. They declare the same principles which determine their personal standards. One of the most important aspects of good leadership based on values is evaluating attitudes and competencies, and giving feedback on what is essential – putting values into practice. Reversing the traditional method of assessment is worth taking into consideration. You can start with team members assessing themselves. This allows to get both sides involved in the process which makes it more objective. Values-oriented leadership not only intends to use a set of principles to make relations inside a company smoother, but also seeks to apply the principles in external relationships, so that they are tangible for customers and business partners. When an old saying “they will know you by your actions” is put to use, values become a distinguishing feature of a company which inspires respect and recognition.

We follow values when we adhere to universal norms and our own set of principles. Self-awareness and inspiration owed to others are our points of reference. Those who inspire us are those towards whom we feel respect, admiration and sometimes even friendship and love. Leaders have considerable, and at times decisive impact on our lives. By leaders I mean heads of families, small social groups and large societies, united by common goals and values, as well as political and religious leaders. Values is what all admirable leaders in private, social, political and business life have in common.

The book's main message is that principles lead us to a sense of fulfilment by helping us discover what is most important to each

Acting on Values: Leadership in Turbulent Times

one of us. Following values creates unique harmony in life by making day-to-day actions true to our deep heart's core. This applies to both leaders and those who are led.

Part I

Leadership in Revolutionary Times

In response to the violations, policy makers and politicians have crafted new laws and regulations to close the loopholes. While some changes in regulations are appropriate and necessary, they do not address the deeper issues at stake here. It is impossible to legislate integrity, stewardship, and sound governance.

Bill George

Nothing will be more important in the coming century than training the leaders of the future and developing new ideas.

Prof. Lawrence Summers,
President of Harvard University

I'm absolutely convinced that most modern organizations suffer from a lack of leadership.

John Kotter,
Harvard Business School



In the latter half of the last century leadership ceased to be viewed as the moving spirit of history. Charismatic leaders began to be considered relics of the past, and visionaries were even regarded as a threat to stability and the comfortable *status quo*. Exercising power in a collegial fashion through governments, governing boards and bodies, councils, committees, cabinets and the like became the dominant way of leading. The democratization of leadership came to be an expression of political correctness. The most important decisions were made by consensus instead of majority vote. Managers replaced leaders at the helm of companies, organizations and states. The belief that it is management, not leadership, that determines company quality and a country's development has gained popularity in the last few dozen years. Since management was deemed as the 21st century's greatest innovation that "will remain a basic and dominant institution perhaps as long as Western civilization itself survives" (Peter Drucker), the manager has become the modern day hero, the progenitor of prosperity. The manager is nowadays synonymous with high social status. As capital became more and more anonymous, casting owners in the shade, not only did the manager come to the fore in business but he began to be indispensable in public organizations and politics. The second half of the 20th century was the period of the world's greatest prosperity and

economic growth. This has had a major influence on fostering the belief that the manager is the key figure in the effective running of organizations which has become the foundation for rapid social and economic growth.

A lot changed, however, with the dawn of the 21st century. The progress of civilization is not linear; it ebbs and flows. From time to time, the creative force of innovations reaches a critical mass which makes progress accelerate rapidly. These sinusoidal changes define the trajectory of growth in economy and civilization. The IT innovations in the last fifty years have gained a critical mass of such magnitude that they can completely alter the life and work style of an individual, the ways companies, political parties and social organizations function, and, last but not least, the entire social and economic life across countries and the world. We live in an era of technological revolution which is becoming socially and economically relevant. Today, we are witnesses to events and phenomena which are the driving force of the next acceleration. Even though its nature is different, the depth of change is comparable to that of the Industrial Revolution of two hundred years ago. The motor behind it is the innovative ways in which we interact. These new networks of communication are created with the help of computers, telecommunications devices and software which aids task completion, access to information, and knowledge distribution. The technology accelerates the pace of innovation even further.

We are currently in the period of transition from industrial to knowledge economy. The technological revolution and social changes are thoroughly reshaping the world of business and the ways companies function, especially in these areas:

- information transfer;
- globalization of supply and demand;
- demographical changes and the emergence of a new generation of clients;
- customers taking control over companies;
- the collapse of barriers separating the inside of a company from the outside world.

This paradigm shift is a challenge for traditional companies. It requires them thoroughly to change the methods which have proven effective over many years. Employees' mentality must be reshaped and expertise in managing IT, knowledge, processes and customer relations is badly needed. The new reality poses a true test not only for organizations as a whole but for each individual employee.

In order to meet the challenges of the New Economy, companies must improve their existing methods of management or find new ones that will enable them to solve critical problems in such spheres as:

- leadership;
- the new generation of customers;
- values and needs of clients as a basis for a business model;
- managing knowledge;
- acquiring and developing talent;
- creating innovations;
- fluent adaptation of organizational structure to the demands of the moment.

On the one hand, leadership becomes demystified in the New Economy, but on the other, its role in companies as well as public and national institutions is growing.

Leadership is a common phenomenon. It exists in informal relationships as well as institutions based on tradition and legal regulations. It can be found at every rung of a company ladder regardless of its formal power structure. There is no dilemma as to whether “to direct or lead”; both are necessary. But only good leadership can ensure taking full advantage of employees' unique skills, can inspire involvement, readiness as well as responsibility, and can bring satisfaction from the job done.

Warren Bennis¹, a prominent American researcher and pioneer of the modern science of leadership, says “one thing we know is that a more dangerous world makes the need for leadership, in every organization, in every institution, more pressing than ever.” Good leadership makes it possible to avoid dangers that come from violent economic turbulences. It allows to spot exceptional opportunities showing up as a result of groundbreaking technological innovations and changes in business models. And when it comes to an entire country, good administration or even successful management of bureaucratic structures is not enough. What is needed is good leadership.

The challenge of our times is skilfully to combine true leadership with effective management. Only this combination can respond to the challenges of the 21st century. Leaders of the future are people capable of setting completely new directions and ambitious goals. And they can also make them come true by effectively managing themselves and the available human and material resources.

¹Bennis, Warren. *On Becoming a Leader: The Leadership Classic* (New York: Basic Books, 2009), p. xxiv.



Where have all the leaders gone?

Where have all the leaders gone? Where are the people of character, courage, conviction, competence, and common sense?

Lee Iacocca

How many of those we believed to be leaders were really corporate Wizards of Oz, their perceived abilities as illusory as their cooked books?

Warren Bennis

We live in times of uncertainty. Fast changes occur in every area. They fill us with anxiety that turns into dread. The world has become unpredictable. Where it is headed remains unanswered. Violent crises cause panic to erupt and, conversely, changes for the better put us in a state of unfounded euphoria. People feel lost, trapped, powerless in the face of current events which bring fear and destroy hope. All this is happening at the time when man has gained an almost complete control over nature owing to the last two centuries of unprecedented progress in science, technology and production. It has given man the conviction that he is an all-powerful master. In the economically highly developed world, the end of history has even been announced. Liberal democracy and market order were supposed to be the perfect means to a po-

litical system in which people would be happy. The world, however, seems totally different when looked at through the eyes of its ordinary inhabitants, even those from the privileged parts of the globe. We work harder than ever before, live under constant pressure which ruins our psyche, have more responsibilities and less time for ourselves and our close ones. At the same time, we have access to tools which, at least in theory, are meant to make our lives and work easier: cars, mobile phones, computers, the Internet. We are feeling more and more helpless, overwhelmed and vulnerable in our global village even though we live just one click of a mouse away from each other and enjoy wider access to information, knowledge, services and goods than ever before. These are not just the impressions of those “frustrated with prosperity” who live in the richest countries of the West.

The social crisis and the cyclic economic breakdowns of the recent years do not arise only from the undue complexity of life, the uncertainty, unpredictability and speed of change but are also the result of the lack of real leadership.

Where have all the leaders gone who showed, by their own example, the meaning of competence, courage, consistency, determination, character, honesty, faithfulness, friendship, love and trust...? Where are all those true leaders whose voice can ignite us into action? Where are all the individuals for whom power is a means, not an end? In the Academy Award-winning film, *The Iron Lady*, the elderly Margaret Thatcher makes this observation about the contemporary world: “It used to be about trying to do something. Now it’s about trying to be someone.” She hits the nail on the head. The majority of today’s leaders are only concerned with being “someone”. They are dwarfed in comparison to such political giants as Thatcher. If you are not convinced, just take a look around. It is hard to spot anyone who, on account of their merit and achievements, is worthy of being called an outstanding leader.

But to spot them, we do not have to go too far back in time. Let's stop at the second half of 20th century. The generation born up to 1980 was lucky to witness great leaders who left their mark on the world. These were individuals who fired enthusiasm in their followers, earned the respect of their opponents and contributed to far-reaching social, economic and political changes. In the period following World War II, people had to overcome the psychological trauma first and, then, work arduously to reconstruct the economy. Soon extensive growth factors were exhausted and other development stimuli were needed. Freedom and democracy came to be the most important growth factors alongside economic progress. This is when great leaders entered onto the scene, who indicated directions for further development. They became mentors to others teaching them how to conquer seemingly unconquerable limitations and realize goals that so far had seemed only far-fetched dreams. USA had John Fitzgerald Kennedy and Martin Luther king, Africa had Nelson Mandela and Jomo Kenyatta, France had Charles de Gaulle and Robert Schuman, UK had Margaret Thatcher, Germany had Konrad Adenauer and Willy Brandt, Russia had Mikhail Gorbachev, the Czech Republic had Václav Havel, Poland had Lech Wałęsa and John Paul II. As a result, the world – at least the area of Western civilization – has become more peaceful, just and more accessible thanks to the technological revolution.

Karol Wojtyła became the Pope at a time of increasing secularization. It seemed as though the role of religion and religious leaders could only diminish. His pontificate, however, turned out to be one of the most significant in the history of the Catholic Church, and he himself was a world-class leader, a giant of the Millennium. He had a real impact on the world during his time as the Pope between 1978 and 2005. He is said to have initiated a major change in the Polish society's consciousness which bore fruit in the form of Solidarity and, later, the collapse of communism in Poland and other Central-Eastern European countries. Karol Wojtyła contributed greatly to the deep shift in the world's political and economic

order. He was instrumental in the triumph of democracy and capitalism in the Soviet Bloc countries whose total surface amounted to one-fourth of the globe's area.

Great leaders play a key role in history precisely because decisions and actions they take at crucial moments lead to events that change the world. They spot opportunities that others fail to see and are often prepared to go against the stream by challenging received notions. They set out on paths that seem impenetrable since they lead beyond the limits of human imagination. There is a type of leaders who appear out of nowhere, at the right place and time, responding to the challenge of the moment. Leaders of that kind take the helm unexpectedly and steer to their destination with remarkable faith and resolve that magnetizes multitudes. They can unleash the unparalleled power of individual abilities and team cooperation. Great leaders alter reality, accomplish breakthroughs, but it can also be argued they are a product of their time. The heroes who turn their ambitions into triumphant reality will earn their place in history. Lech Wałęsa provides a unique example of a leader in revolutionary times. He was one of the few unique leaders of the latter half of the 20th century who changed the world for the better. It is both easy and hard to write about Lech Wałęsa. On the one hand, half of Poles are living witnesses to his achievements. On the other hand, though, just like almost any other hero he himself must wrestle with his own myth. Lech Wałęsa is an extraordinary figure and authentic leader. This electrician from the Gdańsk Shipyards was the unexpected leader of the 1980 strike. Later, he headed trade unions and a social movement which in a matter of a decade brought about the collapse of communism in Poland and the start of profound political changes in the form of civil society and market economy. Wałęsa was a prime mover of a sea change whose results are astounding. Thanks to it, Poland and many other countries of Central-Eastern Europe were liberated from the shackles of communist totalitarianism and joined the democratic family. After 1989, his political effectiveness dwindled.

He also made many mistakes: he was a President who did not live up to expectations, he did not notice his own limitations and shortcomings, he could not accept a deserved failure in the following presidential elections with dignity and he did not find a new role for himself. But nothing can diminish his virtues as a leader in truly revolutionary times.

Those in power are often called leaders, but this is an overstatement. It often bears little relation to reality. Power rests on coercion and authority, while real leadership is grounded in authority alone. As I have mentioned before, Max Weber remarked that “not every individual in power must be a leader.” Indeed, one can have power without being a leader. The lack of political leadership that could meet the challenges of the 21st century is by no means a uniquely Polish issue. The situation in the EU and USA does not look any better. Many pundits are of the opinion that the landscape of leadership is dominated by mediocrity, and power is all that contemporary politicians of the East and West crave. The current economic crisis in Europe is the primary example of that. The diagnosis as to why the crisis occurred is obvious, and the treatment necessary to cure the situation is also plain to see. But the adequate remedy is not used because of vested interests of European leaders, their concern over the loss of power or their desire to seize it. Their populism determines what tools they use to restructure Greece’s already ailing economy and how they help Spain, Portugal and Italy which are also gradually sinking into crisis. Greece falsified statistics which allowed it to meet the requirements for joining the Eurozone. The responsibility for that falls on the consecutive prime ministers and leaders of ruling parties. Admittedly, it took some cunning and the help of Goldman Sachs, the world’s most well-known investment bank, to mislead the European Commission. At the same time, the most prominent politicians and the wealthiest Greeks cheated their own country by not paying taxes. They also transferred large amounts of money to secret foreign accounts. Despite that, the duped EU, under the

pressure of German Chancellor Angela Merkel and the President of France Nicolas Sarkozy, decided to support Greece in order to prevent the Eurozone from disintegrating; naturally, the Eurozone perfectly serves their national interests. Greece would receive only if it accepted a programme of drastic savings and budget cuts dictated by the International Monetary Fund and the EU. It was clear from the start that Greece would not be able fully to repay its debts, but the leaders pushing the support for Greece assured their voters that the costs of the financial support would not be borne by taxpayers. Such assurances were motivated mainly by their concern for voter support and their political position. In 2011, private commercial banks to which Greece owed half of its external debt were successfully forced to reduce it by 56% in exchange for low-interest long-term bank loans of one trillion euro. The restrictive economic policy caused complete breakdown, the GDP shrank by one-fourth and, as a result, Greece's capacity to repay debt deteriorated while its size increased due to high costs of debt servicing.

After a couple of month, Greece was driven to the brink of bankruptcy since the external debt instead of decreasing rose to 165% and the country became insolvent. Greece did not manage to reduce the external public debt owed to the EU member states by the required amount. In November 2012, the repayment deadline was further extended from 15 to 30 years and the grace period on interest accrual was lengthened to 10 years. In addition to that, the European Central Bank decided to grant a hidden subsidy in the form of transferring profit from restructuring Greece's debt, which would allow to lower the interest cost of debt servicing. It is expected that after the 2013 parliamentary elections in Germany, if Angela Merkel remains in power, the issue of debt reduction will be raised again. It is hard not to get the impression that European leaders' actions were out of sync with real needs and taken too late.

Another example of ignorance and lack of responsibility on part of European leaders is debt restructuring in Cyprus, one of the smallest member states of the EU and Eurozone. Cyprus is the

smallest EU economy beside Malta. It offers a perfect lesson on how European leaders' indolence can turn a relatively small-scale financial problem into a full-blown threat to Eurozone's existence. In February 2013, as the breakdown of Cyprus's financial system stared them in the face, the leaders of the Eurogroup, comprising the finance ministers of countries in the Eurozone, hurriedly drafted a financial support programme. According to it, a tax was to be imposed on bank clients' deposits – 6.65% for deposits below 100,000 euro and 9.9% for those above the amount. They considered such taxes as Cyprus's vital contribution to its financial reform. It was only recently, in 2008, that the financial system of the whole of the EU experienced serious perturbations. Banks were plunged into crisis. They stopped trusting each other and froze reciprocal funding. Financial sector liquidity became dangerously limited and, as a result, banks turned off the credit tap for businesses and individual clients. The loss of credibility posed a genuine threat. If people had started to withdraw their savings en masse, it would have led to a paralysis of the financial system and an economic cataclysm. This is when political leaders, first in Germany and the UK and then in other EU countries announced state guarantees of solvency for individual clients' deposits of up to 100,000 euro. Those declarations prevented clients from storming banks. It introduced a common deposit guarantee scheme in the EU. If the Eurogroup leaders had really wanted to act responsibly, they should not have given their consent to toppling one of the pillars on which trust for banks is rested, even if it was what the President of Cyprus, Nikos Anastasiadis, proposed. This evidently demonstrates a lack of consistency, prudence and good sense on their part. The consequences were easy to foresee. The currency rate of the euro took a nosedive and bank clients in Greece, Italy, Spain and Portugal started withdrawing their deposits out of worry they might also fall prey to a similar solution. People in Cyprus took to the streets, the Cypriot parliament unanimously rejected the terms of the agreement, banks closed down their branches and

cash machines. The financial system was paralyzed for two weeks until a new plan of restructuring was devised which included safety guarantees for deposits below 100,000 euro. At last, the EU, working together with the International Monetary Fund, provided financial help of 10 billion dollars in exchange for a tax on deposits above 100,000 euro and a commitment to restructure the banking sector. The majority of large deposits, which amounted to 31 billion euro, belonged to natural persons and Russian companies. Losses of the liquidated Laiki Bank, where Russians kept most of their money, could have reached 30% of the value of deposits. Cyprus, a Eurozone member, had enjoyed an exceptionally favourable tax law and a liberal banking law. It served as a money-laundering site tolerated by politicians and a back door to the EU, mainly, but not only, for Russians. The prime minister of Russia, Dmitry Medvedev, said this in his commentary on the situation in Cyprus: “the stealing of what has already been stolen continues”.

The EU leaders are forcing savings on the member states. The aim is to restore the budget balance. It is especially painful, however, for the countries that are in deep crisis. Meanwhile, the cost of bureaucracy in Brussels and Strasburg has been snowballing. The number of civil servants at the European Commission increased from 23.8 thousand in 2008 to 32.7 thousand in 2013. The number of those employed at the European Parliament increased from 5.9 thousand to 6.7 thousand in the same period. In 2008, administrative expenses of EU agencies reached 6.4 billion euro, but in 2013 they were already as high as 8.4 billion.

It is commonly believed that nowadays the biggest problem of the EU is a lack of clear, strong, and decisive leadership, which would aim to solve future problems rather than concentrate on current issues. However, one can hardly expect good leadership at the EU level when it is hard to find in the individual member states.

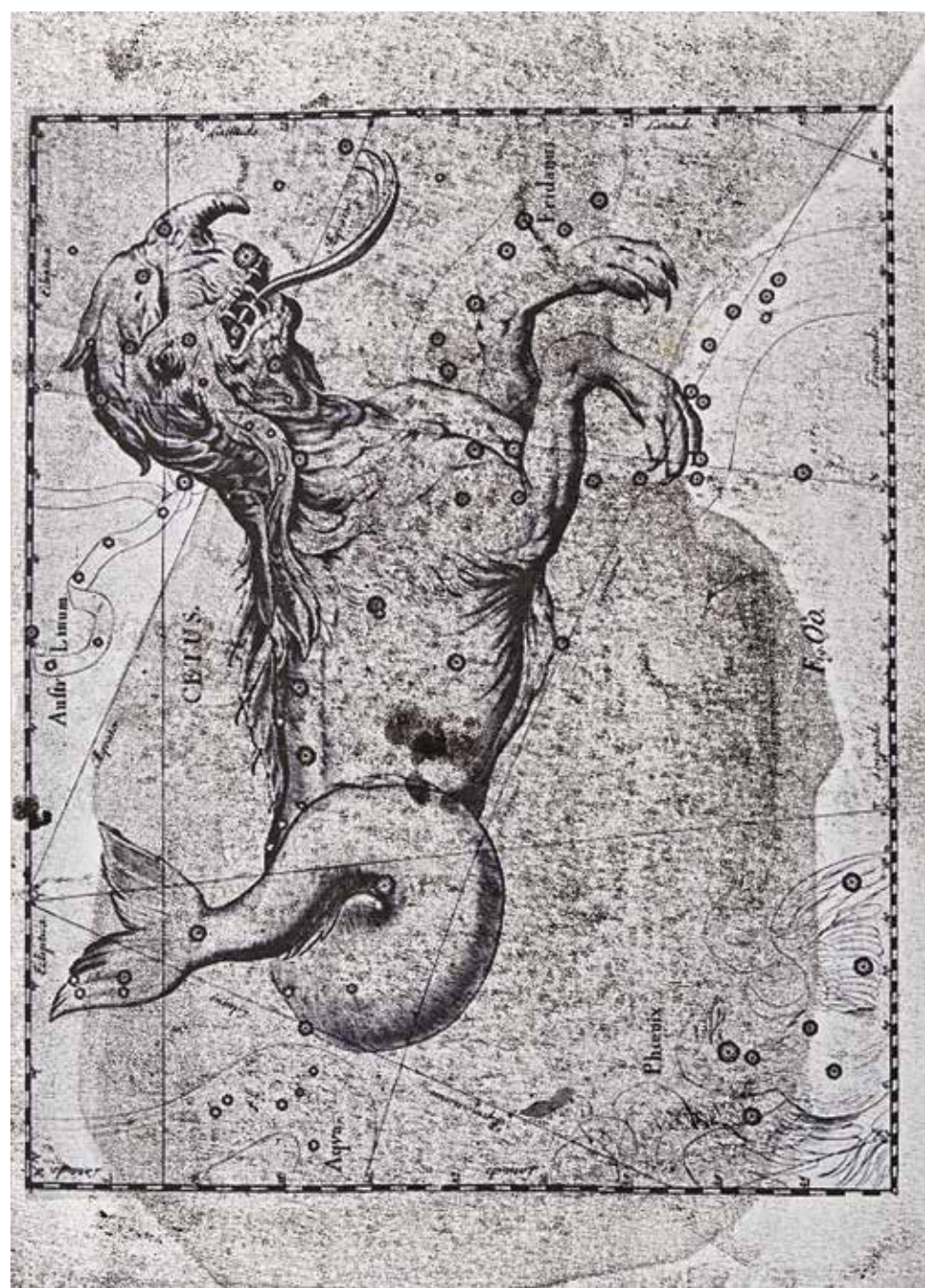
“What this country and its successive chancellors are increasingly lacking is the willingness and ability to lead” said Wilhelm Hennis, a well-known and highly regarded German political

scientist, who is critical of the entire German political elite. He claims that the “present generation of politicians is mediocre and thoughtless”, “people who surround themselves with flatterers and yes-sayers”, “they only devote themselves to the struggle for power”. According to him, prominent politicians treat politics like “a washing powder commercial”. Gerhard Schröder, as a Chancellor of Germany, fervently supported the internationally criticized plan of building Nord Stream, which caused an outcry in Poland and the Baltic states. The agreement regarding the gas pipeline was signed by Russia and Germany two weeks before German parliamentary elections. Schröder lost them. Shortly afterwards, the now ex-Chancellor took the role of supervisory board chairman at a consortium commissioned to build the pipeline. Ethics aside, this is certainly a case of a clash of interests. His decision to sign the contract with Russia was motivated by individual benefit, not the interest of Germany; such an accusation is justified by facts and the course of events.

The 2012 presidential elections in France were unexpectedly won by the then little-known politician, an activist of the French Socialist Party, François Hollande, who beat the favoured candidate, Nicolas Sarkozy. François Hollande won by promoting populist slogans of increasing state involvement and public spending which he was planning to fund by drastically raising tax rates to 75% for the best-earners. During his campaign, he vigorously criticized the banking sector as a root of all evil and threatened to nationalize the main banks. That signalled a return to the past of François Mitterrand’s socialist utopia. Mitterrand had nationalized the largest companies from the five biggest sectors of the economy, including 36 banks. This had had catastrophic consequences. After some time former owners had bought their companies back for less money than they had received earlier in compensation. Eventually, François Hollande scrapped his idea to nationalize banks, and the 75-percent tax rate on annual wage income above one million euro was rejected at the end of 2012 by the French Constitutional

Council which ruled it unconstitutional. As a response, Hollande proposed to levy a similar tax on companies, which, as one might expect, sparked criticism that “it would hit the entrepreneurship sector”. When one considers the actions of the EU member states’ leaders, there is little wonder that many believe the union’s main obstacle on the road to solving current economic problems and meeting future challenges is a lack of leadership. Even if the EU operates through collegiate management, its quality depends on the traits of its individual members.

Where are all the leaders of the stamp of John Fitzgerald Kennedy, Winston Churchill, Charles de Gaulle, Robert Schuman, Konrad Adenauer, Willy Brandt, Margaret Thatcher, Lech Wałęsa, Karol Wojtyła whose vision combined with determination inspired multitudes and gave them the strength to defend the highest principles, let them win the Battle of Britain against the prevailing enemy forces, allowed France to rise from the trauma of Nazi occupation, enabled to create an idea of a European community and to breathe life into it, let Germans rebuild their ruined country and find their identity, made it possible to arrange peaceful East-West cooperation, to rescue the UK from long-lasting torpor and restore its economic position on the international arena, ensured the fall of Communism and won Poland’s freedom? Just as true leadership rooted in far-reaching vision and positive values is needed most, its supply is paradoxically most lacking.



Good and Bad Leadership

*All leaders are actual or potential power holders,
but not all power holders are leaders.*

James MacGregor Burns

Leadership is a relationship.

*It's a relationship between those who aspire
to lead and those who choose to follow.*

Whether the relationship is with one or many, leadership requires engaging others.

*No matter how much formal power and authority our positions give us,
we'll only leave a lasting legacy
if others want to be in that relationship with us.*

James M. Kouzes, Barry Z. Posner

When we talk about leadership, we usually mean good leadership which bears fine fruit, energizes followers, brings them satisfaction, and creates social and material value. Bad leadership, however, is hardly an exception. It often has a significant effect on people, institutions, organizations, companies and countries. Many a time has it impacted the course of history. The thing is that bad leadership is popularly thought to be the problem of leaders. But, in reality, it mainly affects those who follow leaders and their directives willingly or under the influence of formal authority.

Bad leadership emerges imperceptibly, sometimes unexpectedly, and soon does irreparable damage, bringing frustration and torment to people dependent on their leader. Some are forced to seek new ways of realizing their plans and dreams,

while others for various reasons cannot escape its destructive influence.

We constantly encounter bad and good leadership. There are commendable leaders who, together with their followers, do a lot of good and bad leaders who bring evil to the world in political, social and economic dimensions, locally, regionally, nationally and internationally. We pay tribute to the great leaders of the past on different occasions. We commemorate with a sense of nostalgia and longing those who changed the world for the better : Winston Churchill, Charles de Gaulle, John F. Kennedy, Nelson Mandela, Mikhail Gorbachev, Karol Wojtyła or Lech Wałęsa. However, we should not forget that the past also witnessed villains who left their devilish stamp on history and who exemplify the extreme of bad leadership: Joseph Stalin, Mao Zedong, Pol Pot, Robert Mugabe, Saddam Hussein or Radovan Karadžić. The world of business also provides examples of good and bad leaders, even though the differences between them are not as spectacular and some of their names are not household words. Alongside eminent and widely admired leaders such as Jack Welch, Steve Jobs, Bill Gates, Robert Packard who brought a wealth of added value to clients and shareholders, there were also those, like Bernie Madoff (Bernard L. Madoff Investment Securities LLC), Ken Lay and Jeffrey Skilling (Enron) or Dennis Kozlowski (Tyco International), who appealed to many but whose embezzlement and swindles caused disenchantment, loss of property and irreversible damage to everyone, clients, employees and owners.

The crisis of leadership is not only about the lack of good leaders at times when they are needed most. It is also about the omnipresence of bad leadership. Overcoming it is only possible by maximizing good and limiting bad leadership. The question of bad leadership should not be passed over, even if it seems shameful or uncomfortable since it requires to explore at the dark side of human nature.

We do not need polls showing the decline of trust for leaders or enormous scandals like Enron or Lehman Brothers to convince us that bad leadership is widespread and harmful. All you need to do is to look around and you are sure to notice examples of incompetence, lack of reliability, cold-blooded ruthlessness, and greed. They are so common. Bad leadership overwhelms us, causes stress and leads to depression. For unknown reasons, the scientific study of leadership ignores the problem of bad leadership. Unsurprisingly, the practical side of leadership studies emphasizes the ways to become a good leader. History is the only discipline which investigates cases of bad leaders since they have influenced its course. It attempts to formulate a diagnosis, but, understandably, does not offer any treatment. Its focus is on the static analysis of the past. The study of leadership must not be restricted to the question of good leadership. It must establish clearly what constitutes bad leadership, what its roots are, and, lastly, identify ways to eradicate it.

Bad leadership can be limited by improving leadership style or eliminating bad leaders and replacing them with good ones. Is this a spontaneous process? Certainly not. Nor is the battle between good and evil. Awareness alone will not suffice either. What is needed is consistent and well-directed action. When the spotlight is only on good leadership the treatment of the issue becomes one-dimensional. It flies in the face of reality where bad leadership is rife. After all, almost all of us have experienced it. No wonder, then, that those interested in leadership – readers, students, participants of leadership courses – mistrust such analyses and even get confused by them. For many, bad leadership is the main problem because it affects them on a daily basis and they cannot cope with it on their own. Promoting good leadership without tackling the repercussions of bad leadership is bound to become an idealistic tale bordering on fiction. Presenting an attractive vision of good leadership is compelling. It portrays the object of our desires, so people expect to hear and read about it. Indeed, this is what employee training courses offer. And, clearly, it is well-received by companies as they are ready to pay a lot

for education of good leaders. But what if participants suggest their employers should also attend similar courses openly implying that focusing on good leadership alone distorts reality? Then, such training becomes a hardly effective seminar at best. Without providing an answer as to how bad leadership could be limited, it does not promise to change the reality it so condemns.

In the USA at the beginning of the 21st century, 75-80% of surveyed companies, and 90% of large ones, had a formal code of ethics compared with only 15% at the end of the 1960s. Half of the Fortune 500 companies, employ officers for ethics who make sure company codes are followed. In many other countries in the world a similar phenomenon can be observed. Companies have become sensitive about complying with business ethics, at least in the official and legal sense. They draw up internal documents, codes, regulations and canons of ethical conduct. Then, they eagerly announce their efforts to the public. Ethics in business are discussed publicly and during training sessions and courses. Companies include them in their declarations of values, more than that, they wholeheartedly commit themselves to following their ethical codes. So the problem must lie elsewhere. It is the practice that fails. There has been little improvement in how moral principles are exercised in business. The ways companies function and the quality of leadership as far as ethics go have seen little progress. It can be even argued that they have deteriorated. Examples of bad leadership, incompetence, unethical and immoral conduct can often be witnessed in business, politics and public life. They cause outrage among the public who is still hoping for an answer to the basic question: How can this be helped?

The quality of leadership is in decline, even though public institutions and companies around the world spend over 50 billion dollars a year on leadership education and training programmes, which is five times more than thirty years ago.

During that period, universities, business schools, consultancy firms have turned the study of leadership into real business. Almost every major university has a special department or institute devoted to the study of business ethics and leadership. They aim to explore what leadership is and how it should be done. One might think that, with all this money being poured into leadership education and courses, the branch of knowledge should flourish. In fact, neither quality nor results go hand in hand with substantial funds. The awareness of the issues surrounding leadership is high both in the business and public sector, which is evident in expenditure. It has also attracted the attention of the educational sector or at least this is the message it tries to project. The best-known business school in the USA, Harvard Business School, encapsulates its mission in these words: “We educate leaders who make a difference in the world.” Leadership should not be limited to business schools. It should be taught at all institutions of higher education. Harvard Kennedy School, a public administration school founded in 1936, at the time of the Great Depression, aims to “train exceptional public leaders”. The Center for Public Leadership at Harvard Kennedy School has issued a summary of the first decade of the millennium. It makes it clear that people are suffering from many incidents of bad leadership. It claims there is nothing more important than raising a new generation of gifted, effective and moral leaders. Leadership is central to mission statements of many other renowned American universities and business schools. But it is not typical only for the USA. Many higher schools across Western Europe, conscious of the weight of the problem, are now introducing changes to their curricula. In Poland, leadership in state education plays second fiddle to a more traditional approach of honing professional skills. This is a serious flaw. It is only by educating leaders that we can meet the social and economic challenges of the nearest future. There is a gaping chasm between what we need and what we have, which manifests itself as the global crisis of leadership (some of its aspects will be covered in the next chapter). The need for better management in all fields, including business, politics,

public and social work is acutely urgent.

The Handbook of Leadership Theory and Practice, published by the Harvard Business School in 2010, claims that “despite leadership being central to the mission and purpose of most institutions of higher education, there is little serious scholarship and research on leadership in these same schools. This is not a tenable or desirable state of affairs².” Surely, the reason for it is neither a lack of demand nor funding. Actually, the opposite is true. It appears that the rapidly increasing popularity of leadership studies and the soaring demand for schooling leaders as well as companies’ fast-growing expenditure on developing leadership skills have inclined those in charge of such courses to take shortcuts. This, in turn, has led to backwardness in real scholarly work on the subject and impoverished training methods. No complaints can be lodged as to the number of books, analyses, publications, courses and conferences devoted to the subject of leadership; their quality, however, leaves a lot to be desired. At the beginning of the 1980s, as few as three books on the subject were published a year. The amount rose to twenty-three towards the end of the decade and, nowadays, there is a mind-boggling deluge of such publications. The majority of bestsellers on leadership, which sell an impressive number of copies, were written by consultants, journalists, controversial scholars and well-known business leaders wishing to secure their position, make even more money, or massage their egos. Professor Jeffrey Pfeffer from the Stanford Graduate School of Business warns that “most books by well-known executives and most lectures and courses about leadership should be stamped **CAUTION: THIS MATERIAL CAN BE HAZARDOUS TO YOUR ORGANIZATIONAL SURVIVAL**³” .

² Nohria, Nitin, and Rakesh Khurana. *Handbook of Leadership Theory and Practice*. Boston: Harvard Business Press, 2010. 3-4. Print.

³ Jeffrey Pfeffer, *Power. Why Some People Have It – and Others Don’t*, Harper Collins, New York, s. 11.

The interest in business ethics has increased greatly. It has become a popular topic of economic discussion. As a result, parliaments draft new legal regulations; education boards incorporate ethics into teaching; companies introduce their internal codes of conduct, employ officers for ethics and run training courses on a mass scale. Despite all that, the effect is far from satisfactory.

The quality of leadership is measured using two basic criteria – effectiveness and ethics. Good leadership is both ethical and effective. Any other combination yields bad leadership.

Effective but unethical leadership is bad, just as ineffective and ethical or ineffective and unethical. Identifying bad leadership and bad leaders is, for obvious reasons, of great importance. It is not that simple, however, when we look at the grey area between the two extremes: the exemplary good and bad. The criteria of effectiveness and ethics are very helpful, but sometimes ambiguous. Hence, they need to be explained in more detail.

Bad leadership is about using power or influence in ways that not only cause harm but also do not bring expected results. It is not necessarily conscious; it can be the outcome of negligence or incompetence. Ineffective leadership does not yield desirable results. There may be many reasons for ineffectiveness. The main ones are: inaptitude, insufficient skill, poorly designed action plans or their inept realization. Certain features of character, flair and strong personality distinguish good leaders; bad leaders' traits are the very opposite. Bad leaders repeatedly violate basic ethical and moral principles. Some are even murderers, though they personally have not killed anyone. Suffice it to mention Joseph Stalin, Adolf Hitler, Robert Mugabe and Radovan Karadžić, but such severe instances of deviance are not the subject of our discussion. All-too-recognizable unethical behaviours characterize bad leadership. Leadership marked by incompetence, depravity, nepotism, unctu-

ousness, greed, heartlessness, insularity, intemperance, ignobility, hubris, timorousness or envy becomes unbearably burdensome for those under its influence. It also poses a threat to business projects, and organizations. Barbara Kellerman, who devoted her fascinating book to the problem of bad leadership, attempts to answer the question of what bad leadership is and how it manifests itself. She identifies seven categories of bad leadership: incompetent; rigid; intemperate; callous; corrupt; insular; evil.⁴ Because bad leadership so far has not been the subject of rigorous research, any classification of its sources and types is largely subjective. It owes a lot to individual observation and experience. My own typology of bad leadership is based on a few commonly encountered traits which, in my view, are the most harmful ones:

- Incompetence
- Intemperance
- Hypocrisy
- Greed
- Corruption

Incompetence often arises from ignorance and lack of expertise, low emotional intelligence or deficient social skills. But how can incompetent leaders remain on top? Is this because others are tolerant of their ineffectiveness? Their ability to do that proves their efficiency in only one area— holding on to power. We may wonder how it is possible that such people play leadership roles, how they have managed to achieve that, on what grounds they have been given such responsibility. There are many reasons for incompetence. Most leaders fail because they lack emotional intelligence, flexibility and humbleness. Incompetence is mainly ineffectiveness, but not

⁴ Kellerman, Barbara. *Bad Leadershi: What It Is, How It Happens, Why It Matters (Leadership for the Common Good)*. Boston: Harvard Business Review Press, 2004. 38. Print.

only that. Companies headed by leaders whose biggest concerns are their ego and material benefit provide the best examples. At the beginning, such firms achieve good, even outstanding, financial results. They utilize market opportunities or an economic advantage from the past. They ruthlessly exploit the rat-race-induced anxiety of their employees. They eagerly milk their customers who, trusting the promises of business partnership, turn themselves into easy targets. In the long run, however, such companies lose their most gifted staff members once they realize how unfulfilling their jobs have been. Sooner or later, the customers learn they have been cheated and leave as well. The company's effectiveness drops and a steady downhill ride begins.

Intemperance is a lack of self-control, restraint and prudence, as well as irascibility. It is the opposite of temperance, one of the cardinal virtues, regarded as principal in the culture of Classical Antiquity and Christianity. Insufficient moderation leads to ruin and, at best, to unhappiness, harm and irreparable losses. Leaders' intemperance has a multiplicative effect because it affects their followers. Whatever shape or form intemperance takes, it disqualifies a person as a leader – be it an insatiable desire for power, vengeance, wrath, debauchery or alcohol addiction. Examples abound of bad leadership tainted with intemperance. We do not even have to go too far back in time when rulers created law and interpreted God's commandments at their own discretion. Suffice it to mention President Boris Yeltsin who was unable to control his weakness for liquor, or the chairman of the International Monetary Fund and candidate for President of France, Dominique Strauss-Kahn, who was discredited when his lifestyle of debauchery came to light.

Hypocrisy is the practice of professing moral principles, but not conforming to them in real life. Dissimulation is rife in the world of leadership. It is often whitewashed by claims of the superior interest of the State, corporation or political idea. Populism is

a type of hypocrisy. After all, it is nothing more than attempting to gain support and influence with full consciousness that promises and declarations will remain hollow slogans not only because they are objectively unattainable but also subjectively unacceptable and often contradictory to their real intentions. It is worse than lying which only serves the interests of the liar; hypocrisy involves taking advantage of people's trust and good will. As a universal tool of manipulation, it has become a serious threat to social and economic order. Political parties and companies carry out public opinion polls and surveys on product quality, people's needs and expectations. But they are not intended to eliminate flaws and meet their supporters' or customers' demands. Their aim is to help modify communication strategy, which, basically is nothing more than skilful and purposeful brainwashing.

Greed was used to mean an impatient desire to use wealth. Today it describes unconstrained hoarding of riches without any consideration for others. A greedy leader is almost invariably a ruthless one. Their well-being comes before the good of the company, their subordinates and employees. Greed is the antithesis of solidarity, generosity and charity. Regardless of the harm it can do, people nowadays attribute greed with the power to propel economic activity and, in turn, growth. Its ugly face was revealed in the last financial crisis. Greed was one of its main causes. This shows what a great threat leadership based on greed can become.

Corruption, so typical for bad leadership, is one of the most prevalent and dangerous phenomena. It exists so frequently that it does not require great imagination to know what it is. By corruption we mean bribery, nepotism, swindles, embezzlement. It occurs when leaders or their followers give or accept bribes, use confidential information for private gain, favour their supporters, embezzle company money, abuse power, circumvent the law, or violate principles. Fighting corruption is high on the agenda of ne-

arly every government and many international organizations, and is also an essential element of good business practice. Corruption, however, is ubiquitous and the results of anti-corruption measures are disappointing. Corruption affects both developed and developing countries, big corporations and small businesses. Experience shows that corruption cannot be eradicated through legal means. It would seem that the key to solving the problem, or at least significantly limiting it, is good leadership. Reality shows, however, that it is the corrupt leaders that are the main source of difficulty.

Part II

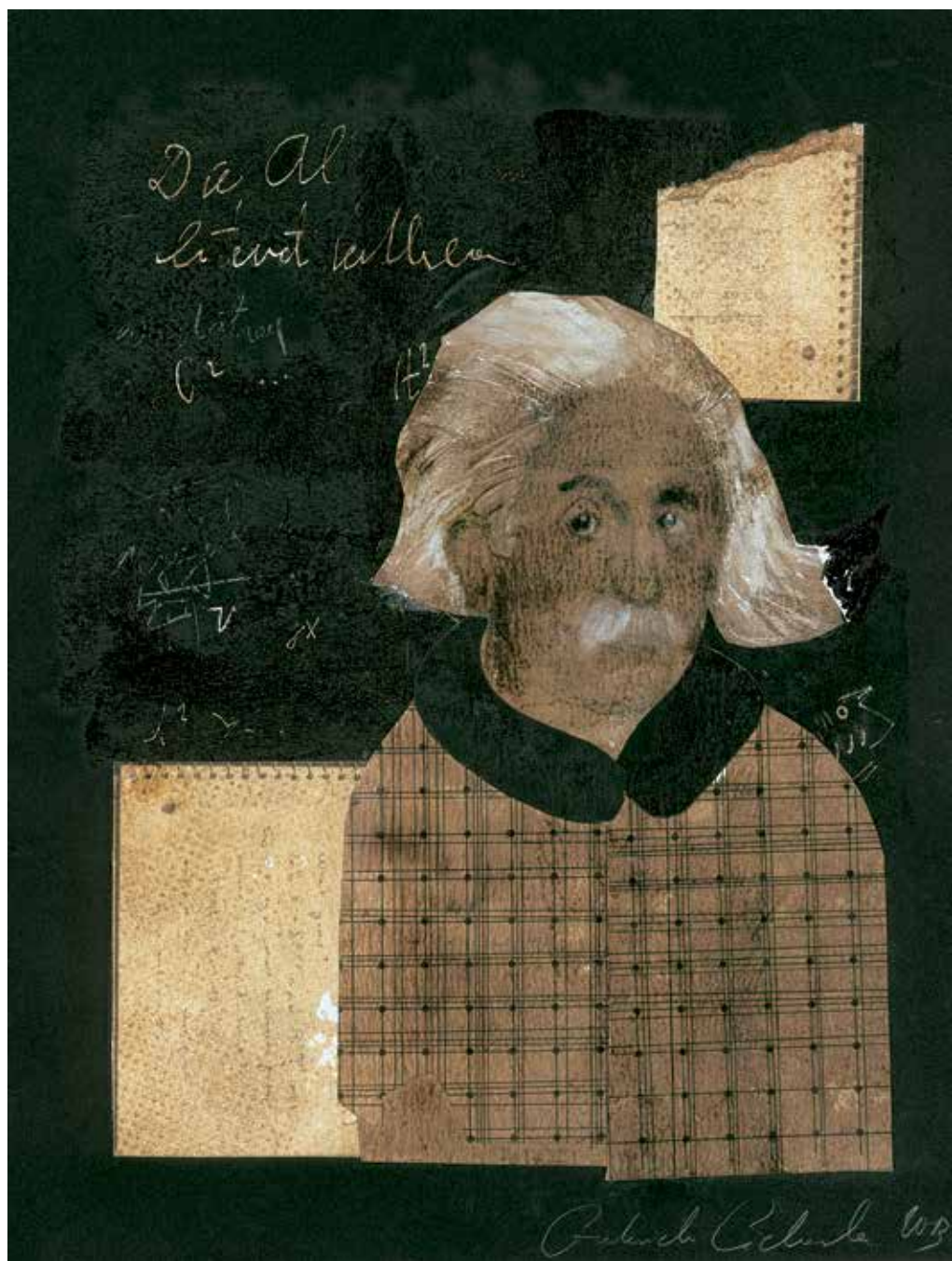
Bad Leadership

*Bad leadership is a phenomenon so ubiquitous
it's a wonder that our shelves are not heavy
with books on the subject.*

Professor Barbara Kellerman,
Leadership Center for Public Leadership,
Harvard University

*The world is a dangerous place,
not because of those who do evil,
but because of those who look on and do nothing.*

Albert Einstein



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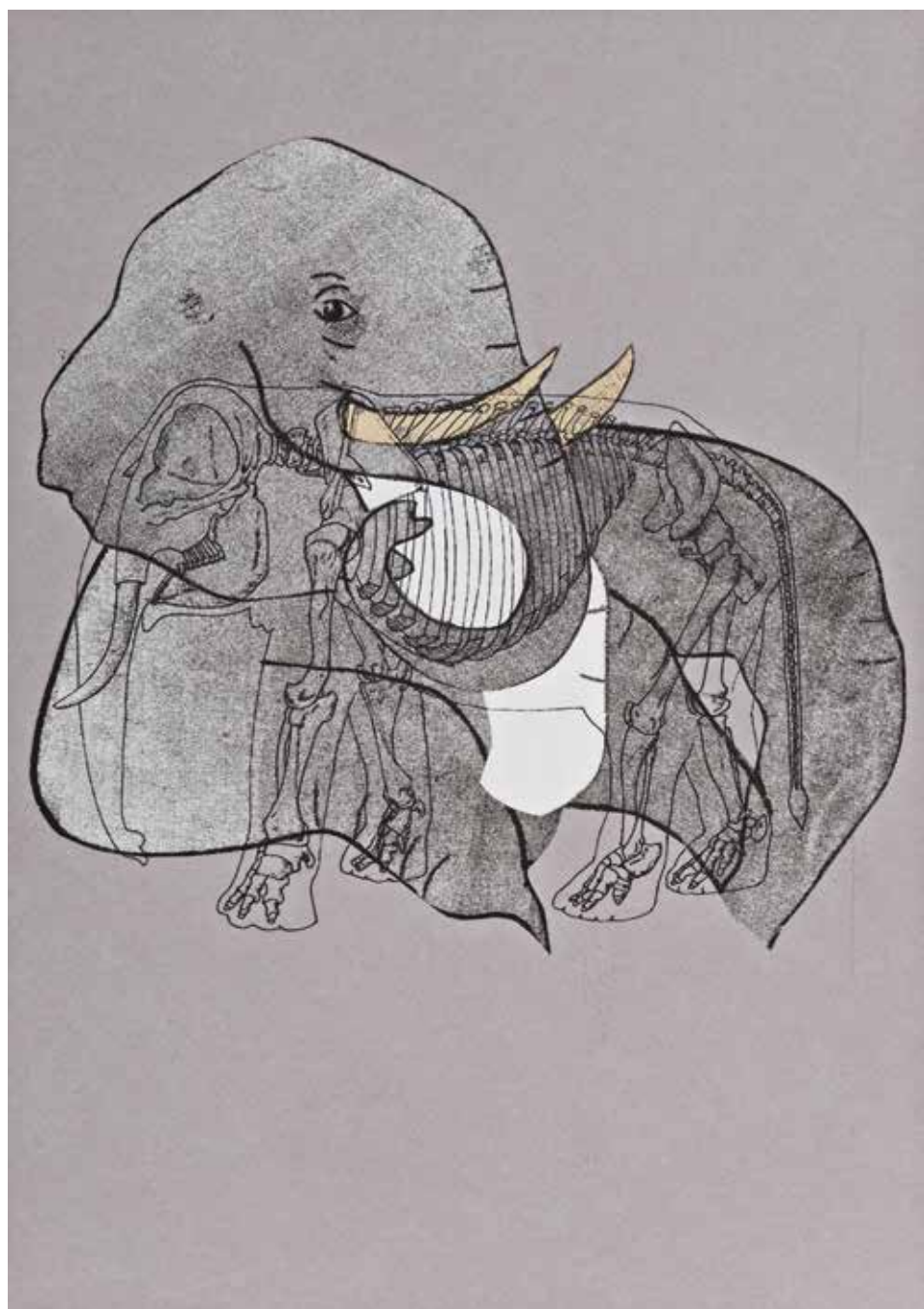
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The combination of incompetence and unethical behaviour produces bad leadership. It's difficult to analyze and assess. Getting to the bottom of the problem requires navigating the meanders of human nature. The rise in awareness about bad leadership will only be possible if we increase social sensitivity to its symptoms: ineffectiveness and violation of ethics. Bad leadership is often classified in purely binary categories. Looking at examples of people whose ineffective and immoral actions harm others can help us trace the roots of bad leadership. The following pages will present individuals from different walks of life. Most space here will be devoted to politicians and businessmen since we usually associate leadership with their sphere of activity. However, famous sportsmen and well-known leaders of non-governmental organizations are also mentioned as they play important social roles.



Incompetence

What we are looking for ... are the leaders ... who can energize, excite, and control rather than enervate, depress and control.

Jack Welch

A fish rots from the head down.

Spanish proverb

The incompetent leader is ineffective in realizing goals, keeping promises, or meeting expectations. Incompetence is largely the result of professional, emotional or social ineptitude.

Incompetent leaders are sadly a common and, surprisingly, widely accepted phenomenon. Why do we just shrug our shoulders at them? Because we see that their unproductivity is often directly proportional to how long they remain on the pedestal. This defies reason, and must breed a sense of helplessness. Nonentities try to prove their alleged leadership talents by resorting to opportunism or populism, and they always find some calculating sponsors or naïve supporters to help them. They are most effective in striving for their own survival, which ensures the fulfilment of their personal and material goals or their ambition to rule. We scratch our heads over how it is possible that such people play leadership roles, what decided that they have been given this kind of responsibility. Meanwhile, inefficient leaders remain in their positions owing to

the force of inertia. It is a real nuisance and a waste of precious time for those who have to deal with them. For others it means losing a chance to make a positive change. Leaders' incompetence has numerous causes. It can be the effect of conceit, insufficient professional skills, education or knowledge. Thorough education and extensive knowledge are not enough when you lack energy, determination and courage. You have to satisfy many conditions to be successful in your role as a leader. Efficiency depends on whether you have and consciously use different competences. The same goes for incompetent leadership. It has many reasons too. There may be one that makes leadership incompetent, but usually it is a combination of many.

The International Federation of Association Football (FIFA - Fédération Internationale de Football Association) is the largest non-governmental organization whose membership comprises 209 national associations, more than the International Olympic Committee (204 associations) or the UN (193 countries). FIFA was founded in Paris in 1904 by representatives of the national associations of France, Belgium, Denmark, the Netherlands, Sweden, Switzerland, Germany and the Spanish club Madrid CF. Ironically, the country where football was born did not participate in its creation.

Today, however, football is an example of extreme commercialization in the world of sport. The winners of the 2010 World Cup, Spain, received a sum of 30 million US dollars for their triumph. The runner-ups earned 24 million. FIFA awarded 1 million to each national association for taking part in the tournament. Prizes amounted to 420m US dollars. 3.2bn viewers tuned in to watch the World Cup in RSA. A similar number watched the 2006 World Cup in Germany. The statistic does not include fans who watched the matches on broad screens in fan zones, in bars, restaurants, on the Internet or mobile phones. The World Cup matches were

broadcast on 254 channels in 204 countries all around the world. The final between Spain and Germany is said to have been watched by over one billion people. FIFA is a global corporation which has solid sources of income, mainly from selling tickets and broadcast rights as well as from events it organizes, commercials, cooperation with strategic partners⁵ and sponsors⁶. The World Cup in RSA, the first one to be organized in Africa, brought FIFA a profit of 631m US dollars, and the planned profit from the competition in Brazil in 2014 is expected to double and reach 1.2bn. FIFA's revenue for 2011 totalled 1070m US dollars of which 988m came from selling marketing rights, and the profit was calculated at 36m. Its budget reserve built from previous years' profits amounts to 1293m US dollars.

Football is the most popular sport in the world. It is actively played by 270 m football players of both sexes, and has several times that number of fans. It has become a social phenomenon of the 21st century which cannot be passed over indifferently. It is also a huge industry, especially in the sphere of the media. Thanks to that, the best and wealthiest clubs can afford to spend tens of millions of euro to buy a single player (Real Madrid paid Manchester United 94 million euro for Ronaldo), and, then, provide him with an average pay cheque of a dozen or so million (Samuel Eto earns 20 m euro a year in Anzhi Makhachkala FC).

Present-day football is a tangle of sporting emotions and enormous industry. No wonder the world of politics, which has become a stage for celebrities, longs to get involved in the show that sets emotions of millions ablaze. Heads of states, prime ministers, party leaders eagerly take part in football events, preferably in the role of

⁵ VISA, Emirates, Adidas, Kia-Hyundai, Sony, Coca-Cola.

⁶ Castrol, Uniroyal, Budweiser, Johnson & Johnson, McDonald's, Oi, Seara, Yingli.

supporters of the winning national teams. That makes it so much easier to create a good image. As they organize the most important events, chairmen of national football associations have suddenly become partners for representatives of the grand world of business and politics. Their social standing grows out of proportion to their actual contribution and competences. The organizational and managerial system in football is simple and effective. It is based on a principle known for centuries: divide and rule. The national associations are independent non-governmental organizations. The majority of them are nationwide, have legal personality and operate in a given country. Initially, the national associations were merely members of FIFA, but as time went by and football became more popular, continental confederations were also set up. They oversee the game in Europe, South America, North America, Central America and the Caribbean, Africa, Asia and Oceania. The importance of a national association depends on how significant are the events it organizes and oversees. Let us take the Polish Football Association as an example. It supervises the participation of the Polish national team in the World Cup as well as European Championship, and of Polish clubs in continental competitions. As a result of a growing conflict with the government, Minister of Sport Mirosław Drzewiecki decided to name an administrator at the association. He accusing the management board of allowing “malpractices, law violation, and failing to take steps to battle corruption”. On hearing that, FIFA and UEFA rushed to issue an ultimatum for the Polish government to reinstate the ex-chairman and recall the administrator at once. Defying it would result in an annulment of two national World Cup qualification matches. It was also speculated that Poland might lose its right to co-host the 2012 European Championship. Prime Minister Donald Tusk announced that he would “not back down under pressure from Blatter, Platini and the rest of the mighty of the football world,” but he later surrendered, making concessions just before the deadline of the ultimatum. *Gazeta Wyborcza* gave this summary of the events: “Whom did the Prime Minister refuse to

obey? The world's most powerful, richest, and one of the most corrupt sports organizations. Set side by side, the Polish Football Association seems like Fagin's gang of pickpockets compared to brutal arms traffickers. Even though he heads an organization whose more than 100 members have been arrested, Chairman Listkiewicz is no match for the FIFA boss, Sepp Blatter". The conclusion was that the government of a large and important democratic country succumbed to blackmail by FIFA's President, who likes to say that "Football is a family. In my opinion, comparing it to the Catholic Church doesn't do it justice. When we encounter a problem, we try to tackle it inside our family. We do not turn to others for help." Joseph Blatter was the General Secretary of FIFA in years 1981-1998, and has headed the federation since 1998. In 2011, he was elected President for the fourth time. His victory in the 1998 election was a surprise. Farah Addo, the chair of the Somali Football Federation, later shared a story with journalists according to which, on the eve of the election, a mysterious envoy knocked on the doors of 18 chairmen of African associations and handed each one an envelope containing 100 thousand dollars. FIFA wrote it off as fiction, and did not even investigate the matter. Sepp Blatter began his long reign as one of the most influential people in the world and his position grew stronger in proportion to football's gathering popularity and commercialization. In 2001, along with the bankruptcy of the Swiss company, International Sports and Leisure, which sold marketing and television rights on behalf of FIFA, it was revealed that the company had paid 160 million Swiss francs in bribes to prominent employees and FIFA members. It also signed unprofitable contracts which may have brought losses of as much as 500 million dollars between 1989 and 2001.

The ISL's chairman, Jean-Marie Weber, was Sepp Blatter's close acquaintance. FIFA and two people charged with accepting bribes reached a settlement with a prosecutor in the Canton of Zug, paying the prosecution 5.5 m Swiss francs to close its investigation.

Certain details came to light as late as in 2012. According to the records, Joao Havelange, FIFA's President in 1977-1978 and his son-in-law, Ricardo Tera Teixeira, who served as Chair of the Brazilian Football Association between 1988 and 2012 and was a member of the FIFA Executive Committee, took at least 22m Swiss francs in bribes from the ISL. It was also confirmed that Sepp Blatter had known about the shady dealings, though no evidence of his bribe-taking was found. Asked to comment on the subject, he said that "commission was legal in Switzerland in the 1990s".

Managing a multi-billion budget makes it all the more alluring to hold a position of power within FIFA. The organization's supreme body is the Congress. It is made up of representatives from all member associations. It gathers every four years to elect FIFA's President, its General Secretary, and the other members of the Executive Committee (comprising 26 members) which assembles every two years to make the most vital strategic decisions. The President, aided by the General Secretary, is in charge of the everyday running of the organization. Sepp Blatter wields greater power than a chairman of a large corporation, president or prime minister of a sizeable country. His decisions make streams of money flow into national associations around the world. He also exerts significant influence on key decisions made by the Executive Committee with regards to choosing the World Cup host, selling marketing and television rights as well as selling tickets for elimination and the World Cup matches. Due to FIFA's decision-making system, the presidents of the continental confederations with the most like-minded voters enjoy the strongest position, along with the President himself. The Confederation of African Football (CAF) has 56 members, and The Confederation of North, Central American and Caribbean Association Football (CONCACAF) has 40 members. That's enough to form the majority vote.

Issa Hayatou from Cameroon has presided over CAF since 1998, and **Jack Warner** from Trinidad and Tobago, a businessman and politician in one person, has sat on the FIFA Executive Committee since 1983 and, in the meantime, was the President of CONCACAF between 1990 and 2011. Both gentlemen maintained strict discipline among their inferiors, and were Sepp Blatter's most trusted collaborators during his presidency. For obvious reasons, they were in their boss's good graces, and enjoyed his unrestricted support. Jack Warner was repeatedly accused of bribery and taking advantage of his function at FIFA to gain financial benefit. Some of the most notorious scandals included:

- selling World Cup tickets on the black market in 2002 and 2006, which brought him a profit of 1.5 million dollars,
- embezzling financial resources of the Trinidad and Tobago Football Association
- vote selling during the host selection process for the 2018 and 2022 World Cups (the former chairman of England's bid, Lord Triesman, testified before the House of Lords that Jack Warner had requested 2.5 million pounds in exchange for his support),
- underhand selling of television and radio rights for the 1998, 2002, 2006, 2010, 2014 World Cups.

Sepp Blatter had not reacted to the accusations until Jack Warner turned against him and supported his opponent in the 2011 elections. Only then did he take action. He swiftly dismissed Warner, and sentenced him to a lifetime ban from FIFA under the accusation of corruption. "Our organization is not corrupt, but perhaps some of its members are," he admitted.

Issa Hayatou from Cameroon, Sepp Blatter's right-hand man, was an outstandingly talented sportsman in his youth. He held the national record in the 400 and 800 metres, and played for Cameroon's basketball team. He is the most prominent representative of African origin in international sporting organizations – he is

a member of the International Olympic Committee. However, he has not escaped charges of corruption. A BBC investigative journalist, Andrew Jennings, accused Hayatou of having accepted bribes to the tune of 20 million dollars from the ISL in the 1990s. The bribes were connected to the awarding of contracts for the sale of television rights to the World Cup. Hayatou proclaimed his innocence announcing that the money had been put into CAF's account and not his. In May 2011, The Sunday Times published the results of its investigation into the alleged machinations behind the bidding process for the 2018 and 2022 World Cups. The article accused three FIFA officials, including Hayatou, of accepting inducements of 1.8m dollars to vote in favour of Qatar. A footage filmed using a hidden camera showed one of the senior FIFA officials claiming that 13 out of 24 votes could be bought. Once again, Hayatou rejected the accusations, claiming that the money was earmarked for presenting Qatar's bid during a CAF congress in Luanda. Sepp Blatter did not respond to the charges made against his close co-worker. Meanwhile, the International Olympic Committee decided to look into the matter, and launched explanatory proceedings.

None of the close observers of FIFA doubts that the great success in popularizing football around the world and the gigantic increase in its commercialization are accompanied by shady, often corrupt, practices of its officials. In reality, FIFA appears to be a global corporation with a monopolistic status. It brings hefty profit and does not have to worry about competition. It has become a captive of its own spectacular success. Fans, businessmen, politicians – just about everyone is interested in football. Because of that, the people at FIFA's helm, the way it is managed and its activities are subject to more frequent critical scrutiny. When Sepp Blatter was chosen President for the fourth time in the 2011 elections (described a farce by British Prime Minister David Cameron), he announced profound changes which were to improve FIFA's im-

age. He promptly formed the Council of Wisdom whose members included, among others, Henry Kissinger and Placido Domingo. Its task was to work out solutions to increase transparency and credibility. Mark Pieth, a well-known Professor of Law at the University of Basel, was appointed to head the Independent Governance Committee. It was set up to find new ways of managing the organization. The Committee's report, compiled at the end of 2011, demonstrated that the traditional organizational structure and management style had not stood the test. The report said they had been reminiscent of a "gentlemen's club" and had led to crises and scandals. It advised FIFA to undertake reform and introduce solutions typical for modern corporations. Changes to the statute were implemented, and a new Code of Ethics was put together. At the same time, revisions were also introduced to the Ethics Committee.

Sepp Blatter is currently under immense pressure from the public, international institutions and investigative journalists who follow his every step. The Council of Europe has been critical of how FIFA is managed and its lack of financial transparency. The IOC has also looked into Sepp Blatter's activity. As a member, he is subject to its rules of ethical conduct which have recently been made more stringent. In a way, Blatter could be called an effective leader of FIFA. Though some pundits would beg to differ, the expansion of football and the increase in the game's social impact around the world owe a lot to him. His initiative to popularize football in developing countries, in Africa and Asia, has borne amazing fruit. The growth of interest in the sport on the global scale has phenomenally increased its commercial value. All those professionally associated with football have also benefitted greatly. The number of players and fans has skyrocketed. Alongside that, the sales of sports equipment, the purchase of tickets, and the value of broadcast rights have gone up too. Thanks to all that, FIFA has started to enjoy immense social, political and business impor-

tance. Contrary to what Professor Pieth writes in his report, FIFA has not been a “gentlemen’s club”. Its prominent members turned out to be common criminals, even though they never faced any punishment for their wrongdoings. Swindles, manipulation, theft, deception, and bribery brought shame for the organization. Wallowing in luxury and basking in commercial success, FIFA refused to concede these dark blots on its escutcheon for a long time.

Sepp Blatter turned out to be an incompetent leader in spite of FIFA’s excellent financial results, mainly because he was unable to control his closest co-workers and make them follow the basic ethical principles of business – decency, integrity, and honesty. Even if we agree with his words that “corruption in football cannot be eradicated completely because it is a game, and – like in any game – there are, and will be, cheaters”, it can hardly excuse his passive stance on cases of malpractice at FIFA’s highest ranks. His tolerance for the wrongdoings of those high up encouraged corruption lower down the ladder of power – at the level of national associations and football clubs. It seems to explain why FIFA’s key officials have been at Sepp Blatter’s beck and call. Though not involved in the shady dealings, Blatter cannot have a clear conscience. His comments that “there is no racism in the world of football, and all disagreements can be settled with a handshake” or that “the FA is governed by idiots” reveal nonchalance bordering on ignorance. Thanks to his extraordinary cunning and ruthlessness, he has managed to hold on to power for a long time, but he has lost his good name and respect. His legacy will soon fade into oblivion.

He is a man full of hubris, depraved by unrestricted power. It is not uncommon for him to be received by the heads of states like their equal, or even with greater deference. After all, football is a national obsession all around the world. He has been awarded some of the highest state and international honours, accolades and medals. The list of all the awards posted on FIFA’s website

can make one dizzy with astonishment, not to mention his five Honorary Doctorate Degrees. Let us not be blinded by that. Sepp Blatter is an obvious example of a bad leader whose moral standards allowed him to tolerate corruption in his closest circle. Examples of his cant, lies and nepotism can be multiplied. Incompetent leadership at the top informs the quality of leadership lower down the ladder and the way an organization functions as a whole. The Polish Football Association and its successive chairmen are the best proof. Michał Listkiewicz, once Poland's best international referee, served as Chairman in 1999 - 2008. He was succeeded by Grzegorz Lato who was one of the greatest Polish football players ever. He was the top scorer during the 1974 World Cup in West Germany. Lato was elected amidst an atmosphere of blackmail created by FIFA's ultimatum for the Polish government which was desperate forcefully to change the face of the Association and Polish football. Both were consumed by corruption and scandals. The scandal revealed in 2004 was one of the greatest the world had seen. 650 people were charged, 300 were sentenced, and so far none have been acquitted. Influential people from the world of Polish football, ex-members of the Association's executive board, referees, certified match supervisors, well-known coaches and members of the Polish football team were accused of criminal dealings. It was hoped that Grzegorz Lato would restore Polish football to health. He vowed to do that effectively and quickly. He promised he would step down if things did not improve in a year's time. More than that, he made it clear that he would resign if the Polish football team failed to live up to expectations during the 2012 European Championship hosted by Poland and Ukraine.

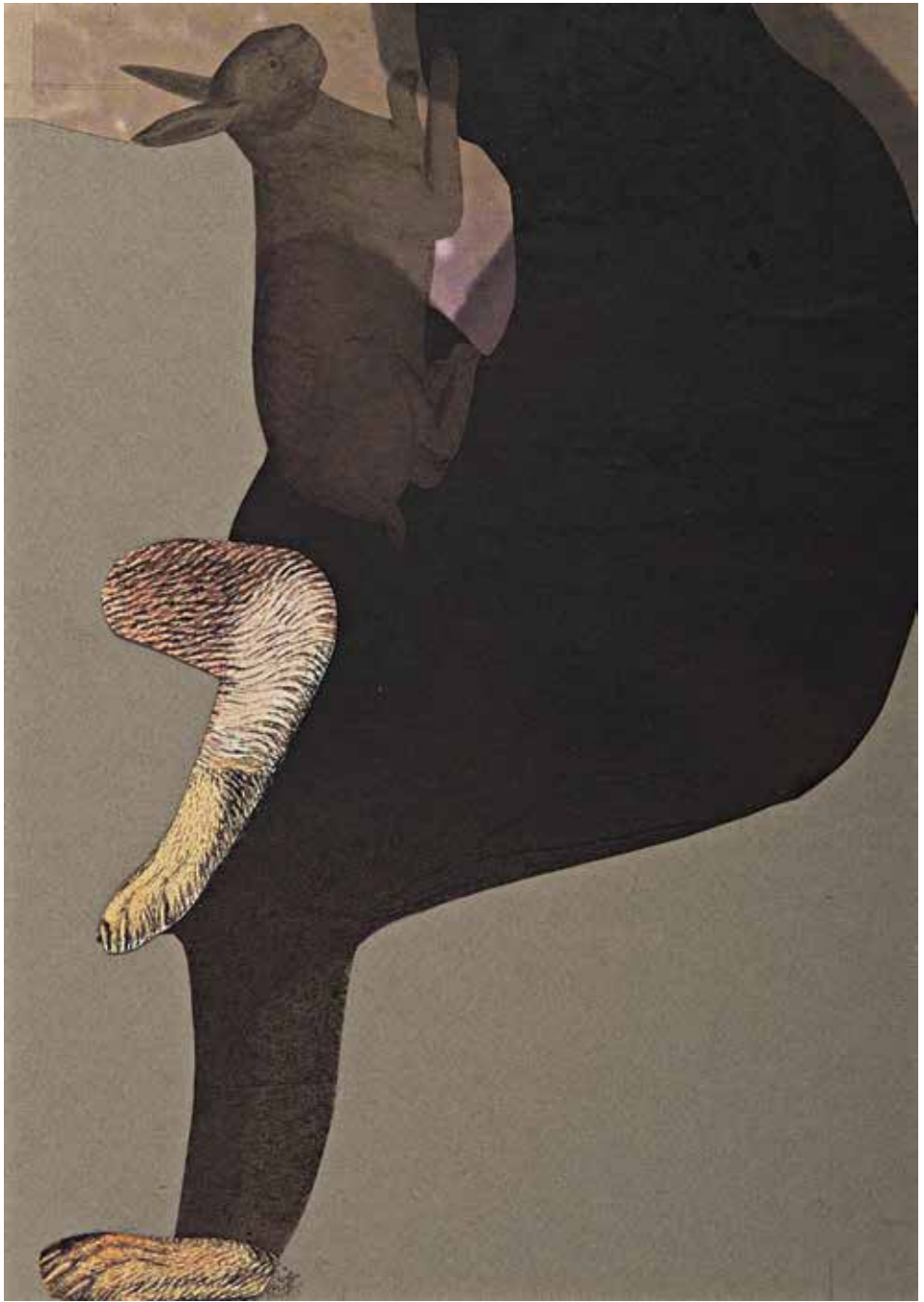
The Polish team did not even qualify from the group stage. And yet Grzegorz Lato remained the chairman until the following elections. He did not take part in them, but only because he did not collect enough signatures to be registered as a candidate. Professor Wojciech Przybylski, the Association's ombudsman, admitted

that, towards the end of Lato's chairmanship, the Association hit rock bottom. Lato was a great football player, but he lacked the basic competencies to be a chairman, starting with the knowledge of foreign languages and ending in elementary management and leadership skills. He was accused of laziness, irresponsibility and making harmful decisions to the Association, such as when he signed a contract to sell television and marketing rights to Sportfive with effect from 2020. He did it secretly, without proper consultation, financial or legal analyses, and any consideration for opposing views of some members of the Executive Board. He committed many shocking gaffes. When he dismissed the coach of the national team, he made a media announcement about it before informing the coach himself. He also criticized prosecutors attempting to battle corruption. His incompetence shone through again when he decided to replace the national emblem of the White Eagle on the Polish players' T-shirts with a logo of the Association and the sponsor. The matter was investigated by the Polish Parliament. It resulted in a new law according to which the national emblem must be present on sports kit of the national team in all disciplines.

His downfall was painful. In spite of being one of the best-recognized FIFA officials, he received as few as two votes in the UEFA elections, including one of his own. Lato's reputation was ultimately ruined when a secretly taped conversation was revealed by a businessman cooperating with the Association. The content hinted at his corrupt practices. Whether the tape had any value as evidence or not, the ethical and moral implication of the scandal disqualified Lato as a leader and chairman of the Polish Football Association. In October 2012, Zbigniew Boniek was appointed the new chairman. He is Poland's best-recognized player. He also has experience in business and social activity. The elections themselves caused quite a stir. Candidates included, among others, an MP from Civic Platform, Roman Kosecki, and a former minister

and a current member of the European Parliament from the largest opposition party (Law and Justice), Ryszard Czarnecki. There are very high hopes for a favourable change. Polish football supporters trust that this time an icon of Polish football will not let them down.

FIFA and its members have an attractive mission and vision. The professed aim is to uphold principles and high standards of sporting competition, and spread the discipline all around the world. Sport is an integral part of individual and social development. Football is the most popular game in the world. It is played by millions, arouses great emotions among fans, and is a source of unforgettable experiences. But it can also spark hooliganism and even kindle international conflicts. The increase in football's popularity in the last few decades owes more to general globalization trends than to any success of football organizations or their leaders' management skills. In fact, the latter quite often fail to keep up with the pace of change and the growing need for effective regulatory and managerial solutions. It is not enough to declare authenticity, solidarity, and honesty. These basic principles must be put into practice. Otherwise, declarations become only false rhetoric, a mask that hides a scornful snigger at the professed ideals. But, sooner or later, reality will tear it off just as it did in the case of FIFA and its many member organizations. Sepp Blatter turned out to be an incompetent leader. He was incapable of applying basic principles which are fundamental for any organization's social and commercial success.



Intemperance

*There is no greater unhappiness than yielding to one's passions,
no greater offense than intemperance
and no greater failure than desiring profit.*

Laozi

*Keep measure in all things,
Always observe due proportion.*

Hesiod

Intemperance is a lack of self-control and ability to keep a sense of proportion in the face of one's desires. Being incapable of restraining one's instincts and urges leads to inept social interaction. It expresses itself in hurting other peoples' feelings, tormenting and intimidating them through unbridled fits of rage, and an incapacity for self-reflection. Intemperance seems to be treated as socially acceptable and morally permissible. Broadly speaking, intemperance is the inability to exploit material resources according to their intended use. While temperate people are the masters of themselves as they can curb their desires, those who are intemperate are slaves to their instincts and cravings. Moderate behaviour is not synonymous with asceticism; it means satisfying your desires in a proper way, at the right place and time. The rule of the golden mean enables to set appropriate limits on one's instincts, temptations, urges and desires, and to avoid barbarity. Immoderation is dangerous in all its forms. Alcoholism, drug addiction, debauchery, or other self-destructive behaviours are particularly harmful. Restraint is the foundation for a moderate life and good relations with others, and is vital to establish order within oneself. On the

other hand, irascibility leads to tensions and misunderstanding, initially, with other people, and, finally, with oneself.

When you study biographies of great leaders of the past, you can get the impression that intemperance was their prerogative, and often a distinguishing feature, as was the case with Nero's. Socrates and Aristotle, and, later, Thomas Aquinas described temperance as an essential virtue. It became known as one of the four cardinal virtues in Christian tradition. Today, intemperance is seen as immoral, even if it does not affect other people. In 2002, the English press gave a detailed account of a meeting between six managers of Barclays Capital, one of the investment banks in the City of London. It took place in a London restaurant where the bosses came to celebrate their hefty bonuses. The atmosphere was relaxed, and there were no excesses. The only unusual thing about the dinner was the bill: it amounted to 44 thousand pounds, which is more than 200 thousand zlotys. The restaurant owner, a Mr Petrus, was so pleased that he only included the wine in the bill, and decided that the cost of the food would be on him. The gentlemen did not drink that much, only a couple of bottles, but the most expensive one, Château Petrus from 1947, was priced at 12,300 pounds. The guests paid out of their own pockets, so despite the media attention, their employer was unperturbed by it. He argued that it was their own personal business. That would have probably ended the whole case if the gentlemen had not tried secretly to disguise the cost of their dinner as company expenditure. All save one were fired immediately.

Another, more drastic, example of intemperance is a man who had everything. The Managing Director of the International Monetary Fund, the most powerful financial institution in the world; a husband of a rich and exceptionally attractive woman; a sure candidate for President of France which is considered a military and economic superpower – **Dominique Strauss-Kahn**, also known as DSK.

On 14th May, 2011, he lost everything that he had so long worked for, the chance to become President, or even his hope of

political career, his standing in the world of finance, his reputation and dignity, friends and acquaintances, and his own wife. The drama began when he was escorted by the police from an Air France jet ready to take off for Paris, and subsequently detained under the allegation of attempted rape on a hotel maid. The crime was believed to have taken place in his apartment at Sofitel in New York. How could this be that a 61-year-old, mature man who had achieved so much in politics and business, experienced and far-sighted, able to cope with the most difficult professional challenges, was incapable of restraining his sexual drive and desire to satisfy some momentary urge? This question should be left for psychologists to answer. His case is relevant here because it shows a person ruled by instincts and desires, a perfect example of intemperance.

Dominique Strauss-Kahn's life and work show that his later shocking behaviour had its roots in his attitude towards people and himself. DSK received a Master in Law and a PhD in Economics, and was a professor at the University of Paris. He was never a party activist, but his talents enabled him to have a brilliant political career. He served as a minister three times, first as Minister for Industry and Foreign Trade in Édith Cresson's government from 17th May 1991 to 2nd April 1992, a position he kept in Pierre Bérégovoy's government until 29th March 1993. At a difficult time for the French Socialist Party, in 1997, he drew up an economic programme whose flagship reform was a 35-hour work week. After successful elections, he was appointed Minister for Economics, Finances and Industry, and in that position he prepared France to enter the Eurozone. In 2002, he stood as a candidate for Prime Minister, but the elections proved unsuccessful for his party. Four years later, he sought the nomination in the Socialist Party presidential primary, but was defeated by Ségolène Royal who, in turn, was beaten by Nicolas Sarkozy in the main elections. Seeing a potential threat in DSK, President Sarkozy decided to get rid of the rival from the French political scene by arranging for him a lucrative

and prestigious post of the Managing Director of the International Monetary Fund at Washington. Sarkozy's presidency coincided with the world financial crisis which saw withering support for the political right. President Sarkozy's popularity was also dwindling; he was unsuccessful both in France and abroad. Meanwhile, the International Monetary Fund became an important seat of power. It played a significant part in battling the financial crisis, and its boss was hailed as the saviour of the threatened economies of the largest countries and the rescuer of the entire world's finances. Thanks to the global crisis, the IMF was constantly making the headlines and the steps its boss was taking ensured it a place at the centre of the new financial order. Thus, Dominique Strauss-Kahn became the most influential French politician in the world. He could enjoy total independence as a representative of an international institution. He had the opinion of a competent manager who implemented reforms that changed the face of the IMF and was liked by his co-workers. In just two years, Strauss-Kahn succeeded in changing the fossilized institution beyond recognition. In 2010, several reforms were approved, among others, an extensive reform on the right to vote and a reform of quota shares, which allowed to triple the budget, mainly as a result of payments from the emerging economies of the BRICS countries. The reforms were triumphant. DKS rebuilt the reputation and importance of the IMF. The most significant change was to do with how financial help for the ailing economies was approached. DSK rejected the orthodox neoliberal stance in favour of a more restrictive Keynesian view on financial aid. By dint of that, the IMF rose to the occasion, and carried out an effective rescue operation in the world economy. Having a thorough command of English and German, the Frenchman proved excellent as the Managing Director. Hence, many pundits doubted whether he would vie for presidency in France in the 2012 elections, even when opinion polls pointed to his clear advantage over the current President, Nicolas Sarkozy. He was predicted to win 62 to 38% in the second round. Though it was speculated that

his craving for power would not let him forego a certain victory, he himself evaded all questions on the subject. The only thing that could hinder him were a few shady events from his past. This might have been cause for concern bearing in mind how brutal campaigns can be. In 1998, after having been accused of corruption in scandals related to Elf Aquitaine, a French oil company and the MNEF, a student mutual health insurance, he decided to resign from his ministerial office. He was cleared of all the charges in 2001 but, later, other allegations of corruption and immoral behaviour emerged. In 2008, *The Wall Street Journal* revealed his affair with Piroska Nagy, an employee at the IMF. It was believed that DSK abused his power by pressuring a subordinate to start a romantic liaison. The executive board led an investigation into the matter. It concluded that the woman had not been forced into the affair. Eventually, the board did not recommend to dismiss DSK. He made a public apology, described it as “an error of judgment”, and promised that it would not “take place again”. Earlier, however, another scandal was brought to light. Back in 2002, Tristane Banon, a French writer and journalist, was considering taking Strauss-Kahn to court over attempted rape. She said it happened during an interview she conducted with DSK in his Paris apartment. Her mother, a Socialist Party councillor, is said to have persuaded her not to press charges. She described the incident during TV chat-show in 2007. Strauss-Kahn’s name was bleeped out, but viewers knew who was being talked about. One might expect that it would lead to a scandal, but in France politicians are forgiven more than anywhere else when it comes to such matters. However, in 2011, Tristane Banon did file a legal complaint against DSK. The French public prosecutors said that in the light of the evidence, DSK could be charged with sexual assault rather than attempted rape. That charge, however, could not be prosecuted because it was time-barred. According to the weekly *L’Express*, Strauss-Kahn allegedly stated that he had “only tried to kiss” Banon, but she had pushed him away and after her outright refusal, he had “not insist-

ed” anymore. Tristane Banon, on the other hand, has claimed that DSK behaved like “a rutting chimpanzee”, and that she managed to escape the room only after a brief struggle.

The scandal at the Sofitel which culminated in a spectacular arrest at the JFK airport in New York, wrecked Strauss-Kahn’s professional career and ruined his chances of becoming France’s most important politician. The prosecutors filed a motion to drop all the charges after a few months of investigation. They indirectly supported DSK’s earlier claim that the hotel maid, Nafissatou Diallo, had consented to the sexual intercourse. However, that does not change the fact that nothing would have happened if DSK had not been prone to sexual excesses. A couple of months later, Strauss-Kahn and Diallo reached a settlement over a separate civil suit she had filed against him. It cost DSK several million dollars. In the light of the later events, it seems that this case was merely the tip of an iceberg of wrongdoings by the man devoid of temperance and all inhibitions who described himself as a libertine. This time it was the French law enforcement which, in February 2012, decided to detain the then ex-Manager of the IMF for 48 hours on charges of pimping and rendering criminal assistance. The crimes were said to be connected with the alleged prostitution ring at the Carlton hotel in Lille. The scandal revolved around “libertine soirées” in Paris and Washington which were organized by a network of pimps from Lille arranging for prostitutes to attend private sex parties. Each “soirée” cost a few dozen thousand euro. Private companies paid for the luxurious call girls. The attendees included two businessmen connected with the Socialist Party and the head of urban security for the Nord administrative region. The documents assembled by the police show that the orgies did not only take place during Strauss-Kahn’s visits to France, mainly to Paris, but also in Washington where prostitutes were sent as secretaries of the companies funding the so-called meetings. We can imagine that the businessmen and the police commissioner were hoping to benefit from providing pleasures of life to the man who

was to become President. DSK jumped at every opportunity, even initiated such parties, and demanded more. When he was charged with pimping, he claimed that he had had no idea that the women had been paid to attend the parties.

The affairs mentioned above, paint a dark picture of a man who, possessing exceptional talents, skilfully navigated the murky waters of business and politics. He climbed to the very top of the career ladder. His temperance, or to put it bluntly, debauchery were part of his life for a long time. Instead of increasing his self-control by curbing his lewd desires, Strauss-Kahn was gradually losing it. The further up the career path he got, the lesser his restraint became. The increasing power and influence put both his morality and survival instinct to sleep. Eventually, he got his just deserts. Once he had fallen from grace, he was deserted by all his former advisers, yes-sayers, and sycophants who had so profited from their relationship with him. His political companions, colleagues, and, finally, his friends and wife left him too. DSK is a degenerate leader who, before the scandals erupted, was counted on to save the world's economy and to defeat Nicolas Sarkozy in the presidential elections. In the end, however, he himself was beaten by a man from nowhere. François Hollande was initially thought to stand no chance against DSK, not to mention Sarkozy. Perhaps because he was the antithesis of the two gentlemen who shone in society, rich and famous, married to beautiful and wealthy women. But Frenchmen wanted an ordinary president who was like them.

Boris Yeltsin's star flared bright on the firmament of Russian politics as Mikhail Gorbachev's dimmed. The latter authored perestroika which led to the downfall of communism in the world. The former won the first presidential elections of the Russian Federation and took the office in June 1991. Only one month later, Yeltsin would face the most important trial of his life. On the eve of signing the New Union aimed to prevent the dissolution of the

Union of Soviet Socialist Republics, a coup d'état broke out against the Soviet president, Mikhail Gorbachev. Gorbachev was placed under house arrest, a state of emergency over the whole Soviet Union was declared, armoured troops entered Moscow, and surrounded all official buildings in the city. The newly appointed President of the Russian Federation, Boris Yeltsin, took Gorbachev's side. At a breakthrough moment, as soldiers passively looked on, he climbed onto a turret of a tank, and addressed the crowd. He declared that he did not recognize the coup, called on his countrymen to oppose it, and to boycott the decisions made by its leaders. In response to his appeal, the citizens of Moscow began erecting barricades around the building of the Russian parliament. Some of the troops stationed in the city, including an elite antiterrorist unit whose mission was to seize the building of the parliament, decided to join Yeltsin. The coup fell apart, and Yeltsin became a hero, a defender of democracy. A couple of days later the Communist Party of the Soviet Union was dissolved. In theory, Soviet President Mikhail Gorbachev was brought back to power, but his role was marginalized. It was Yeltsin who was now the number one. His popularity was on the rise, while Gorbachev's was in decline. Soon, the USSR was dissolved and Gorbachev passed the suitcase with the nuclear codes to Yeltsin. Using popularity, he consistently tried to introduce a presidential system of government to Russia over the following years. Until that point the Russian executive branch had been divided between the head of government and the head of state. Yeltsin's clash with the Supreme Soviet reached a tipping point in September 1993, when the President began to draft a new constitution, dissolved the country's legislature, and called new elections for December. The Deputies did not agree to it and impeached Yeltsin. The army, loyal to Yeltsin, responded by storming the Supreme Soviet building, the exact same spot where Yeltsin had fought Gorbachev's enemies two years before. According to official estimates, 156 people were killed, and 350 wounded. On 12th December, Yeltsin's new draft of the constitution was

put to a referendum and approved. The presidential system became a fact and Yeltsin was granted sweeping powers in both internal and foreign affairs.

The political victory began a period of exceptionally important and extremely complicated reforms. Successfully transforming the country proved more difficult than winning against political opponents. The transition was far lengthier and far more painful a process for the society. Despite his similar political pedigree and communist roots, Boris Yeltsin had no ideological inhibitions. The metamorphosis of a party apparatchik into an advocate of democracy is not that surprising. It was a sign of the times. What is more astonishing, however, is the fact that, economically, he espoused neoliberalism. With the prime minister's seat still vacant, Yeltsin led the government in which liberals and supporters of radical economic reforms took the key positions. In order to secure the Parliament's support, Yeltsin himself presented his programme of radical economic reforms which were based on a model of shock therapy devised by an American economist, Jeffrey Sachs, and a Russian liberal, Yegor Gaidar. The latter was later to become the driving force behind the reforms as the Minister of Finance and Acting Prime Minister. Gaidar's plan, implemented in 1992, assumed a swift transition from the planned economy to a free market. As a result of wage controls and a more than tenfold increase in prices, people's actual incomes dropped by 60% and the majority found themselves below the breadline. A lack of indexation of bank savings meant they got practically lost. Industrial production slumped back to the level of 1976 and consumption tumbled to where it was in the 1960s. Privatizing economy by means of making privatization cheques available to citizens on the free market soon led to a fundamental change of the ownership structure. By 1994, over a half of companies had passed on to private hands, and non-state sectors of the economy were contributing two-thirds of GDP. At the initial stage, companies belonging to the strategic sectors of the

economy were not subject to privatization. Those included, among others, mining as well as processing of mineral and energy resources. They contributed most of the country's export income.

At the end of Boris Yeltsin's first presidency, the economy was still in transition. And it had not yielded the expected results. The GDP was declining year by year⁷, and the social cost was getting bigger and bigger. All this led to the increase in poverty. For many, it was a battle for survival. Dissatisfaction among ordinary citizens was on the rise, and the deepening fiscal deficit brought the country to the brink of bankruptcy. A social catastrophe loomed large on the horizon. In the critical year of 1995, both state-owned companies and administration were several months late with payments to civil servants. In order to stand a chance in the next elections, Yeltsin had to acquire money for his campaign. At that time, a serious opponent emerged whose popularity rose amidst the deepening economic chaos and the paucity of palpable results of the transformation. It was Gennady Zyuganov, First Secretary of the Communist Party of the Russian Federation, whose hostile approach towards the privatization of state property must have worried the emerging class of Russian capitalists. That was when a group of financial magnates, led by Vladimir Potanin, owner of Onexin Bank, and Mikhail Khodorkovsky, head of Menatep, proposed to lend 9.1 quintillion roubles (approx. 2 billion dollars) to the government in exchange for leases on Russia's most precious assets, the shares of twelve selected state-owned enterprises of mining and energy industry which included Yukos, Sibneft, Lukoil, Sidanko, and Norilsk Nickel. If the government could not repay the loans, the shares were to be auctioned, and the lenders reserved their right to a 30-percent profit above the initially appraised value of

⁷ This is how Russian GDP dropped: 1992 – 14.5%, 1993 – 8.7%, 1994 – 12.7%, 1995 – 4.1%.

shares. The acceptance of the proposal is rightly dubbed “the sale of the century”. It was the moment the Russian oligarchy was born. Needless to say, the government did not fulfil its obligation towards the lenders, and had to sell the “pawned shares” for just a fraction of their genuine worth. Thus, the nation’s most valuable assets fell into the hands of the industrial magnates. The loans-for-share scheme proved to be an exceptionally controversial method of privatization. Only a limited number of potential buyers were allowed to take part, the assets were undervalued, and the selling process was highly dubious. It all reeked of corruption. In the second stage of privatization, open auctions were used, which met the standards of market competition and investment contests. They made it possible to take over a deteriorating company for a nominal price in order to restructure it and carry out a promised investment programme. Enterprises were sold at market price, well below their real value. The reason for it was limited access to capital and a small number of likely buyers: mainly company presidents and well-connected upstarts of the transition period. The accumulation of capital in post-Soviet Russia consisted in property being handed over. It established a peculiar sort of capitalism dominated by a narrow group of oligarchs, ex-communist part-managers and part-apparatchiks as well as speculators. As a result, Russia, which was once the land of *uravnilovka*, the one-size-fits-all approach, is now a country with the greatest stratification of wealth in the world. Moscow is inhabited by the biggest number of billionaires on the globe, and of the 330 billionaires living in Europe one-third is made up of Russians whose combined wealth is estimated at over 450bn dollars.

Had it not been for Yeltsin’s victory in the 1996 elections, the events would not have taken this turn. Oligarchs were generous in funding his campaign, and so was the support of the media controlled by them. Yeltsin, on his part, showed incredible determination and sacrifice, which cost him another heart attack. In the

end, Yeltsin remained in power, but the price was high. He had to relinquish his independence to oligarchs and became their hostage. As the time went by, the oligarchs' influence over President Yeltsin got stronger thanks to their informal connections. In practice, they decided who would take up posts in government administration and key economic positions in public institutions. They had a decisive voice in matters of economy. Their aim was to get special privileges that would help them satisfy their excessive ambitions of economic expansion. Their task was made easier by Yeltsin's steep descent into alcoholism during his presidency. When a head of a family has a drink problem, their spouse and children are afflicted. When a head of a state is a dipsomaniac, a whole nation is encumbered with their personal tragedy; they have an influence on the country's government and apparatus of power and hence, their actions affect the entire society. Unfortunately, this particular case bore out the embarrassing, unpleasant and suppressed truth that Russia is plagued by alcoholism. The number of alcohol-abusers is estimated at 2.1 million. And it was none other than the President himself who became the embodiment of the problem. Half a million Russian citizens die each year from alcohol abuse. 30% of deaths among males and 16% among females are linked to alcohol consumption. The law prohibits driving under the influence of alcohol because of the threat that an intoxicated driver poses to others. You can only imagine the dangers of having a notoriously inebriated president with a 24-hour access to a suitcase with the nuclear codes. And Boris Yeltsin never parted with the suitcase. Eyewitnesses recall that when he had a by-pass operation, he only gave it away once he was already on an operating table, and demanded its return shortly after awakening from anaesthesia.

Alcohol is a treacherous stimulant. The substance, when used excessively, has a negative effect on the whole body. All of the internal organs are affected, including the heart, liver, and brain. According to the World Health Organization, an alcoholic is an

excessive drinker “whose dependence upon alcohol has attained such a degree that it shows a notable mental disturbance or an interference with their bodily and mental health, their interpersonal relations and their smooth social and economic functioning; or show the prodromal [premonitory] signs of such development.” The WHO defines alcoholism in a broader sense as “any form of drinking which in extent goes beyond tradition and customary <dietary> use, or the ordinary compliance with the social drinking customs of the community concerned (...)”. Alcoholism has long been regarded a disease, which in the long run destroys a person physically, mentally, psychologically, and spiritually. It is caused by immoderate alcohol consumption which leads to addiction. A lack of self-control and discipline are often to blame. Treating addiction is dramatically difficult. It is impossible without the help of other people, not only doctors, but also family members, friends and colleagues.

Yeltsin started drinking compulsively shortly after he had been elected President. He had to face the great challenge of leading a superpower during the period of political and economic transformation which was unprecedented in history. In his autobiography entitled, *Midnight Diaries*, he writes: “Fairly early on, I concluded that alcohol was the only means to quickly get rid of stress”. This was his way of dealing with pressure which is hardly a rarity in Russia. The head of presidential bodyguards between 1991 and 1996, Alexander Korzhakov, revealed that the President would start drinking as early as 11 a.m., and not stop until late in the evening. While drinking, he was unable to cope with everyday duties, he missed appointments, and vanished for hours forgetting about everything. Then, he started making appearances in public under the influence of alcohol. He was drunk while attending sessions of the Presidential Council, meetings with his electorate, and press conferences. He could not even stop himself from drinking during official foreign visits, which embarrassed his

hosts. He was as drunk as a lord at a celebration to commemorate the withdrawal of the Red Army from the former East Germany in Berlin in August 1994. At one time, he was so befuddled that he could not get off his plane to meet the President of Ireland, so he was flown back to Russia where he told confused reporters that he had overslept because his security had forgotten to wake him up. At a NATO-Russia session he unexpectedly announced that the Russian nuclear missiles posed no threat to the members of the Atlantic Alliance. The remark left everyone mystified as to what he might mean. The entire world was aware of his problems with alcohol. On various occasions, his behaviour was a source of embarrassment, misunderstanding and humiliation. The addiction to alcohol had a major impact on his actions as President. It also made his health deteriorate which only further limited his ability to lead the country.

During his second presidency, Yeltsin became an incapable leader of a crumbling superpower. The country was weakened both politically and economically. It was thrown into financial chaos and blighted by internal conflict. In the end, Russia announced that it would temporarily suspend paying its foreign debtors. During the 1998 economic crisis found itself on the verge of insolvency. Unable to help his country battle the crisis and meet the challenges of modernization, he stepped down as President of the Russian Federation on 31st December 1999, the last day of the millennium. He was replaced by Vladimir Putin. Ill, worn-out mentally and physically, he was further pained to relinquish power which he held so dear, and which he coveted so much, but could not exercise. Intemperance and a lack of self-control were his greatest limitations. They helped develop his addiction. What is worse, people close to him did not stretch out a helping hand to him. They were too preoccupied with treating the effects rather than the cause of his drama. Yeltsin seems to have been surrounded by sycophants

fixated on the perks of power, while he himself was in desperate need of firm support.



Chapter 5.

Hypocrisy

Hypocrisy is the homage vice pays to virtue.

François de La Rochefoucauld

*If you're still troubled, think of things this way:
No one shall know our joys, save us alone,
And there's no evil till the act is known.
It's scandal, Madam, which makes it an offence,
And it's no sin to sin in confidence.*

Tartuffe in Molière's *Tartuffe, or The Impostor*

Hypocrisy is an attitude based on cant, duplicity, dishonesty and attributing positive characteristics to oneself which one does not really possess. Hypocrisy entails lying and cheating. It becomes a tool of manipulation. Purposely misleading others is the very antithesis of leadership which should be founded on truthfulness. The leader who professes principles and does not follow them is the worst example of a downright devious hypocrite.

Lance Armstrong is one of the best-known sportsmen in the world. At the height of his popularity, he was hailed in the USA as one of the most highly regarded and admired people, an example to follow in life, sports and business. He achieved his legendary status by winning the UCI Road World Championships and the Tour de France a record seven consecutive times. The latter is the world's most gruelling multiple stage race organized since 1903. His greatest sporting successes followed his battle with cancer. Armstrong was at death's door, but he managed to conquer the

disease and return to competitive sport. No one could have expected that. Eighteen months later, he took part in the Tour de France: three weeks of an uphill struggle along a 3,000-kilometre route that takes cyclists all around France through the mountain chains of the Pyrenees and the Alps. And yet, Armstrong managed to win the Big Loop, as it is nicknamed, an unprecedented seven successive times, starting in 1999. He inspired millions across the USA to take up cycling which became a mass sport. His victories won him many ardent fans but also enemies. Some could not believe that such an impressive winning streak was possible without doping. The French press gave him the sobriquet “Boss” to emphasize his dominance in the peloton. It also described the way he exercised leadership in the US Postal team who assisted him during his victorious races. His sporting triumphs and commercial contracts allowed him to amass a fortune of 100 million dollars, which illustrates the scale of his success. The more suspicion and animosity he encountered in Europe, especially in France, the more tokens of respect and admiration he received in the USA. Back in his country, Armstrong became an icon of sporting achievement and campaigns against cancer. In 1997, shortly after he had managed to beat the disease, he set up the Lance Armstrong Foundation whose aim is to support people suffering from cancer. The foundation changed its name to Livestrong, and won great popularity in the years to come. It has attracted 20 million members, and received a huge financial backing to the tune of 30 million dollars per year. Wristbands with “Livestrong” imprinted on them, produced by Nike for free, have sold over 80 million worldwide. The profit has been used to fund cancer research. When in 2006, Lance Armstrong decided to run in the New York Marathon in order to raise support for his foundation, 3.7 million fans turned up on the streets of the Big Apple. I had the luck of taking part in this unique marathon. Those were truly magical moments. Running 42 kilometres and 195 metres surrounded by effervescent crowds cheering their support for each and every participant is something

you never forget. One million fans accompanied us during the final stretch which led along First Avenue and we were greeted by another million at the finishing line in Central Park. When it turned out that Lance Armstrong achieved a time of 2 hours, 59 minutes and 36 seconds, thus realizing his goal of breaking three hours, the crowd erupted in ecstasy. Though the marathon's winner, Marílson Gomes dos Santos, had crossed the finish line 50 minutes earlier, there could be only one man of the day. Lance Armstrong had created an image of a modern-day hero through hard work and determination.

Throughout his career as a competitive sportsman, Lance Armstrong was a leader who influenced the development of events, defined goals, planned and managed his team's preparations and dominated on the race course. He co-owned the US Postal team of which he was a member and captain. He had a final say on everything within his team. He gained immense popularity as a cyclist and human being who set an example on how to battle life's adversities. He became a leader for millions of people who wanted to be like him. Armstrong owed that to the public reception of his successes and the spectacular way he achieved them. His victories on the course were incredible, and were all the more breathtaking for the fact that he had defeated a disease which is thought of as incurable. In reality, cancer treatment is getting more effective and the chances of being cured are increased when afflicted individuals show stout heart and strong will. Lance Armstrong's return to health is just one of many such cases. It would not have captured mass attention if it had not been for the fact that the disease affected an eminent sportsman making a comeback after two operations and four extensive cycles of chemotherapy. Unbelievable phenomena which cannot be explained rationally, excite popular imagination, magnetize interest and stir desire to be a part of them. It is one of the secrets behind leadership based on exceptional character traits and effectiveness. Lance Armstrong,

who had an image of a man with outstanding personality and the drive to achieve anything, is a perfect example of such a leader. It explains why he had so many devoted supporters. All the greater was their disappointment when it turned out that he had been a sophisticated cheater. All that time, he had been unctuously claiming to have always played fair and never to have used doping.

Meanwhile, in October 2012, the United States Anti-Doping Agency (USADA) presented its findings which clearly indicated that Armstrong and his US Postal Service Pro Cycling Team had engaged in “the most sophisticated, professionalized and successful doping program that sport had ever seen”. USADA based its accusations on testimonies made by 26 people, 11 of whom were Lance Armstrong’s teammates: Frankie Andreu, Michael Barry, Tom Danielson, Tyler Hamilton, George Hincapie, Floyd Landis, Levi Leipheimer, Stephen Swart, Christian Vande Velde, Jonathan Vaughters, and David Zabriskie. After years of fierce denial of all doping rumours, Lance Armstrong finally surrendered under the weight of his teammate’s testimonies and, in January 2013, admitted to have been doping practically throughout his whole career. There was no doubt that this was the greatest fraud in sporting history and the most spectacular downfall of a hero. In a single moment, people’s opinions about Lance Armstrong changed 180 degrees. He had been one of the most admired individuals in the eyes of the public, but now he became a figure of hate. His fall from grace was painful in every respect. When it was confirmed that he had been a liar all that time, the former idol and celebrity was treated like a persona non grata. Most sponsors of the Livestrong Foundation withdrew their support worried that they might lose their reputation, which lost the charity at least 95m dollars. Lance Armstrong was stripped of all the medals and titles he won while doping. In addition to that, he was banned from competitive cycling for life. His New York Marathon results were erased from the record books.

How could this be that this extremely talented sportsman, this courageous and valiant man who fought off cancer, betrayed the basic moral principles and the rule of fair play by consistently doping for over a decade? What is more, his cheating made him rise to the top where he remained for years constantly proclaiming his honesty and respect for the rules of fair play.

Doping is an artificial means of enhancing physical and mental fitness levels through banned pharmacological (chemical substances) or physiological methods (e.g. blood transfusions). The roots of modern doping go back to the second half of the 19th century when swimmers and cyclists were first caught using performance-enhancing drugs. The first reported death caused by doping occurred as early as 1896 when a cyclist died due to ephedrine intake during the Paris-Bordeaux race. It became clear that doping was not only a sporting rules violation but also a genuine health and even life hazard.

The marathon race at the 1904 Olympic Games in St. Louis was a stage for some bizarre events. The winner was disqualified when it was revealed he had covered a substantial part of the distance at the back of a car. The runner-up crossed the finishing line supported by umpires and suffered circulatory collapse which he barely survived. Earlier in the race, he had taken several doses of eggs, strychnine sulfate and brandy all mixed together to boost his energy. Thomas Hicks was still declared the winner because, at that time, doping of that kind was not illegal.

The marathon race in London four years later also proved to be an unusual affair. Dorando Petri was the first to get to the Olympic stadium, but he was so exhausted that he took the wrong path. When umpires redirected him, he collapsed, and could only get up with the umpires' help. But he managed just a few steps before

he fell again. This happened four more times. Finally, he crossed the finishing line with the assistance of none other than Sir Arthur Conan Doyle. He was declared the winner only to be disqualified later when the American team lodged a complaint. Their competitor had finished the race 30 seconds behind Petri. The announcement of the verdict brought howls of protest from the spectators. Petri Dorando won great respect and sympathy. Queen Alexandra even presented him with a gilded silver cup. The race nearly cost Dorando his life. He laid unconscious in hospital for two days where he underwent thorough examination. It showed that had used strychnine, which is a lethal poison in larger doses. Back then it was used as a performance enhancer. Those cases prove that people are willing to risk their lives to succeed, and a lack of restrictions on doping could lead to tragedy.

Using substances to increase one's physical endurance and gain an advantage over other competitors violates sports ethics and the rules of fair play. Sportsmen are not the only ones who can be dishonest. The same applies to doctors who advise them, pharmacists who produce the substances, and coaches who quite often encourage such behaviour. Performance enhancers available on the black market are a threat to sportsmen's lives. Cases have been recorded of people permanently losing their health and even dying. That is why the usage of performance-enhancing substances is so heavily regulated and prohibited for sportsmen. The International Amateur Athletics Federation, which later became the International Association of Athletics Federations (IAAF), was the first sporting organization to ban all forms of doping in 1928, but it limited itself to making sportsmen sign a declaration saying that they did not use any forbidden methods to boost their physical endurance. The first anti-doping tests were introduced in 1996 during the European Athletics Championships. In 1967, the International Olympic Committee decided to tackle the issue by setting up the Medical Commission which ran its first tests during

the 1968 Olympic Games in Mexico. Meanwhile, the Union Cycliste Internationale (UCI) introduced its own doping control and compiled the first list of banned substances. However, these steps did not help to prevent the tragedy that happened during the 1967 Tour de France. Tommy Simpson, the most famous cyclist of his day, collapsed and died during the hard climb of Mount Ventoux. Amphetamine was later found in his blood.

The story of doping is a race between those looking for new performance enhancers and institutions called upon to curb their use. For a long time, the race was one-sided. Some countries obsessed with sporting success made more resources available to cover up cases of doping than they spent on fighting the use of illegal substances. The use of doping was getting more and more effective thanks to the fierce competition between independent institutes and dishonest scientists. A notable example is the Bay Area Laboratory Co-operative (BALCO) in California which marketed tetrahydrogestrinone (THG). The drug made Marion Jones a six-time gold medalist in World Athletics Championships in 100 and 200 metres and a winner of five medals at the Olympic Games in Sydney (three gold and one bronze). It also helped Tim Montgomery break the world record in 100 metres. BALCO's clients included famous athletes, weightlifters, and American footballers. Such shady activities were once particularly widespread in the countries of the Soviet Bloc determined to show their superiority over their Western opponents. They spread to the West as sport became more commercialized. The scandal broke out when a dealer, with whom Jones had rowed over money, handed over the THG to an anti-doping laboratory in California. They decided to test Jones's blood samples one more time, and concluded that she had been using doping. She was first disqualified for a period of two years and when she eventually admitted her guilt, after four-year-long proceedings, she was stripped of all her medals and titles. Jones was later sentenced to six months in jail for perjury. Lawyers

for the defense requested for her penalty to be limited to probation and community service, but the judge did not grant it. In his view, Jones's actions caused damage to society.

It was only in 1999 when the World Anti-Doping Agency was created that the struggle against doping was reinforced. New control guidelines were introduced and the number of screenings outside of competitions was increased. It became compulsory for sportsmen to get tested during the most important competitions. With the founding of the US Anti-Doping Agency (USADA) in 2000, the balance was tipped in favour of those fighting the illegal substances. This exceptionally influential and effective institution is responsible for the co-ordination of anti-doping programmes across the USA. Its purpose is to carry out scientific research, education and anti-doping controls. It has the funding and determination to fight doping which is considered the greatest threat to sport. It was USADA which uncovered the whole truth behind Lance Armstrong's fraudulent Tour de France reign and toppled the idol from the pinnacle of success while other institutions had proven helpless, including U.S. federal prosecutors who had dropped their criminal investigation with no charges. USADA makes a special emphasis on the ethical side of using illegal performance-enhancing drugs and the health risks associated with their usage.

Pressed to the wall by the weight of the evidence, Lance Armstrong confessed his guilt during a TV interview with Oprah Winfrey, the diva of American talk shows. He admitted to have used doping in all shape and form (EPO, testosterone, blood transfusions) throughout nearly his entire career. When asked the most fundamental question of why he had resorted to doping, he said: "I wanted to win at all costs. I was determined. That is what drove me on". In order to justify himself, he claimed that "it wasn't possible to win without doping. I didn't have access to anything that anyone else didn't have. I didn't view it as cheating. I viewed it as

a level playing field. I wasn't afraid of getting caught. There was not that much out-of-competition testing. You were clean at the races." There is no note of contrition in his words, no trace of apology to the millions of people he had cheated, who had believed him for over a decade. It seemed as though his only problem was that he had let USADA catch him. Sport rests on principles which exclude lawlessness and dishonesty. The fact that others cheat is no justification for unfairness.

The desire to triumph at all costs made Armstrong resort to doping. He not only violated the letter of law but also breached the code of ethics and rule of fair play. Armstrong's dishonest conduct should by no means be treated lightly because allegedly "everyone did it". The myth of his greatness as a sportsman and human being arose from people's conviction that "he did not". Not only did he brazenly deny all the allegations, but also fiercely attacked those who dared to doubt his truthfulness. He sued many people and newspapers for libel. The British newspaper, *The Sunday Times*, had to pay him one million dollars for its supposedly defamatory accusations. He himself repeatedly stressed that he had never used any illicit substances or methods of enhancing physical endurance. The US Postal Team declared that "zero tolerance for doping" had always been the foundation for their ethical code. Years later, Armstrong admitted, "the doping program in the US Postal team was well-organized. That's true. I was the leader of the team but there was never a directive to dope. This was a competitive time and only the best could make the team for the Tour, but there was no pressure to use doping. We were all grown men." In reality, Armstrong's high expectations exerted a lot of pressure on his team members. Those who did not use doping could not live up to them and had to reckon with the possibility of being relegated from the team. Therefore, Armstrong's violation of good leadership principles was twofold. Not only did he behave unethically, but also forced others to do the same. He manipulated millions of people

around the world who believed that he was able to win because he worked harder and was prepared to sacrifice more than others. “This was one big lie that I repeated too many times. This whole story was too beautiful to be true,” he confessed on the Oprah Winfrey Show.

Armstrong built his legend in a methodical and well thought out manner. He co-wrote two autobiographies with *The New York Times* journalist, Sally Jenkins, entitled *It's Not About the Bike: My Journey Back to Life as well as Every Second Counts*. They became world bestsellers. The books contain many details from his life and fascinating descriptions of his sporting struggles. Armstrong's honesty, openness, and his determination endear him to the reader. His ambition and effectiveness are equally impressive. His touching self-portrait inspires idolatrous admiration. Therefore, it should come as no surprise that his supporters identified themselves with him so strongly. Everybody could catch a glimpse of their own dreams and cherished values reflected in the story of Armstrong's life. A single child raised by a single mother, he had braved adversities since his early years. He was an example of a strong personality and youthful ambition throwing down the gauntlet to the whole world. “An American in cycling was comparable to a French baseball team in the World Series,” Armstrong recalled. In fact, he was not the first American to be a successful cyclist. In 1986, Greg LeMond was the first non-European to win the Tour de France, but his victory did not spark any interest in the USA. For many years, cycling would remain a little-known sport on the other side of the Atlantic. Recreational riding also enjoyed scant popularity among the Americans, and this was not even helped by Armstrong's victory in the 1993 World Championships in Oslo. It was his triumphant comeback after fighting cancer and the successive wins in the Tour de France that transformed people's perception of the sport. His heroic struggle against cancer commanded deep respect and admiration. His final triumph brought hope to many

patients and revived their will to keep on fighting. Without such determination making a full recovery is impossible. In this light, Armstrong's later sporting achievements seemed even more valuable and he became an example worthy of following. Lance Armstrong dedicated his whole life to success. His determination to succeed in sport was no less than his will to fight for his life when he had suffered from cancer. His aim was to triumph in the Tour de France not once but many times and he was ready to accomplish that no matter what. As he himself said, "I was always a fighter. Before my diagnosis I would say I was a competitor, but I wasn't a fierce competitor. In an odd way that process turned me into a person who wanted to win at all costs." The grace of the winner was not his only reward. His wealth grew in proportion to the number of his victories. For instance, his contract with a tooth paste manufacturer, Tailwind, guaranteed him a rise in bonus for every victory in the consecutive editions of the "Big Loop" (2002 – 3m dollars, 2003 – 6m dollars, 2004 – 10m dollars).

During the preparation period, he would torture himself and his teammates with back-breaking training sessions that pushed them to the limits of human endurance⁸. He would meticulously analyze the route of each stage of the tournament. He would cover all the most difficult ascents a number of times. After a while, all the cyclists in the peloton were awed by Armstrong's team. The US Postal Service was tagged the "Big Blue Train". Fearing its tremendous speed, opponents would part so the "train" could thunder past them. Armstrong boasted, "We rode until they slumped over their handlebars, their heads hanging low from their necks like dying tulips". On one of the stages during each Tour, the champion himself would exhibit his explosive power, sweeping the competi-

⁸ See Daniel Coyle's book on Armstrong's preparations for the Tour de France entitled *Lance Armstrong's War*.

tion and crushing their hopes of victory. When others stood up on their pedals, wobbling from side to side, he conquered the steepest slopes, perched on his saddle, with such ease that it seemed as though the Alps had shrunk into hillocks. But the background to his stupendous feats of endurance was less grand. It was steeped in lies. His seven triumphs in the Tour de France made Armstrong a hero. He himself used it effectively to construct a narrative of a phenomenal sportsman and an ordinary human being. His charity helped cement his legendary status. Armstrong became one of the world's most famous people, an example to millions who felt inspired by his success. There were also those who raised doubts about the plausibility of his achievements. The allegations of doping were nothing new for Armstrong. His accomplishments were met with increasing suspicion, but all 30-40 tests he was subjected to per year came back with negative results. His sponsoring contracts contained a clause providing that if his anti-doping test results were positive, all agreements would be instantly terminated. In response to insistent press allegations, Armstrong went a step further and gave financial support to anti-doping programmes. Eventually, he won the battle with controllers and the anti-doping system. None of the samples collected from him were shown to contain even a trace of performance-enhancing drugs. And yet he was defeated. Testimonies of his teammates and close co-workers confirmed his long-standing use of doping and brought the demise of his reputation. In an attempt to rescue his future, he himself confessed his cheating. He was guilty of incredibly effective and spectacular hypocrisy. Armstrong deceived his closest ones, family, friends, and admirers. The lies, repeated day after day for two decades, created a false and unrealistic image that beguiled millions of people worldwide.

The heroes of today's sporting world play the same role as their predecessors in antiquity. The difference is that the fame and impact of the modern champions has a global reach. The winners

of the ancient Olympic Games enjoyed great respect. Some were even referred to as “heroes”, which in those days meant they were hailed as demigods. A celebratory welcome of the victors in the pan-Hellinistic Games to their home city was such an extraordinary affair that a separate gate would be struck through the city’s defensive wall for the triumphant sportsmen to enter and join in a feast with all the citizens. A champion was granted a lifetime pension and board paid by his home city. Statues of the best were erected during their lifetime to commemorate their accomplishments. Lance Armstrong was a hero to his supporters and was held in high regard by the public. As far as popularity goes, he bested even the sporting idols considered the greatest of all time, such as Michael Jordan, Steffi Graf, Pete Sampras, Mark Spitz, Michael Phelps, Jesse Owens, Emil Zatopek, Paavo Nurmi or Carl Lewis. But the prize one must pay for admiration built on lies and hypocrisy is high. People can forgive even the worst weakness, but they will never stop feeling resentful towards Armstrong who deceived them, playing with their emotions almost throughout his whole career and then continued to do so by falsifying his past. Armstrong’s case is particularly upsetting. The godlike ideal has tumbled from Olympus straight into the gutter. But its downfall carries a note of optimism; hypocrisy does not pay, and its revelation is inevitable.



Rozdział 6.

Greed

*How selfish soever man may be supposed,
there are evidently some principles in his nature,
which interest him in the fortune of others, and render their happiness
necessary to him, though he derives nothing from it,
except the pleasure of seeing it.*

Adam Smith

*The rampant greed threatens to overwhelm our financial system
– greed which runs deeper than money.
Not knowing what enough is subverts our professional values.
It makes salespeople of those who should be fiduciaries and turns
a system built on trust into one built on counting.*

John Bogle

Greed seems to be a controversial issue in any discussion on leadership. Some regard it as a forte, and a motivating factor that leads to positive results, while others consider it a vice, a cardinal sin, and a source of evil. Egoism is seen as a pivotal cog in a well-oiled machinery of market economy. Greed, it is claimed, drives economic and social development. Such an approach lends weight to the assertion that serving one's own interests also serves a common good.

When a certain line is crossed, egoism turns into greed which is immoral, and indecent. Actions dictated by greed are accompanied by falsehood, deceit, and lust which spawns unbridled rapacity. Rapacity, in turn, makes greedy leaders and their henchmen continually crave more power, money, riches, which triggers a spiral of lawlessness and betrayal often leading to tragedy.

Egoism is an inherently human trait to which economy appeals on every occasion. And so is greed. It is nothing more than a methodological monism, an attempt to squeeze everything into a single ultimate principle. “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.”⁹ Interpreted through the prism of these words, the rule of the “invisible hand” assumes that the common good can be maximized through the pursuit of self-interest. The paradigm of the *homo economicus*, an individual who acts rationally, and makes decisions after having carefully weighed up profit and loss, is a cornerstone of the modern interpretation of classical economic theory. It forms the foundation for the dominant thought as well as practice in today’s economy. Those who exalt the presence of greed in mainstream economy justify their praise by saying that the “invisible hand of the market” turns it into the common good, and invoke the father of economy, Adam Smith. They could not be more wrong. The founders of classical economics, Adam Smith, John S. Mill, John Locke, Thomas Malthus, were philosophers concerned with morality, and economy was taught in courses on ethics. Adam Smith argued that moral sentiments far outweigh utility maximization.

The idea that greed is good, and morality is something superfluous and even detrimental, started with Bernard de Mandeville. His views were at the heart of one of the most heated debates of

⁹ The quotation comes from Adam Smith’s seminal work *The Wealth of Nations*.

18th century. He puts it rather explicitly, “Fraud, Luxury and Pride must live, / While we the Benefits receive.”¹⁰ Egoism that turns into greed, is universally regarded as the driving force behind profit, and as such has been socially accepted and even applauded. The conviction that greed is beneficial became a commonplace notion in the second half of the 20th century and, at least until the 2008 financial crisis, had major influence on public opinion. Unsurprisingly then, greed is the modern business mantra.

The glorification of indecency attempts to warrant not just a desire for economic success but success in general. It has had a long history. According to Niccolò Machiavelli “the ends justify the means,” and human beings are driven by base impulses and self-love. “How laudable it is for a prince to keep good faith and live with integrity, and not with astuteness, everyone knows. Still the experience of our times shows those princes to have done great things who have had little regard for good faith, and have been able by astuteness to confuse men's brains, and who have ultimately overcome those who have made loyalty their foundation”. *The Prince* – a masterpiece authored over five hundred years ago – is a compulsory read and inspiration for politicians lusting after power and businessmen stimulated by greed. Many politicians, countries, businessmen and companies owe their success to Machiavelli’s advice. Fortunately, not everyone subscribes to it. Success based on amorality, cynicism, egoism, and calculation is short-lived. The blind urge to maximize brought about spectacular bankruptcies of great companies, the icons of the developed world. Resorting to anti-values such as greed, vanity, the pursuit of profit at all costs and the conviction that the ends justify the means, sooner or later must lead to a catastrophe. The examples are countless. Suffice it to mention the worst examples of wrongdoing. In the USA these

¹⁰ Mandeville, Bernard, *Fable of the Bees: or, Private Vices, Public Benefits*, lines 415-418.

were Enron, Lehman Brothers, WorldCom, Merrill Lynch, and Salomon Smith Barney; in Europe: Siemens, Volkswagen, Ergo, Deutsche Bank, Bankgesellschaft Berlin, News Corp, Parmalat, Elf, and Vivendi. The motive behind their immoral, indeed criminal, actions as managers was their avaricious pursuit of maximizing their own benefit. Their companies' profit, even if it only existed on paper, was just a means to an end. In their eyes, "the ends justify the means" justified all their contrivances and violations of basic ethical principles.

Not so long ago, managers' selfish motives and unprofessionalism found their natural conclusion in their companies going bankrupt. Each bankruptcy could be looked at individually. Today's world is different. The economy is globalized and companies are much bigger than they used to be. Even a collapse of a single company can have serious international repercussions. And the spread of bad practices within one branch, say the financial sector, can make the whole world's economy fall to pieces.

Greed and the unquenchable thirst for profit gave rise to two serious crises in the last decade. Tens of millions of people worldwide lost their jobs. Thousands of companies went bankrupt, and many more suffered financial losses. Numerous countries, among them the richest and most developed ones, had to confront increasing debt problems which threatened their future. The first crisis started with an incredible boom on capital markets at the end of 1990s and the bursting of the Internet bubble in 2001. It led to a sharp decline in quotations and bankruptcy of many technology companies. The losses of individual and institutional investors amounted to 5 trillion dollars. The Internet boom fuelled by stockbrokers and investment banks made millionaires out of hundreds and billionaires out of tens of people who went on to make lightning-fast yet short-lived careers and not-always-deserved buckets of money.

Netscape Communications Corporation, the producer of the first web browser, had been operating for fifteen months, when in August 1995 it made its debut on the NASDAQ Stock Market reaching a market capitalization of over one billion dollars. Between that time and the end of 2000, 378 American Internet companies had offered their securities for sale to the general public. Their valuations were astronomical. The market capitalization of the NASDAQ's Internet companies reached an unbelievable 1,5 trillion dollars at the beginning of 2000, while their total annual sales barely got to 40 billion, an amount mostly shared between a few more traditional firms, such as Qwest, AOL, or Amazon. The most incredible thing was that the quarterly profits of 370 out of 378 companies referred to as "dotcoms" never amounted to even a mere dollar! This was at the time when, for a short period, Cisco with a market capitalization of over 500 billion dollars was far ahead of General Electric as the world's most valuable company. The sign of the times was the purchase of Time Warner by a mass media corporation, America on Line. It sold its own shares to afford the 183-billion-dollar transaction. Because it was worth twice as much, AOL would own 55% of the newly created entity. The event signalled a shift in the power relations between the representatives of "the old and the new economy". When the merger was announced AOL's market capitalization was 163 billion dollars whereas Time Warner's was 83 billion. But AOL's income of 5.3 billion dollars amounted to just 23% of Time Warner's (23 billion). AOL's market valuation was over 154 times higher than the company's profits, which could have indicated a speculative spiral. Alternatively, as the media and pundits claimed, it may have been a sign that the rules of the "market game" had changed with the emergence of the "new economy". It later turned out to have been one of the greatest corporate catastrophes in history. Never before had shareholders incurred such losses. After nine years of unsuccessful cooperation, the companies parted their ways in

2009. In March 2012, AOL was worth 1.75 billion dollars, and Time Warner 35 billion dollars, which was just one-sixth of its initial value.¹¹

Many companies set up in the wake of the Internet boom did not have an economically viable business model. Their incomes did not rise in proportion to the fast-growing interest in their products. In hindsight, the companies seem to have benefitted from investors being temporarily allured by the tales of false prophets and mere swindlers from the Silicon Valley. When the startups entered the stock market, it was not the investors but the clever founders and bankers who made vast amounts of money. When the Internet bubble burst in 2001, share prices fell steeply, many Internet companies went bankrupt and investors were startled out of their stupor.

The NASDAQ Composite stock index, which listed the majority of new technology companies, plummeted from the record high level of 5132 points of March 2000 to just above 1108 in October 2002. The S&P 500 index, which reflects how well New York's Wall Street is doing, dropped by a half during the same period. The situation on the stock markets could be compared with that during the Great Depression, if you take into account a sharp decline in production and employment during that period.¹² The fall shook capital markets across the USA, Western Europe and Asia with a ferocious force of an 8-point earthquake. In the USA alone,

¹¹ In hindsight, the merger of AOL and Time Warner was a complete fiasco. It is described as the worst transaction of this kind in history. In 2003, the concern erased "AOL" from its name, deciding the previous one would be better. In 2009, AOL was separated from the company. It earned 4.2bn dollars compared to 9.1bn dollars in 2002. At the time when the two companies split, Time Warner had an annual income of 47bn dollars.

¹² Lowenstein, Roger. *Origins of the Crash*. New York: The Penguin Press, 2004. 220.

five trillion dollars alone evaporated from investors' pockets. The disastrous decline in share prices and lack of external funding ruined most of the dotcoms, which had emerged on the frenzied rush for investment fanned by money-grubbing stock market analysts. Only those companies survived that had a business model tailored to the harsh rules of economy.

Meanwhile, corporate scandals were erupting in the USA leading to the bankruptcy of such renowned companies as Enron, WorldCom, Tyco, Qwest, Cendant. Managers. Their CEOs and board directors faced trials for embezzlement, bad governance and criminal offences. The New York State Attorney General, Elliot Spitzer, uncovered many illegal practices, conflicts of interests as well as insider trading at banks which had financed the bankrupt companies. Ten biggest US banks paid 1.4bn dollars in settlements. Only in the case of Enron, the most scandalous downfall, the banks agreed to settle out of court by paying fines worth 350bn dollars. Enron became a byword for financial cheating and corporate corruption. It made use of creative accounting techniques to show profit where there was none, so that managers could collect hefty bonuses in reward for profit that existed only on paper. Enron's top managers and board directors were accused of fraud and collusion. The jury found the accused guilty on most of the charges, and they were sentenced to many years in prison. At the root of their depraved conduct was greed, so applauded by mainstream economics. One of the world's largest accounting firms, Arthur Andersen, shared Enron's fate. It showed lack of diligence in auditing Enron and also ceased to exist.

The Sarbanes–Oxley Act of 2002 was supposed to alter the sorry state of affairs and protect investors in public companies by introducing enhanced standards of transparency and more internal control requirements. The need for good management practices, ethics and business responsibility became the top subjects

of political and economic debates. Everyone demanded a revision of traditional management practices. Everything, however, soon went back to normal. The crisis had been headed off thanks to the Federal Reserve System and the US government. The hunt for quick profit sparked yet another boom. Corporations were making money again and managers were earning higher salaries than ever before, both in cash and stock option. Unsurprisingly, the pressure to report success at the end of each quarter and every year was immense. Only excellent results could ensure stocks continued to rise, which brought managers the expected benefits.

Six years had passed and a new crisis erupted in 2008. Its epicentre was in the USA, but the shock wave reached as far as Western Europe and caused the world's economy to collapse. The situation was at its worst since the Great Depression of 1930s. Managers' wild desire for profit, uninhibited greed and foolishness brought about the downfall of the world's major financial institutions both in the USA and Western Europe. The greedy pursuit of company profit and individual benefit gave rise to a financial pyramid with a pre-programmed self-destruct mechanism. Financial engineering specialists had spawned a diabolical idea of granting mortgages on a massive scale to anyone regardless of their income. The theory behind it was that if you take a risky mortgage and slice it and re-bundle it with other mortgages into other less risky securities, the whole thing would be quite safe. Securitized high-risk loan portfolios were repackaged and passed on as collateralized debt obligations (CDOs). Those were rated triple-A by top rating agencies. It meant they were considered as trustworthy as the economies of the USA or Germany. Investment banks were eager to sell the portfolios. They were insured in case of insurance companies' insolvency as highly profitable and low-risk capital investments. All the members of the food chain involved with mortgage loans securitization were hard at work to earn high short-term profits. They

were eagerly pumping the bubble of the sub-prime mortgage loans. Owing to the dubious financial engineering techniques, the mortgages had become a *deus ex machina* of the financial market: a low-risk product, certified by renowned rating agencies and insured by the best insurance companies. At the start, everyone was delighted. Poor debtors were moving into new houses they would otherwise not have been able to afford. Real estate and financial agents offering expensive housing and relatively cheap loans were collecting their fees. Banks were making quick money from the loans and then handing the risk down the chain to investment banks. They, in turn, were earning even more by selling the converted loans as allegedly low-risk and high-profit debt instruments. When the inevitable finally happened and the debtors were no longer able to repay their loans, the domino tiles fell one after another. It turned out that the members of the food chain had eaten the profits to the last bone. The key players of the financial market were threatened with bankruptcy (commercial banks, investment banks, insurance companies). The entire financial system danced on the precipice of collapse. Lehman Brothers' bankruptcy in October 2008 foreshadowed a crisis which threatened to plunge the American and European economies in dire recession for years to come. In an attempt to avoid that scenario, the governments of the USA and many European countries were left with only one choice: to rescue other imperilled financial institutions. They were seen as too crucial to collapse. Naturally, it was the taxpayers that would have to bear the costs of the bailouts, while the greedy managers had long taken all the profits. The rescue operation cost USA taxpayers 700bn dollars. The cost was even higher in Europe. Governments were worried that the bankruptcies might badly affect their state economies, so they nationalized many banks. Large banks are like nuclear power plants; the effects of their explosion are catastrophic. The world was headed for a grave economic crisis. Huge public expenses were incurred to

prevent it from happening. National debts increased beyond any acceptable limits¹³.

The examples above show how important higher values are for the economy and society. Alan Greenspan, Chairman of the Federal Reserve and a declared supporter of deregulation and free trade, said during a hearing in Congress, “Those of us who have looked to the self-interest of lending institutions to protect shareholders’ equity, myself included, are in a state of shocked disbelief.”

A report compiled by the Institute of Policy Studies in Washington D.C. revealed that, in 2010, twenty-five out of one hundred best-paid CEOs earned more than what their companies paid in taxes.¹⁴ Earnings at those 25 companies amounted to 1.9bn dollars and they included such icons of the US economy as General Electric, Boeing, Coca-Cola, Prudential, Verizon, Ford, International Paper and eBay. Surprisingly, among the companies who paid their CEOs more than they paid the state in taxes were financial institutions which had been criticized for their excessively high compensation packages in the past, e.g. Mellon Bank in New York, Capital One Financial, Prudential and AON. The report cites data which show that the biggest beneficiaries of state help in 2008, Citigroup and Bank of America, had 427 and 115 branches respectively in tax havens to avoid paying taxes in the USA.

According to researchers at Berkeley University, the wealth gap in the USA had narrowed between the Great Depression and the start of the 1970s when it began to rise sharply. 10% of top-earning

¹³The US national debt increased by half between 2007 and 2011. On 6th August 2011, a US rating agency, Standard & Poor’s, lowered its long-term sovereign credit rating on the USA to “AA+” from “AAA”. Earlier, the same agency had lowered its ratings on most EU member states with the exception of Germany.

¹⁴*Executive Excess 2011: The Massive CEO Rewards for Tax Dodging*. Institute for Policy Studies. Washington, D.C.: 2011.

US citizens earned 32.6% of national income in 1970. By 2007, they were earning almost a half (49.7%). In the same years, the wealthiest 0.1% received, respectively, 2.78% and 12.28% of all income.¹⁵ It seems to have been strictly correlated with the rise into prominence of neo-liberal economic thought which justified CEOs' all-consuming pursuit of wealth. The huge disproportion between what top-ranked managers and average employees earn is not the only thing that should worry us. The dangers of blindly pursuing short-term profit are even more disconcerting. The caste of managers greedily takes the largest chunk of profits but accepts no responsibility. Managers are only obsessed by profit and treat investors' equity with recklessness. The latter are the ones who risk most but do not benefit quite as much. This flies in the face of basic economic principles; it is the entrepreneurs who should be able to reap most of the benefits. Modern managers think of themselves as demigods who deserve all the grace and reward for their creative powers. In reality, most of them are mere supervisors who manage well-functioning companies created by others.

The wealth gap is by no means unique to the USA whose economy is widely considered to be the most liberal one. OECD's report from 2008 entitled *Growing Unequal*, confirms the widening of the wealth gap in thirty OECD member states over the last twenty years.¹⁶ In OECD countries the average incomes of the 10% richest citizens are nearly ten times higher than those of the 10% poorest citizens. Comparing the income gaps between the wealthiest and poorest citizens from country to country is especially interesting. Sweden and Denmark, famed for their social

¹⁵ Piketty, Thomas, Saenz Eduard. *Income Inequality in the United States, 1913-1998*. in: *Quarterly Journal of Economics*, 118(1) (Tables and Figures Updated to 2010 in Excel format, March 2012 <http://elsa.berkeley.edu/~saez/>).

¹⁶ OECD, *Growing Unequal? Income Distribution and Poverty in OECD Countries*. 2008. 1-312.

economic models, have a low level of stratification. The rich earn about five times more than the poor. Mexico, a developing country, and the United States, one of the worlds most developed countries, have the greatest degrees of stratification. In these two countries, the richest earn, respectively, 25 and 16 times more than the poorest. Poland took third place in the ranking with an indicator of 13.5, the highest in Europe. It is astonishing considering its communist past when income inequality was virtually non-existent. It took just two decades of liberal market economy for the stratification to emerge. Even more surprisingly, the indicators of other Eastern European countries which share its communist past are very different. In the Czech Republic, Slovakia, and Hungary, they range between 5.5 and 7.

In 1970, an average salary of a CEO in a large American corporation was 28 times higher than an average salary of its employees. The disproportion reached a record level of 344-to-1 in 2007. During the crisis in 2009, it dropped to 263-to-1, only to rise again to 325-to-1 in 2010.

Richard Fuld spent his entire career at Lehman Brothers, starting in 1969, which culminated in his chairmanship between 1996 and 2008. He became an embodiment of greed and the nauseating overpayment of CEOs. From 2000 to 2008, Fuld earned 522m dollars, in the form of cash and exercised stock options. His colleagues in the management board earned only slightly less, namely 491m dollars, which adds up to an incredible 1.041bn dollars.¹⁷ The management and supervisory board also had a fleet of six company jets at their disposal, including a Boeing 767, one of

¹⁷ Bebchuk, Lucian A., Cohen, Alma, Spamann Holger, *The Wages of Failure: Executive Compensation at Bear Stearns and Lehman, 2000-2008*. HARVARD JOHN M. OLIN CENTER FOR LAW, ECONOMICS, AND BUSINESS, Discussion Paper No. 657, 12/2009, Revised 02/2010. 20.

the biggest passenger airplanes in the world. Lehman Brothers went bankrupt in October 2008. Creditors' claims exceeded 300bn dollars, making it the largest financial disaster in history. When asked by Henry Waxman, the head of the Congressional oversight committee, whether he thought his personal remuneration was fair in the light of his bank's disgraceful end, Richard Fuld said, "We had a compensation committee that spent a tremendous amount of time making sure that the interests of the executives and the employees were aligned with shareholders'. My employees owed close to 30% of our company, and that was because we wanted them to think and behave like shareholders. When the company did well, we did well. When the company did not do well, we did not do well."

In 2008, *Forbes* ranked **Richard Fuld** the eleventh top-earning CEO in the USA. Other banking sector CEOs outranked him, including Richard Fairbank, the CEO of Capital One, took the 9th spot with 73m, Lloyd C. Blankfein, the CEO of Goldman Sachs, ranked 8th earned 73.7m, Angelo R. Mozilo's earnings of 102.8m won him 5th place.

Angelo Mozilo co-founded Countrywide Financial in 1969, a bank specializing in mortgage loans. When the mortgage loan boom was at its peak, Countrywide Financial had a 20% share of the mortgage market, which was the top result. Its 2007 report revealed that 20% of its portfolio consisted of high-risk loans. Countrywide Financial was profitable for a long time. In 2005, it boasted a profit of 2.5bn dollars. In 2006, net profit was smaller, only 1.7bn, and in 2007 a puny 700m. And things only got worse. Its liquidity was disturbed as suspicions mounted that Countrywide was insolvent due to terrible quality of its loan portfolio.

At the end of January 2008, Bank of America, pressured by the Federal Reserve Bank, announced its intention to take over

the near-to-collapse Countrywide. The transaction was carried out in July that year. It cost 2.8bn dollars and Bank of America was promised billions of dollars in government guarantees. A year later, in July 2009, the US Securities and Exchange Commission (SEC) launched an investigation into the negligence and fraud of the bank's management in connection with granting loans as well as whether the true state of the company was hidden from investors. In July 2010, its legal successor, Bank of America, paid 108m dollars to settle claims of collecting excessive fees on loans offered to people with less-than-sterling credit. A month later, it paid a further 600m dollars in fraud-suit settlement. It was also found that Countrywide's VIP loan unit operated a "Friends of Angelo" programme that made sweetheart loans to a selected few, mainly politicians and other influential people.¹⁸ The Securities and Exchange Commission (SEC) ruled that Countrywide's CEO and its two other executives had been deliberately misleading investors by introducing lax lending standards and not informing them about the significant credit risks connected with subprime mortgage bundling. In October that year, the now ex-CEO Angelo Mozilo, was forced to pay 67.5m dollars in settlement. In years 2000-2008, during the mortgage loan boom which owed a lot to Countrywide Financial, he earned an exorbitant 521.5m dollars¹⁹.

Immorally high executive paychecks were not the only reason for the 2008 financial crisis, but they exemplified a system of profit maximization based on the Machiavellian rule of the ends justifying the means. Values in business such as putting the interests of the company before your own, solidarity, loyalty, and honesty, have become synonymous with outworn fashion gone forever. They were replaced by the new mantra of business, encapsulated in Gordon

¹⁸ "Mozilo's friends on the Hill", *The Washington Times*, 2010.10.13.

¹⁹ Lenzner, Robert, "Why Isn't Angelo Mozilo in Jail?", *Forbes*, 2010.10.

Gekko's words: "Greed, for lack of a better word, is good. Greed is right. Greed works. Greed clarifies, cuts through, and captures, the essence of the evolutionary spirit. Greed, in all of its forms; greed for life, for money, for love, knowledge, has marked the upward surge of mankind (...)"

The corporate world of the ever-present rat race has failed to draw conclusions from the fact that Gekko, the hero of Oliver Stone's Academy Award-winning film *Wall Street*, ends up in jail for 20 years. In the sequel to *Wall Street*, when Gekko observes the world of the new millennium from behind bars, it seems to him that everyone is acting as though the economy has gone mad. "Someone reminded me I once said 'Greed is good,'" Gekko tells a lecture-hall filled with university students. "Now it seems it's legal."

In 2012, four years after the financial crisis began, the world still cannot deal with its effects. The world's economy, and especially Europe's, continues to grapple with recession, and the future does not look sunny. Uncertainty has never been higher. And, yet, the lesson of the traumatic events that led to the collapse of financial systems in the USA and Europe has not been learned. The outrage and debate on the causes of the crisis have not translated into any necessary corrective actions. This is hard to understand, and worse than that – dangerous. The regulatory changes indispensable to safeguard the stability of the financial system are taking place slowly and are fragmentary. Moral hazard and internal conflicts of interest have not been eliminated from bank's operations. More importantly, the attitudes of managers and the way businesses function, including financial institutions, are still the same. Everything has reverted to the old norm. We live in a world where maintaining the *status quo ante* is a bomb with a long fuse. And fire is already flickering on its end.

Goldman Sachs is the largest and the most famous investment bank in the world. It employs 30,000 people. Working there is a dream come true for many of the most gifted graduates from the world's most renowned universities. The company accepts just one out of every hundred applicants. The demand for working there has always been buoyant because of the high paychecks, prestige, and good reputation of the company. The potential candidates are not even scared off by the work being inhumanly hard, from 9 am till 11 pm with a break for dinner. Goldman Sachs employees have a high opinion of themselves and their work. In 2010, Goldman Sachs Chief Executive Lloyd Blankfein famously said, "We're doing God's work". Indeed, Goldman Sachs employees are royally remunerated. Blankfein himself took home 73m dollars of bonuses for the bank's results in the pre-crisis year of 2007, three times more than Goldman Sachs paid in taxes. An average salary and bonuses of a Goldman Sachs worker exploded towards the end of the first decade of the 21st century to 600,000 dollars. The rationale behind it was that if the company was making more money, so should its employees. In 2011, when Goldman Sachs reported a profit of over 4bn dollars, the average salary was a less-than-expected 367,000 dollars, much to the staff's chagrin.

Goldman Sachs always took pride in doing things differently than its competitors. Sidney Weinberg, the legendary CEO who headed the bank from 1928 to 1969, drew up a set of Business Principles. According to them, the interest of the client is always the most important and put above the bank's interests, integrity and honesty should always be the centre of attention, and excellence and professionalism should be evident in each employee's everyday duties. The secret of Goldman Sachs's success lay in its corporate culture. It was based on team work, ethics, humility, and working in the interest of the client. The events of recent years and the new facts about the current reality of its culture have led to the belief that its identity is radically different. It seems that what

made Goldman Sachs truly stand out has been thrown on the scrap heap. Goldman Sachs, it is said, owes a lot of its success and lack of failures not only to its employees' talent but in large part to the firm's connections and skilful lobbying. Goldman Sachs got out of the financial crisis with just a scratch or two thanks to a government bailout coordinated by Treasury Secretary Hank Paulson, a former CEO of Goldman Sachs. Thanks to the US government's 85bn dollar bailout of AIG, America's largest insurer, Goldman Sachs did not lose a single cent on the insurance it bought on loans and bonds backed by mortgages. It took only one weekend for Goldman Sachs to get regulatory approval to change its status from an investment bank into a commercial bank without which it would not qualify for government aid. The decision was made by the Chair of the Federal Reserve Bank of New York and a former Goldman Sachs employee, Stephen Friedman. In the autumn of 2008, Goldman Sachs received 12bn dollars in aid, which sent a positive signal to private investors, including Warren Buffet who bought 5bn worth of convertible bonds from Goldman. The bank had been navigated out of dire straits. It started to make heaps of money from other banks' misfortune, and the crisis of the financial sector in general, a crisis it had a hand in creating. Meanwhile, it turned out that the bank was earning money through ethically questionable means. It was selling mortgage-backed securities while at the same time buying financial instruments betting that these securities would collapse. Following an investigation into the matter, the bank agreed to pay 500m dollars in settlement. Commenting the revelations, the then Prime Minister of the UK, Gordon Brown, accused Goldman Sachs of being morally bankrupt. In the autumn of 2009, it was also revealed that the bank had helped the Greek government cover up the true extent of its debt and budget deficit from investors and the European Commission. Even though, other unsavoury Goldman Sachs practices came to light, the company was bringing sizeable profit, which helped it retain its image despite those recurrent blunders. But not for long. On

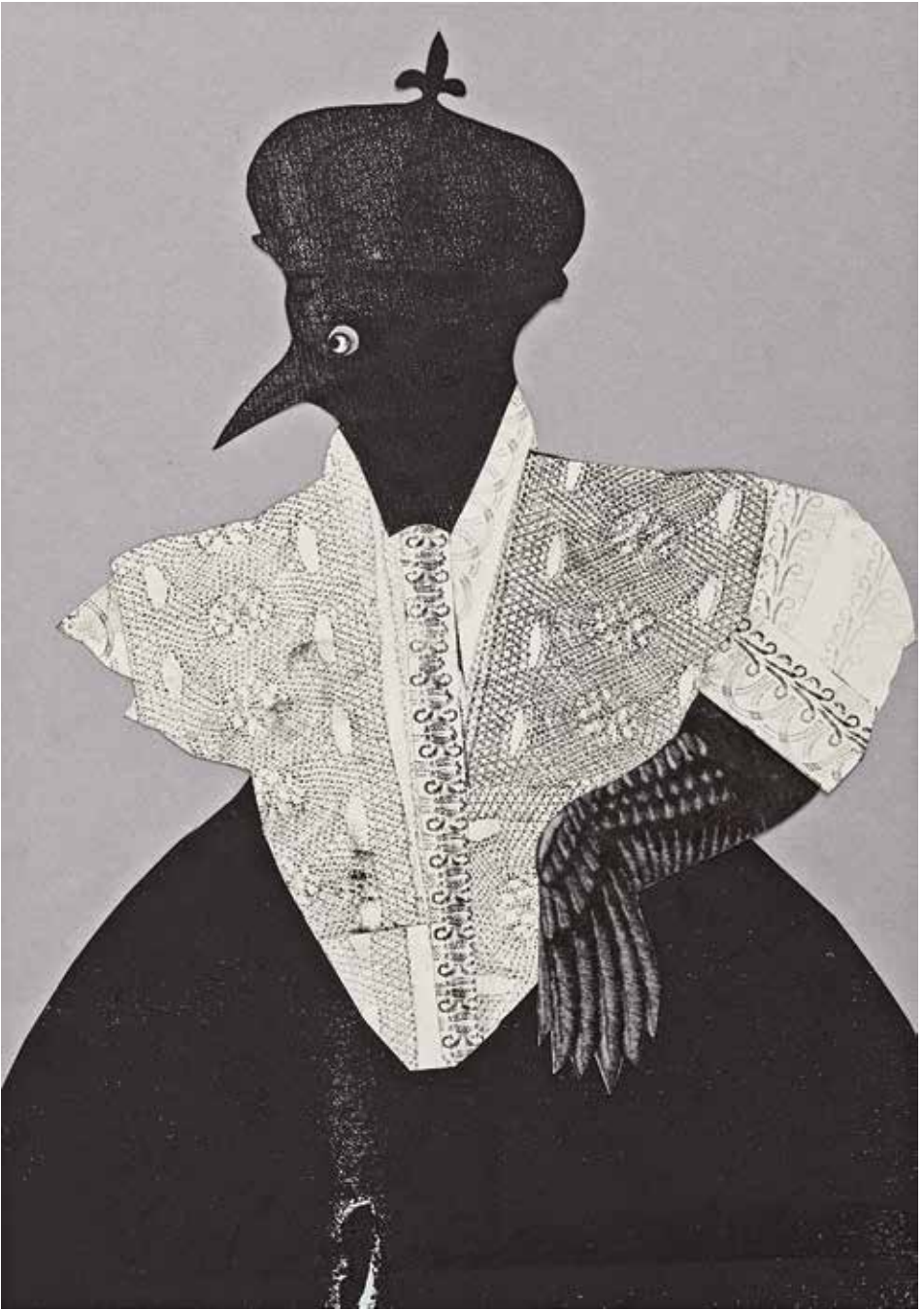
14th March 2012, The New York Times published an article titled “Why I Am Leaving Goldman Sachs”, penned by Greg Smith, a former Goldman Sachs director in charge of derivative trading in Europe, Asia and Africa, who had worked there for twelve years. For the first time in the company’s 143-year history, an employee publicly explained the reasons for his resignation and, on top of that, broached the subject of the firm’s principles. In one of the USA’s most influential dailies, Greg Smith describes the work environment at Goldman as “toxic and destructive”, which was the main reason for his resignation. He also writes, “To put the problem in the simplest terms, the interests of the client continue to be sidelined in the way the firm operates and thinks about making money. (...) It might sound surprising to a skeptical public, but culture was always a vital part of Goldman Sachs’s success. It revolved around teamwork, integrity, a spirit of humility, and always doing right by our clients. The culture was the secret sauce that made this place great and allowed us to earn our clients’ trust for 143 years. (...)The firm changed the way it thought about leadership. Leadership used to be about ideas, setting an example and doing the right thing. Today, if you make enough money for the firm (and are not currently an ax murderer) you will be promoted into a position of influence. (...)What are three quick ways to become a leader? a) Execute on the firm’s “axes,” which is Goldman-speak for persuading your clients to invest in the stocks or other products that we are trying to get rid of because they are not seen as having a lot of potential profit. b) “Hunt Elephants.” In English: get your clients — some of whom are sophisticated, and some of whom aren’t — to trade whatever will bring the biggest profit to Goldman. Call me old-fashioned, but I don’t like selling my clients a product that is wrong for them. c) Find yourself sitting in a seat where your job is to trade any illiquid, opaque product with a three-letter acronym.” Such products are commonly known as derivatives or, as Warren Buffet would have it, “weapons of mass destruction”. Smith then goes on to say, “Today, many of these leaders display a Goldman

Sachs culture quotient of exactly zero percent. I attend derivatives sales meetings where not one single minute is spent asking questions about how we can help clients. It's purely about how we can make the most possible money off of them." Whether or not Smith's confession is a full and fair reflection of corporate culture at Goldman Sachs, it illustrates a trend of how business is done and has been done for a number of years. Basic principles seem to have been replaced by profit maximization which finds its way into the pockets of high-level managers. John Bogle, the founder of investment management company Vanguard, was right in saying that, "We're moving, or so it seems, to a world where we're no longer making anything in this country; we're merely trading pieces of paper, swapping stocks and bonds back and forth with one another, and paying our financial croupiers a veritable fortune. Never has so much been paid for so little."²⁰

We live in a time when progress and economic growth have become the highest good. Economics has become a religion, and economists its high priests. They explain the reality, forecast the future, and shape the myths that are then accepted as common truths. Their forecasts are as accurate as the Delphic Oracle's, and just about as decipherable. Naturally, they blame people's ignorance for not being able to decode their wisdom. Managers are the true heroes of modern times, as Peter Drucker, the management guru, so aptly remarked many years ago. After all, it is the managers who shape reality, promising to lead us to the Paradise on Earth through continuous growth. For centuries, economics was under strong influence of philosophy as well religion, and was intertwined with the study of ethics. This has only changed in the last few decades when people have been reduced to human capi-

²⁰ Bogle, John C., Clinton, William, Enough: *True Measures of Money, Business, and Life*. Wiley: Hoboken, 2010.

tal, a mere cogwheel in the unfeeling machinery whose sole and highest purpose is to produce more and more, to achieve greater and greater growth. Contrary to what one might expect, bearing in mind the reigning paradigm of economics, selfishness and greed do not contribute to the common good. Examples abound in today's world of selfishness and greed causing crises and bankruptcies. They pose a risk to the economic and social order. Greed is essentially the key component of bad leadership, a spark that triggers a chain reaction of evil. Ravenous rapacity, wolfish avarice make certain leaders and their followers forever hungry for more. More money, more wealth, more power, more control, more fame.



Corruption

*And thou shalt take no gift: for the gift blindeth the wise,
and perverteth the words of the righteous.*

The Book of Exodus, The King James Bible

*Fraud and corruption have been with us forever,
but happily there is growing realization that these crimes
undermine trust in government, companies, and markets alike.*

Paul A. Volcker

Corruption is one of the most widespread and dangerous manifestations of bad leadership. We commonly associate it with politics and state administration. Transparency International, a non-governmental organization that monitors and fights dishonest practices in public life, defines corruption in general terms as “the abuse of entrusted power for private gain”, and specifies political corruption as “a manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status and wealth”. The definition could be extended to include officials who agree to do or neglect their duties, or flout law in return for material benefit.

In reality, corruption has a broader meaning of offering or accepting material or personal benefits in exchange for specific acts directly related to an official duty or a business’s area of operation. Surprising though it may sound, corruption in its wider sense is as rife in business as it is in politics.

When you think about corruption, handing bribes is probably the first thing that springs to mind. But it takes many guises:

- bribery;
- plundering budget and public wealth for private gain;
- embezzlement of entrusted wealth and resources;
- favouritism in recruitment;
- bid rigging in government contracts and public procurement;
- buying government favours, concessions, and court decisions;
- avoiding customs or tax duty, or any other legal obligations;
- deliberate abuse of national budget and public wealth;
- patronage;
- nepotism and cronyism;
- influence peddling;
- using confidential information for private gain;
- fraudulent manipulation of data or accounts.

The corruption of politicians, civil servants, and business leaders consists in the abuse of power, violation of law and moral principles, lies, fraud, dishonesty, and injustice.

Corruption badly affects many areas of social life. It heightens the feeling of social injustice. It poses an obvious risk to economic growth and market freedom. Democracy and free market rest on the respect for law and private property, on making rational decisions and economic choices. Their foundation is trust and moral obligations such as honesty and justice which ensure equality in treatment and fulfilment of commitments. Corruption does not always involve breaking law, but it always violates moral order. Corrupt leadership gives rise to corruption among talebearers, henchmen, and followers. Corruption is like a virus that first affects the immediate environment, and then spreads across the society, infecting public and social institutions as well as businesses, be they

big or small. The social and economic cost of corruption is gigantic. According to the World Bank, over one trillion dollars is paid in bribes every year. The cost of corruption in the EU is estimated at 120bn euro a year, which is equal to 1% of the member states' GDP, or the Union's annual budget. But this only shows how much money is spent on bribes. The economic cost of the "missing" GDP is much larger. It demonstrates how ineffectively resources are allocated. Corruption destroys basic economic mechanisms – the way prices as well as supply and demand are established. A bribe not only costs more, but also distorts the criteria of choice. It is a waste of energy and resources. Bribery entails settling on an inferior offer: buying for a higher price, and/or choosing lower-quality goods and suppliers. Corruption also includes favouritism and trading in influence. Innovativeness and effectiveness suffer when employees are hired not because of their skills but whom they know. Favouritism cripples the quality of work, and increases its cost. It leads to rising unemployment, and lower competitiveness of the economy.

The social cost of corruption is high. Citizens lose their trust for politicians, public institutions, business, and one another. People start disrespecting the law and moral norms, which, in turn, makes the state difficult to govern. Distrust towards the world of business and other people creates an atmosphere of suspicion. In such a hostile climate, everyone is more prone to make unfounded allegations and fewer people are eager to cooperate, show kindness and help each other out.

During the early long years of transition, Poland was seen as a country of high corruption. Many Poles felt that way, too. They encountered corruption every day. They would give petty bribes to policemen and officials, or "express their gratitude" to doctors. A lot has changed for the better as democracy and citizen society grow stronger, but things still do not look rosy. According to a police estimate, in 2012, civil servants received bribes to the tune

of 15.5m zlotys. This is hard to believe, but no other statistics or data are available to confirm or disprove this amount. In the 2012 Transparency International ranking of corruption, Poland came 41st out of 174 countries, achieving a score of 58 out of 100. This was Poland's best result in history, but it has to be said that getting slightly more than half of maximum points is still rather mediocre. Poland was far behind the best scoring countries like Denmark, Finland, or New Zealand. They were awarded 90 points each. The Netherlands got 84 points, and came 10th, Chile in the 20th place had 72, while Botswana, ranked 30th, scored 65. Politicians received the news of Poland's promotion in the ranking with satisfaction. However, towards the end of 2011, The International Secretariat of Transparency International decided not to prolong the accreditation for its Polish division. It had failed to meet the formal conditions.

Corruption understood more broadly than simply bribery is a serious issue for many societies. It is the exact opposite of meritocracy where decisions are taken based on objective information to make sure that resources and human potential are used properly. Only a total war on corruption can be won. It must be fought on the battlefields of rationality and morality. Not so long ago, a survey carried out among students of law revealed some sad truths. Every fourth student thinks that you must be ruthless to succeed, half of the graduates-to-be would have no qualms about giving a bribe, and half of the future lawyers would be prepared to lie if that helped to win a court case.

Often, corruption is considered a necessary evil, something one must accept as a price for surviving in politics or in business. After all, others do it, too. "If you work hard, and put your heart and soul into it then you are allowed to steal some," Shivpal Sing Yadav, an Uttar Pradesh state minister, told a gathering of local officials in 2012. "But don't be a bandit." His words were caught on camera.

That same year, his nephew, Akhilesh Yadav, was appointed Chief Minister of the state of Uttar Pradesh and declared that he would put an end to corruption.

Even the largest and most renowned companies struggle to act with integrity. Wal-Mart provides a good example. The company is subject to stringent anti-corruption regulations in the USA, but Mexico is a different story. Corruption over there is rife, and Wal-Mart took advantage of that. An internal control carried out in Wal-Mart de Mexico in 2005 uncovered evidence of hundreds of shady transactions altogether worth 24m dollars. Wal-Mart's management in the USA decided not to make the matter public and the investigation was closed under the pretext that neither the American nor the Mexican law was violated. Several years later, in 2012, *The New York Times* gave a detailed account of the scandal. Teotihuacán was one of the sites where Wal-Mart's corruption took place. Once a holy city, a place of pilgrimage for many Mesoamerican tribes, today it attracts millions of tourists each year thanks to its historical interest and close distance to Mexico City. Wal-Mart wanted to build its new supermarket near the historic pyramids but the investment proved hard to realize. Spokes were constantly put in Wal-Mart's wheel. This should come as no surprise because Mexico is one of the most corrupt countries in the world, ranked 105th by Transparency International, with a score of only 34 points. Mexican officials had to show their good will and also bend the rules to allow a supermarket to be built near Mexico's prized landmark, so popular with tourists. Wal-Mart won them over with high pay-offs. The officials were paid 52,000 dollars to change an already approved zoning map. A permit to build the supermarket at the main entrance despite the city's plans to ease congestion cost another 25,900 dollars. 81,000 dollars were needed to get an approval to build by the pyramids and 114,000 dollars guaranteed the support of the mayor in face of opposition from local merchants and residents. *The New York Times* revealed that

Wal-Mart had built another 19 shops across Mexico in locations which would not have been accessible without bribes. One such example was the prestigious Sam's Club in the most densely populated district of Mexico City, near Basílica de Guadalupe. Wal-Mart erected it without a construction licence, an environmental permit, or urban impact assessment. A 341,000 dollar bribe solved all of the above "problems". When the corrupt practices came to light, the company lost its investors' trust and noted a sharp drop in shares and market capitalization amounting to 10bn dollars. The creator of Wal-Mart, Sam Walton, one of America's greatest entrepreneurs of the last century, must be turning in his grave. Integrity in business was paramount for him.

Because the company has its headquarters in the USA, it is subject to the Foreign Corrupt Practices Act (FCPA) passed by Congress and signed by President Jimmy Carter in 1977. The FCPA applies to US nationals and businesses engaging in corrupt practices abroad. USA was the first country in the world to treat bribing a foreign official for business reasons as a criminal offence. The Watergate scandal brought public attention to the widespread corruption in US companies operating abroad. A report by the Securities and Exchange Commission (SEC) showed how 400 American businesses had spent hundreds of millions of dollars bribing everyone from prime ministers down to local policemen. For a long time, actions that would have been considered illegal back in companies' native countries had been tolerated overseas. What is more, in some European states companies could claim tax exemptions on bribes because they were treated as business expenses. USA was the first country to ban its companies from engaging in corrupt practices overseas. In 1992, General Electric had the chance to learn just how rigorously the Act was when it came to light that one of its employees paid Israeli general Rami Dotan 11 million dollars to get an order for F-16 fighter engines. A special committee was appointed by the House of Representatives to look into the mat-

ter. Jack Welch, the CEO of GE, was summoned to give detailed explanations. The US Department of Justice fined GE with 69m dollars. It took twenty years for other countries to follow suit. In 1997, the OECD Anti-Bribery Convention was passed, and has been adopted by 41 countries to date. Nonetheless, it is still legal, according to the Convention, to give money to foreign officials in exchange for actions which are part of their duty.

Many a political and business career was conceived in unclear circumstances. And, more often than not, unclear circumstances determined how such careers would shape up. The saying that “the first million must be stolen” has long come up in discussions on success in business. It does not justify stealing, but it certainly can explain a lot of myths about quick fortune-making. Although stealing and dishonesty have played their part in business and political triumphs, it is corruption in general which can throw light on most suspicious and unheard of achievements that the gullible are made to believe were the result of exceptional talent, luck, or miraculous coincidence.

Silvio Berlusconi is the best known Italian politician of the last decade, and one of the richest people in his country. He has achieved everything faster than anyone ever before. He is loved by some, hated by others. There are those who consider him a crook, buffoon, and mountebank, and those for whom he is a brilliant entrepreneur and great politician. “I’m not an ordinary politician, but a power broker,” says Berlusconi. “Only Napoleon achieved more than me”. Undoubtedly, he is a unique combination of an effective businessmen and politician. Shortly after graduating with a law degree, he started his first serious business in Milan as a real estate developer. The secret to success in this field is to buy raw land cheaply and sell it for a lot of money once it has been improved. Berlusconi’s story was a carbon copy of other spectacular careers in real estate development. He bought land for a trifle, on credit.

He put little money into it and the little he invested came from unknown sources. But most importantly, he sold the land quickly and for hefty sums. His first early success was buying 716,000 square metres of land in a convenient location on the outskirts of Milan. It cost next to nothing, because the busiest air route to the Linate airport was just above it. The airport is one of the three in the vicinity of Italy's second most populated city, traditionally regarded as the most important centre of Italian finance and economy and one of Europe's wealthiest metropolises. Before long, the Minister for Transport changed the air routes, and the Milan Due investment became a luxurious housing estate which brought its developer a hefty profit. That began a kaleidoscope of new companies and investments made with influential people, supported by banks which had their share in them. Berlusconi realized his investments quickly and effectively, and netted the high profits. He became a real estate magnate at a lightning pace. Thanks to his financial success, he was given the prestigious Order of Merit for Labour which has been awarded since 1898 to those who "have been singularly meritorious".

Alongside his real estate firm, Berlusconi was developing his media business. At the start of the 1970s, he set up small cable television companies which serviced his estates. In years 1976-1984 he launched three commercial TV channels as part of Mediaset. The US television series broadcast on his channels won great popularity. Moreover, his channels broadcast nationwide which was seen as breaching the Italian public broadcaster's statutory monopoly. When in 1984, three magistrates from Turin, Rome and Pescara gave orders for Berlusconi's TV stations to be blacked out, Prime Minister Bettino Craxi, his university friend, issued an emergency decree legalizing national commercial transmissions and, thus, approving Mediaset's operations. The parliamentary opposition questioned the decree, so the Prime Minister proposed to address the issue in a bill which found the support of most MPs. It was

later passed to the Constitutional Tribunal and, in 1990, eventually ratified as the Mammi Act. It established a duopoly in the Italian media shared between Berlusconi's TV business and the government-controlled broadcaster, RAI. Bettino Craxi, the leader of the Italian Socialist Party, was less fortunate. His political career came to an abrupt end in the 1990s amidst accusations of corruption and collaboration with mafia. Facing arrest, he fled to Tunisia, never to return to Italy where he was sentenced to imprisonment for accepting bribes.

Currently, the stations controlled by Berlusconi and, indirectly, his family hold sway over the Italian TV market. They garner an audience share of 45%, and collect 60% of commercial income. A financial holding company, Fininvest, founded in 1978, consolidates his media businesses through Mediaset which brings together all his shares in the TV commercial market and the Mondadori publishing company. The latter owns a chain of bookshops, over 50 magazines, including the top-selling daily, *il Giornale*. Silvio Berlusconi commands over 30% of Italy's press and publishing market.

Naturally, Silvio Berlusconi would not pass the chance to get involved in the financial services sector, which once was the most profitable. In 1982, he invested 250,000 euro, and entered a partnership with Ennio Doris with whom he created Mediolanum S.p.A., a company offering a wide spectrum of financial services: insurances, retail banking, private banking and wealth management, brokerage services as well as distribution of pension and investment funds. The firm was estimated to be worth 1.5bn euro. Silvio Berlusconi's public persona of a true Italian was undoubtedly shaped by his most spectacular investment. In 1986, he purchased one of the best-known Italian football clubs, AC Milan, which had got itself into financial trouble. Since Berlusconi took it over, the club has enjoyed the best period in its history. It has won 8 league titles, re-joined the Europe's elite and stolen the hearts of Italian

football fans. Berlusconi, the club's president, gained in popularity with the club's each victory.

In a space of 25 years, Silvio Berlusconi has amassed a fortune that makes him one of the wealthiest Italians. He has become a real estate magnate. He has gained control over the media, press, television as well as advertising. He has even expanded his business activity to include finance, mobile telecommunications, food shop chains, phonographic and cinema industry. It has taken him a quarter of a century to achieve everything there is to achieve in business: money, fame and power. His success has given rise to suspicions and allegations that he has made "quick and dirty money". He himself could not prove that the dynamic growth of his companies and his own wealth was just a matter of his business acumen, diligence and luck. People have accused him of cooperating with mafia and masonic lodges, corrupting politicians and officials, creative accounting, forgeries and tax avoidance. But he has cleverly fended all allegation and managed to dodge getting sentenced due to a lack of evidence or crime expiration, while his closest co-workers have been convicted.

In 1992, a Milanese prosecutor, opened an investigation code named "Clean Hands" (*Mani pulite*), which exposed a network of connections between politicians and businessmen, and the frightening scale of corruption at the political top. The criminal investigation targeted entrepreneurs and politicians from all the major parties. Italy's political scene was bound to undergo a sea change. Out of the five biggest factions, the Italian Socialist Party, Christian Democracy and the Italian Liberal Party were dissolved, while the Italian Republican Party and the Socialist Democratic Party disappeared altogether. Many of the leaders and professional politicians joined other factions and stayed in politics. The leader of the Italian Socialist Party and Berlusconi's patron, Bettino Craxi, came to symbolize the scandal. The reshuffling of the political

scene threatened the future of Berlusconi's businesses. To make matters worse, he was accused of secretly funding the Italian Socialist Party. But yet again, Berlusconi escaped being sentenced, just like in the previous cases of alleged falsification of accounting records, corruption, perjury, or avoiding taxes. That was the turning point of Berlusconi's career. There is a saying in business that every crisis poses an obvious threat, but also creates great opportunity. As the Italian political scene crumbled and his patron was forced to step down, Berlusconi stepped in. His decision to enter politics was surprising but deeply thought-out. Shortly after a snap election had been announced, Berlusconi announced in the rival *La Stampa* that he would stand as candidate and that he had created a new political formation, Forza Italia, named after a popular football chant. Everybody thought that it was just political folklore. However, his announcement just three months before the election was perfectly staged by outstanding PR and business marketing experts. It became clear that Berlusconi, unlike other politicians who engaged in ideological disputes, based his message on simple values, graspable for an Italian football-loving homebody. He did not have to resort to pushy propaganda. He just played to all his strengths: the control over the media and many business successes. His aim was not to create an image of a great statesman, but one of a soap opera hero, an idol of the masses.

The result was staggering. A coalition of Forza Italia, Lega Norde and National Alliance got 40% of votes, and Forza Italia alone got 21%. Silvio Berlusconi becomes Prime Minister. At that point, the conflict of interest between Berlusconi the state leader and Berlusconi the businessmen became crucial. The issue seemed all the more pressing because of the past allegations of his shady deeds. Italy, however, is a country of unusual tolerance when it comes to public reception of such matters. People who serve high public functions should, according to the letter of law, resign from leadership positions in private companies, but executing owner-

ship rights is another story. That is why Silvio Berlusconi was only forced to step down as President of AC Milan. He simply oversaw his other businesses. In the USA and many other countries, companies owned by high officials must be placed in a blind trust. But in this case, the Prime Minister, obviously a man with considerable power, was also the owner of the largest enterprises in the country. In spite of these conflicting roles, he made strategic decisions for the functioning of the entire economy. In the words of Italian writer Umberto Eco, “Day after day, Berlusconi built a system of government based on identifying the party, the country and the state with numerous entrepreneurial interests.”²¹

The effects of combining politics with business have been extraordinary. From 1994 until now, Berlusconi has been appointed Prime Minister four times and has been the longest-reigning chairman of the cabinet in post-war Italy. During that time, Silvio Berlusconi’s wealth has increased three times since the dawn of his political career when he possessed about 3bn euro. It is just a rough estimate, because he has granted a large sum to his closest family.²² While Berlusconi was in office, the parliament made legislative changes which ensured the untroubled expansion of the Prime Minister’s economic empire. Some noteworthy examples include:

- reducing punishment for cases of false accounting;
- act on legal aid;
- making it illegal to put the state’s five most important people on trial;
- the law on legitimate suspicion;

²¹ Eco, Umberto, *Turning Back the Clock: Hot Wars and Media Populism*. Harvest Book/Harcourt Inc., 2007.

²² Bolibrzuch, Paulina, *Jego Królewska Mość Silvio Berlusconi. Przypadek „demokratycznej monarchii oświeconej”* Warszawa: ISP PAN, Oficyna Wydawnicza Aspra-Je, 2011. 107.

- lifting most restrictions on commercial broadcasting;
- making it easier to get an environmental permit to build;
- limiting the right of prosecutors to file appeal against acquittals.

It should come as no surprise, that Italy is ranked 80th, behind Mongolia and Belarus, in the World Bank's "Doing Business" report which compares transparency of economies and assesses how easy it is to do business in various countries. Silvio Berlusconi's outstanding political career was founded on huge financial resources and influence on the mass media. But the money and control over the media cannot explain everything. Admittedly, he has a great talent for self-promotion, even if it is just an illusion. Paradoxically, the things about him that attract criticism from his political opponents, appeal strongly to voters. Perceptive pundits believe that his many "gaffes", which are so widely commented in Italy, are in fact a game of false appearances which fools his antagonists. In the words of Umberto Eco, "Berlusconi as a politician of the new kind, we can even say postmodern, carries out his complex, cunning and refined strategy precisely by means of his least understandable moves. It only proves his total self-control and outstanding practical intelligence." Berlusconi won the hearts and minds of Italians through his message that as a politician and entrepreneur he is no different to anyone else, and that free market gives everybody an opportunity to succeed just the way he has. He strove to create an image of a politician-manager. It was a game of false appearances which in the end he lost. What caused his political problems was not the corruption but the failure to introduce the much-anticipated reforms. During his rule, the Italian economy grew at a slower pace than in any other European country, and in the first decade of the new millennium only Haiti and Zimbabwe recorded a lower increase in GDP.²³ The public debt

²³ "The man who screwed an entire country", *The Economist*, 2011.06.11.

rose to 120% of GDP, the third-biggest in the world after Japan and Greece (Poland's debt was 56% of GDP in the same year). 25% of young people remain unemployed.

In November 2011, Berlusconi suffered a painful defeat when he was forced to step down following a collapse of market confidence. Borrowing rates on Italian bonds had soared to levels that had earlier required Greece to seek bailouts. The European Central Bank, headed by his fellow countryman Mario Draghi, was quoted as saying, "We cannot keep buying Italian bonds forever." It seemed as though Berlusconi's era was over for once and for all, but when Mario Monti's government resigned, he made a comeback in the 2013 election. His centre-right coalition got just 0,41% fewer votes than the winner centre-left coalition.

Silvio Berlusconi's phenomenon shows just how difficult it can be to assess the quality of leadership. Berlusconi's effectiveness in business and politics was close to exemplary, and yet, morally speaking, he is the embodiment of evil. He is a liar and swindler, who owes his wealth and power to corruption.²⁴ He is a spectacular example of an unethical and, in consequence, bad leadership. He is surrounded by fervent supporters, henchmen and allies who eagerly reap the benefits of rubbing shoulders with influential people. His case might be disappointing to those who would like to see bad leadership come to an imminent downfall. Berlusconi demonstrates bad leadership, when effective, can be regarded as

²⁴ In 2013, the Court of Cassation upheld the Supreme Court's four-year conviction against Berlusconi for tax-fraud committed in his mass media company, Mediaset. However, his sentence was cut to one year as a result of a 2006 amnesty law and, due to his old age, he was placed in a supervised community service programme. Meanwhile, his five-year ban on holding public office was reduced to two years. This means Berlusconi can retain his position as a senator and a chairman of the centre-right People of Freedom party which supports the current government.

a triumph. But this is a success in a very narrow sense and one that is transient. Good leadership bequeaths an enduring legacy. It lives on in history and people's memories. It leaves a lasting mark of positive influence on the world. Despite all his success, great wealth and a record-long rule, the balance of Silvio Berlusconi's premiership is abysmal and his personal legacy is miserable, even though his inflated ego might tell him otherwise.

June 2013 witnessed the biggest corruption scandal in the Czech Republic's twenty-year history. The managing director of Prime Minister's cabinet, Jana Nagyova, and three former MPs of the ruling party were arrested. The police searched government offices, safe deposit boxes and homes of businessmen associated with the Civic Democratic Party (ODS), and found 150m Czech crowns in cash and gold during the raid. The arrested were charged with graft and abuse of power. They were said to have traded lucrative positions in state administration in exchange for political support.

Prime Minister Petr Nečas's party colleagues, Marek Šnajdr, Petr Tluchoř and Ivan Fuks, were opposed to a tax reform and budget plans put forward by the government in 2012. Eventually they changed their minds and voted for the bills. Later, they gave up their seats in parliament to take up high posts in state-controlled companies. As for Jana Nagyova, she had a romantic affair with the Prime Minister and used the secret service to spy on her lover's wife. The Supreme Court ruled for the three ex-MPs to be released from custody. The Court argued that their actions consisted in agreeing to political compromise in the context of party politics, which was acceptable for an MP. They were also covered by parliamentary immunity. Ex-Prime Minister Nečas called it "a normal form of politics" and said, "if we treated something of that kind as a criminal offence, the majority of Czech politicians

would have to be sent to prison”.²⁵ One of the biggest corruption scandals in the country’s history ended in one of the biggest court farces. Apart from the verdict, the case is curious for one more reason. It exposes corruption as an everyday practice in politics which also takes place inside political parties.

All of the examples demonstrate that corruption is pernicious and degrading. It destroys people’s character. The harm it causes can never be undone. Leaders who resort to corruption to fulfil their short-sighted ambitions are just as malevolent as those who tolerate it. Leadership based on corruption is the worst kind of all. It is a cancer that festers everywhere: in a country, company, and society.

²⁵ http://wyborcza.pl/1,75477,14294767,Czechy__Nie_ma_winnych_korupcyjnej_afery__Porazka.html



Part III

Values-Based Leadership



Mysticism of Leadership

*If you have, as leader,
to decide on the conduct of a great number of men,
seek the most perfect manner of doing so that your own conduct may be without reproach.
Justice is great, invariable, and assured;
it has not been disturbed since the age of Ptah.*

Ptahhotep, 5500 Ptahhotep, 5500 B.C.

*A prince, therefore, need not necessarily have all the good qualities I have mentioned
above, but he should certainly appear to have them. I would even go so far as to say that
if he has these qualities and always behaves accordingly he will find them harmful;
if he only appears to have them they will render him service.
He should appear to be compassionate, faithful to his word, kind
guileless, and devout. An indeed he should be so. But his disposition
should be such that, if he needs to be the opposite, he knows how.*

Niccoló Machiavelli

*An army of sheep, led by a lion, is better than
army of lions, led by a sheep.*

Napoleon Bonaparte

Leadership is a universal phenomenon. It has existed in every civilization, culture and society since the dawn of man. Even if a community has no formal leader, an initiative to act comes from an individual who takes on a leadership role. Leaders are the central figures in paintings, icons, myths, legends, chronicles and epics passed down to us by our ancestors. They provide a key to the interpretation of the past. What made leaders of yore unique was their unusual relationship with the supernatural. The heroes of the

polytheistic civilizations were thought to be granted superhuman abilities thanks to their kinship or favour with certain gods and deities. In ancient monotheistic cultures great leaders were seen as God's messengers – patriarchs, prophets and priests. The major figures of the Pentateuch, the core of the Old Testament, Abraham, Joseph and Moses are portrayed as leaders in the widest sense. They are the fathers of the nation, chieftains, military commanders, economic decision-makers, and religious authorities. Owing to their connection with God, they can foresee the future, which helps them make the right decisions. Their strength as leaders is the extension of God's almighty power. But for all their incredible abilities, they are human and as fallible as any mortal. The founders of the major religions – Jesus of Nazareth, Muhammad and Buddha – lived in harmony with their own teachings. The powerful examples of their lives have attracted many followers across centuries. But their leadership is of a different kind, because it mainly rests on a spiritual foundation.

Incredible manifestations of leadership and its personification in the figures of gods, heroes and extraordinary people form the main theme of numerous myths, stories, and legends. The scientific, technical, political and cultural accomplishment of the Ancient Egyptian civilization which lasted 3500 years inspire awe and admiration. The Egyptian Pyramids, the only remaining of the seven wonders of the ancient world, are an eloquent testimony to historic leadership. Ptahhotep was a vizier under King Isesi, writer and philosopher who lived 5,500 years ago. He gave this telling instruction to rulers: "If you are mighty, gain respect through knowledge and through gentleness of speech. Don't command except as is fitting. He who provokes gets into trouble. Don't be haughty, lest you be humbled. Don't be mute, lest you be chided. When you answer one who is fuming, avert your face, control yourself."

Gilgamesh was a king of Uruk in Mesopotamia, a legendary

protagonist of Sumerian works of literature and of the famous Akkadian *Epic of Gilgamesh* deciphered from twelve serendipitously-discovered clay tablets. According to scholars, Gilgamesh was a historical figure who reigned around 2500 BC. The epic, nowadays hailed as the first notable work of literature, owes a lot of its acclaim and popularity to the unique character of Gilgamesh whose tale is both hugely fascinating and deeply instructive. He is not just a victorious king fending off invaders and making triumphant conquests, but more importantly a leader who transcends what is expected from a ruler. At first, he appears to be a ruthless, debauched and ignoble tyrant; he realizes his ambition of building an unprecedented defence wall at the cost of merciless exploitation and ordeal of his subjects. They complain about their ruler to the gods, “Is this the shepherd of Uruk’s flocks, / our strength, our light, our reason?”²⁶ The gods listen to their laments and create Enkidu “as quick in heart and as strong in arm / so that these counterforces might first engage, / then disengage, and finally let Uruk’s children / live in peace.” Instead of seeking confrontation with this worthy rival, Gilgamesh comes to his senses and accepts the criticism of Enkidu who censures him for his wickedness but praises Gilgamesh’s valour. The rulers friendship with Enkidu transforms him completely. When he withstands a siege and defeats an invading army led by Akka, he does not set on his laurels, but embarks on a task grander than anything he has ever accomplished. He decides to set out on a journey to the mythical Cedar Forest to vanquish Humbaba and, thus, make the world a better place. “We must kill him and drive out all the evil from the world,” says Gilgamesh. They achieve astonishing feats together, but only Gilgamesh returns from the journey. He is different, changed, like one “who saw the deep.”

²⁶ The quotations come from Danny P. Jackson’s rendition of *The Epic of Gilgamesh*.

The major figures of the Old Testament are extraordinary leaders, even from today's perspective. They embody all the most important leadership qualities. Courage, justice, prudence, devotion, faithfulness, honesty, decisiveness, morality are all illustrated in numerous biblical parables. At the age of 75, Abraham, known as "the father of the nation" leaves his country, together with his family, and embarks on a long and hazardous journey to the unknown. Before the destruction of the city of Sodom, Abraham pleads with God to spare its righteous inhabitants. His devotion and faithfulness are most evident when he is prepared to offer his beloved son as a sacrifice. The figure of Joseph, Abraham's descendant in the fourth generation, exemplifies the boundless possibilities of realizing human potential. Joseph, sold by his brothers to a camel caravan of Ishmaelites, becomes a slave to the captain of Pharaoh's guard, Potiphar. Thanks to his talents and diligence, he becomes a superintendent of Potiphar's household. He is reliable, honest, and prudent. His principled nature costs him imprisonment, but his goodness earns him respect and admiration in jail. Thanks to his wisdom and intuition, Joseph is able to foresee a famine. As Pharaoh's vizier, he takes preventive measures on a large scale, saving citizens from starvation. He forgives his brothers and brings his family into Egypt. He becomes the country's saviour, but remains modest and continues to lead a humble life.

Moses is the most impressive leader among biblical figures. The authorship of Pentateuch, the core of the Old Testament, is ascribed to this great sage. Discovered and adopted by Pharaoh's daughter, he grows up in the court, receives thorough education and has an established social standing. When Moses sees injustice being done to a Hebrew, he sides with the wronged man and kills his Egyptian tormentor. He is now forced to flee the country, but later returns to lead the Hebrews out of Egypt. Moses' mission engrosses him completely. The Book of Exodus gives a detailed account of the Israelites' escape from Egypt, the miraculous cross-

ing of the Red Sea, the forty years of journeying through the desert and constant fighting and, finally, the arrival to the Promised Land. The story of Moses' effective and principled leadership goes beyond the framework of history. He conquers his enemies and his own weaknesses. He interacts with Yahweh and is his agent. He gives his people the Decalogue, the divine commandments he has received on the Mount of Sinai. Moses is an archetype of a good leader. He is effective and courageous, a sage, a fair-minded judge, a patriarch who understands what advantages cooperation can bring, who is prepared to share power and seek the right successor, who leads his people with extraordinary determination while remaining humble.

The tradition of leadership education dates back to ancient China. It starts with Confucius who believed that every person, young or old, could learn how to lead. Throughout two thousand years, his teachings exerted a tremendous influence on the development of the Chinese civilization. Confucius taught that duties determine basic relationships between people in the society: between a ruler and an official, father and son, younger and older brother, husband and wife, and between friends. Leadership to a large extent shapes all of these relationships and determines the Confucian duties. "The Minister of War, Ji Kangzi asked: <What should I do to make the people respectful, loyal, and eager to follow me?> Confucius said: <Treat them with dignity, and they will be respectful. Show you are a good son and a loving father, and they will be loyal. Promote the good and teach those who lack ability, and they will be eager to follow you.>"²⁷

Plato was another influential thinker who believed that leadership should be taught from an early age for the rule of the wise to be

²⁷ From Book 2 of *Analects* by Confucius.

just. The death of Socrates, the central figure of Greek philosophy, a man of extraordinary wisdom, courage and virtue, must have influenced Plato's thinking about the Athenian political system. The death sentence on his teacher and master in a democratic trial was a mockery of justice and a triumph of ignorance. That is why Plato demanded that rulers should be prepared for their role through philosophical education. He also thought it was paramount for them to adhere to ethics based on justice, wisdom, courage and temperance. The greatest philosophers of antiquity succeeded each other. They were bound by ties of master and disciple. The third of them, Aristotle, studied at Plato's Academy and was Plato's favourite pupil. He, too, cast light on the problem of leadership in his most seminal works, *Nicomachean Ethics and Politics*. For Aristotle, ethics is a theory of virtue. He divides virtues into intellectual (virtues of the mind) and moral (virtues of character). Intellectual (dianoetic) virtues can be cultivated through learning. Knowledge, practical judgment and wisdom are the key intellectual virtues. Moral (ethical) virtues are associated with the irrational part of the soul, so they can only come about as a consequence of following the right habits. Justice and friendship are the most important moral virtues because they help build a community. The awareness of virtues and their cultivation are essential for both rulers and citizens, leaders and followers. Happiness is the central purpose of human life and is "a reward of virtue". A virtuous person makes the right decisions and choices.

Aristotle had a unique chance to impart his teachings, wisdom and experience to an extraordinary pupil. Phillip of Macedon, a leader of an increasingly more powerful kingdom, entrusted Aristotle, considered the greatest Greek alive, with teaching his thirteen-year-old son, Alexander. Aristotle would tutor him for the following six years, instilling an interest in philosophy, medicine, science as well as literature in his young student. Alexander was fascinated by Homer's works of literature, and is said to have

known *Iliad* by heart. He also put his knowledge of medicine into practice. During a military campaign, he would himself dress his companions' wounds. Alexander the Great expressed his gratitude for Aristotle's teachings by helping him establish a philosophical school known as the Lyceum, which would soon eclipse the fame of Plato's Academy. When Alexander embarked on his campaign to the East, which was to lead him to India, he took a group of Aristotle's students with him and had exotic specimens of fauna and flora sent to the school's garden. It is not certain to what extent Aristotle's teachings influenced the way Alexander the Great exercised his rule. According to historical sources, the two men regularly exchanged letters until Alexander's death, but none of them survived.²⁸ The Greeks hated Alexander, and when he died, Aristotle was in grave danger owing to his close relationship with the deceased ruler. The philosopher was accused of godlessness and forced to flee Athens. Shortly after, he died.

One of the most prominent leaders of Athens was Solon, an accomplished poet, whose fiery elegy on the Salamis Island roused the morale of the Athenian troops after the crushing defeat in Thermopylae. His poem tipped the scale of war in favour of a small Greek fleet which won against a mighty Persian army in the battle of the Salamis Island. His far-reaching reforms of the city's political system laid the groundwork for the later Athenian democracy. Making citizens equal in law, the abolition of slavery, economic and political reforms unleashed the potential of Athens which soon became a real power. Solon remained true to his principles until his death. He said, "The bad become richer and richer, while the good suffer poverty, but I would not change the treasure of virtue for all their wealth, because it lasts forever." Solon's poetry, along with Homer's *Iliad* and *Odyssey*, inspired whole generations. Un-

²⁸ The authenticity of the discovered letters has not been confirmed.

der his rule, economy, politics and culture were blossoming in the Athenian state.

The mysticism of leadership finds its direct expression in antique myths and epic poems which attribute many divine traits to their heroes (leaders). Mythology was a source of knowledge about the world. It helped shape the ethical views of the Ancient Greeks. The Homeric epos introduces gods who embody the mystical dimension of leadership. Mythical heroes illustrate the antique ideas on leadership. Minos, for instance, was a powerful and talented king of Crete which, under his rule, dominated a large part of the Mediterranean. When he got rid of pirates, the trade between the Greek states flourished. He was considered such a just ruler that after his death he became one of the three judges in the Greek underworld, alongside Aeacus and his brother Rhadamanthus.

The stories of Homer's *Iliad* and *Odyssey* became a part of Ancient Greeks' lives thanks to oral and written transmission. They give us a full picture of what they thought were the most important leadership features and values. The main protagonists of the epos embody highly prized leadership qualities of those times. The most notable traits of Agamemnon, Nestor, Achilles and Ulysses – justice, wisdom, courage, prudence – are the characteristics of the ideal leader described by Plato and Aristotle. However, Homer shows that an ideal leader does not exist, as none of his characters has all the qualities. Agamemnon, the leader of the Achaeans, bases his judgment on thorough analysis. He listens attentively and ponders on his own and other people's observations. He voices his opinion only after having weighed each argument carefully. Achilles stands out because of his strength, courage and determination. The Greek army would not be the same without him. Others gladly follow him into the battle. He is admired by soldiers, and feared by enemies. Nestor is a sage with a wealth of experience. As a young man, he journeyed with the Argonauts in search of the Golden Fleece.

He was among the greatest heroes invited to hunt the Caledonian boar. Now, in his old age, he can offer good counsel thanks to his vast experience of life. An example of great wisdom, Nestor is distanced from worldly affairs and does not force his wisdom and experience on others. He does not command or pass judgments, but gives his advice on the basis of observation. Ulysses is of course the best-known mythological hero, alongside Hercules and Theseus. The epos and myths portray him as the cleverest and the most cunning of the kings in the Trojan war. It was Ulysses who masterminded the ploy of the Trojan Horse, and led the select warriors hidden inside it. Their stealthy attack was decisive for the final triumph.

All of these great leaders, save Nestor, had their weaknesses just like any other human being. Homer describes them bluntly. Agamemnon unfairly commands that Achilles' battle prize Briseis be brought to him to replace his slave. Angered and offended by that, Achilles refuses to continue fighting. Even when defeat looms large over the Greeks, he remains adamant. However, he lets his closest friend Patroclus don his armour so that the enemy thinks that the greatest warrior among the Achaeans has rejoined the battlefield. When Patroclus is killed by Hector, Achilles returns to avenge him. Ulysses, known for his cunningness, reveals in a moment of vanity his name to Polyphemus whom he has just managed to trick into defeat. This mistake results in his twenty-year wandering.

The beginnings of modern literature are also inextricably linked with descriptions of unusual events and exceptional heroes. National epics carry special importance as they portray moments of glory and outstanding figures in a nation's history. Heroes of such epics make for a long list of great leaders, some true, some fictitious, but all worthy of following. Apart from the ancient myths and epic poetry, the category includes the well-known and widely

admired *Aeneid*, *Ramayana*, *The Song of Roland*, *The Song of El Cid*, *The Song of the Nibelungs*, *The Kalevala*, *King Arthur* and the *Knights of the Round Table*, or the Polish *Sir Thaddeus*. Aeneas, Rama, Roland, Cid, Siegfried, King Arthur and Thaddeus are leaders deeply rooted in the consciousness of patriots and lovers of literature.

The mysticism of leadership manifested itself as the divine intervention which gave an individual the advantage of power or knowledge over others. It would allow a person to perform miraculous deeds, unattainable to an average mortal. The leadership of prophets, priests, heroes, shamans and rulers who were treated as divine progeny or divinely anointed was an extension of God's, or gods', influence in this world. Leadership, however, has mainly a human dimension due to its universal character. It is based on inherent and acquired skills.

The first book on leadership in the rationalist convention was Niccolo Machiavelli's *The Prince*. It is entirely devoted to the principles of ruling a country and, because of that, is widely considered a handbook on effective leadership. It has won fame as the most important title in the history of political philosophy. It also gained popularity in business circles and belongs to the canon of management literature. Though Machiavelli addresses his principles of effective leadership to political rulers, business leaders can also apply them successfully. His work was completed in 1513, but was published with the pope's consent only after the author's death in 1532, and already in 1559 appeared on the List of Prohibited Books by the Catholic Church. Machiavelli makes a breakthrough in political philosophy by departing from the classical view on virtue presented by Plato and Aristotle where good, truth, justice and wisdom play the superior role. *The Prince* is a practical manual on the exercise of power. Machiavelli brings the classical ideal of the leader back to earth. He is an advocate of anthropological pessimism and thinks that human beings are evil by nature, so the

prince must organize the state's political system in such a way as to suppress their evil nature. According to Machiavelli, "people will always be evil unless forced to do good." The measure of the ruler's success is not virtue but effectiveness. "The ends justify the means" is the book's subtitle – it explains a lot. Effectiveness as such is neither moral nor amoral just as morality is neither effective nor ineffective. Nonetheless, you can be effective and act morally, or be both effective and immoral. The crux of good leadership is to achieve your aims through ethical means. Machiavelli, however, formulates a principle of ethical relativism which says that the ends justify using immoral methods. Unlike Bernard de Mandeville, Machiavelli is not a proponent of amoralism. He thinks that the traditional values should be upheld when it is profitable, but he also legitimizes radical opportunism which goes against these values. He claims that the ruler should do either good or evil depending on circumstances. "Let the prince aim at conquering and maintaining power; the means will always be judged honourable and praised by everyone, for the crowd is always taken in by appearances." The prince should be well-educated. Possessing vast knowledge will let him understand the world and foresee future events. He must be courageous, decisive and quick to act when opportunity arises. But some degree of luck is also indispensable. In his *Discourses on the First Decade of Titus Livy*, Machiavelli writes, "a great man is constantly the same through all vicissitudes of Fortune; so that although she change, now exalting, now depressing, he remains unchanged, and retains always a mind so unmoved, and in such complete accordance with his nature as declares to all that over him Fortune has no dominion." Evidently, the Florentine thinker has a high opinion of leaders with character, but their virtue has little to do with the transcendental understanding of good. It has a down-to-earth, utilitarian quality. "How laudable it is for a prince to keep good faith and live with integrity, and not with astuteness, everyone knows. Still the experience of our times shows those princes to have done great things who have had little regard

for good faith, and have been able by astuteness to confuse men's brains, and who have ultimately overcome those who have made loyalty their foundation.”

The Prince remained on the List of Prohibited Books for three hundred years, but the ideas contained in it gained immense popularity and found multitudes of followers. Many scholars point out that Machiavelli's message might have been misunderstood. They say his intention was to describe how things were, what social relations looked like and how politics was done in his day, rather than formulate principles of exercising power. Nevertheless, the ruthless methods presented in his work have found imitators. It can even be said that these methods have become commonplace. His thoughts have influenced the European civilization by changing the face of politics and the ways power is exercised. And it has not been a change for the better. Machiavellism is now a derogatory term. Very few will admit they share Machiavelli's beliefs. But let's not be fooled by it. A lot of them are inwardly delighted to be compared to their secret role model. There are also many leaders nowadays who openly show their admiration for Machiavelli and declare to be inspired by his teachings. Silvio Berlusconi is one of them. He used to present his party colleagues and business partners with a special gold-bound edition of *The Prince*.

Niccolò Machiavelli is appreciated by both his advocates and critics for one very important contribution. He stripped leadership of its mysticism by demonstrating that it is acquired than inborn, a skill that can be learnt. Machiavelli lived in Florence at the time when a poor Dominican friar, Savonarola, was able to overthrow both secular and clerical rule in the city, so Machiavelli's ideas on leadership extended beyond the framework of the contemporary class society. But it was not until the 20th century that a groundbreaking shift occurred in how leadership was approached. It was no longer just the subject of philosophical and historical analysis,

but was tackled by other disciplines such as sociology, psychology and science of management. A huge number of publications on leadership appeared in a short space of time. A catalogue of publications maintained by the Online Computer Library Center, Inc. itemizes the collections of 72,000 libraries from all over the world. 1,186,484 catalogue positions on leadership could be found in it on 1st May 2013, including 357,484 books. When you search through the publications by category, the results are quite surprising. Most of the books fall into the business and economy category – 36,136, followed by: philosophy and religion – 31,250, history – 29,156 and political science – 14,799. The Library of Congress, which boasts the largest book collection in the world, had no books on leadership in 1896 while today there are over 10,000 (the library’s search engine shows only the first 10,000 catalogue positions). On that day, Amazon had 88,148 leadership books on offer, both in printed and electronic format. The supply of publications is a quantifiable proof of the large interest in leadership around the world. Nonetheless, the great number of books and journals has not translated into the quality of our understanding of the topic. James MacGregor Burns, one of the main authorities in the field, claims that “Leadership is one of the most observed and least understood phenomena on earth.”²⁹ It is therefore little surprising that, as Bernard M. Bass maintains, every author understands leadership differently. He writes how one day of every two-day seminar is devoted to defining leadership.³⁰ Indeed, Burns mentions that there are 120 different definitions of leadership. According to Bass, there are as many as 222. Interest in leadership exploded when people discovered that it plays a key role in the development of civilizations, states, public institutions and economy. That explains why social sciences

²⁹ Burns, James MacGregor, *Leadership*, New York: Harper Collins, 2010. 2.

³⁰ Bass, Bernard M., *The Bass Handbook of Leadership*, New York: Free Press, 2008. 15.

and the humanities are so deeply fascinated by it. This fascination gave rise to numerous specialist definitions and theories. The understanding of leadership has been evolving, depending on the circumstances and the role of leaders as well as the progress of social and political science, social psychology, and organization and management knowledge. In the past, it was identified with political power and, to some extent, religion because of its decisive influence on all aspects of life. The development of capitalism introduced a new dimension of leadership based on economic power, the role of an owner/entrepreneur and, with the growth of the corporate world, leaders of economic organizations. In today's times, the civilizational changes triggered by advances in technology, the emergence of the information society and globalization have led to yet another redefinition of leadership.

When we look at leadership as a manifestation of power, it is worth mentioning what Max Weber had to say about it: "Power means every chance within a social relationship to assert one's will even against opposition." Weber defines three types of legitimate power:

- 1) **rational power**, based on legal order and a system of law;
- 2) **traditional power**, founded on the confidence in tradition and the legitimacy of authority which arises from it;
- 3) **charismatic power**, which rests on the belief in the leader's supernatural abilities or extraordinary skill.

The modern understanding of leadership through the prism of power does not deviate from Weber's view on it. It is even described in more general terms as "an ability to influence others or exercise power in a community" or "the influence on a group of people and implementing one's own policy." Leadership is an aspect of power, but the two are not synonymous. Exercising pow-

er consists in actions which involve legal and economic coercion aimed to realize the purposes of power wielders. The goals of respondents are irrelevant.

Contemporary leadership extends far beyond the framework of traditional power. Burns says, “Leadership over human beings is exercised when persons with certain motives and purposes mobilize, in competition or conflict with others, institutional, political, psychological, and other resources so as to arouse, engage, and satisfy the motives of followers.”³¹ In this context, not all people who have power are leaders, but all leaders wield power. According to this approach, the art of leadership is the ability to recognize and realize common goals by using other people’s talents and potential.

Leadership, therefore, does not consist in exercising power over a certain group of people, but in interacting with those who follow the leader, inspired and motivated by a shared community of purpose and convictions.

However we define it, leadership is a broad and commonplace term. A simple typology makes it easier to picture and systematize different forms of leadership that exist within small groups (institutions) and big groups of people (countries). In *The Republic* Plato identifies basic types of leadership in the society: the guardians, the auxiliaries, and the producers whom today we would call entrepreneurs or businessmen. Aristotle provides another simple division of leadership into formal and informal. The authority of formal power is the result of one’s position in an organization; it is an appointed role which is legitimized by a legal framework. In-

³¹ Burns, James MacGregor, *Leadership*, New York: Harper Collins, 2010. 18.

formal leaders influence others thanks to their individual talents. They are mainly leaders of small groups of friends or groups of interests. They are leaders of opinions. Max Weber wrote about bureaucratic, charismatic and traditional leaders.

Leadership has a broad meaning and is manifested in various ways. Formally, it is often associated with official institutions. But it does not have to be so. The leader can just as well be the most popular person in a group, the most influential individual, or someone who is the best at coordinating teamwork. Contemporary typology has created a real mosaic of different categories. To mention just a few:

- a) intellectual, business, small groups, mass, administrative;
- b) autocratic, democratic, instrumental, intellectual-reflective;
- c) charismatic, organizational, intellectual, informal.

There are even more types of leaders:

- a) patriarch, tyrant, ideal, hero, scapegoat, organizer, seducer;
- b) motivator, executor, social activist;
- c) manager, charismatic person, guardian, cooperating;
- d) conqueror, motivator, inspiratory, advisor, mentor, coordinator, observer, reformer.

Since economy took the centre stage in civilizational progress and became the focus of social interest, effective business leadership has been regarded as a necessary condition for growth. Economy has become the point of reference in the discourse about leadership. Unsurprisingly, leadership studies have been developing fast in recent years and have taken on a business aspect. As one can imagine, studies by many experts and the fast-growing business of consulting and personal coaching have given rise to various the-

ories attempting to unravel the essence of leadership. The majority of these took shape in the latter half of the 20th century. The most comprehensive compendium on the topic, *The Bass Handbook of Leadership*, mentions over 50 of them.

I have held different leadership positions for the last twenty-five years. Throughout those years, I have faced many challenges, not only business ones. In order to meet them, I have turned to books to help me explore the secrets of leadership and tried to follow the example of my role models. I have created a couple of businesses, run important projects in the biggest Polish banks and headed Poland's third largest financial institution. I have also been involved in charity projects.

Below you will find a list of leadership concepts which have helped me in my role as a leader. It is a subjective look at the available knowledge on leadership. The concepts have inspired me and provided a tool to perfect my leadership style. There is no meaning to the order of these concepts. And the fact that I have mentioned them here does not mean I think they best explain the essence of leadership.

Leadership Theories:

- 1) Great Man Theory (Thomas Carlyle)
- 2) Trait Theory (Ralph M. Stogdill)
- 3) Charismatic Authority (Max Weber)
- 4) Transformational Leadership (James MacGregor Burns)
- 5) Servant Leadership (Robert K. Greenleaf)
- 6) Authentic Leadership (Bill George)
- 7) Level 5 Leadership (Jim Collins)
- 8) Situational Leadership (Ken Blanchard, Paul Hersey)
- 9) Primal Leadership (Daniel Goleman, Richard Boyatzis, Anne McKee)

Great leaders who have left their stamp on the world of politics, culture and economics captivate imagination. Who comes to mind first when one thinks about leadership? Achilles, Ulysses, Alexander the Great, Julius Caesar, Joan of Arc, Napoleon Bonaparte, Catherine the Great, Vladimir Lenin, Hitler, Stalin, Mao Zedong, Gandhi, Nelson Mandela, Margaret Thatcher. When we gaze on cultural and social life, a long procession of eminent religious leaders and social activists flashes before our inner eye: Martin Luther, Desmond Tutu, Martin Luther King, John Paul II and many others. Business leaders provide contemporary examples of leadership. They have left an indelible mark on how we learn, work and relax. Thomas Edison, Henry Ford, Karl Friedrich Benz, Bill Gates, Steve Jobs are people whose companies altered the landscape of the 20th century economy. When you approach leadership superficially or emotionally, you risk falling into the trap of explaining history by the impact of great individuals. According to this way of thinking, it is the outstanding people, born geniuses with a unique set of personality and mental traits who determine the course of events. The history of the civilized world is an account of their ups and downs. Their contemporaries can only wait for a serendipitous stroke of fate that would make a great individual appear at the opportune place and time to make things right. This is by no means a fanciful idea. It dominated the discourse on leadership for a long time.

It was not until the 19th century that a counter-argument emerged. Herbert Spencer, Georg Wilhelm Friedrich Hegel and Karl Marx said that such great men are the products of their time. From then on, the discourse focused on personality traits that make someone a leader. Scholars taking the trait approach first identified a few dozen traits. Among them were appearance, height, weight, physical strength, health, tone of voice, public speaking skills, intelligence, knowledge, talents, self-confidence, decisiveness, creativity, initiative, achievement drive, flexibility, temperament and

many others. Interestingly enough, Ralph Stogdill, who is considered the father of trait leadership, criticized the theory's traditional approach which put emphasis on the inborn nature of personality traits. An analysis of the available research showed that a universal list of traits useful in any context could not be made. Over twenty-five years, advances in behavioural psychology led to a shift in views on leadership traits. In the 1970s scholars established that a set of traits did indeed exist, but whether they were useful or not depended on an individual's interaction with others.³²

Further research led to the development of psychological tests. They reveal the dominant aspects of an individual's character that can prove useful in a leadership role. Myers-Briggs Type Indicator is the best-known psychometric questionnaire. It is popular among psychologists and human resources professionals. The MBTI identifies 16 different types of personalities. It does not evaluate them or assume there are good and bad ones. All types are varied but they all help uncover what drives each of us most. They can help us identify our strengths and discover our unique talents thanks to which we can tap into our hidden potential.

Throughout my entire corporate career, I used a similar questionnaire designed by Insights Learning & Development when looking for the best-suited leaders and employees to fill certain posts. I asked all employees to fill it in. My aim was to use the knowledge about personality traits of the leader/employee to refine the way the company ran and, more importantly, to increase my employees' self-awareness and their ability to understand others. Based on the scholarly achievements of the great Swiss psychologist Carl Gustav Jung, the Insights Individual Report helps a person understand themselves better as well as improve their strong

³² Stogdill, Ralph, *Handbook of Leadership*, Free Press: New York, 1974.

and weak points. It also helps develop effective interpersonal skills and respond to the challenges of the outer world. The Insights methodology identifies eight personality types: conqueror, motivator, inspirer, advisor, mentor, coordinator, observer and reformer. None predisposes a person to leadership more than others. Each employee could check their report on their individual profile in the company's intranet. It was a real breakthrough in our communications. The information in the reports was really helpful in shaping interpersonal relations. Modern trait theories emphasize that features of personality are instrumental in forming a leader and can explain the variety of types of leaders we see in real life. It should not surprise us that leaders have all types of personalities. Becoming a leader requires more than a specific psychological make-up. It means that everybody can be a leader.

The terms *charismatic leader* and *charismatic leadership* are still very popular. They are often referred to in the context of politics, religion, culture and business. They are also often abused, loosely applied or misapplied altogether. Charisma originally meant the gift of the Holy Ghost who, as St Paul writes, gives the power to perform miracles, the word of wisdom, the word of knowledge, the ability to prophesy and teach. The basis for secular usage comes from Max Weber. To him, charisma "is a certain quality of an individual personality by virtue of which he is set apart from ordinary men and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities." And because of that the individual is given leadership authority. We need to remember that charismatic authority is only one of the three leadership types described by Weber. It must be stressed that the modern understanding of charisma says nothing about whether it is good or bad. John Paul II and the Dalai Lama were charismatic leaders. But so were Hitler, Mussolini, Lenin, Trotsky, Franco. The list of charismatic leaders goes on: Winston Churchill, John F. Kennedy, Ste-

ven Jobs as well as Richard Branson. An entirely separate topic is charismatic artistic personality which multitudes of often fanatical supporters consider an example to follow. Another phenomenon of charismatic leadership comes in the shape of the celebrity – “a person famous for being famous.” The mass media are every effective at elevating mediocre but attention-grabbing people to celebrity status. These products of the mass media can bring a lot of harm if their influence people by manipulating their emotions. Charismatic authority is potentially dangerous; the charismatic leader can be knowledgeable or ignorant, a noble person or a cynic, good or evil. Because of their huge impact, the charismatic leader can bring out the worst in their followers: foolishness, arrogance, insularity, violence and ill-treatment. Naturally, they can also bring out the best in people: heroism, noble sacrifice, benevolence, selflessness and altruism. The charismatic authority emerges in times of social and economic need when a uniquely talented individual is prepared to take the helm. It seems that periods of political, social and economic turmoil are conducive to charismatic leadership. Uncertainty, instability and violent changes cause fear. It can be alleviated by the trust in a leader who is capable of solving problems. Charismatic leadership can undoubtedly throw light on certain phenomena of power, social life and even business. Charismatic leadership, however, reduces the search for solutions to a passive waiting-for-Godot who may or may not come. Charismatic traits are not necessary to be a leader but they can have a positive influence on the leaders’ actions.

Mahatma Gandhi, one of the greatest leaders of the 20th century, was unquestionably a charismatic leader. But there was more to him. He was modest, ascetic and inconspicuous. Public speaking filled him with dread. His “truth force” became the foundation for his leadership. It was unspectacular, in some ways simple, and took long to bring results. It required patience, determination and a lot

of sacrifice, but its power of influence enabled India to gain its independence in a peaceful way. Gandhi had written his autobiography long before the events that would make him the father of the Indian nation. The book covers his life from early childhood through to 1925. In it he confesses, “What I want to achieve – what I have been striving and pining to achieve these thirty years – is self-realization, to see God face to face, to achieve *Moksha*.”³³ He gained the admiration and ear of millions of Indians, the poorest peasants and the untouchables whom he considered his equals. Under his influence, the National Congress decided that nonviolence was the only means to achieve independence. Paradoxically, Gandhi was assassinated in 1948 during a time of terror which broke out after the country had been granted independence and partitioned into India and Pakistan. The first Prime Minister of independent India, Jawaharlal Nehru, described the mysterious power of Gandhi’s leadership in these words: “He was a living example of how human kindness inspires others to be kind, how love breeds love, and how gentleness can tame the vulgar, brutal and violent.” Gandhi’s influence is the best example of transformational leadership. It occurs when leaders and followers have an effect on each other that enables them to reach a higher level of motivation and morale. Gandhi’s followers felt a connection with his vision. It galvanized them into action. Even though it required sacrifice, it gave them a deep sense of purpose. His strongest leadership quality was a simple, clear and universally accepted system of values to which he always remained loyal. “The Truth is far more powerful than any weapon of mass destruction,” he said. His sense of equality and equal treatment grew out of his perception of justice. It disagreed with the caste system which had been deeply rooted in Indian culture. And the rule of nonviolence arose from his deep conviction that, “There are

³³ Gandhi, Mohandas Karamchand, *The Story of My Experiments with Truth: An Autobiography*, Penguin: London, 2012.

many causes that I am prepared to die for but no causes that I am prepared to kill for.” Everyone was equally important for Gandhi. He listened and talked to the poorest. He respected the individual contribution of every member of the society. His poverty, simplicity, repeated fasting and one day of being silent each week gave Gandhi the reputation of a saintly man.

It is not my aim to discuss different concepts of leadership here. I am sure that scholars and authors who deal with the subject professionally would do a better job of it. Besides, it is always best to read the source material anyway. I have mentioned those concepts that have helped me find inspiration and solutions to specific problems in managing people, projects and companies. Exploring various studies on good leadership has also influenced my leadership style. They were authored by scientists, psychologist, sociologists, political scientists, management experts, but also exceptional business leaders who capably conveyed their unique experiences through the written word. At some point in their lives they devoted themselves entirely to studying the problem of leadership, analyzing it from different vantage points. So, without multiplying entities without necessity, exploring different theories of leadership is useful because it increases our knowledge of the subject and helps us notice its finer aspects. **Thomas Carlyle** (*Great Man Theory*) was a Scottish writer, historian and philosopher of history; **Ralph M. Stogdill** (*Trait Theory*) was a professor of management and psychology; **Max Weber** (*Charismatic Authority*) was a professor of economy, a sociologist, historian, lawyer, religious studies expert and theoretician of politics; **James MacGregor Burns** (*Transformational Leadership*) is a historian and political scientist; **Robert K. Greenleaf** (*Servant Leadership*) was an employee at AT&T for thirty-eight years and a director in charge of training the company’s managerial staff; **Bill George** (*Authentic Leadership*) is one of the USA’s most well-known and accomplished business leaders, a long-standing board chair of Medtronic, a leader in medical technology and

currently a professor at Harvard Business School; **Ken Blanchard** (*Situational Leadership*) is an American management consultant, author of many books including *The One Minute Manager* which has sold 13m copies; **Daniel Goleman** (*Primal Leadership*) is a renowned American psychologist and science writer, author of the best-selling *Emotional Intelligence*. These examples alone prove the multidisciplinary character of leadership. Although theories describe qualities of character and behaviours that lead to success in managing small and big groups of people, middle-sized businesses and large corporations, public organizations and whole countries, they do not give a clear and practical answer to the question of how to become a good leader.



Real Leadership

To value oneself and, at the same time, subordinate oneself to higher purposes and principles is the paradoxical essence of highest humanity and the foundation of effective leadership.

Stephen R. Covey

Simplicity is the ultimate sophistication.

Leonardo da Vinci

Nothing is as powerful as an idea whose time has come.

Victor Hugo

The contemporary world is in need of good leadership more than ever. Good leadership has two components: the spiritual and the economic. It's both ethical and effective. Any other combination produces bad leadership. We don't need leaders who win votes through populist slogans. We don't need leaders whose power-hungry rule is just a show in the theatre of mass media where the problems of citizens and economy occupy the last ill-lit rows. We don't need chairmen who ruin their companies for private gain. We don't need bosses for whom long-term prospects play second fiddle to short-term profits which up their salaries and bonuses. We don't need celebrities to run our countries and firms;

all they care about is their fabricated image, not the interests of ordinary people or employees. Myriad new acts, codices, rules and regulations won't straighten out the current political and economic difficulties. They won't guard us against the guile, calculation and obstinacy of those who flout them.

We need new leadership that will remove dishonest and incompetent leaders. We need to replace them with individuals who are ethical, moral, and who openly declare the universally accepted values. We need principles-based leadership.

Essentially, it's not a novel idea, but it requires changing the contemporary thinking about leadership and how leaders should be educated. It 's so easy and yet so hard. Easy, because everyone agrees that being a moral person is a necessary condition to lead. The reality, however, painfully reminds us that the opposite is the case in business and politics. Lamentable though it may be, it's difficult to improve this state of affairs. In the world of democracy and free competition, it all seems to be counter-intuitive. Some explain this phenomenon using Copernicus-Gresham's law which states that "bad money drives out good." The truth is that good leadership starts and ends with values – for better or for worse.

Values in human life

Virtue is the disposition of the human spirit, will and heart.

John Paul II

If you know what is good and what is evil, you simply go your way.

Marek Edelman

Before we go on to explore the concept of value, let's look at the difference between value and virtue. For Socrates, known as the

discoverer of ethics, moral good and moral obligation lay at the heart of virtue. He advocated virtuous living as a means to happiness. His trial in the Athenian people's court on the charge of impiety was a testimony to his beliefs, "I prefer to die having made my defence speech in this way than to live in that way." Socrates was sentenced to death which he could have avoided by leaving Athens. He did not. He remained true to his views to the end.

Plato, Socrates' disciple, considered justice, wisdom, courage and temperance to be the main human virtues. According to Aristotle, "Human virtue is a disposition through which man becomes good and through which he performs his actions well." Virtues enable us to make the right decisions which shape good conduct. In the early day, ethics was a theory of virtue. Aristotle's *Nicomachean Ethics* is the best example of that. In his work, the philosopher demonstrates a straightforward interrelation between a virtuous life and happiness. The purpose of human actions is to aim at good in various forms, "the end of the medical art is health, that of shipbuilding a vessel, that of strategy victory, that of economics wealth."³⁴ Aristotle divides virtues into dianoetic (intellectual) and ethical (moral). He identifies five main and four subjacent intellectual virtues:

The main intellectual virtues are:

- **Art/craft knowledge** – "identical with a state of capacity to make, involving a true course of reasoning", practical skill of problem-solving;
- **Scientific knowledge** – "thought to be capable of being taught, and its object of being learned";
- **Practical wisdom** – "[an ability] to deliberate well about what is good and expedient for [oneself]" and "a true and reasoned

³⁴The quotations come from W.D. Ross's translation of Aristotle's *Nicomachean Ethics*.

- state of capacity to act with regard to the things that are good or bad for man”;
- **Intuitive reason** – intelligence, perceptiveness, “intuitive reason is concerned with the ultimates in both directions; for both the first terms and the last are objects of intuitive reason and not of argument”;
 - **Philosophic wisdom** – “philosophic wisdom is scientific knowledge combined with intuitive reason”.

The subjacent virtues are astuteness, judgement, cleverness and deliberative excellence.

Aristotle focuses his attention primarily on **ethical (moral) virtues**. The most important are: courage, temperance, liberality, magnificence, magnanimity, balanced ambitiousness, patience, truthfulness, tactfulness, justice, friendliness, gentleness, righteous indignation.

Moral virtues are the middle ground between two extreme vices, for example, temperance lies between profligacy and insensibility, whereas courage between rashness and cowardice. We are not born with virtues, but we are naturally capable of attaining them. They can be developed through cultivation and appropriate routine. Applying them is a consequence of habit. Therefore, by consciously exercising virtues, we shape our character. They're a foundation for good conduct which in turn leads to personal happiness. They also constitute a basis for a harmonious society. Aristotelian tradition is present until this day in Western Christian civilization. “This natural ethic was entirely adopted by St Thomas in his *Summa Theologiae*. Thus, the Nicomachean ethics continues in the history of morality, albeit now with the qualities of Thomistic, Christian ethics.”³⁵ In his philosophy, virtue is good

³⁵ Paweł II, *Pamięć i tożsamość*, Wydawnictwo Znak, Kraków. 47. [John Paul II, *Memory and Identity*].

in itself. It's a task which a person fulfills of their own accord, and which is realized in everyday actions. In simple terms, all human virtues are encapsulated in four cardinal ones – prudence, justice, temperance and courage. The common awareness of the importance of virtues has been marginalized in the modern world. It's undoubtedly the result of the modern educational system and upbringing. It's also a consequence of the public discourse and everyday life which revolve around material things, leaving the question of spirituality to scholarly and religious discussions.

The crisis of the concept of *homo economicus* and the search for a new paradigm let us re-discover the basic principles and ways of acting that have been known for centuries.

The nature and the means of attaining virtue are studied by aretology, one of the main branches of contemporary moral philosophy. Education in the spirit of virtue takes place at university courses in ethics. Such courses are selective, addressed to a narrow group of students and have a philosophical and theological dimension. There's a need for such education across the board, with an emphasis on its humanistic aspect. It should form the foundation for upbringing and functioning not only in the public sphere but also in politics and business. Aretology belongs to bygone days and is now the object of study for those interested in spiritual development. It's been left out of the main educational trends with the exception of professional training courses focused on fast, objective results. Virtues create practical good. They are a basis for a harmonious society and a point of departure for effective leadership. Unlike virtue, which is disappearing from everyday usage and hard to find in people, the term “value” has recently been all the rage. It incorporates and extends the meaning of “virtue”. The word “value” is commonly used in different areas of everyday life. Its sense is so

flexible that it's almost ambiguous. Therefore, we need to specify the term "value" for the purpose of our discussion. The *Encyclopedia Britannica* defines value as "something (as a principle or quality) intrinsically valuable or desirable." The *Oxford English Dictionary* provides this definition for the plural form, "values": "(...) the generally accepted or personally held judgement of what is valuable and important in life." One of the most eminent contemporary theoreticians and practitioners of values theory, Professor M. Rokeach from Michigan State University, describes it as an "enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence."³⁶

Reflections on values are as old as philosophy itself, but it was not until the 19th century that axiology, the philosophical study of value, came into being. Only then were all the various concepts sorted. One of the major questions that axiology asks is whether values exist objectively, or whether they proceed from human wants and imaginings. Axiology formulates two approaches: objectivist and subjectivist. Axiological objectivism is interpreted by the phenomenological concept of Max Scheler, according to which "values are autonomous and independent from the object and subject being evaluated. They are permanent, unchanging templates, created by no one, and impossible to modify. They exist in perfection and specificity, remaining the absolute measure of evaluated objects and the criteria of evaluation conducted by the subject. They are characterized by obligations that flow from them and <demand> to be implemented. They force people to act the right way or to at least assess their actions. That's how they make themselves felt and implemented."³⁷ An eminent Polish priest and philosopher, Professor

³⁶ Rokeach, M., *The Nature of Human Values*, New York: Free Press, 1973. 5.

³⁷ Lipiec, J ózef, *W przestrzeni wartości*, Kraków: FALL, 2011. 36.

Józef Tischner thought that “values are objective; they stand before us as something assigned to us, something that acts on us, that obliges us.”³⁸

According to the subjectivist approach, values are secondary to conscious acts. They are products of our assessments, and a result of our subjective experience.³⁹ In this context, the term “ethos” is often employed. It is understood as a set of subjective values - created and accepted by a person or a group of people - which can diametrically differ from the objective sphere. According to objectivist phenomenology, values exist in relation to one another and form a hierarchy. One of the most prominent axiologists of the 20th century, Max Scheler, formulated a theory of value hierarchy. He identifies five types of values and ranks them as follows:

1. **Absolute** – bliss and despair, values of the holy and the unholy;
2. **Mental (psychic)** – these comprise three categories: aesthetic (beauty, charm and ugliness), juridical (right and wrong) and cognitive (truth and falsehood);
3. **Vital** – these are essentially biological values like health, disease, somnolence, vigour, listlessness, etc.;
4. **Utilitarian** – they describe qualities of usefulness: practicality, impracticality, effectiveness, ineffectiveness, efficiency, inefficiency and others;
5. **Sensual** – they encompass pleasure and pain as well as different practical goods.

The highest values in the hierarchy are absolute and ascribed to God as well as certain natural and social phenomena. Of these,

³⁸ Tischner J., Kłoczowski, A., *Wobec wartości*. Wydawnictwo w Drodze: Poznań, 2001. 22.

³⁹ Mariański, J., *Wprowadzenie do socjologii moralności*, Wydawnictwo Katolickiego Uniwersytetu Lubelskiego, Lublin, 1989. 163.

values of the holy are the most significant. They reflect the most important religious values. Mental values, second in the hierarchy, can be broken down into three groups: aesthetic, cognitive and juridical values. Vital values are life values, related to maintaining physical and psychological health. Whether something is useful or useless, is determined by utilitarian values whereas feelings of pleasure or displeasure are determined by sensual values.

The world of values envelopes a person, but it's up to them which they want to pay attention to and which they choose to ignore. Even if, according to philosophy, values objectively exist and are arranged hierarchically, their implementation in a person's life depends on their free will.⁴⁰ Some values seem incredibly attractive; you just can't be indifferent to them. Other values affect a person less strongly and remain outside their immediate interest. The realm of values is a rich palette, full of different hues and shades. A person has freedom to choose the ones that suit them best. Human beings actively refer to the reality surrounding them, picking some values to give direction to their behaviours.⁴¹ Picking one value necessitates more choices. The values an individual accepts as right and desirable form an internally coherent and relatively stable structure. Values do not create systems on their own. It is people who organize them into relatively stable structures, which they call value systems.

Value systems play a key role in people's lives. They set a general direction of human endeavours, influence their lifestyles and daily choices, and orient the life of an individual and society. "People build themselves. People build the world. That is how they trans-

⁴⁰ "The fact that values <do not force you to do anything> is a value in itself – the value of freedom. Only a free subject can experience values." J. Tischner, *Myslenie wedlug wartosci*, Spoleczny Instytut Wydawniczy Znak 2001. 553.

⁴¹ Sztumska, B., Sztumski J., *Człowiek w świecie wartości*, PAN 2002. 36.

late values into life. Thanks to them what is bodily and material becomes spiritual, precious, valuable,”⁴² says Professor Tischner.

Regardless of their source, what is important is how values manifest themselves in a person's life. Even if human beings don't create values, discovering them isn't accidental. It 's a process of learning about the world and forging our relations with reality.

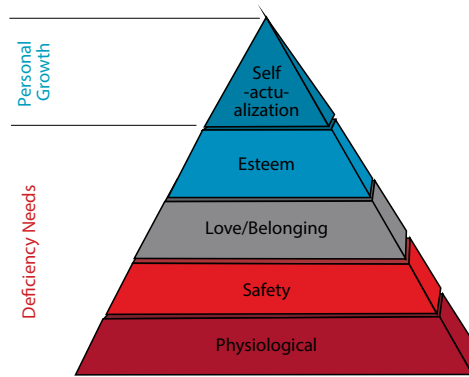
In contrast to philosophy, psychology explores the relationships between needs, values and attitudes. The dominant theory states that a person's actions are determined by needs. Feeling a need initiates actions aimed at satisfying it and attaining certain values. Other theories say that it is the value which is the motivating factor and the need is secondary. Actions whose purpose is to attain a certain value shape a person's attitude.

Highly respected among economists, Abraham Maslow's theory of human motivation states that needs play a superior role to values. Human attitudes and actions result from needs; hence, values are derived from needs. Satisfying needs serves the attainment of values. Maslow identifies a number of basic needs: physiological, safety, love and belonging, esteem, self-actualization, thirst for knowledge and understanding as well as aesthetic needs.⁴³ The hierarchy of values reflects the hierarchy of needs, which are biologically determined. These needs are organized into hierarchy of relative dominance in which a higher-level need is subordinate to a lower-level need. This means that certain needs appear only after the dominant ones have been satisfied. In reality, however, there

⁴² Tischner, J., Kłoczowski, A., *Wobec wartości*, Wydawnictwo w Drodze 2006. 16.

⁴³ Maslow, Abraham, *Motivation and Personality*.

are exceptions to the rule. Born artists put the need for self-actualization above other needs. Idealists, in whom higher-level needs are dominant, are ready to sacrifice everything for a certain ideal or value.



Abraham Maslow's Hierarchy of Needs

Maslow's hierarchy of needs is often cited in sociological and economical discussions, so it's worth looking at it more closely.

Human needs are determined by biology and have a hierarchy:

Physiological needs – the most dominant of all needs, a long list that includes: eating, drinking, air, shelter, sex, warmth and sleep.

Safety needs – they refer to security, stability, respect for the law, care, freedom from fear and chaos.

Love and belonging needs – they relate to the home and the family, friends, neighbourhood, territory, clan, class, gang, close work colleagues.

Esteem needs – respect of others, prestige, status, fame and acco-

lades, sense of achievement, mastery and competence.

Self-actualization needs – self-realization, fulfilling one’s potential, becoming everything one can become.

A well-known American psychologist who specializes in values theory, Milton Rokeach, has a different approach. His theory has found many followers and his system is the basis of most modern value-preference and behavioural studies. According to Rokeach a value system is “an enduring organization of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of relative importance.”⁴⁴

The definition indicates that there are two categories of values: terminal which refer to end-states of existence a person would like to achieve during their lifetime, and instrumental which refer to preferable means of achieving the terminal values. The value system has a permanent structure in which terminal values are superior to instrumental values. Terminal values answer the question “who do you want to become?” while the path to the goal is set out by instrumental values which answer the question “how do you achieve that?” When determining our terminal values we need to answer: “What is the most important thing in my life?” and “What is the most important thing for the world?” The answers will most likely include:

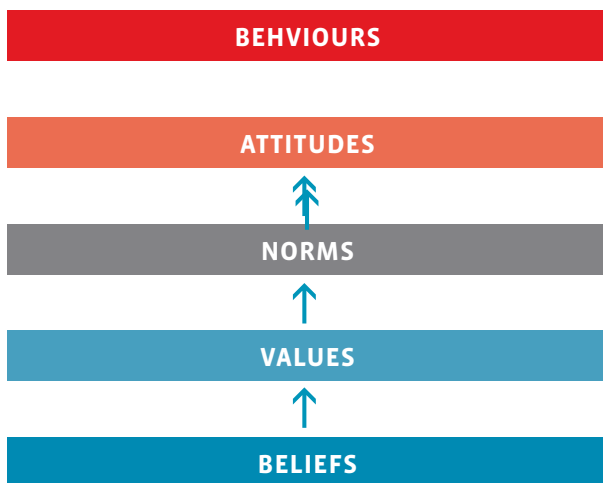
- **personal values:** happiness, salvation, an interesting life, health, professional success, true friendship, social recognition, an exciting life, wealth, internal harmony;

- **ethical-social values:** a world at peace, social justice, democracy, environmental balance.

⁴⁴ Rokeach, Milton, *The Nature of Human Values*. Free Press: New York, 1973. 5.

Rokeach singles out moral values and competence values from among **instrumental values**. The former describe the desirable behaviours towards other people such as honesty, responsibility, trust, solidarity, respect for human rights, love, loyalty, sensitivity, politeness and cleanliness. The latter, such as skills, intellect, culture, imagination, flexibility, fondness, team work, capability, ambition, courage, enable a person to achieve their life goals as well as career and social goals. The number of values that a person can have is limited. There are no more than twelve terminal values and no more than a few dozen instrumental values.

From beliefs to behaviours



Values are derived from beliefs. The choice of terminal values is obviously linked with complementary instrumental values which help achieve them. Progressing from the level of values to the level of actions occurs through norms, attitudes and behaviours. Values are personal and internal, the result of one's beliefs, while norms are socially approved rules of behaviour based on consensus. In certain cases, norms can differ from individual values, but essentially they are an instrumentalization of values, a call to action. In this

way, values determine attitudes which are expressed as a tendency to evaluate objects, events, ideas, other people or social groups in a positive or negative way. Behaviours, as a reaction to stimuli from the outside world, are a direct reflection of attitudes on actions. They result from beliefs, norms and values.

Values are the shaping factor of one's personality. The search and pursuit of values makes human existence better. A person makes their life meaningful by living according to values. Values regulate social life. They influence interpersonal relations and the relations between human beings and the environment. Values are an important element of culture, which they co-create. They influence how culture develops by determining its character. Life without values is impossible, since they're the criteria for any decision. No decision can be made without a clear judgement of values.

Values in Business

In fact, we wonder whether it is possible to be an excellent company without clarity on values.

Thomas J. Peters, Robert H. Waterman

Companies that enjoy enduring success have core values and a core purpose that remain fixed while their business strategies and practices endlessly adapt to a changing world.

James C. Collins

Values are as important to people as they are to companies. They allow people to live with dignity and die with a sense of fulfilment. They give companies a chance at eternity and entice top talent. Values let firms grow in unison with employee preferences

as well as expectations of their shareholders and owners. Great companies are created by ordinary people and guided by values. At first glance, claiming that values in life and business are the same may seem controversial. While everyone agrees that morality is the best personal compass in life, business is seen as a brutal realm of free competition dominated by the survival of the fittest. This obvious dichotomy leads to confusion, dulls ethical sensitivity, weakens motivation and kills respect for work. When you go to work, you cannot leave your values at home. The only hope is that people's and firms' values are identical. Sticking to principles is what distinguishes outstanding companies. Research shows that, as James C. Collins famously writes, "We've never encountered an organization, even a global organization composed of people from widely diverse cultures, that could not identify a set of shared core values."⁴⁵ While their strategy and practices might alter according to circumstance, the cream of the crop of companies have an enduring set of principles and an overriding purpose, a mission which is unchangeable.

It turns out that the most important personal values which have guided our lives for many years such as honesty, reliability, professionalism, trust, integrity, self-actualization, passion, and effectiveness, are also among the most highly regarded ones in business. Conversely, the values traditionally associated with business such as innovativeness, modernity and quality have long joined the catalogue of personal values.

Aren't values a luxury in business? Isn't it mainly about making money? Profit is a goal, but not the most important one. However jarring this may sound to a tough, success-driven business-

⁴⁵ Collins, James C., Porras, Jerry I., *Built to Last: Successful Habits of Visionary Companies*. HarperCollins: New York, 2002.

man, the fact is that outstanding business leaders recognized how significant values are a long time ago. No matter what they've been called – overarching values, common values, belief systems, creeds, operating philosophies – they've always been seen as crucial to long-term success. The real business icons which have existed for decades, such as Hewlett-Packard, Johnson & Johnson, IBM, Merck, as well as those founded recently, such as Google or the Polish mBank, MultiBank and BRE Bank owe their success largely to the values that have been espoused and put into practice by their creators.

Robert Wood Johnson, the President of Johnson & Johnson between 1932 and 1963, crafted the firm's credo in 1943. It's remained unchanged to this day. It emphasizes the importance of being responsible towards customers. It says the products must be high-quality and fair-priced. It states the firm is responsible to the natural environment and the community in which it operates. It also highlights that the employees are entitled to respect and decent pay. The credo is the company's most important strategic document. "Credo is Latin for <I believe>. At Johnson & Johnson we believe in the values encapsulated in the words of Our Credo. We believe that it forms a foundation for our company's philosophy and a basis for our operations," says the introduction to the Credo.

Thomas Watson Jr., who succeeded his father as CEO of IBM, created the foundation for the company's phenomenal growth. In his 1963 book, *A Business and Its Beliefs. The Ideas that Helped Build IBM*, he writes, "I firmly believe that any organization in order to survive and achieve success must have a sound set of beliefs on which it premises all its policies and actions. Next I believe that the most important single factor in corporate success is faithful adherence to those beliefs."

Overarching values set out by its founders are the hallmark of Hewlett-Packard. Right from the beginning, the firm set itself the goal of contributing to societal progress. Its main task was to design, develop and produce the best electronics to serve science and society. Hewlett-Packard wanted to be a “good and responsible citizen” before anyone had even heard of corporate social responsibility. “Our basic principles have endured intact since our founders conceived them,” said John Young, a former CEO of Hewlett-Packard. “We distinguish between core values and practices; the core values don’t change, but the practices might. We’ve also remained clear that profit – as important as it is – is not why the Hewlett exists; it exists for more fundamental reasons.”

When mBank began in November 2000, it seemed the cards had already been dealt. The banking market was carved out among the world leaders and a local power broker, PKO BP. It was clear from the start that it wasn’t about founding just another bank. When BRE Bank made the decision to create an Internet bank for individual clients, the team of young hot enthusiasts in charge of the project were sure the banking world was about to change.⁴⁶ After just three months, Eastern Europe’s first Internet retail bank was unveiled. mBank was essentially one of the world’s first discount stores offering the highest quality products. Its business model had all the features of a disruptive innovation. mBank’s mission statement – “maximum benefit and convenience in personal finance” – reflects what lay at the heart of the model: the benefits of a low-cost operating model, the high quality of products and services, the use of modern technologies and the convenience of a 24/7 access to banking services. Ten years later, mBank became one of the largest retail banks in Poland and was

⁴⁶ See page 129 and onwards in Lachowski, Sławomir, *Droga innowacji. Pracuj ciężko, baw się, zmieniaj świat*. Studio Emka: Warszawa, 2011.

among the biggest online banks in the world. At the end of 2011, it had three million clients in Poland, Czech Republic and Slovakia. Its 10-per-cent share of the market puts it in the third place in Poland. The first two belong to the old giants of the industry, PKO Bank Polski and Pekao SA. The latter has grown to its current size by taking over other banks. When it comes to online banks, mBank is fourth in Europe and fifth in the world in terms of the number of clients.

This enormous success is the result of a new approach to banking and an innovative strategy which was developed and implemented through an original concept of management by values. mBank turned its core values (Excellence, Execution, Responsibility, Readiness, Engagement) into a code of conduct within the company and in relations with the outer world. Managing by values at mBank meant practicing the overarching values in all areas of its operations.

Most firms are usually content with a general mission statement. Only some describe their values in detail so that there are no doubts as to what they really mean.

Codes of ethics which are too general don't stipulate sanctions for breaching company values. mBank went a step further. It introduced a system of employee evaluation based on values. Those values had a crucial influence on mBank's corporate culture and gave it an enduring competitive advantage.

Companies founded on values and managed by them are profitable in the middle and long term. Their customers are more loyal and their workers more satisfied. The story of mBank, MultiBank and BRE Bank proves this chain of cause and effect. The system was introduced in BRE Bank in 2005, after a two-year pilot programme in mBank and MultiBank. The results exceed-

ed expectations. Higher bonuses and profits made employees and shareholders happy. The bank's market capitalization had grown significantly. Its value had risen in relation to its competitors'. Four years of values-based management made BRE Bank progress from sixth place to the top three of the biggest Polish banks. Employees of the BRE Bank Group reported the biggest level of work satisfaction. Its client satisfaction index was the highest in the banking sector.

Real leadership

*Leadership is lifting a person's vision to higher sights,
the raising of a person's performance to a higher standard,
the building of a personality beyond its normal limitations.*

Peter Drucker

*Leadership is not a starring role.
True leadership describes unified action of leaders and followers (stakeholders)
working together to jointly achieve mutual goals. It is collaborative.*

Gilbert W. Fairholm

In the last thirty years, I've led teams of various sizes. Some had three to seven members, while others comprised a few dozen, a few hundred, a few thousand and even a few dozen thousand people. I've always been well aware of the huge responsibility which on many an occasion filled me with anxiety. I was worried whether I'd be able to meet the expectations of my co-workers, subordinates, shareholders and a larger community of business professionals. I tried to uncover the secrets of leadership first through education and specialist training, and later by analyzing my own failures and successes. Just like anyone else in a similar situation, I wanted to distinguish myself as a scout master, a good handball team captain, the life of the party, a responsible father and an excellent boss. At

the beginning, I relied on observation and intuition, but quickly realized that leadership is an art based on knowledge which can be learnt at the best educational institutions, by following the best examples and through self-development. I was ready to sacrifice a lot because I was aware how important good leadership is for ambitious enterprises to succeed. When I was working at managerial posts in large corporations, I enjoyed an almost unlimited opportunity to hone leadership skills which, unlike many of my colleagues, I seized eagerly. I was fortunate to learn leadership at the best academic institutions and business schools in the world. INSEAD Fontainebleau, Harvard Business School, Stanford Business School, Wharton Business School are just the best-known ones. While taking part in various conferences, I had the chance to meet most of the living leadership gurus as well as renowned consultants, speakers and leadership coaches. I keenly took part in business meetings all around the world at a time when participants from the post-Communist countries had a special appeal. Thanks to that, I got to know great business leaders such as Bill Gates, Warren Buffet and Jack Welch.

Leadership theories form a basis for leadership education. They describe features and behaviours which make a person a good leader. They may provide an accurate depiction of reality, but they don't show how to become a good leader. They don't emphasize the importance of self-learning, shaping one's personality and controlling one's behaviour. You can observe the best examples by analyzing "case studies", reading autobiographies of great leaders and listening to their stories.

A sea of books and articles on leadership has already been written. A river of new publications is constantly supplying this rich reservoir. When I started writing this book, I pulled all the works on leadership out of the recesses of my library. I found a few dozen titles. But only a few had any educational value in terms of real

leadership. Leadership is one of the most popular subjects on many university courses. Renowned speakers and experts offer their recipes on how to become a good leader during open lectures and one-day training sessions. Their attractiveness is proven by the large demand which makes such classes expensive. Popular authors, consultants and coaches can count on high paycheques. The supply is so excessive that it creates chaos. It's mostly style over content. After finishing a well-crafted book or attending a spectacular conference, we still ask ourselves the same questions: how to live, what to do to pass our personal test of leadership or reject bad leadership on which we are dependent? Appealing truths about morality and ethics seem to be commonly accepted. In reality, however, they're overshadowed by the pursuit of short-term goals. Practical tips taught during such courses on how to influence people, how to win their hearts and minds, have more in common with manipulation skills based on simple psychology than real leadership. No one will become a leader after a two-day course.

My approach to developing leadership skills is quite different today and, in fact, makes everything a lot easier. It's all about values-based leadership which starts with identifying your personal values, adhering to them in life and business and clearly communicating them as a leader. This creates a platform for agreement on common goals and how to pursue them. Having thought long and hard about the skills and features which determine leadership abilities, I finally concluded that leadership starts and ends with values, for better or for worse. It is values that make us who we are. They have a direct bearing on our relationships with family, friends and work colleagues. Our values also define us as leaders. Leadership has a real dimension. It manifests itself in personal, social and business relations. Real leadership consists in identifying your own spiritual and professional values which then become an axis of cooperation that helps realize group goals.

Every person is guided, consciously or subconsciously, by their individual values. They steer our behaviour much more effectively than any order, directive, instruction, ban, regulation or decree can ever do. Leadership starts with fundamental things – authenticity, open communication and following universal values in personal life and business. Leading by values is about acquiring supporters or recruiting co-workers who declare similar principles. This makes it possible to implement a uniform value system, define common goals and agree on how to pursue them. Three factors are all-important for real leadership to exist: similar value systems + community of purpose + common ideas on how to accomplish goals. Studies on group dynamics show that effective relations between a leader and followers/subordinates can develop only when they share similar values. A community of values is a sine qua non for real leadership. True leadership doesn't rest on the authority of power, but on the authority of the leader which arises from their professional, moral and ethical competences. It is the result of how the leader's virtues impact others, but also of taking into account the followers' interests and expectations. Real leadership is based on values and a clearly defined value system which the whole group voluntarily accepts. The community of values ensures a cohesive corporate culture. This gives a company an unparalleled competitive advantage and makes it resistant to internal and external crises, which safeguards its long-term future. The contemporary world of business and politics needs real leaders who can clearly communicate moral and ethical values, who respect the values of others, their followers and co-workers, and who base their leadership on their own values. This is when leadership becomes a function of a person's individual character and their principles which match the values of their supporters and subordinates.

Limiting values to ethics reduces values-based leadership to a subject of philosophical inquiry and lends it a universal dimension, while, in fact, leadership has an individual character. It

derives from each person's unique make-up and is a reflection of a personal value system. A value system that shapes a leader and their leadership is composed of ethical, moral and individual values. Individual values extend beyond the scope of philosophy. They are connected with individual features, such as passion, open-mindedness, ambition and many others. None of these are inherent; for example, you can develop a passion for something. We are usually passionate about things that we enjoy. And we often enjoy what we are proficient at doing or have expert knowledge in. I remember all those maths exercises and workouts had seemed to me tedious and burdensome, but once I had attained high competence in mathematics and a championship level in sports, they became my passion. I would still devote a lot of time and effort to them, but I also started to discover joy in weariness.

We often consider leadership a challenge of adulthood, but our leadership features are already shaped in childhood and early youth. So are the features of character indispensable to become a leader and good habits which are most easily formed in early years.

The basics of leading are shaped along with a person's value system whose core is forged in youth. It is impossible completely to change a previously established value system. Therefore, it is only to a certain extent that leadership can be taught in adulthood.

Leadership training is most effective when it develops a person's awareness of their own value system and a habit of self-reflection. That's why it's so crucial to start shaping leadership skills as early as possible by honing one's personality through an everyday disciplined practice of virtues. This early development should be rooted in values derived from ethics and individual interests.

We all want to be proud of the jobs we're doing and organizations we belong to. It's possible when the result of our work is valuable and useful, when it satisfies other people's genuine needs and brings them satisfaction. It's also true for companies. Good pay is one thing, but a sense of fulfilment and pride in working at a firm is another. Job satisfaction is a function of personal benefit, corporate culture as well as other people's opinions about the company and its products. It's nice to work at a firm which is respected by its competitors and popular among customers. Combined with decent remuneration, it brings real job satisfaction. Sooner or later, bad leadership is bound to impact company performance. A badly managed firm may remain profitable for a while at the cost of exploiting employees and cheating customers. This doesn't last long, however. The best workers eventually leave and the rest of the staff lose their motivation. The customers realize they've been treated dishonestly and the performance plummets. Good leadership based on values allows employees to discover deeper meaning in their work. It's reflected in the quality and prices of products. It creates an added value, which generates customer satisfaction. Leadership which rests on the formal authority of power and is exercised through bans and commands doesn't take into account employees' freedom and their individual values. This makes it less effective. The freedom and respect for individual values are at the heart of contemporary civic society and corporate organization. Formal authority must reckon with the growing emancipation of citizens and corporate workers. Mobbing in the workplace is a crime and employees are increasingly more aware of its manifestations. Both senior and junior workers are nowadays a lot less tolerant of unethical conduct at the top of corporations. People no longer turn a blind eye on transgressions of power and immoral behaviour is instantly pilloried by the public. This creates room for ethical and effective leaders, and individuals with clearly defined value systems which are a good

indication of their competence and potential value. If these people also prove to be efficient, they become truly indispensable. So far, ethics has been thought to be only occasionally important in business. People have believed that business requires an ability to cope with ruthless competition which is governed by the brutal law of the survival of the fittest.

Today, the attitudes towards leadership and educating leaders are at a turning point. This radical shift arises from the changes in the world of politics and business. People's behaviours can no longer be explained through the prism of pursuing material benefit, taking decisions based on economic assessment or obeying the authority of formal and traditional power. Attitudes of contemporary people are, to a larger extent than ever before, shaped by their emotions and a desire for freedom and self-actualization. A personal value system plays the most significant part in this. It becomes the main motor behind individual and group actions. This necessitates a shift in the understanding of the nature of leadership. Values-based leadership introduces a new enlighteningly simple paradigm: our life and leadership in all its forms rest on individual values. This new paradigm assumes that good leadership must uphold values. Their violation in personal and social life, politics and business mustn't go unpunished.

The spread of values-based leadership can't be stopped. We live in a world where nothing can be kept secret anymore. Information spreads with the speed of light. Social and business life are becoming more and more transparent. Victims of bad leadership are also increasingly more assertive. Instances of bad leadership, which have blighted lives of many, are exposed, discussed and condemned

by company workers more frequently than ever before. Any information about unethical conduct within companies quickly finds its way to the Internet. Discussion groups, blogs, independent news portals exert more pressure on immoral leaders. The position of oppressed, exploited and bullied workers of inhumane organizations is changing from subordination to equality. They're now able to send a strong voice of dissatisfaction which can eradicate unethical and ineffective leaders.

Values-based leadership does away with the existing patterns. Thanks to that, it can solve the problem of modern times:

- it ensures a good balance in personal and business life,
- it introduces simple measures in solving personal and professional dilemmas,
- it makes actions meaningful and helps find the right way to achieve aims,
- it allows to make true friends and win the respect of one's acquaintances,
- it allows to achieve professional success,
- it allows to set new directions for development,
- it allows to find motivation to act.

Values-based leadership flows from within. It reflects our value system and determines our attitudes towards ourselves (our sources of satisfaction, our response to success and failure etc.) and our relationships with others (family, friends, workers).

Values-based leadership requires deep reflection on values and being aware of how important they are. This allows a person to build a cohesive system which must be adhered to in everyday actions. Self-reflection helps choose the most important values which

define a leader's character. A leader's individual value system is a foundation for their interaction with followers/subordinates. The formal leader-subordinate relationship doesn't change the fact that a leader's source of power is the informal authority built on values.



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Part IV

The Five Principles of Values-Based Leadership

*No leader sets out to be a leader.
People set out to live their lives, expressing themselves fully.
When that expression is of value, they become leaders.*

Warren Bennis

*No person is essentially who they are,
but who they would like to be.*

Zbigniew Herbert

There are moments that alter the course of fate. For better or for worse. There are changes within us and outside of us that, after reaching a critical mass, transform our lives.

I had every reason to feel satisfied in September 2002. My life was working out perfectly. Our plans and dreams were coming true. My wife and I decided to move to the countryside to which end we purchased a unique place – a former dwelling of Jan Chryzostom Pasek, a legendary 17th century writer and swashbuckler. Moving house was easier now that our son had flown from the family nest to study at Oxford University, which of course filled us with pride. My most important business project was doing surprisingly well. Just as expected, mBank, the country's first fully virtual bank, took the Polish banking market by storm and began a new era of e-banking. mBank's business model resembled low-cost solutions from other industries where no-frills airlines and discount retailers were revolutionizing the market. It waged war against traditional banks. State-of-the-art technology, a manageable number of products, simplicity, transparency, profitable interest rates, no extra fees and partner-like treatment of clients lay the foundations for the incredible success mBank achieved in just a year after its launch. Nearly 125,000 customers and almost one billion zloty in deposits couldn't go unnoticed by the market. In the following year, the number of mBank's customers rose to 314,000. Since mBank's entrance onto the scene, the number of clients of the entire banking sector increased 25 times to reach 1,200,000. mBank was the pioneer of revolutionary changes on the market. Having captured a 30-percent market share, it was also its unquestionable leader. That exceeded all my expectations. It must have been even more shocking for the vast masses of bankers and pundits who had been skeptical about online banking.

I had assumed our business model would be revolutionary. Now I had every reason to believe that I was right. The model had

all the features of a very rarely encountered “disruptive innovation”. It’s not inventions that change the world, but how they’re used. Disruptive innovations rest on knowledge, imagination and novel applications for existing scientific and technological discoveries. mBank is an example of a groundbreaking, disruptive innovation, which first created a new market in its category, and then posed a threat to the industry’s main players by increasing the quality and range of its products. mBank was unlike anything else on the banking market at the time. It showed that banks didn’t have to be boring, secretive and inaccessible. On the contrary, it was the best proof that they could be cheerful, open 24 hours, transparent and easy to understand. mBank’s logo and its name were also unique on the market.

“Dates ... are a post-house where the Fates change horses making history change its tune,” wrote Lord Byron. I was aware of that as I faced an incredible business opportunity. I had a feeling that a wave of technological changes and economic growth would soon transform Poland and its banking sector. I knew that people would be the key to success.

I needed a well-knit team capable of working under extreme conditions. I would carefully handpick each employee, making sure they understood our credo: “We work hard. We play. We improve the world.” Well-educated, open to the world and other people, hungry for success, brave and relentless in the pursuit of goals, cheerful and kind. There were no eminent stars of the industry on the team, but it brimmed with the spirit of cooperation and an eagerness to learn. The average age was under thirty. Half of the team members weren’t economists by profession; they learnt banking on the go. That extraordinary project happened when I was at the peak of my career. I had an adequate general and specialist knowledge, and enough experience not to make any foolish mistakes. In my management, I made sure to follow the best business

practices. mBank had a clear, ambitious mission, a fascinating vision, a strategy based on an innovative business model and a plan which was carried out with consistency and effectiveness. And despite all that, I was still anxious that we wouldn't manage to retain a high growth rate in the long run.

I was convinced that routine alone couldn't guarantee success in the era of the New Economy. An extra something was needed to bring all the elements of the organization into a coherent whole so that its members would stay motivated, perseverant, flexible and effective on the long way ahead of them.

The thought gave me no rest. I had sought the right solution for a long time, but couldn't find it in the clichéd patterns of thoughts and conventional modes of action. The answer struck me like a bolt from the blue. All of a sudden, everything seemed obvious and unquestionable. It felt like an inner command to act. At night, I wrote an email to my employees which I sent out in the small hours of the morning. It went like this:

Re: mBank's vision: leading on the market of online financial services

To: All mBank employees / Status: Urgent.

A year and a half since its launch, mBank has a significant position in the Polish banking sector and is the unquestionable leader of online banking. mBank is indeed a bank; it uses all the available channels of distribution and communication with clients with the exception of branches. Its business model is undergoing various changes but retains all of its fundamental features. We don't want to offer our customers everything known to the world of finance, but only those few products which clients need most, and we make them available at the best prices and high-

est quality on the market. This is and will be the basic element of mBank's model. The Internet isn't our strategy; it's our tool. mBank's growth prospects and final success depend on whether we learn from past lessons, listen to our clients and business partners, and, last but not least, how fast we can learn and adapt to the requirements of the industry without losing sight of the fundamental things.

You're witnesses to one of the most spectacular success stories in the history of Polish banking. But we still have a long way ahead of us. That's why our satisfaction must give way to humility. Fast growth is indispensable to achieve independence and satisfying effectiveness. The fulfilment of our mission – maximum benefit and convenience in personal finance – will make our financial institution (more than a bank) attractive to a generation which values time and money as well as freedom and reliability. The past doesn't provide us with examples that we can follow. We're the ones making history of online banking in 21st century. It cannot be planned or predicted, it can only be made by people like us, not paralyzed by self-doubt but filled with the belief that hard work can make dreams come true. As humble as we should be towards the task ahead, we should also know that our only real limitations are the limits of our creative power.

We've been working on mBank's mission, the principles of its corporate culture and strategy for many months now. I'm convinced that mBank, as an institution, and we, as a group of people who have created it through our intellectual and physical effort of many an unslept night, are in need of putting our mission as well as our personal and professional values into words. Indeed, it's important for anyone to be sure that their hard work goes hand in hand with the values they hold as fundamental in life. I would like your work at mBank to be, at least in part, a realization of your dreams. I know from my own experience it's pos-

sible. To make it happen, we must define together what's most important to us. Two years after the launch of the project and after eighteen months of activity we've gathered a lot of experience. Those of you who've been working here since the beginning know a great deal about mBank, those who started later know a little bit less, and those who've just joined us have a certain idea of it and bring their own experiences from elsewhere. It's time we devised the Principles and Values of mBank together.

For those who work here and have created the company, the document will summarize our mutual experience. For those who are to start working here soon, it will be an indication of what they can expect and to what they should adapt in order to cooperate well with others and make a positive contribution. There have been a few meetings devoted to mBank's mission and strategic plans. Each of them saw progress in this area, but no definite decisions have yet been made. This should come as no surprise since it is a matter of highest priority and decisions relating to it must be taken with absolute conviction.

Instead of yet another meeting, I'd like to suggest using the Web to continue our work on mBank's values and principles of conduct. Let's not forget that mBank reflects the identity of the people who brought it into being and is different to traditional banks. It's a fact, not an assessment. The values that guide us in our personal and professional lives have a significant impact on our actions and how well we function in the society. These include such obvious values as honesty, reliability, willingness to help, engagement, openness and ambition. We also shouldn't forget about those values, which seemingly unimportant, in reality have significant influence on work atmosphere, team relations, internal communication (managers, directors etc.) and even such trivial things as milk for coffee. I'd like the values that have laid the foundation for mBank's unprecedented growth to be named

and cultivated in the future. Following the best practices and using positive experiences are necessary conditions for further progress. Therefore, I ask you to join this virtual yet very real discussion on mBank's values. I think the most important ones should be set down in a document with a draft title of "The Principles and Values of mBank."

Its purpose is to safeguard the values which serve mBank and its clients as well as to spread the best practices and experiences from the past. It's also time to evaluate the past experiences and draw conclusions from them. mBank's code of values will guarantee that when circumstances change our corporate culture will stay the same. I know that it can't be simply codified. However, I think that its most salient features, which make mBank unique, can be named and set down on paper.

Please let me know which values, practices and behaviours make mBank what it is. I'm eager to learn what's so important in your personal and professional lives that you'd like to see it retained, popularized and treasured in mBank in order for it become a workplace to be spoken of with pride and sentiment.

I'm waiting to hear from you soon. I'll try to prepare the first draft of "The Principles and Values of mBank" by the end of July. As soon as it's ready, I'll consult you about it. The document will shape the corporate culture of mBank, that is, our professional community and relationships with our clients and business partners.

Regards,
Sławomir Lachowski

Aware of how uniquely important it was for the company's future, I initiated the project of defining core values myself. As a leader, I was at its helm for the whole duration. All key work-

ers were obliged to participate. Volunteers who responded to the email were also welcome. There's a difference of opinion as to how a company should seek its set of values. Some believe, that it should be arrived at through democratic means as an expression of collective knowledge and aspirations. Others claim that it is the leader who determines company values. Most of the time, founders and key managers are the ones responsible for it since creating values has little to do with consensus. Fundamental convictions which reflect company vision are usually thrust upon employees. When this happens, asking for their opinion is a bad idea.⁴⁷

I initiated mBank's search for values by presenting my personal and business values, and making my belief clear that they should be essentially one and the same. When they clash, a conflict of interest emerges. A person forges their value system throughout their lifetime but the fundamental values are shaped early on. They don't undergo major changes and, later in a person's life, are simply taken for granted. Self-awareness of values is by no means an obvious thing. The values that we wittingly or unwittingly choose, that determine our decisions and behaviour, and thus guide our lives, should be brought into our consciousness, which isn't easy. As I looked back on my values, I had to think long and hard about when and how they were molded. It all started at home: the respect for work, for other people, the appreciation for friendship and love. As I was growing up intellectually and gaining new experiences, my values formed a coherent universal system. In my youth, I became a Kantian without even being aware of it. I adhered to one of the simplest rules: "Act so that you treat humanity, whether in your own person or in that of

⁴⁷ Leoncini, P.M., "Make your values mean something." *Harvard Business Review*, May 2002, 80(7): 113-17.

another, always as an end and never as a means only.” Following Kant, I believe it’s the most important principle from which all other moral norms can be derived. Out of many values, the ones I held particularly dear were the cardinal virtues of prudence, justice, temperance and courage. My catalogue of virtues was much broader, however. It exceeded ethics and morality. Passion, authenticity, ambition, a willingness to succeed, the pursuit of perfection, readiness to take on new challenges have always been crucial for me and shaped me as a human being. With time, my world view became more adapted to reality in which I had to function. The role of romantic ideals became smaller but was not belittled; at moments of crisis when tough decisions had to be made, their force of influence on me was doubled.

It was the value system that was the determining criterion of my most difficult decisions. It offered me self-confidence in critical moments. It helped me make friends and find followers, but at times it also created enemies.

When all team members opened up on their personal values, success became possible. Through an in-depth discussion, we wanted to find a common denominator for our individual principles which could become a value system for the entire team. Company values are the values of its leaders and employees. A community of values is the basis for mutual understanding, cooperation and engagement. These are the key ingredients for success. My initiative came as a surprise to all, even though working at mBank was full of surprises. It sparked off a discussion that drew many of us away from our current activities. It revolved around some fundamental questions – what are we doing here? – where are we headed to? – what is truly important? The final result astonished and delighted me. Just like other workers, I could say with conviction that mBank’s values were also my own.

Excellence
Execution
Responsibility
Readiness
Engagement

Values must be concrete and so obvious that all workers can quote them like a chorus of their favourite song. In Polish, the values of mBank spell the word DROGA which means road. The acronym was a pleasant surprise, but not a complete coincidence. It was my intention to arrange the values into an acronym which would give them an additional meaning. The theme of a road has always been important to me in both my private and professional life. The road is a journey to a goal, but also a conviction that the journey is more important than the destination. The road is the meaning of life.

The road is growth, experience, overcoming weakness, being faithful to principles, swimming against the current and catching a wave, making difficult choices. It's friendship and love, it's learning, discovering and getting lost.

The road is made up of places, people and moments we wouldn't have known if we had remained in one place. It is the essence of life. The road is the experience; the goal is its crowning achievement that often ends that which was the best.

The values encapsulated in the acronym aren't the only ones. Nor do they make the best possible value system. But they helped me become an effective leader of the most important projects I have carried out in my life, and those were truly unique enterprises:

The restructuring of PBG SA in Łódź, the third largest commercial bank in Poland by assets, whose bad debt portfolio reached 67%.

The restructuring and devising an effective growth strategy for the biggest Polish retail bank (PKO BP), which enabled it to regain the top position in the industry.

Creating a disruptive business model and building four new generation retail banks in Poland (mBank, Multibank), the Czech Republic (mBank) and Slovakia (mBank).

I'm convinced that it wasn't its business model, but its community of values that made mBank a disruptive innovation which captured clients' hearts in Poland, the Czech Republic and Slovakia. Today, it's one of the largest online banks in the world and Poland's third biggest bank in terms of customers. mBank workers and clients have a lot to say about this. One of mBank's first employees, Tomek Grubała, recollects:

“These close bonds, this emotional engagement, mean that you get satisfaction not only from the tangible effects of our work but, no less importantly, from doing it. Because of my young age, the observation might not be “well-documented”, but I've never before seen anything that could be described as “having fun” at work. Throw our excitement at mBank's results into the mix, and there's little wonder that those not directly involved may consider us a “sect” ;-)). If we only managed not to shut ourselves from the surrounding world, which I think we haven't done so far, we won't run the risk of becoming sectarian. :)”

Customers' opinions posted on the Web were equally warm, which didn't quite fit in with the conventional image of a financial institution:

“mBank began to be loved because it was cheap, almost free. It gave its customers a feeling of freedom. It was easy to operate. There was a sense of “equality of clients before the law” (whether you were a VIP with huge savings or a student with a meagre scholarship that wasn’t paid on time by your uni) because it communicated with clients via an Internet forum, on mChat, in cybercafés and through commercials which you could easily relate to.”⁴⁸

When leading by values is your priority, you no longer measure professional success by how large your pay and bonus are, your company’s increase in profit, assets, shares or capital. A company rewards objective results and forgets all about you after you stop working for it, but people remember. Their gratitude has a rational and emotional character. Values-based leadership gives equal satisfaction to both the leader and team members. This mutual nature derives from the community of values. These commentaries by my former colleagues who now work independently or for other institutions testify to the important and lasting influence of values:

“I’m not sure you remember me. I worked at mBank in 2003-2004 as the head of mPlans. You often called me Michał the lad with a guitar from a company outing in Kazimierz. I remember that period as much more fun than my MBA. I’d like to thank you for launching the ship of my independence and belief in myself. It’s largely thanks to you and our cooperation that today I’m a fulfilled, well-off and free thritysomething.
Michał”

⁴⁸ Posted by Gizmo in the mBank Internet forum in January 2004 – <http://www.mbank.pl/forum/read.html?f=1&i=116794&t=116794>

“I’m sure you won’t remember me, but I feel very lucky to remember you and I’m glad that, thanks to the website slawomirlachowski.pl, I can write these few sentences to express my gratitude for:

- the inspiration, of which there was plenty in your company;
- for showing us that knowledge and innovation are ways to growth;
- instilling in us the need to pursue goals which are seemingly unachievable.

After these few years, I can write this freely, without any vested interest, as an “ordinary Internet user” ;-)) I learnt a lot from you, even though our professional contact was limited. Now that some years have passed, I appreciate it even more. I do wish you all the success in revolutionizing the world.

Best wishes,
Wojtek”

“Working for mBank and Multibank was a fantastic adventure. The job was a challenge and a great learning opportunity. I’m wondering whether I’ll get a chance to take part in something like this again in the future...

Warm regards,
Darek”

“THANK YOU for letting me play on one team, in different colours, for the last 12 seasons!

It’s always been the top division.

With a warm Widzew greeting,
Zbyszek”

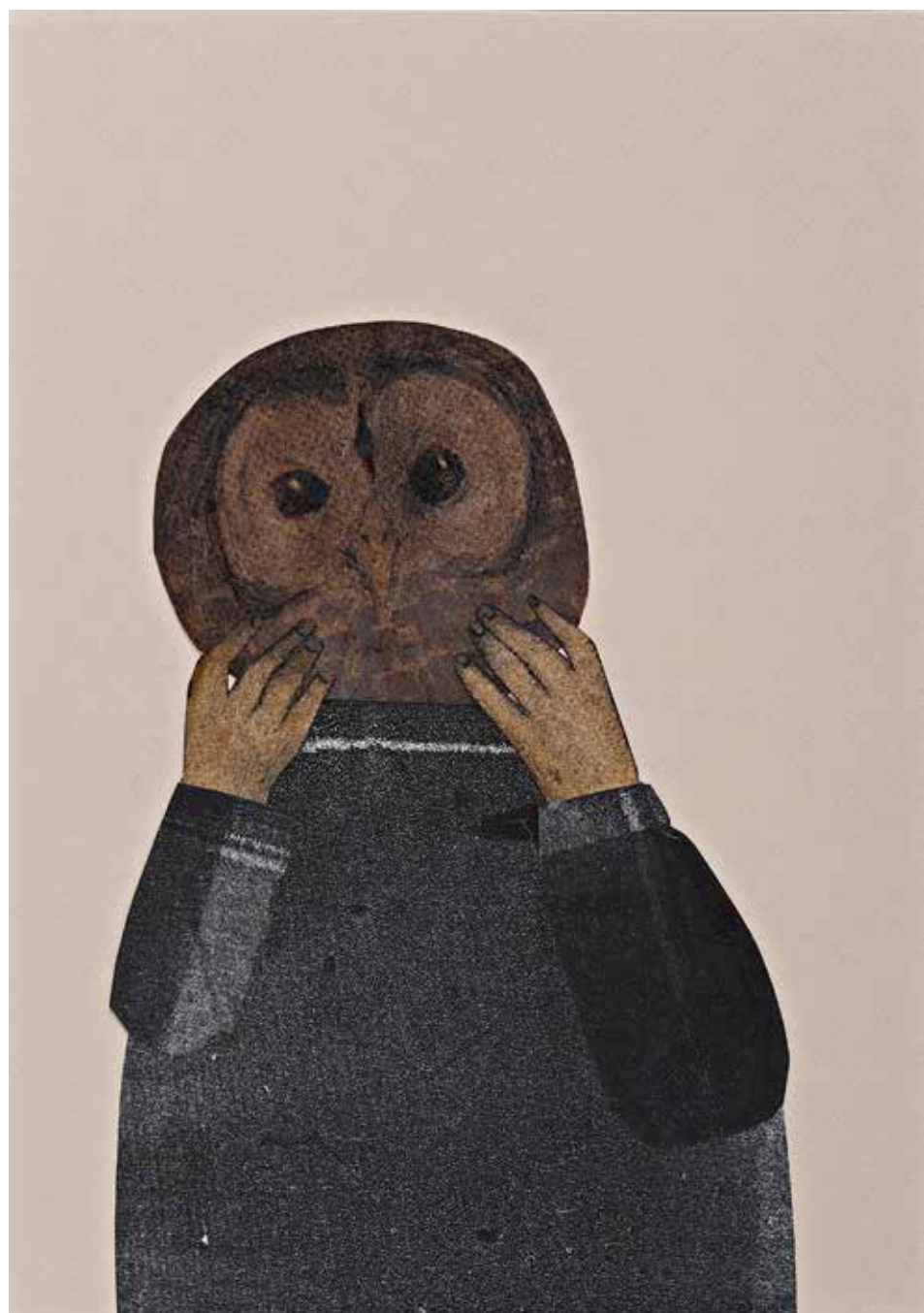
“I just want to say I’m hugely grateful to you. I don’t like sounding pathetic but your influence was fundamental to my becoming a business person. This foundation continues and will continue to shape and mold my professional career. As one of Lachowski’s

workers, I know what engagement, independence, responsibility, courage, pursuit of excellence and contempt for mediocrity mean. It's not enough to say thank you – all I can do is carry on the good work and not botch anything up.
Ewelina”

Values-based leadership is genuine leadership. It leaves behind a unique legacy which comprises people's memories, at times their recognition and gratitude. That's incomparably more precious than all the ephemeral material signs of success.

The results of leading by values aren't only seen in the spiritual dimension but also in reality; it's effective in pursuing political, social and business goals. Even though it has deep moral foundations, values-based leadership means more than doing your homework in ethics. It's about following the principles that we regard as most important to us. They include values that inspire us to act and enable us to survive moments of crisis. They are the essence of our lives because we can't manage without them. They give us pleasure but also bring pain and yet we don't want to part with them. Thanks to the world of values being rich and bountiful, people are so different that even identical twins have distinct personalities. Even though a set of values identical for the entire population doesn't exist, you can find people who share common values. That's why the values presented in this section – excellence, execution, responsibility, readiness, engagement – are a subjective value system which can be a source of happiness and success if followed in life and business. Each reader will have their own values which may be partly or entirely to the ones described here. They may also very well be completely different. It isn't my aim to convince others to use my value system but to look for their own. If the reader happens to share my opinions on values in life and business, so the better.

I owe everything I have achieved in private and professional life to the values encapsulated in the Polish acronym “DROGA” which means “road”. I’m not trying to describe the theory of leadership but genuine leadership experiences in the real, not imagined, world. I’m aware of the danger of subjectivity and megalomania. The former is a price of being authentic. As for the latter, I’ll try to overcome it by being humble about the task before me.



Excellence

Perfection is the measure of heaven, and the wish to be perfect the measure of man.

Johann Wolfgang Goethe

The ideal is given to man so that he can better discern his imperfections.

Nikolai Gogol

*We are what we repeatedly do,
Excellence then, is not an act, but a habit.*

Aristotle

Excellence can be understood in its colloquial, philosophical and scientific sense. The Oxford English Dictionary defines “excellence” as “the state or fact of excelling; the possession of good qualities or abilities to an eminent or unusual degree; surpassing merit, skill, or worth.” Colloquially, it means “having lots of strengths, being very good”. An online thesaurus gives 610 synonyms for the word “excellent”. They include: accomplished, admirable, distinguished, estimable, exceptional, exquisite, fine, finest, first-class first-rate, good, great, incomparable, invaluable, magnificent, meritorious, notable outstanding, peerless, priceless, skilful, sterling, superb, superlative, superior, wonderful. Paradoxically, excellence as a virtue and asset of the leader that attracts followers and is

a platform for cooperation has little to do with this common usage. It requires a closer look. Władysław Tatarkiewicz, a renowned Polish philosopher and author of *On Perfection* defines the meaning of perfection/excellence⁴⁹ as “accomplishing, seeing something through to the end.” In the past, the term was synonymous with “whole”, “entire”, “without flaws.” Today, it describes a harmony between an object and its purpose – an excellent watch is neither fast nor slow – or between a subject and his/her function – an excellent writer impresses his/her readers. The understanding of excellence in science and philosophy puts emphasis on the ideal state of things. Hence, mathematics describes perfect numbers and physics talks about the properties of an ideal gas, a perfect fluid and an ideal black body. A perfect number is the sum of its positive divisors excluding the number itself. Such numbers include $6 = 1 + 2 + 3$ and $28 = 1 + 2 + 4 + 7 + 14$. They were already known in the antiquity and have been ascribed special significance ever since. Euclid observed that if p and $2p - 1$ are prime, then $2p-1(2p - 1)$ is a perfect number. That’s how he discovered the next two perfect numbers, 496 and 8128. The sages of the Kabballah claimed that it wasn’t coincidental that God had created the world in six days and the moon orbits the earth in 28 days. Saint Augustine made similar observations: “Six is a number perfect in itself, and not because God created all things in six days; rather, the converse is true. God created all things in six days because the number is perfect.” It took 1,500 years to discover the fifth perfect number and another five hundred years to discover the next five. Thanks to computers’ processing capacity, we now know 44 perfect numbers. The largest one is $243112608 \times (243112609 - 1)$ which comprises 25,956,377 digits. Many concepts in physics and chemistry are described as ideal or perfect. In physics, a perfect fluid has no shear stresses or viscosity. An ideal gas is composed of particles that have no volume

⁴⁹ The Polish word “doskonałość” can be rendered as perfection or excellence.

and don't interact with each other. A black body is an idealized physical body that absorbs all incident electromagnetic radiation. All of them are idealized models that have no counterparts in reality. There are examples of exceptional fluids, gases or black bodies that are close to being ideal/perfect, but none fulfil all the criteria.

The subject of perfection/excellence holds a significant place in philosophy, and moral excellence is a major issue in ethics. Perfection, according to Plato, is akin to "the Good" and the Stoics use it to denote a state of harmony between man and nature, within oneself and one's reason. In Christian culture, perfection has a deeply religious resonance and is reserved for things divine. In philosophy, it is understood as that which is the best, so good that it can't be better. The paradox of perfection as an ideal is expressed in the Empedoclean claim that "the perfection of the world lies in its imperfection." The true perfection consists in constant work, innovation that leads to improvement, enrichment, completion and appearance of new things. The main paradox is that imperfection itself is perfect. Saint Augustine said, "This is the very perfection of a man, to find out his own imperfections."

The pursuit of excellence is only meaningful when we see it as a constant process of gradual improvement and elimination of weaknesses. In that sense, perfection is a focus on making positive changes rather than a real state.

Excellence and perfection sound pretentious, especially in their common sense. Like any virtue, perfection/excellence describes an ideal state which, though desired, is unachievable. Values make sense only when they're clear but difficult to reach and follow. As such, perfection is the embodiment of virtue. To me, excellence has always been about perfecting my knowledge, skills, fitness and intellect. I've had the conviction that excellence is egalitarian since anyone who is diligent, consistent and determined enough can ap-

proach the ideal by achieving a high moral and professional level in a chosen field. Respect and eagerness for knowledge were instilled in me at home. My parents were the first generation of intelligentsia in my family. They left their village and moved to the city using the opportunity that their education gave them, even though they received only, or as much as, secondary education. They became intellectual workers. Appreciating the social advancement education had brought them, my parents attached great weight to learning. They ingrained in me the habit of acquiring knowledge which sprouted a passion for studying and pursuit of excellence through systematic improvement. As a result, I became the first university graduate in my family's history. I graduated with honours from the Warsaw School of Economics. I treated my studies at the Johannes Gutenberg University of Mainz and the University of Zurich as a blessing and an incredibly fortunate twist of fate. Later, as a successful corporate manager, I had the opportunity to continue my education at the world's top universities of my choosing, which I could only have dreamt of earlier. I was thrilled and awed to study at such institutions as INSEAD in Fontainebleau, Stanford University in Palo Alto or Harvard Business School in Boston, and to attend courses organized by Wharton Business School in China, in USA and in India. I tried to inculcate the importance of knowledge and education into my son. He graduated with honours from the University of London and completed his Master of Philosophy as well as Doctor of Philosophy at Oxford University.

Excellence in its humanistic dimension has three main aspects: deep knowledge, high practical skills and untainted morality. Excellence in real life manifests itself through the disciplined shaping of morality and staying faithful to ethical principles, satisfying one's constant hunger for knowledge, honing one's skills and accepting permanent change as a factor for growth. To attain excellence, you must expect a lot from your own personal and professional growth, be creative and flexible, break set patterns and

avoid well-worn clichés. You must work in a team to enhance performance and optimize solutions. A leader's wisdom, which flows from knowledge, experience and intuition as well as their expertise and spotless morality, attracts followers, boosts faith in success and motivates workers to pursue far-reaching goals. There's a constant increase in knowledge, hence learning is a never-ending process. If you stop, you move backwards. The same is true for skills which are derived from work and talent. Morality also needs to be developed consistently, which, more often than not, requires bearing the cost of being loyal to ethical principles.

Paradoxically, imperfection is an important feature of leaders as long as they're able to surpass their weaknesses. By doing so, they show their followers and subordinates that they, too, can become better, overcome difficulties and meet challenges.

Values-based leadership isn't about followers admiring their leader's excellence. It's about followership which flows from a common understanding of values.

The basic competences and behaviours that determine a person's excellence are:

Pursuit of the best results:

- requiring a lot from yourself and others,
- looking for new opportunities and finding new ways to apply them,
- eschewing the beaten path, thinking outside the box and encouraging others to be creative,
- being able to work in a team.

Constant acquisition of knowledge and skills:

- consciously directing your own growth, accurately assessing your own and coworkers' skills,

- taking advantage of opportunities for growth, gaining new qualifications and increasing your competences, supporting others in their growth,
- looking for ways to improve and optimize your own and other people's work.

Seeing change as a challenge and a new opportunity:

- accepting the need for change and actively shaping it,
- motivating others to participate in new projects,
- being flexible, being able to modify your beliefs and behaviours constructively.

Uncompromising morality in all areas:

- following ethical principles at all times and places: at home, at work, in private, public and professional life.
- adhering to work ethics and professional codes of ethics.

Proving one's genuineness:

- developing your self-awareness, expressing your true self by clearly conveying your convictions, values and goals,
- your words match your actions, putting your convictions into practice,
- seeking a community of purpose and values with others.

According to research, leaders' morality is the first thing to be assessed by followers and subordinates. Only later do they evaluate leaders' effectiveness and competences.⁵⁰ Leaders, on the other hand, see themselves differently. For them, effectiveness and competence are key. This shows the great need for leadership based on a community of values shared by leaders and followers, where mo-

⁵⁰ Juszcak, Piotr, *Moralne przywództwo lekiem na kryzys*, "Przywództwo i Zarządzanie", February 2009.

rality is the measure of excellence. No less an important ingredient of excellence is genuineness. It requires courage to reveal your true nature. Most of us don masks out of worry that others won't accept us the way we are. Such masks let us present an image of ourselves tailored to a specific situation.

People don't follow positions; they follow people whom they know, respect and trust.

An effort that goes beyond the norm requires extra motivation which springs from the belief that it's meaningful and worth making. For that reason, the followers wish to know almost everything about their leader. Really knowing the person on whom their fate often depends gives rise to trust and faith in the future. It should come as no surprise that leaders are required to lay themselves bare before others; no one is ready to put their fate into the hands of somebody who claims that who they are and what they do after work is their private matter. Whether our relationship is personal or not, we want to know who our leaders really are, what inspires them, what values they have, what their strengths and weaknesses are. A leader requires courage to expose their true self. It's never a pleasant thing, also for team members. Without it, however, it's impossible to build relationships which can give rise to trust and a willingness to bear the hardships on the bumpy road to success. Apart from courage, it also requires kindness and empathy. Many leadership theories describe qualities and behaviours that make a good leader. The theories, however, don't mention genuineness as the necessary condition. Being genuine means discovering and being true to yourself, finding what goals and principles in life you really consider important. Then, your relations with others are shaped through your practice of values and determination in the pursuit of goals. Authenticity reveals our aims and values. It also allows us to open ourselves to others and, as a result, find what we have in common with them, which can become a basis for cooperation.

It enables some to lead and encourages others to follow. Being authentic by no means entails an uncontrolled expression of one's ego. Self-awareness must be accompanied by a willingness and ability to reveal the most important aspects of one's value system and goals that are crucial to the followers.

No matter how much admiration we may have for such leaders as Richard Branson, Steve Jobs, Jack Welch, Margaret Thatcher, Mahatma Gandhi or Charles de Gaulle, copying them would only result in failure. Each person has a unique personality, and contexts as well as conditions change with time. An individual's authenticity is inextricably linked with their roots, which they can't change. That's why identity is key to mutual understanding within a group. Being authentic creates a chance to build a community of purpose and values that can give rise to a highly motivated team capable of meeting the greatest challenges and achieving exceptional results.

Jack Welch, a precursor of management by values, is a paragon of business leadership. A true icon of American business, he embodies most of the attributes of excellence. He is the best example of a leader who bases his authority on values and translates them into worker performance and corporate culture, which leads to amazing results. Jack Welch started working for General Electric in 1961. It was his first permanent job. He remained at the company for 40 years until his retirement in 2001. Between 1981 and 2001, when he acted as the CEO, the market value of the firm, which had become the USA's largest by capitalization, increased from 14 bn dollars to 484 bn dollars. That earned Jack Welch the title of "Manager of the Century" from *Fortune* magazine and "Person of the Year" from *TIME* in 2000. Five years later, readers of *Fast Company* named him "the most respected CEO of the last decade."

He was born in a small town of Salem, near Boston, as the only son of a ticket collector. Being a housewife, his mother could devote a lot of time to him and had a great influence on her son's upbringing. In his own words, he did well but not excelled in high school. He didn't manage to get a scholarship that would enable him to study at a prestigious university like Dartmouth or Columbia University, so he enrolled at the University of Massachusetts where a semester cost 50 dollars and total fees amounted to 1000 dollars. As one of the best undergraduates, he received a grant to continue his education at the University of Illinois where he obtained his Master's degree and, later, a doctorate in chemical engineering. Instead of teaching at university or working for an industrial laboratory, he intended to make a career in business. So when General Electric made him an offer to join their plastic factory, he took it. At the time, plastic was replacing glass, metal, and wood in products ranging from milk cartons to automobile parts; it presented huge opportunities. Welch got employed as a junior engineer at the USA's largest company, which boasted a hundred-year long history and was founded by Thomas Edison. "The promotions started coming, enough of them to raise my sights so that by mid-1970s I began to think that maybe I could run the place one day," Welch recalls in his autobiography *Jack: Straight from the Gut*. His career was unusually fast-paced. He was promoted to general manager of the plastics unit in 1969 and by 1971 he was already heading the chemical and metallurgical division. At that point, the head of GE's human resources department wrote a memo to the Vice Chairman in which he concluded that Welch's appointment carried more than the usual degree of risk. The memo said, "[Welch] is somewhat arrogant, reacts (or overreacts) emotionally – particularly to criticism – gets too personally involved in the details of his business ... and has something of an <anti-establishment> attitude toward General Electric activities outside his own sphere." On the other hand, Johnson also mentioned his strengths: "a driving motivation to grow a business, natural, entrepreneurial instincts, creativeness, and aggressiveness,

is a natural leader and organizer, and has a high degree of technical competence.”⁵¹ The criticism didn’t hinder his career. At the age of 36, he was appointed head of the Consumer Products Group, one of the company’s major divisions. Five years later, he was promoted to Vice Chairman and eventually became the youngest CEO and General Director in GE’s history. The influential *The Wall Street Journal* reported that GE had decided to “replace a legend with a live wire.” Admittedly, the company made the best choice possible as it faced the need to redefine its business model and to change its management style completely. Jack Welch responded to those challenges by initiating strategic changes. He carried them out with confidence and exceptional commitment, which earned him various monikers from his co-workers and the media: “Neutron Jack” (for reducing employment and raising work efficiency), “Soft Jack” (for creating a company based on values and a “boundaryless” culture), “Global Jack” (for focusing on those areas of activity in which GE could be the first or the second in the world), “Six Sigma Jack” (for his utmost care for quality) as well as “eBusiness Jack” (for the use of the Internet in all areas of company activity). Jack Welch declared that his aim was to make GE “the most competitive company in the world”. To that end, he intended to “breathe the spirit of a small company into the body of a large corporation.” Welch changed the company’s profile and the way it operated. His decisions made its geographical expansion possible and contributed to its record sales, profit and market capitalization. However, his greatest contribution to this most renowned American corporation the corporate culture based on the values he implemented. A value system was devised shortly after he had taken up the position of CEO, in 1985, following long debates at the famous training facility in Crotonville. Jack Welch turned it into a code of conduct for the entire company and he committed himself wholeheartedly to promoting it. At

⁵¹ Welch, Jack, *Jack: Straight from the Gut*, Warner Books Inc: New York, 2001. 42.

a corporate meeting in 1992, while summarizing the year of GE's best financial results, Jack Welch reminded the ten thousand managers who had gathered for the meeting: "Look around you: there are five fewer officers here than there were last year. One was fired for the numbers, four were fired for [lack of] values."⁵² Values became the main criterion of worker evaluation at GE, according to which the Type 3 manager missed commitments but shared company values and should be given a second chance. The Type 4 manager was a person who delivered on all the commitments but didn't share the values. Such managers were unwelcome. If they didn't leave by themselves, their future in the company was a foregone conclusion. Initially, the list comprised five values, but it evolved with changes in the outer environment and company priorities. Welch was fully aware of how significant values were for GE's growth. He often stressed that they were "more than just a set of words, these values embody the spirit of GE at its best. They reflect the energy and spirit of a company that has the solid foundation to lead change as business evolves. And they articulate a code of behavior that guides us through that change with integrity." For a long time, GE's set of values spanned a broad spectrum: Passion, Curiosity, Innovativeness, Responsibility, Teamwork, Commitment, Openness and Energy. In the 1990s each newly hired employee would receive a list of values and behaviours that corresponded to them on a plastic-coated piece of paper that could fit into a wallet. Jack Welch always carried one with him. He would frequently consult it in front of his employees to emphasize the importance of the values. In one interview, he said, "There isn't a human being in GE that wouldn't have the Values Guide with them. In their wallet, in their purse. It means everything and we live it. And we remove people who don't have those values, even when they post great results."⁵³

⁵² Lowe, Janet, *Jack Welch Speaks: Wit and Wisdom from the World's Greatest Business Leader*. John Wiley & Sons, Inc.: Hoboken, 2008. 106.

⁵³ Slater, Robert, *Jack Welch & The G.E. Way: Management Insights and Leadership Se-*

Training the best employees in the art of management and leadership was Jack Welch's central idea. It arose from his conviction that training and education were the leader's highest priorities. He believed that his commitment to the learning process and promoting knowledge among the company's managers would give that type of training a global dimension. Shortly after having taken up the post of CEO, Welch declared, "I want a revolution, and I want it to start in Crotonville."⁵⁴ 45 m dollars were spent to modernize and expand a training facility and campus in Crotonville which covered an area of 21 hectares. Each year, as many as 11 thousand GE workers from around the world could use the facility. In 1991, Fortune magazine dubbed it the "Harvard of Corporate America." Among the tutors at the training facility were GE's leaders, who taught the company's philosophy of operation, as well as professional coaches and renowned lecturers from the best universities and business schools. They included Jim Baughman (Harvard Business School) and Noel Tichy (University of Michigan) as managers, and a constellation of illustrious professors, such as Peter Drucker, John Kotter (Harvard), Ian MacMillan (Wharton), Andre Laurent (INSEAD) and many others.⁵⁵ Jack Welch was a frequent guest at Crotonville. At least once a month, he would hold a meeting with managers on the subject of leadership and GE's strategic projects. He preferred the word "meeting" to "lecture". During twenty-one years, he personally supervised the training of 18 thousand people. Thanks to Welch, who engaged himself and all major managers in the dialogue and training of GE's leaders, Crotonville played a key role in shaping the company's business culture. It was a smithy where revolutionary projects were forged and a bind that held

crets of the Legendary CEO. McGraw-Hill: New York, 1998. 53.

⁵⁴ Lowe, Janet, *Welch. An American Icon*. John Wiley & Sons, Inc: New York, 2001. 52.

⁵⁵ Following in Jack Welch's footsteps, in 2009, Steve Jobs created Apple University in the Silicon Valley, and appointed Joel Podolny to run it. In order to assume the new position, Podolny stepped down as Dean of Yale University's School of Management.

everything together when deep changes occurred.

A lot could be said and written about Jack Welch's contributions to GE. The way he realized his successes and constantly improved himself as well as the firm is noteworthy. Even though he was nearing retirement when the Internet was conquering the world, he approached this novelty with childlike curiosity. His last strategic decision was to move GE into eCommerce.

Every human being, including the greatest leaders, has their weaknesses. So did Jack Welch. He was an obsessively ambitious choleric and a ruthless boss. Nonetheless, his humility and persistent willingness to improve were impressive and can serve as an example to follow. Welch's own words provide a good summary of his attitude to life: "I've never stopped being aware of my roots even as my eyes opened to a world I never knew existed."

Chapter 11.

Execution

Many people regard execution as detail work that's beneath the dignity of a business leader. That's wrong. To the contrary, it's a leader's most important job.

Larry Bossidy

Many business leaders spend vast amounts of time learning and promulgating the latest management techniques. But their failure to understand and practice execution negates the values of almost all they learn and preach.

Ram Charan

Life is like a snowball. The important thing is finding wet snow and a really long hill.

Warren Buffet

Execution is the ability to breathe life into your plans. It's always a dynamic process that has an objective and subjective dimension to it. It's something that was begun in the past and whose results can be seen in the present. It's an action in progress – *in statu nascendi* – and an intellectual activity that transforms ideas into potentially successful projects. Devising realistic plans and determining the right way to carry them out are necessary skills to reach goals. The ability to meet objectives is indispensable for the effectiveness of every strategy. It is one of the most important features for the

leader to have and a fundamental element of teamwork and corporate culture. A lack of this ability entails bad leadership.

Quite often execution is the missing link, the reason why people and companies don't meet their commitments, why they disappoint. This brings about failure, feelings of dissatisfaction, miscarried projects and ruined companies.

The end crowns the work. That's why seeing the task through is the true soul of execution.

Execution comprises a set of competences and behaviours, which include:

A focus on the goal and the result

- correctly determining priorities,
- using resources wisely,
- making realistic plans for the short and long term,
- completing tasks efficiently and in a timely manner.

Decisiveness

- making quick but not rash decisions after weighing opportunity and risk, using available information, knowledge and experience to judiciously evaluate risk,
- clearly defining goals and responsibilities,
- monitoring your task progress,
- being determined but flexible enough to adjust your decisions when it's justified.

Business awareness

- seeing the business as a whole,
- being able to present mission and vision in a convincing way,
- seeing opportunity and risk, and reacting accordingly,
- being able to determine strategic priorities.

A project is an enterprise designed to realize a certain goal. It requires resources and must meet specific standards of quality. It has a timeframe and a budget. Innovative projects are unique ventures which involve undertaking tasks that have never been completed before. The greatest challenge is ensuring they're not a one-off success. In the era of the New Economy, the principles of "do it quickly" and "stop and go back" must never be forgotten when managing projects. In the past, projects could be prepared for months, even years, only to be implemented without any hurry. Nowadays, the preparation and planning phases are cut to the minimum. The speed of implementation is a priority. When the process doesn't work, which often happens, we do it all over again. Consumers become testers of new products and their reactions are closely monitored. Improvements are introduced after the products, known as beta versions in business jargon, have been launched onto the market. However, this can't be done in some areas because of safety considerations. In medicine, transport and even banking certain products must be checked thoroughly before they're made available to customers.

I came to BRE Bank with a concrete plan and ambition. I wanted to create the best retail bank in Poland. That was to be MultiBank. Soon, however, it turned out that there was a window of opportunity to launch an online bank, and the idea of mBank was born. As early as in 1998, while working for PBG SA in Łódź, I created Poland's first online bank. Since the latter half of the 1990s, I had seen online banking as the most important direction for the development of retail banking. I was convinced the Internet was going to transform banking as well as our lives and business. In MultiBank, the Internet was supposed to be a complimentary channel of distribution and communication with the client, while in mBank it would become the foundation for a low-cost business model.

The mBank project was unique because BRE Bank, which had so far catered to businesses, was now planning to serve individuals, which is a completely different kettle of fish. Everything had to be done from scratch. What's more, mBank was to be unlike any other bank on the market. There were upsides and downsides to that. I repeatedly told my colleagues from corporate banking that mistakes and unforeseeable problems can't be avoided when implementing a disruptive innovation. Fortunately, I was met with understanding. At the same time, conservative-by-nature bankers from our traditional mother company, were less tolerant of "the crazy online project." Their sensitivity to the dangers of potentially erroneous decisions and aggressive guerilla marketing was justified by their concern for the bank's reputation, which is hugely important for an institution of public trust. The name, the logo of a flower resembling an avant-garde painting, the aggressive marketing, the methods of communication, all of them excited controversy, especially because there was no room for compromise which could threaten the new bank's unique character. However, the understanding of the board of directors at BRE Bank had its limits. When testing of the new IT system was to take two weeks instead of the four demanded by the company's conservative experts, the resistance became too stiff and I had to back down. I argued that no matter how long the tests would be run, there would still be some mistakes. I thought it was a better idea to let clients enjoy and test in practice the innovative solutions offered by the new bank. The mistakes could have been corrected on the go. The conservative prudence won and the tests were run according to the experts' recommendations. However, mBank still had many flaws at its debut, none of them critical. It's impossible to create a perfect bank in three months. Nevertheless, the end result was impressive. mBank was launched at midnight on 26th November 2000, after 100 days of arduous work. Our clients were impressed by the technical solu-

tions and how functional they were:

Re: Sweet Dreams

You guys must be crazy ;-)

I woke up in the morning and it seemed as though I had been asleep for a couple of years. Is it a horrible mistake that I slept at night instead of going to a bank?!

Well, it can't be helped. I'm opening my account now. Better late than never :-)⁵⁶

Re: First impressions

Guess what I'm going to write about :-)

I never thought I'd open a new bank account from my own armchair on a Sunday (and certainly not this Sunday). (...)

That's simply incredible. You can even pay in already. You can start paying out after doing the paperwork.

All in all, it's fantastic. We'll see what comes next.⁵⁷

Over the following six months, we introduced many changes that took into account our customers' feedback and improved the transaction system. Perfecting solutions in cooperation with clients has many advantages. No amount of testing carried out in a friendly environment can replace it. Perfection can only be reached by meeting the highest requirements. Traditional banks revise their transaction systems once every two years. mBank did that four times a year. Thanks to that, we could correct flaws without delay, but, even more importantly, introduce key improvements.

⁵⁶ Posted by Wojtek Frabinski wojtekfr@alpha.net.pl at 10:22:05 on 26th November 2000.

⁵⁷ Posted by Wojtek Frabinski ICQ_50443653 wojtekfr@alpha.net.pl at 11:44:22 on 26th November 2000.

It took five months in total to implement the mBank project, excluding the period needed to complete an opportunity analysis and business plan. We devoted slightly more than three months to creating an operation model and implementation strategy. Today, I find it hard to believe. A few factors are indispensable to make such projects work. First, you need to be aware that you have a once in a lifetime opportunity, which makes you act quickly and decidedly. Second, you need to be able to use your past experiences, knowledge as well as skills, and to energize your team without which the project can't be carried out. An ambitious vision and plans aren't enough. You need people to realize them. Such projects can't be done on one's own. Our success was the result of the work of a few dozen people with whom I had had a chance to cooperate on other ventures, and new, carefully selected team members, who joined us because they were intrigued by the project. Keeping in mind the nature and scope of the enterprise, calling it an incredible achievement isn't a hyperbole. I don't know any other example of an online bank, let alone a retail bank, which was created from scratch in such a short period of time. In addition, the project was unique in that it was partly carried out as an element of a larger programme, and partly alongside the creation of another bank with a more traditional business model. Twelve years later, changes to mBank's operating system were to be carried out in six months. Eventually, the project turned out to be six months late and its completion cost more than its prototype.

Six years after mBank's launch, it was clear that the new business model proved to be a disruptive innovation. The financial market has high barriers to entry. This means that competition is friendly and mainly limited to gradual innovation, which doesn't lead to internal conflicts of interest. It satisfies customers' sophisticated needs by improving existing products, but doesn't create new ones. Nor does it change the existing markets in any fundamental way. The emergence of new business models and new players on the

financial market is very difficult and hardly ever seen. With time, I became more and more convinced that mBank's low-cost business model would also do well in any foreign market dominated by traditional banking. In January 2007, I presented a draft plan of entry to Czech and Slovakian markets to BRE Bank's strategic owner. It was supposed to be a pilot programme of an enterprise aiming to build a pan-European bank of a new generation. The experience gained at the Polish mBank was to serve as a guide. At that time, I was already BRE Bank's boss, but because of the strategic nature of the project and my personal commitment to it, I became its leader. I appointed Piotr Gawron as operational manager since he proved his worth as the boss of mBank in Poland. The project was supposed to be completed in seven months. We planned to revise the existing technological platform in order to shorten the time of entry to subsequent countries by four months. Apart from its obvious business advantages, the venture was the embodiment of financial integration in Europe. The aim was to create a single bank for the majority of European countries which would allow customers to access financial services and manage personal funds in any country through a single real-time platform. The cream of the crop of mBank's staff was assigned to the project. Their profiles served as examples for recruitment to mBank.sk and mBank.cz. The forecast investment and operating costs of the two projects were to be relatively low at around 30 million euro. According to our plan, it would take three years to break even. If for some reason the project had failed, BRE Bank's profitability couldn't have been threatened. It was an investment in the future and success would open doors to Europe.

The project started with renting two spacious villas in the Prague and Bratislava. After they were equipped with office appliances imported from Poland and with Ikea beds and wardrobes, they were ready to serve as workplaces and accommodation for the Polish members of the project team. Establishing an adequate

computer connection with the IT Centre in Poland was a challenge, but the real trial came in the form of a safety audit. Eventually, it took two weeks to organize the infrastructure and the project entered the execution phase. Believe it or not, our banks in the Czech Republic and Slovakia were launched in those temporary locations. It wasn't until a couple of months later that more permanent, attractive and comfortable offices in city centres were rented. Even though some legendary companies were set up in garages, no bank is known to have been created in a suburban villa. The company began its next chapter in the Czech Republic and Slovakia according to plan – on a weekend before yet another anniversary of mBank's launch in Poland, 24th November 2007. The project was conducted almost exclusively by Poles, but all of them soon went back to Łódź. One of the first Czech workers, Adam Zbiejczuk, had this to say about his adventure with the new mBank:

“I arrived at a Prague villa on 2 Na Sekyrce Street at 6 pm. Even though I had visited mBank's website and knew it was different to any bank I had ever seen, what I encountered there exceeded all my expectations. Did they really want someone who didn't have the foggiest about banking? Wojtek looked less a bank manager and more like a geek. He seemed only slightly older than me. He told me he had studied medicine and theology and that he had got the job because he'd been writing good children's stories. I felt a sudden thrill. We then talked for quite a long time. I left the villa completely won over by the project and the people behind it.”

For mBank, it was a second life. Its business model and products had a chance of becoming a revolution on the Czech and Slovakian markets thanks to the same features that inspired so much interest back in Poland and that had created a lasting competitive advantage over other retail banks. Throughout the following months, the reality exceeded our plans and boldest expectations. At the end of 2008, after just one year, the number

of clients reached 185,000 in the Czech Republic and 58,600 in Slovakia, which corresponded to 703,000 and 410,000 clients on the Polish market.⁵⁸ In the following two years, mBank attracted a further 351,000 and 101,000 customers, and became one of the five largest banks by number of clients. mBank carried out a revolution. It had become a competitor to be reckoned with for the biggest traditional banks and won the appreciation of experts and customers alike. In 2008, they awarded mBank the highest accolades of Zlata Koruna in the Czech Republic and Zlata Minca in Slovakia in recognition of the mKonto personal account.

Execution is an ability to see things through to the end in a timely manner with the use of available resources. In most cases, it's the result of many people's work guided by a leader whose role cannot be overestimated.

It's a leader who is responsible for choosing goals and a strategy, creating a team and motivating its members. A leader's also in charge of building an operating process in which intellectual effort, commitment and material resources all come together. There's an overabundance of good ideas. Drawers and bookshelves at public institutions and company headquarters are brimming with effective strategies, but it's execution that determines whether they're successful or not. Each plan and idea that has been realized is far better than the most attractive concept or idea which only remains on paper.

Mountains and the sea are natural barriers to communication. Conquering them has posed a challenge since time immemorial. This heroic struggle with the elements has been motivated, in equal

⁵⁸ Poland's population is 3,8 and 7 times bigger than that of the Czech Republic and Slovakia respectively.

measures, by commercial reasons and the human desire to discover the unknown. Mountains are part of our natural habitat, but they are also a limiting factor to expansion. In the past, they were a significant barrier to the growth of civilizations. The world's highest mountain range, the Himalayas, separated the Chinese and Indian civilizations from each other. The ecumene, or the area that humans inhabit permanently, extends up to 4,000 metres above sea level. Humans learnt how to overcome seas and oceans at an early stage. Mountains, however, posed far more difficulties owing to a steady decrease in temperature, pressure and oxygen with altitude. There are fourteen summits that are over 8,000 metres high above sea level: ten in the Himalayas and four in the Karakoram. The first eight-thousander – Annapurna (8,091 m) – was conquered as late as in 1950, and the lowest – Shishapangma (8031 m) – was also the last one to be climbed (1964). The highest peak, Mount Everest, reaching 8,848 m above sea level, was conquered in 1953 by a New Zealander, Edmund Hillary, and a Nepalese Sherpa, Tenzing Norgay. The first person to climb all fourteen eight-thousanders was an Austrian climber, Reinhold Messner, who needed 16 years, from 1970 to 1986, to accomplish this feat. The second person to achieve that was Poland's Jerzy Kukuczka. Between 1979 and 1987, he ascended all the world's highest mountains, plotting out ten new routes. He was the first person in history to climb four eight-thousanders during winter. In 2010, Piotr Pustelnik, born and residing in Łódź, became the 20th person to complete all the summits. He was nearing his 59th birthday at the time. His accomplishment didn't come easy. It took him as many as five tries to ascend Annapurna, the last summit on his list. Mountaineering is a high-risk extreme sport which requires exceptional courage and determination. Climbers often tread a line between life and death. Reinhold Messner lost three of his fellow climbers, including his own brother, during his first two excursions. In Jerzy Kukuczka's four successive expeditions, four of his partners lost their lives. When soon afterwards, Kukuczka invited Artur Hajzer, another renowned Polish

climber, to join him in an expedition to the Himalayas, the latter responded: “Logically speaking, I shouldn’t go with you. Everyone around you seems to die...”⁵⁹ Hajzer and Kukuczka together climbed Manaslu, Annapurna and Shishapangma, plotting out new routes. Jerzy Kukuczka died, in 1989, attempting to climb the south wall of the Lhotse. Artur Hajzer lost his life during a descent down the Japanese Couloir on Gasherbrum I.

Piotr Pustelnik used to say, “We must have humility and respect for a mountain we’re climbing. We’re not conquering it. It’s letting us ascend itself.” Born and raised on a lowland, in a family with no mountaineering tradition, he fell deeply in love with mountains, but approached climbing rationally. First, as a student, he received extensive training, both indoors and in the Tatras. For a long time, mountains were a passion he could indulge in only in his free time from school or work. He soon completed his doctorate in chemical engineering and took up a post at the Lodz University of Technology. For a long time, Pustelnik hesitated between continuing his academic career and becoming a professional mountaineer. Eventually, his passion for mountain climbing won. His first major ascent came “late” in his life; he was already forty when he climbed his first eight-thousander, Gasherbrum II. At this age, some mountaineers finish their careers. In the following seven years, he climbed eight of the summits several times and was already close to becoming the 10th person to have conquered the Crown of the Himalayas. I met Piotr Pustelnik in 2001, after his successful ascent of Kangchenjunga. It seemed that completing the Crown was just a matter of time. Only the relatively easy ones – Makalu, Manaslu, Broad Peak and Annapurna – were left. I took part as a trekker in acclimatization and setting up the first camps during the expedition to Makalu in 2002 and to Broad Peak in 2005. As a rightful participant of the

⁵⁹ Kukuczka, Jerzy, *Mój pionowy świat*, Mac System: Górki Wielkie, 2009. 172.

2005 Cho Oyu expedition, I had the chance to get to know Piotr Pustelnik closely in his role as an organizer and leader. My first impression was mixed. Observing what was going on around me, it seemed to me that we were in need of a real boss. No one was hurrying anyone to do anything. No instructions were being given. Nobody was being disciplined. “There’s no chance this is going to work,” I thought to myself. After some time, however, I realized that things were moving ahead: permits had been arranged for on time and seemingly unavailable airline tickets had been booked. Unbelievable though it may have seemed, a Nepalese agency had managed to conjure up a helicopter which was waiting for us at an agreed location in the mountains. Most importantly, however, all members of the expedition cooperated seamlessly together, despite being strong individuals. Pustelnik showed himself to be a genuine leader whose leadership was based on an authority of merit rather than formal power. The rest of the climbing greats – Artur Hajzer, Ryszard Pawłowski, Piotr Morawski and many others – accepted his decisions without murmur. Piotr Pustelnik communicated his instructions so clearly that they seemed obvious and unimposed. I never heard him raise his voice. I never saw him irritated. He would always ask and never give overbearing orders. He wanted to serve others, not rule over them, which won him admiration and obedience. It often crossed my mind that he would have found corporate world troublesome, but under those extremely harsh conditions people respected meritocracy. They weren’t expecting any courtesy, preferring their leader to be assertive. Piotr Pustelnik was ready for justified compromise and could even change his decision. He was consistent and determined in action, but accepted failures with humility. His strong will and inherent optimism enabled him to rise from them. Self-reflection was his great strength; he could draw useful conclusions from each defeat. He climbed the Annapurna at the fifth attempt to complete the Crown of the Himalayas. His friends weren’t in his corner, but fought arm-in-arm with him. Peter Hamor, who climbed Annapurna in 2006, made it a point of honour to support Pustelnik in the last chapter of his Himalayan saga. In 2010, the two conquered the peak together.

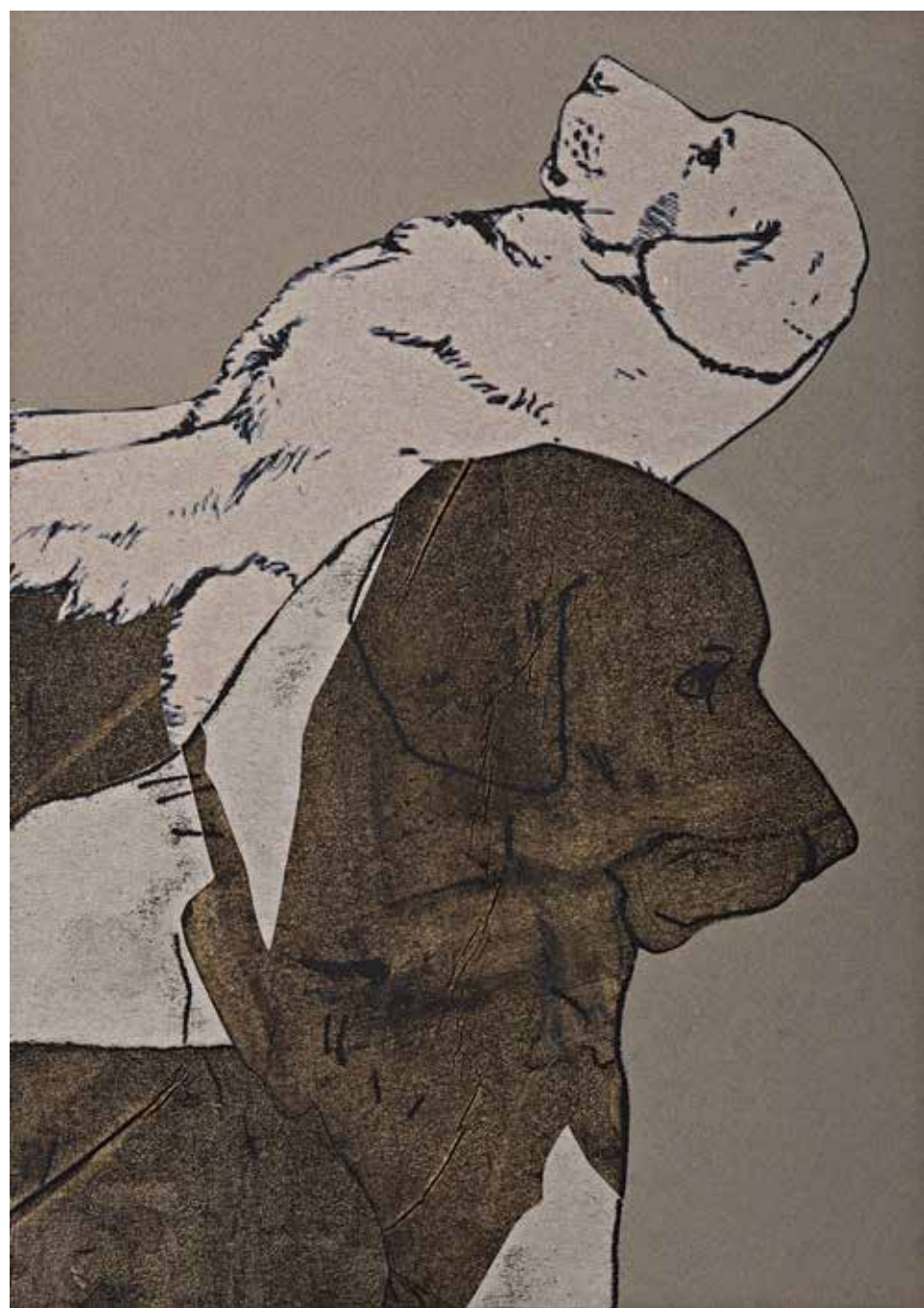
Piotr Pustelnik never treated reaching a summit as the top priority. “The brotherhood of the rope” was always more important to him. In 1996, he stopped his ascent of K2 to help a completely exhausted Marco Bianchi climb the mountain. He brought him back to the camp, safe and sound, and made it to the summit a few days later. K2 is the second highest mountain after Mount Everest, but is considered the most difficult one to climb. It has claimed many lives and, for this reason, is often dubbed the “killer mountain”. In 2005, Pustelnik organized an expedition to rescue Artur Hajzer who had broken his leg at 7900 m while attacking Broad Peak. It’s the only case in history of a person surviving a serious injury at such a high altitude. In 2006, Piotr Pustelnik was just an hour away from reaching his life’s goal when he attempted to attack Annapurna, his last eight-thousander, for the fourth time. The conditions were perfect. All of a sudden, it turned out that Lou Tse was unable to continue the ascent due to snow blindness. Pustelnik decided to go back and help his team member. Piotr Morawski joined him and together they brought Lou Tse to the tent they had set up at 7400 m above sea level. They spent four days there, without food or water, waiting for their friend’s sight to get better. In 2007, the Olympic Committee presented Piotr Pustelnik with a fair play award.

In 2012, I was climbing Mt. Logan (5966 m) with Piotr Pustelnik and two friends, Waldemar Sondka and Filip Pawluśkiewicz. It’s the highest mountain in Canada and the second-highest peak in North America, not much lower than Mt. McKinley. It’s located in the Saint Elias mountain range in the western part of the country, in Yukon, near the border with Alaska. The Mt. Logan massif covers the area of Switzerland and is the source of gigantic glaciers: Logan, Seward, Hubbard and many others. Extremely low temperatures have been noted on the peak and the surrounding area. A record-low temperature of $-77,5^{\circ}\text{C}$, the coldest outside of Antarctica, was observed there in 26th May 1991. Climbing Mt. Lo-

gan isn't particularly hard, but it requires good physical shape. The ascent usually takes about 21 days to complete. In order to reach the summit, you must cover a few dozen kilometres, pulling sleighs with all your equipment behind you. While we were travelling to a base on the Quinto Sella Glacier in a tiny plane, Dehaviland Turbo Otter, we met a legend of mountaineering, Hans Kamerlandner from Austria, Reinhold Messner's friend and long-time climbing partner. With his ascent of Mt. Logan, he was to become the first person to complete the so-called Little Crown (the second-highest peaks of all the seven continents). Hans Kamerlandner and his partner were climbing in alpine style which means that they had taken little baggage and were moving forward at a high pace. So we were utterly surprised to meet them in the King Col Camp before Prospector's Pass. It was at that point that he had been forced to retreat due to his partner's altitude sickness. At the camp, he had to choose a new strategy to attack Mt. Logan. He resolved to skip the last camp below the summit, which is usually set up after crossing Prospector's Pass. I couldn't even dream of doing that. After eight days of pulling all my equipment behind me, I was on my last legs. Then, Piotr Pustelnik decided that we would all take the usual route and camp on a plateau below Mt. Logan. The next day, while climbing up Prospector's Pass, we met two inhabitants of Alaska on their way down, one of whom turned out to be Polish. They had spent nearly a week on the plateau. Unluckily, the weather hadn't permitted them to reach the peak. They appeared to be resigned. Having crossed the pass, we ran into Hans Kamerlandner and his partner who were in high spirits. They had conquered the summit. As for us, we decided to set up a camp after marching for another two exhausting hours. Seeing how tired Waldemar and I were, Piotr decided that we would take a day's rest before attacking the peak. The sun greeted us in the morning. According to the forecast my wife gave us via satellite phone, the weather was going to worsen only after two days, so we were all brimming with optimism. The day of rest was the most beautiful one since we had set out. The

weather in the Mt. Logan massif is particularly unstable, because the summit's just a few dozen kilometres from the Pacific coast. In the late afternoon, the initially promising weather forecast had changed completely. We hoped against hope that it might be just a violent but short-lived blizzard, and that we would find a period of calm weather to reach the top. We spent a wakeful night, all geared-up and ready to climb. Even now I can feel the gusts of wind tossing our tent, and hear the piercing howls that stopped us from sleeping. In the morning, I checked the weather forecast once again. The following days were going to be just as bad. Piotr asked me to check the food supplies. I knew without checking that they were enough for only one day. Worried about the weight of our baggage, we had left plenty of food at the camp on Quinto Sella. Still, our pace of ascent was slower than intended and we ran out of food at the culminating point of the expedition. Piotr Pustelnik didn't waste time exchanging views, but simply decided to roll up the tents as soon as the blizzard cleared up. I didn't manage to conquer Mt. Logan even though I was mere three hours away from achieving it. In retrospect, it was the most difficult excursion of my life. I twice came close to the brink of physical collapse while trying to keep pace with the world's best mountaineers. There's no doubt that Piotr Pustelnik and Filip Pawluśkiewicz could have reached the summit the day I had to rest. Piotr didn't do it even though he could have, and neither I nor Waldemar had any grievances when he decided we needed to evacuate. His leadership only confirmed my belief that the journey is more important than the destination. This doesn't mean that realizing goals effectively has no significance. The ends, however, don't justify the means, and pursuing goals at all costs can be pernicious.

Execution isn't only the ability to achieve spectacular success. More importantly, it's about making your dreams come true by giving them a shape of scrupulously planned goals. Arduous execution means more than impressive but lucky triumph.



Chapter 12.

Responsibility

To be a man is, precisely, to be responsible. It is to feel shame at the sight of what seems to be unmerited misery. It is to take pride in a victory won by one's comrades. It is to feel, when setting one's stone, that one is contributing to the building of the world.

Antoine de Saint-Exupéry

Shirking responsibilities is the curse of our modern life – the secret of all the unrest and discontent that is seething in the world.

Lucy Maud Montgomery

Responsibility appears to be one of the biggest challenges of the present time. It's an obligation to take ownership of what you do, and, if you're a leader, other people's actions as well. It also means having a moral duty of care over someone or something even when you're not directly involved. Being true to your values and convictions means that sometimes you have to go against the current and question the status quo, but it's a responsibility that arises from self-awareness. To be responsible is to feel empathy, to strive to understand others and to support them by serving them.

Responsibility is made up of competences and behaviours that include:

Self-awareness

- knowing you preferences and capabilities,
- understanding your own emotions and their consequences,
- justified belief in yourself, a strong sense of your worth.

Self-direction

- accepting responsibility for your actions and behaviours,
- maintaining the norms of integrity and honesty,
- controlling harmful passions and emotions,
- motivation to act in accordance with your cherished values.

Initiative

- breaking existing barriers, an ability to question the *status quo*,
- readiness to act decidedly and quickly whether or not you're expected to,
- inspiring others to act and an ability to gain followers.

Responsibility manifests itself in action and, occasionally, in refraining from acting. Such is the importance of responsibility in leadership that an irresponsible leader is by definition bad. Being responsible requires you to anticipate the results of your actions and take into account other people's interests, emotions and values. That makes responsibility a critical element of social, political and business relations.

During one of his lectures, Leszek Kołakowski said that “responsibility is a subject in which the grave disease of our civilization is encapsulated and manifested; it may not be terminal yet, but it is extremely worrying.”

His words refer to the ever more widespread belief that it's the anonymous society, the state, public institutions or corporations

which should be blamed for our wrongdoings and unhappiness. Many resort to this belief to vindicate the harm they have dealt, to find a reason for the harm they have suffered, to silence the voice of conscience and to exempt themselves from confronting evil. Powerlessness is a convenient excuse, while the real challenges of the here and now are freedom and responsibility. The power of human beings to act is manifested in responsible actions which are the emanation of our freedom.

One late evening in summer 2008, I got a call from a journalist acquaintance of mine. As we spoke, he instinctively lowered his mysterious-sounding voice as if worried that he might be overheard: “Your dossier’s been circulating Warsaw. The four editors of the biggest papers have it. I thought you should know.” He hung up.

At first, I didn’t understand what he was talking about, but soon that peculiar jargon became clear. A “dossier” is a colloquial term for data collected by the Security Service in the People’s Republic of Poland and used against political dissenters. It also describes a record of Security Service agents. I was stunned. Not having been an active dissenter, I expected that he meant the latter.

Even though it’s now over 20 years since the fall of communism, the history of the post-communist Poland still revolves around Security Service dossiers. Unlike in other post-communist countries, such as the German Democratic Republic, where Security Service archives were made public, in Poland access to them is limited. Many Poles have no clue what they might find there about themselves.

Co-operation with the Security Service stigmatizes people for all the right reasons. In each individual case, however, motives

and results of such co-operation should be weighed carefully. The agents of Security Service who informed on their acquaintances, friends and closest family members violated the basic moral principle of trust. Accusations about dealings with the Security Service based on disclosed documentation have been used as a weapon of political, public and economic struggle. As a rule, people who were found guilty of co-operation with the Security Service disappeared from the public scene. Even a mere suspicion was enough to consign someone to oblivion. Dossiers became a handy tool for fighting opponents of any kind. Because of the limited access to archives, verifying evidence is a long-drawn-out procedure. Court cases can go on for years. For that reason, an accuser should have double responsibility. They need to take motives into account and evaluate whether or not the source of information is reliable.

The media played a key role in the so-called “dossier scandals”, and more precisely, investigative journalists. Their task is to uncover information of great public import. They report affairs that should be investigated by constitutional bodies such as the police, public prosecutors, and courts of justice. Since the Watergate scandal, investigative journalism has been rightly regarded as something essential. Its power rests on journalists’ code of ethics and the media’s capacity to influence. With such power comes responsibility.

The documents about my alleged co-operation with the Security Service were in public circulation. The very thought paralyzed me. I had only hazy recollections of a few encounters, nearly thirty years ago, with people claiming to be intelligence officers. Those took place each time I collected my passport to go on trips and research visits. In communist Poland, every citizen had to go through the ritual of getting permission to travel abroad. When I was asked in one newspaper interview about my contacts with the Security Service, my answer was the same as above. I had nothing to reproach myself for. At the same time I could not rule out the

possibility that the documents might have been fabricated. In August 2008, *Rzeczpospolita* published an article entitled “What Did Lachowski Do for the Intelligence?” That’s what could be found in it: “*Rzeczpospolita* has uncovered Mr Lachowski’s dossier, recorded on microfilms, at the Institute of National Remembrance. The information inside pertains to his recruitment to the intelligence services of the People’s Republic of Poland in 1980 when he was 22. He was registered as an <operational contact>, code-named <Brown Hair> The intelligence enlisted him to <expose Western centres of ideological diversion>.”

Towards the end, the article contains information seemingly unconnected with the rest of it: “Mr Lachowski is seen as the Polish banking’s greatest visionary. He is, among other things, the architect of mBank (an online retail bank) and MultiBank. A few months ago, he stepped down as BRE Bank’s chairman. When *Puls Biznesu* reported that he was mentioned as a candidate for CEO at PKO BP, the bank’s shares rose by several percent.” That much was true. I was thinking of returning to PKO BP where I planned to build a pan-European online bank, a project I hadn’t realized at BRE Bank. Inteligo, PKO’s online branch and once a fierce competitor of mBank, seemed perfectly suited for it. What’s more, PKO BP had the same online platform as mBank. The project would pick up where the previous one, blocked by Commerzbank, had left off. The whole thing gained wide media coverage as I was leaving BRE Bank. At that point, I couldn’t do much, though. My contract forbade me to work for competition and Commerzbank, being BRE Bank’s owner, wasn’t eager to change it. So instead of joining PKO BP, I found myself in the midst of speculation. “Since the article, the subject of his candidature has no longer been brought up. – Someone struck a sore point with *Platforma*, which is scared of being accused of promoting people with a murky past. It is a classic attempt to turn down a candidate on the basis of their co-operation with the Security Service – says PO politi-

cian.” This is what the biggest Polish broadsheet wrote about the whole affair.⁶⁰ I knew perfectly well that PKO BP was under the influence of politicians. After all, its controlling interest belongs to the Treasury. So, mindful of that, I withdrew my candidature and went abroad to work on different projects in the financial sector.⁶¹

Sometime later, a stranger gave an investigative journalists a CD with scanned documents from the Institute of National Remembrance. The latter passed it on to me. To my surprise, it contained none of the fabricated data about my alleged co-operation. The dossier described me as “a candidate for a collaborator” who “shared just a few pieces of information of little importance, in oral form only, and consistently evaded giving a written statement on any topic.” It went on: “He categorically refused to sign an obligation to co-operate. He claimed that his refusal was the result of deep reflection and willingness to remain completely independent. He disqualified himself as a potential candidate for a collaborator.” I was happy to read what the Polish intelligence officer wrote about me almost thirty years ago. His words confirmed the values I’ve adhered to all my life. You can never know where death-dealing danger or life-giving support might come from.

Towards the end of 2008, a female journalist wanted to investigate the matter more closely. She asked the Institute for access to its archives. It was then confirmed that the documents hadn’t been officially handed over to anyone before, which meant that the documentation had been obtained through illegal means. This is what *Gazeta Wyborcza* later wrote about it: “The difference could be spotted at a glance. The documents seen earlier did not contain the

⁶⁰ Czuchnowski, Wojciech, “*Bankowiec zdzielony teczka*” [Banker Bashed with Dossier], *Gazeta Wyborcza*, 2009.06.02

⁶¹ I didn’t abandon my dreams. Several years later, I took part in an open competition for the post of CEO at PKO BP.

following inscription: <<IPN BU i AD>> (Office for the Preservation and Dissemination of Archival Records). Such inscriptions or stamps can be found on all Security Service documents which the Institute of National Remembrance hands over to researchers and journalists. A critically important document is also missing from the dossier without the Institute's inscription – a note from 21st December 1982 (over two years after the dossier had been set up) about the intelligence ordering the Warsaw branch of the Security Service to collect information on Mr Lachowski with the aid of <<sources within the academic community>>. This note may imply that Mr Lachowski became the target for the Security Service. The comparison of the two dossiers leads to the conclusion that the unstamped copies were disseminated unofficially, and the absence of the note from 21st December 1982 shows that the dossier had been manipulated.”⁶²

In 1993-2007, the monthly *Forbes* ranked Bill Gates the richest American. He was also the world's richest person between 1995 and 2007. In 1999, when the Internet bubble was growing, his wealth exceeded 100 bn dollars. It was mostly made up of Microsoft shares. To this day, Gates remains the company's largest individual shareholder, owning 5% of shares. Since 2000, the nominal value of his shares at Microsoft has been steadily declining due to an overall drop in the company's share prices, following the Internet bubble burst, but also Gates's multi-billion donations to charity. After leaving Microsoft, Gates invested into private equity funds which proved to be a wise move when share prices of the mother company decreased by half in the following years. After stepping down from Microsoft, he devoted himself to working for the Bill & Melinda Gates Foundation, which had been set up

⁶² Czuchnowski, Wojciech, “Bankowiec podzielony teczką” [Banker Bashed with Dossier], *Gazeta Wyborcza*, 2009.06.02

in the same year. Between 2000 and 2004 Gates donated 29 bn dollars of his own fortune to charity. In 2013, *Forbes* calculated his wealth at 67 bn dollars which makes him the world's second richest person after Carlos Slim Helú from Mexico, an owner of a telecommunications company, America Movil, and a shareholder of numerous trade and industrial firms in Mexico. Bill Gates may be the second richest person in the world, but he is certainly the most generous billionaire.

The first one to show his support for Gates's charitable work was his long-time friend and one of the wealthiest people on the planet, Warren Buffet. This legendary investor, dubbed the "Oracle from Omaha", has never bought a single Microsoft share. However, he has always regarded Gates as a phenomenal business leader. When the latter decided to devote himself to running his philanthropy, Buffet announced that he would donate 99% of his wealth to charity, mostly through Gates's organization. On 26th June 2006, Buffet informed that he was going to give 12,050,000 Berkshire Hathaway shares to five charities. One-sixth of them went to the Bill & Melinda Gates Foundation. The donation amounted to 37 bn dollars. In 2013, Warren Buffet came fourth in the *Forbes* listing of the richest people in the world. His wealth was estimated at 53.5 bn dollars.

The Bill & Melinda Gates Foundation is the largest and richest charitable entity in the world. As of end-2012, its assets amounted to 36.4 bn dollars. The charity is run like the best commercial firms, which undoubtedly is the secret of its success. Donations are not given away but invested into priority areas according to strict rules. The Foundation isn't supported just by well-known companies and people like Bill Gates or Warren Buffet, but also by a great number of less sizeable institutions and individuals across the globe. The Foundation received 3.4 bn dollars in each of the two years 2011 and 2012. In mid-2013, the list of donors included

436 institutions, among which were renowned universities, firms, banks, public benefit organizations and governmental institutions. The charity currently employs 1116 people worldwide. It has offices in the USA, Africa, India, China and Europe. Its CEO, Jeff Raikes, started his professional career as a manager at Apple Computer and later held responsible managerial positions at Microsoft. The foundation's operating philosophy stems from Gates's business experience. It concentrates its efforts on problems which require innovative solutions: "we fund innovative ideas that could help remove these barriers: new techniques to help farmers in developing countries grow more food and earn more money; new tools to prevent and treat deadly diseases; new methods to help students and teachers in the classroom."⁶³ The foundation runs three large programmes: Global Development, Global Health and U.S. Program.

Global Development supports education, farming and development of economic infrastructure: financial and insurance services as well as access to information and knowledge. The main message of Global Development stems from its observation that close to 2.5 bn people survive on less than two dollars a day. For one in eight people hunger is a constant, life-threatening reality. The vast majority of the poor have no access to financial services and only few can use the Internet. Since most of the world's poorest depend on farming, Global Development helps small farms improve production and gain access to markets. The Global Libraries initiative, run as part of Global Development, builds libraries, supplies computers, provides free Internet access and trains staff. The foundation, together with the Polish-American Freedom Foundation, conducts a development programme in Poland which provides computers, the Internet and staff training to Polish li-

⁶³ <http://www.gatesfoundation.org/Who-We-Are/General-Information/Letter-from-Bill-and-Melinda-Gates>

braries. 3,330 branch libraries in villages and towns up to 20,000 inhabitants are involved in the programme. Its main purpose is to transform libraries into modern, multi-functional centres of information, culture and education that can spark citizen activity.

Global Health is the foundation's second most important programme. It targets the most serious diseases that afflict the poorest. Its top priorities are women's and children's health as well as diseases that can be fought with vaccination. Global Health funds research on new vaccines and medicines. It spreads awareness among inhabitants of developing countries about methods of protection against dangerous diseases. For example, the foundation has contributed 450 m dollars as part of the Great Challenges initiative towards the development of vaccines that don't need to be stored in fridges and that don't require needles to be administered. The foundation's main goal is to eradicate polio around the world by 2018. It has a detailed plan and a budget of 5.5 bn dollars of which 1.8 bn dollars are own funds. It has also set its sights on malaria, measles and rubella. In the last decade, the percentage of child morbidity fell from 9% to 6% thanks to new vaccines.

The third programme concentrates on issues facing people in the USA. It's a country of vast contrasts which has no shortage of economically poorly developed regions. U.S. Program focuses on school and extra-curricular education, access to the Internet and vocational training which increases chances of employment.

It's possible that Bill Gates's legacy in the field of combating diseases and poverty around the world will be even greater than his business and technological accomplishments represented by Microsoft and its products. Bill Gates has convincingly proved his responsibility as a leader and successful person by devoting most of his time and money to his philanthropy. With the help of Warren Buffet, he made his message of responsibility even more audible.

In 2010, the two gentlemen publicly announced the launch of the Giving Pledge campaign whose aim is to find billionaires who are willing to donate at least 50% of their own funds to charity. In July 2013, the Giving Pledge list comprised one hundred and fourteen names of billionaires from around the world, mostly from the USA but also from Russia, Ukraine and India. The total sum of their declared donations amounted to a dazzling 500 bn dollars. Bill Gates and Warren Buffet have been able to fire the imagination of rich businessmen thanks to their immense reputation which evidently meant much more than their wealth. They provide a brilliant example of what great effects inspiring others can bring.



Chapter 13.

Readiness

*Some people are characterized by outstanding intellectual abilities,
sufficient for even the most complex tasks,
and, yet, they cannot make decisions in difficult situations.
Their courage and knowledge become separated;
the two stop complementing each other.*

Carl von Clausewitz

Change or die.

Steve Jobs

Readiness isn't the most popular among values. Its significance can only be discerned once its many connotations and myriad meanings are properly interpreted. Dictionaries are of little help; their definitions of "readiness" have a narrow focus. I first realized its contextual richness at a workshop with my coworkers. We were trying to find the most important values that would guide BRE Bank's retail banking projects. It suddenly occurred to me how wide its semantic range was. "Readiness" could mean openness to the world and people, sharing knowledge, empathy, an ability to listen to others, dedication, courage, a willingness to cooperate and reach agreement. To me, it seems an incredibly dynamic value. It comes from Old English *ræde* whose Germanic base means "to prepare, to arrange."⁶⁴ Its etymology alone suggests that true read-

⁶⁴ *Sub voce* "ready" in: Room, Adrian, *Cassell's Dictionary of Word Histories*. Cassell: London, 2002. 514.

iness is free from chaos. Its potential for spontaneity stems from thorough preparation for what you might expect. But being ready also means that surprise events won't catch you unawares.

Readiness is a set of competences and behaviours that include:

Readiness to take on challenges

- awareness of your strengths and weaknesses, a correct evaluation of your abilities,
- an ability to take appropriate action in the face of change as well as emerging opportunities and risks,
- maintaining a sense of mobilization.

Readiness to make sacrifices in the name of cherished values

- consistency and determination in action,
- faithfulness to convictions and values,
- courage.

Teamwork

- an ability to cooperate in a team,
- understanding the varied interests of others and working to establish understanding,
- being a leader who sets realistic yet challenging goals by evaluating the situation and team members,
- sharing knowledge and experience with others.

When choosing readiness as one of the core values for mBank, MultiBank and BRE Bank I wasn't aware it would once test my deeply held belief that people's and companies' values must be identical to be effective.

Two months before my fiftieth birthday, I broke my personal record in marathon. I reached the finish line in Frankfurt over an hour before Martin Blessing, a German colleague of mine and the

Chairman of Commerzbank, who, as a young managing director, had shown support for my unconventional online banking projects in Poland and my vision for BRE Bank when I'd been chosen its boss in 2004. I'd run marathons before; it was his first one. I'd repeatedly told him about my passion for running, which encouraged him first to jog and later to try to conquer 42 km 195 m. In a way, I felt obliged to take part in the race together with him. His time was close to the result I'd achieved in my first marathon in Warsaw. Martin opened a lot of doors for me in Frankfurt. He made me a frequenter of the top floors at Commerzbank Tower, Europe's tallest skyscraper designed by acclaimed English architect Norman Foster.

Ever since Martin Blessing had joined the board of managing directors, the company had placed high hopes on him. He'd overseen the growth of mBank and MultiBank, and, later, the whole of BRE Bank. I felt we were united by a common philosophy of life and business during the crucial period of intensive work on projects which were important to our companies' futures. The fact that the CEO of BRE Bank was on equal terms with the German banking elite had more to do with our position on Poland's financial market than Commerzbank's 70% share in BRE Bank.

BRE Bank was set up in 1986. During the following twenty years, it had managed to make it to the top three of Poland's corporate banks. mBank – its online branch – had earned the position of the third largest retail bank in Poland and one of the biggest online banks in the world in eight years. It had taken Commerzbank 140 years to achieve a similar status in Germany. It was therefore unsurprising that BRE Bank's success had won admiration and that its CEO, whether he liked it or not, had become the object of underachievers' envy. On its seventh anniversary, mBank was launched in the Czech Republic and Slovakia on the basis of the so-called Single European Passport. The following months showed

that the new low-cost business model proved itself abroad. We achieved a phenomenal growth in the number of clients and deposits despite the financial crisis which had shaken people's trust in banks. Thus, the project of creating a pan-European bank of a new generation on the basis of mBank's experience seemed perfectly workable. The strategy was all set. We were waiting for the go-ahead for our expansion plan to Hungary and Romania as well as the UK and Germany. I stood a real chance of creating a bank for a new generation of young, demanding clients of the united Europe. The power of innovation is remarkable. The conditions were also favourable. The barriers to expansion on the EU's common market had recently been lifted. The European Passport enabled banks to operate in any EU member state using a single banking licence. Our plan was to attract 7 million customers in the first five years and 15 million after ten years. I had solid grounds to believe it was feasible. mBank had 3 million customers in Poland at the time, and a pilot project in the Czech Republic and Slovakia had demonstrated that my business idea would catch on well in Central-Eastern Europe. The likelihood of success on the larger and more mature markets of Germany, the UK, or France as well as Italy and Spain was even greater. There was practically no competition for our low-cost model in those countries. If their traditional banks had decided to develop a similar model to ours, it would have given rise to internal conflicts of interest. So far, I'd been able to make strategic investment decisions on my own as they related to the Polish market. In addition, the bank's launch in the Czech Republic and Slovakia required relatively low costs and had a pilot character, so it was approached differently. Due to its scale and international dimension, the project of creating a pan-European bank had to gain a status of a strategic project with the Commerzbank Group. It all came down to winning the approval of Commerzbank's Management Board and Investment Committee. The status of the second largest German bank was a reflection of Commerzbank's importance and it deservedly en-

joyed excellent reputation. Turbulences on financial markets in the first decade of the millennium changed the power relations. Profitability plummeted as a result of insufficient structural adaptation and cost effectiveness. Reforms were attempted, but to no effect. Commerzbank's growth strategy was an escape forward. It consisted in taking over other banks in Germany and abroad. In 2006, Commerzbank bought shares in Eurohypo from Dresdner Bank and Deutsche Bank and became the single shareholder of the largest European bank specializing in financing commercial property. The takeover of Eurohypo made Commerzbank the second largest bank in Germany with total assets of 1.1 bn euro. In 2008, a decision was made to purchase Dresdner Bank, one of Germany's best-known and biggest commercial banks, from Allianz Insurance Company. Then, the difficult times began. The financial crisis, whose epicentre was in the USA, shook the entire banking sector in Europe. The acquisition of Dresdner Bank allowed Commerzbank to increase the number of its individual clients to 11 million and strengthen its position as the leader on the small and medium business market. Fusions and takeovers may increase assets, but they rarely bring the desired synergistic effect which really determines whether or not effectiveness improves. Commerzbank carried out some spectacular takeovers on the German market during the most difficult period for the banking sector which made the challenge of integrating and restructuring exceptionally hard.

Commerzbank had a different strategy with respect to BRE Bank. In 1995, it bought 21% of the bank's shares. In 2000, it owned 50% of them and, in 2003, 70%. BRE Bank had been listed on the Warsaw stock exchange since 1992 and even though Commerzbank was its strategic investor, it enjoyed total independence and had been developing rapidly thanks to an organic growth strategy based on innovative business solutions. In 2007, BRE Bank made up 85% of Commerzbank's foreign assets and was its biggest investment success. Central-Eastern Europe had

a huge potential for growth and Poland was the only country in the region where Commerzbank had its assets. The project of creating a pan-European bank from scratch jarred with Commerzbank's strategy, directed towards rapid growth by means of fusions and acquisitions. mBank had a different idea. The concept of organic growth in Europe seemed exceptionally attractive, so global consultancy firm McKinsey was commissioned to verify it. The analysis confirmed the main assumptions of the project, but presented it as part of a more general strategy of Commerzbank's expansion in Central-Eastern Europe. Commerzbank aspired to compete with the biggest players in the region. To that end, it was planning to set up the CEE Holding which was to bring together all of its enterprises in Central-Eastern Europe: BRE Bank, the Ukrainian Bank Forum, Commerzbank (Eurasija) SAO, the Hungarian Commerzbank ZRT, its Czech and Slovakian branches as well as its shares in the Russian Promsvyazbank and six other banks specializing in microloans in Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Romania and Serbia.

Commerzbank offered me the position of CEO at the holding company. I was also to become a new member of the management at Commerzbank, responsible for overseeing the expansion in Central-Eastern Europe. My promotion meant that I'd have to leave BRE Bank which I wanted to become a starting platform for the expansion and the project's headquarters. I was taken aback by the offer, but wouldn't have been if I'd devoted more attention to the corporation's internal politics. My gut feeling was that I shouldn't accept it, even though it looked very appealing at face value. I asked for some time to think it over, which must have seemed surprising, because everyone was expecting me to feel pleased and grateful. A careful examination and discussions with my closest coworkers further convinced me that the offer, though seemingly logical, clashed with my ideas. Two weeks later, I came to Frankfurt for a meeting which led to an unexpected conclu-

sion. Once, a long time ago, when I was a student in Germany, I wasn't able to open a personal account with Commerzbank, because I didn't meet the bank's conditions. So, I became a client of a local savings bank. Now, years later, I rejected the offer of becoming CEO of the Commerzbank Holding and a member of the management at the second largest German bank, a position no Pole has ever held in the largest European corporations. My resignation caused dismay, which astonished me. After all, I was resigning, not requesting promotion. I explained that the project was exceptionally hard and that chances of it succeeding would be much greater if I led it as CEO of BRE Bank. I stressed the fact that building a pan-European online bank on the basis of mBank was more difficult than anything we had done so far. I wanted to remain at the frontline. Success and failure are often separated by a fine margin of luck or inability. I argued that maintaining the continuity of leadership was crucial for the project's next stage. Both sides of the debate were adamant and unwilling to listen to opposing arguments. I felt that I was banging my head against a brick wall of corporate interests and politics. When one of the debaters said that Commerzbank owned "just 75% of shares" at BRE Bank and for that reason it would be better if the project was carried out solely by the strategic investors, I made him realize how far we were from reaching any constructive conclusions. Talks lasted for another two months, but the project didn't move an inch. I was convinced about the strength of my arguments, which fuelled my persistence. Any compromise would result in bureaucracy taking control over the project and thwarting it. I was deluding myself that my results with BRE Bank would tip the balance in favour of my ideas in that political struggle. I thought the revolutionary project and its autonomy would gain acceptance despite the natural tendency towards centralization, typical for many international corporations. The fact that leadership at German companies has a collective character might have been the determining factor for the result of the talks. Decisions

are reached by consensus; the team's role is highlighted in the German word for the president of the management board – *Vorstandssprecher* – which, translated literally, means a “spokesperson for the board.”

When Martin Blessing arrived at my Warsaw office with a genuine grimace on his face, I instantly knew what the final decision was. “Commerzbank’s management expects you to accept the initial offer. Take it or leave it.” – he told me bluntly. I was prepared for that. My response was just as quick. “In this case, let’s agree on the terms and conditions of my resignation.” Five minutes later my adventure with BRE Bank, mBank and Multi-bank came to an end. Neither of us felt satisfied as we exchanged a farewell handshake. The public announcement we agreed on said that: “In connection with Commerzbank’s change of strategy on the Eastern European markets, Mr Lachowski expressed his wish not to prolong his expiring contract.” On the day of my resignation, BRE Bank’s shares fell by almost 10%, which was equivalent to a billion-zloty drop in the bank’s market value, not a trifle sum by Polish standards. In the wake of my stepping down, my closest coworkers also left mBank: Jerzy Józkowiak (Board Member – Finance Director) and Janusz Wojtas (Board Member and Director of Corporate Banking). Officially, their departure was caused by “organizational changes in the Commerzbank Group.” According to a press announcement, “Commerzbank is planning to group its daughter companies and regional branches, including BRE Bank, under a separate holding company with an independent management and reporting division. The new structure is a reflection of Central Europe’s rapidly growing importance for the Commerzbank Group.” Martin Blessing said the following in a newspaper interview: “I held a long talk with Sławomir Lachowski about the structure of the company which will bring together our activities in the region. Eventually, it turned out that our approach to the issue was different and we decided

to part our ways.”⁶⁵ Commerzbank declared to continue BRE Bank’s strategy, making assurances that “our approach to BRE Bank’s expansion in the EU market has not changed.” Despite the declarations, the project was halted in the following years, and the plans for expansion in the Czech Republic and Slovakia were abandoned. My views differed from those of Commerzbank’s management about expanding to the Eastern European markets where Ukraine and Russia presented great opportunities. Instead of taking over banks with assets of dubious quality and unspecified business models, I suggested capitalizing on the experience of the banking sector transformation in Poland and my own experiences at BRE Bank. The Odessa Project report compiled by BRE Bank’s team only confirmed my beliefs. In an interview for *Parkiet* magazine I said that we were planning to enter Ukraine: “Taking over an existing Ukrainian bank is certainly not an element of our strategy. That would be too expensive. An average cost of such an acquisition is four times greater than the book value of an acquired bank. Creating a new bank is a much better solution.”⁶⁶ It seemed MultiBank’s operating model would work perfectly in Ukraine. The cost of building a bank there were estimated at below 100 m dollars. Commerzbank’s strategy, however, was to acquire one of the largest Ukrainian Banks. In March 2008, it was announced that “after an intensive search, we have succeeded in finding a bank that will perfectly complement our network of branches in the dynamically developing region of Central-Eastern Europe. It is Bank Forum, the tenth largest Ukrainian bank by assets.”⁶⁷ Commerzbank bought 60% of the bank’s shares for 600 m US dollars and also secured

⁶⁵ *Rzeczpospolita*, “Rozminęliśmy się z prezesem” [The CEO and I Were at Cross Purposes], an interview with Martin Blessing, 2008.03.05.

⁶⁶ *Parkiet*, 2005.12.23.

⁶⁷ https://www.commerzbank.com/de/hauptnavigation/aktionaere/service/archive/ir-nachrichten_1/2007/ir_nachrichten_detail_07_1519.html

an option of buying a further 30% in the future. The transaction was a cause for celebration. Commerzbank managed to join the elite of the biggest banks in Ukraine. However, it was a case of “short pleasures, long lament.” After a while, Bank Forum started to bring losses and required restructuring. Commerzbank was forced to pump capital into it. In the following three years, it had fallen to 27th place in the ranking of the largest Ukrainian banks. In the end, it was sold to the Ukrainian Smart Holding in 2012. Commerzbank didn’t reveal how much the transaction cost. According to the Ukrainian media, it was worth between 55 and 90 m US dollars. Experts have estimated that the investment in Ukraine brought Commerzbank an over one-billion-dollar loss in total.⁶⁸ A difference of opinion with influential political oligarchs also frustrated Commerzbank’s plans to acquire Promsvyazbank and the company had to sell its shares without making the desired profit. The strategy of CEE Holding turned out to be a total fiasco. It caused Commerzbank’s bitter failure in Eastern Europe, which dealt a punishing blow to its reputation. The company was harshly awoken from its dream of becoming a power in Central-Eastern Europe. The following explanation was given for the official change of strategy: “Commerzbank is the leading bank in Germany and Poland.” Some argue that the strategy couldn’t have worked during the global crisis. Such claims don’t hold water. It’s the hard times that create unique opportunities for growth and test leaders’ ability to put plans into life despite emerging problems. mBank, an online company, was launched in Poland at the time when the Internet bubble burst and the faith in the New Economy had been seriously shaken. Just as it was entering the Czech and Slovakian markets, the world of banking was thrown into the turmoil of financial crisis. Yet it still managed to succeed. BRE Bank was doing very well

⁶⁸ *Банк Форум вернулся на родину*, „Kommiersant Ukraina”, 31.07.2012.

in that difficult period. It was strengthening its position on the Polish market and achieving record results year after year. They were good enough for BRE Bank to create the pan-European retail bank on its own, even without the help of Commerzbank which, at the time, was going through a rough patch. The project had every feature of a disruptive innovation. Abandoning it meant losing an unrepeatable opportunity.

Readiness is one of the most demanding values for a leader. Even after a couple of years, it's still painful to recall the moment I had to make the saddest decision of my career. I chose exile over sinecure. I had a lump in my throat and tears in my eyes as I left a farewell meeting with my coworkers. I knew that a chance like that might never repeat itself, but it was the right thing to do. While accepting the offer would have appeared a success on the surface, failure was lurking not far below. Thanks to my strong belief in meritocracy and consistency, I didn't give in to the temptation of opportunism, but the price I paid for it was high.

Five years later, Commerzbank topped the inglorious ranking of companies listed on the Frankfurt stock exchange whose share value had dropped the most since 2007 (-96%).⁶⁹ Commerzbank's market value by capitalization amounted to a meagre 7.7 bn euro in August 2013, which was just a fraction of its book value (20%). Meanwhile, BRE Bank, which was a dozen or so smaller by assets, was worth 4.5 bn euro – 170% of its book value. In autumn 2013, BRE Bank changed its name to mBank. When journalists asked me about the origin of the name, I explained it was short for “Mobile Bank”, which was trendy, considering the rising popularity of mobile banking.

⁶⁹ <http://www.handelsblatt.com/finanzen/boerse-maerkte/marktberichte/boersefrankfurt-dax-schafft-allzeithoch-seite-all/8172028-all.html>

Turbulent times call for leaders who can use their imagination to predict the future and have the courage to take responsibility for change. Under normal circumstances, caution and compromise are an anchor of stability, but in revolutionary times, when adapting to change is crucial, they can prove a deadly trap. Such times require the bold readiness to challenge the clichéd patterns of corporate thinking.

Readiness means humility in victory and courage in danger. To be ready is to pursue your goals with determination, to persevere in the struggle with life's adversities, to go against the current, to seek new paths, and to pay a high price for staying true to your principles.

Maintaining a sense of mobilization allows you to react quickly when a fleeting opportunity arises and you must make an instant decision to seize it. Being ready is also being determined to see your plans through to the end and to walk your path, undaunted by the spectres of anxiety and failure. Sometimes, however, you need to take a step back, change the direction you've chosen and admit your mistakes. Many leaders don't find that easy.

Steve Jobs embodied many of the values represented by the acronym DROGA. He received many accolades, including the titles of "CEO of the decade" (*Fortune*), "the best-performing CEO in the world" (*Harvard Business Review*) as well as "Person of the Decade" (*Wall Street Journal*). His effectiveness as a leader brought Apple right to the top of the most valuable companies in the world. Jobs's passion was one of his distinguishing features as a human being and leader. Equally important, but perhaps less highlighted, were his extraordinary ability to spot opportunities, his phenomenal intuition and readiness to take on challenges outside of his comfort zone. Some claim that specialization brings the best

results. Jobs blew that thesis out of the water. This quality of his is worth particular attention. It helped him make a revolution not only in the computer industry but also in film production, music distribution and telecommunication.

In the USA, Steve Jobs was viewed as a phenomenon. He was as popular as the biggest film and pop stars. He was not only an ingenious businessman but also a great showman. The annual Macworld conference in San Francisco attracted crowds of avid fans of Apple products and Steve Jobs himself. The spotlight was directed at him as he presented his vision for technology development as well as Apple's new services and products. That single conference would garner as much interest as the technology trade fair held in Las Vegas. In 2012, the number of owners of Apple products – Macs, iPods, iPhones, iPads – exceeded 700 m and the number of iTunes clients with an active account reached 420 m. Jobs was respected and admired by his competitors and revered as a guru by his followers. His business activity was fascinating to many. His career abounded in turns, triumphs and losses. Steve Jobs has been compared to various greats, but the person he seemed to resemble most is Thomas Edison, the all-time genius of innovation.

He founded the Menlo Park laboratory in 1876 with a view to making “a breakthrough invention every half a year and a less significant one every ten days.” Edison's arduous work and genius made him one of the greatest, and certainly the most effective, inventors in history. He designed over five thousand inventions in his laboratory. 1,093 patents from various fields are recorded under his name. Even more importantly, he was able to turn his inventions into business success.

Nowadays, the nature of innovation is radically different. Naturally, there are still scientific and industrial laboratories where

expensive research is conducted. At the same time, however, the relatively easy access to knowledge and technology, and the fast commercialization of inventions have given innovativeness a new dimension. It's not the inventions but how they're used that changes the world. That's why using technology wisely to create products and services that will best serve people is growing in importance. Steve Jobs never invented anything significant, but his ideas and business models based on commonly accessible technology and knowledge have revolutionized the electronics, music and film industries as well as mobile phone manufacturing. He wasn't an engineer or IT specialist. He didn't create works of art. Nor was he a manager in the common sense of the word. He described himself as a "leader of technology" whatever that might mean. He was above all a visionary, who could breathe life into his ideas. He claimed that "design is the spirit of human creativity which is embodied in the appearance of a product." Apple products are the best testimony to that. Twenty-five of the company's products are exhibited in the Museum of Modern Art in New York. Jobs was unique, remarkable and demanding. He had a difficult personality, but was so hugely inspiring that his coworkers were ready for any sacrifice. As Ed Catmull, the founder of Pixar, once said, "you need much more than vision. Boldness, determination, hard work and patience are indispensable." Steve Jobs had all those qualities in spades. They gave him the power to change reality which no one else seemed to possess. He was constantly on standby, open to the world and other people and, at the same time, stubborn and domineering when effecting crucial ideas. In his CV from year 2000, prior to his greatest triumphs, he writes, "I am willing to tear down walls, build bridges, and light fires. I have great experience, lots of energy, a bit of that <vision thing> and I'm not afraid to start from the beginning."⁷⁰

⁷⁰ Steve Jobs's CV at me.com. 2000.05.01.

Steve Jobs was the icon of Silicon Valley. He was the creator of Apple's genetic code which expressed itself in constant innovation. What is phenomenal about Apple is that it can introduce disruptive innovations but also gradually improve its existing products. Leaders of the New Economy have built their position almost exceptionally on innovative products and business ideas. There are many such companies, but the prime example of growth through innovation is Apple. This extraordinary producer of computers, audiovisual equipment and mobile phones has been chosen as the most innovative firm in the world multiple times. Steve Jobs's biography is a series of unexpected turns of events, enterprises in various fields and revolutionary innovations.

1976 Steve Jobs and Steve Wozniak set up Apple Computer Inc.

1977 The beginning of the personal computer era. The mass-production of Apple II began. It was the first fully-assembled ready-to-use computer with casing and a keyboard. The "plug & play" concept became the hallmark of Apple products.

1984 The Apple Macintosh was introduced. It was the first commercially successful personal computer to feature a graphical user interface (GUI) rather than a command-line.

1985 Jobs left Apple, sold all his shares in the company save one, and set up a new firm called NeXT whose aim was to manufacture first-rate computer workstations intended for the higher education and business markets.

1986 Jobs bought The Graphics Group (Pixar Animation Studios) from famous director George Lucas with an intention to "create the first feature-length computer-animated film."

1988 Pixar's *Tin Toy* won the Academy Award for Best Animated Short Film.

1995 The premiere of *Toy Story*, the first feature-length computer animated film, was a spectacular success. The film earned 40 m dollars at the box office in the first weekend of its release. The film had taken four years to make and Jobs had invested all his savings into it. Thanks to his perseverance, a new era of cinematography had begun.

1996 Apple chose operating system NeXTSTEP for its computers. Apple's management board accepted the offer of buying NeXT for 377.5 m dollars and 1.5 m Apple shares. Jobs paid off NeXT's debts and kept the shares. He was appointed an advisor to the management board.

1997 Jobs returned to Apple and became "interim" CEO. He soon took the post permanently. That opened a new fascinating chapter in the company's history. Apple rebuilt its position in the computer industry by introducing a range of modern and constantly perfected products: PowerBook, MacBook Pro, MacBook Air, Mac mini, Mac Pro, iMac. It also introduced a series of revolutionary products from different industries.

2002 iPod Apple, a portable media player, went on sale. It offered the user a completely new experience. Music, photos and even books could be downloaded onto the device. The player was later modified and tailored to different needs. iPods of varying sizes and with different memory capacity as well as functions were produced. The newest in the line, iPod Touch, is a multi-functional palmtop with wireless access to the Internet. iPod is currently the most popular media player in the world. An astronomical 375 m iPods had been sold until 2013.

2003 Apple launched iTunes Music Store and iTunes Store, an online shop that initially sold music and later started offering a whole range of products: films, music videos, TV shows, video games, books and applications. Illegal downloading of music and films was the bane of artists and record companies. Steve Jobs negotiated and signed contracts with the largest firms (EMI, Universal, Warner, Sony Music Entertainment, BMG) as well as smaller companies and independent artists. iTunes made music files available for a uniform price of 0.99\$. According to Jobs, “People prefer buying things to stealing things if they can afford them.” The growth of iTunes testified to his words. As of February 2013, the shop has sold 25 billion songs worldwide. It’s also the most popular film seller and film rental service.

2006 The Walt Disney Company took over Pixar Animation Studios for 7.4 bn dollars of its shares. With a 7-percent share of the company, Steve Jobs became its largest individual shareholder and a member of the board of directors of the media giant. Films created by Pixar Animation Studios have won nine Academy Awards and six Golden Globes.

2007 Apple took the telecommunications market by storm. It started to sell iPhones based on the iOS operating system. They are mobile phones, entertainment platforms and online communicators in one. When presenting the iPhone, Steve Jobs said, “this phone is more than a communication device. It’s a way of life.” And, once again, he was right. iPhone has changed the face of mobile communication. It’s popularized smartphones on the hitherto unseen scale. Before the iPhone’s premiere in New York, people started queuing up in front of Apple shops on Friday evening. They waited 100 hours on 5th Avenue for the shops to open on Monday. Each year since that day, the iPhone has been the best-selling device in its category. In mid-2013, the number of iPhones sold since 2007 reached 410 million.

Apple launched Apple TV (iTV), a small network appliance and entertainment device that can receive digital data from a number of sources and stream it to capable TV for playing on the TV screen.

Jobs decided to change the company's name from Apple Computer Inc. to Apple Inc. to emphasize the fact that the firm was now present on several markets: mobile phones, multimedia and music. Most of its profit comes from outside the computer industry.

2010 Apple launched the iPad, a revolutionary tablet with a 9.7-inch multi-touch screen, built-in Wi-Fi and cellular connectivity. The tablet is compatible with the App Store application for iPhones and iPods. 3 million such devices were sold within 80 days. 3 million iPads were sold in the first month and 14.8 million were sold throughout 2010. By mid-2013, the number of sold iPads rose to 144 million. Despite competitors' best efforts to catch up, Apple had an over 50%-share in the market. Apple didn't invent the tablet, but the iPad has revolutionized the world of personal computers thanks to its technical features and ease of use.

2011 Steve Jobs died of cancer at the age of 56. His death was announced by Apple in a statement which read: "Steve's brilliance, passion and energy were the source of countless innovations that enrich and improve all of our lives. The world is immeasurably better because of Steve."

Readiness to accept challenges, work hard and take risks sums up Steve Jobs as an entrepreneur and business leader. He was a visionary who looked for novel applications for modern technology. He used to say that Apple didn't ask clients what they needed but made products that created needs and satisfied them at the same time. Though self-confident and arrogant, he wasn't a narcissistic leader. He could motivate his teams to work hard in order to realize a common vision.

I mentioned my own experiences to illustrate the importance of readiness in shaping a leader's behaviour. They show that readiness requires being constantly on standby, improving your emotional intelligence, self-reflection, courage and, at times, even sacrifice in the name of principles. The case study of Steve Jobs demonstrates readiness in its extreme, which gives rise to change through business innovation on world scale.



Engagement

*For success, like happiness, cannot be pursued;
it must ensue, and it only does so as the unintended side effect
of one's personal dedication to a cause greater than oneself
or as the by-product of one's surrender to a person other than oneself.*

Viktor E. Frankl

We believe that people with passion can change the world and make it a better place.

Steve Jobs

Choose work you love, and you will never have to work a day in your life.

Confucius

Engagement is an attitude of a person who is convinced that what they do is right and meaningful. They invest a lot of time, feeling and effort into their duties. As a team member, they take an active part in attaining goals, making them their own. Engagement elevates life, entrepreneurship, work, participation in enterprises and team membership to a higher level. When we do things out of boredom, habit, routine or necessity in order to earn a crust, we become passive and indifferent whatever our role or position may be: a family member, citizen, owner of little market stall or employee at a large corporation. If we don't give something from ourselves, we can't expect anything from others. Everything is fundamentally transformed when emotional engagement occurs. Emotions kindle imagination, activate intuition, and form a basis for creativity and a willingness to go above and beyond what's necessary. Gray cells can't be bought or rented. It's the community of values and purpose

that makes people eager to get involved in teamwork. That's when the spiritual power of values manifests itself and proves that "to be" means so much more than "to have." People who are optimistic, selflessly kind and helpful towards each other are able to achieve great things together; things they wouldn't even dream of accomplishing on their own. Passion is the highest stage of engagement. It means a love of something, strong fascination that turns into fervour. Passion is the distinguishing feature of creators and artists, at least those who are above average, as well as great leaders. But ordinary people who find enthusiasm that extends beyond raw utilitarianism are also no strangers to passion. You can't lead without being fully engaged in pursuing your vision; it's your engagement that makes your vision feasible in the eyes of your followers. People believe those leaders who are totally engrossed in their mission and show their readiness for sacrifice. Leaders who cynically abuse their power by exploiting their subordinates and followers will never win people's trust. Engagement cements a team. The team's ability to succeed increases in proportion to how much its members identify with its goals and consider them meaningful.

Engagement is a set of competences and behaviours that includes:

A sense of mission

- being convinced that what you do is necessary and right,
- higher motivation to complete certain tasks,
- strong identification with vision and goals.

Being active and determined

- setting yourself ambitious goals,
- working hard to complete tasks,
- staying motivated despite a lack of external stimuli (self-motivation).

Teamwork

- identifying yourself with your team's goals, projects and duties,
- showing kindness and support to others,
- solidary involvement in task completion.

Out of all the values of effective leadership, engagement is the most important one. In best case scenarios, it turns into passion. Pursuing goals should bring satisfaction and pleasure. Passion is a source of delight and the best motivation. A leader who acts with passion carries conviction to others. Thanks to devotion and perseverance, the leader can become an example that will attract followers. The greatest leaders, such as Thomas Edison, can truly say, "I haven't worked a single day in my life. I've done everything with pleasure." Unfortunately, not all of us can make such a claim. That's understandable. After all, work is burdensome. It requires a lot of effort and plain satisfaction would suffice. The contrast between satisfaction and pleasure is similar to the difference between engagement and passion. Passion is what distinguishes the greatest leaders. Engagement, on the other hand, is what followers need. Without their engagement, success can't be a shared accomplishment; indeed, it can't happen at all.

In my professional career, I've always searched for challenges which match my interests. I don't believe that a manager who is successful in one industry can succeed in any other. The same goes for leadership, though it may be more universal. Still, a good political leader won't necessarily make a good business leader and vice versa. I'm convinced that specialization is important and the very best in their field will cope well even under difficult circumstances. Specialization requires hard work, a lot of time and practical experience. Together, these three make up an enduring competitive advantage which is necessary to survive and triumph. Diligence and perseverance make you climb to the top. Talent is also necessary, but isn't enough on its own.

I believe in the power of meritocracy thanks to which an individual's worth and their position in hierarchy are determined by their competence and engagement. I've always made it my reference point. Meritocracy is reflected in the pursuit of excellence, which consists in improving your competence, as well as in the search for passion. Passion, thanks to the positive emotions it stirs in a person, enables to maintain a high level of energy and concentration which are necessary to complete demanding tasks. Meritocracy lays a foundation for self-confidence which is derived from critical self-evaluation. Instead of waiting for our skills to be appreciated, we embark on ventures which require us to fulfil our potential. Passion is a pursuit of dreams with the help of knowledge and an ability to put it into practice. It's always accompanied by a spirit of enterprise and determination.

After a while, when I'd built a reputation for myself and could boast a number of concrete achievements, I always tried to show initiative by presenting a credible way of tackling problems of my future employer. The first time I experienced that was almost a coincidence. Powszechny Bank Gospodarczy (General Economic Bank), Poland's third largest bank by asset, was looking for a new member of the management board who would be responsible for restructuring the bank. The search, however, proved unsuccessful as no suitable candidate emerged. Then, I got a call from Andrzej Szukalski who asked whether I'd be interested in taking up the post. Having worked with me, he thought that I fulfilled "the formal criteria and fit in with his vision of a team responsible for meeting future challenges." At that time, I was an owner of a consultancy which employed twenty young graduates of higher education schools in Łódź and specialized in market research as well as restructuring firms on the verge of bankruptcy. Some of those companies were PBG's clients and the source of its problems. Because of their financial problems, they were unable to pay off their loans to PBG. By rescuing the ailing companies we were helping

the bank. That is how they learnt about my qualifications and effectiveness.

Then, as if in a Cinderella story, I suddenly found myself at the top of the business pyramid, at the age of thirty. I knew I had no one to thank by myself. I owed it completely to my pursuit of excellence through constant improvement and care for my customers. I faced an incredible challenge. The end result was a total mystery. Success in big projects opens doors to a promising career. Failure can consign you to business oblivion. The task was a matter of “to be or not to be” for my new employer. With bad debts making up as much as 67% of its loan portfolio, the bank was on the brink of bankruptcy, just as most of its clients. I had to find a way to restructure and resuscitate most of the debtors. Otherwise their collapse would drag down the bank itself. It was a unique experience for me, which enabled me to gain inside information on banking and managing different companies. The success of the undertaking also increased my own market value. When I later decided to change employer, I had no problems applying where I thought I could contribute most by troubleshooting key problems.

At that time, PKO BP was beyond doubt the largest Polish retail bank which was experiencing similar problems to those I had managed to solve at PBG. It was burdened by a mountain of bad debt. In addition to that, it was in urgent need of a new operating strategy – it was drastically losing its share of the market and its financial results were nosediving. It was plain to see that it had trouble adapting to the revolutionary changes in the financial sector following the collapse of Communism and the introduction of market economy. Its approach to clients was a reflection of its monopolist past. Customers were treated like supplicants, who had no choice but to be bound to the bank from cradle to grave. That led to an exodus of clients. Without far-reaching changes, burgeoning competition could literally crush the crumbling giant.

The boss of PKO BP, Topiński, was fully aware that his company had found itself in a “life-or-death” situation. Thanks to his swift response, I was able to use my experience and knowledge to carry out another, even more ambitious, project. The two years I spent working for Poland’s largest bank passed like one month. I carried out the project with a passion that infected my coworkers. That infectious passion was necessary to change the bank’s culture which had manifested all the traits of corporate bureaucracy. I started as Retail Banking Manager and finished as Chief Operations Officer responsible for the daily operation of the company.

Almost everything that happened at that time exceeded my expectations and imagination. At the beginning, the ghosts of the past came to haunt me. During my first day I was given a spacious office in PKO BP’s headquarters, which had once been occupied by the General Secretary of the Central Committee, one of the highest functionaries in the Polish United Workers’ Party. The bank was located in the most important building of the communist Poland. The collapse of the political system had led to the dissolution of the Communist Party and the biggest Polish bank as well as the stock exchange had moved into its former headquarters. In the late afternoon that day, around 6 p.m., a cleaning lady knocked on my door and announced unceremoniously that it was her duty to secure the exit door to the building and that she was just about to do that. “Everyone’s left apart from you. It’s time to go home,” she declared. My protests fell on deaf ears. I wasn’t the one authorized to lock the doors using a special security code and password. She was. She was the boss. When the procedure of locking doors was finally changed, I would be the first to come and usually the last to leave the offices for the next two years. To be demanding of others, you must first be demanding of yourself. There’s no substitute for setting an example if you want to win the engagement of your coworkers.

It took my team and I three months to introduce new products and procedures which normally take eighteen months to implement. We also transformed both internal and external communication. “PKO BP Close to You” was the battle cry of our market offensive. It stressed the crushing advantage we had over our competitors in terms of the number of branches. Even in the era of digital economy, it was a significant asset. The majority of banking clients were elderly people, mostly OAPs and pensioners. The bank embarked on a new mission: *Putting the client in the centre*, which was an attempt to really understand and satisfy their needs, especially in the area of customer service. We didn’t have to wait long for the effects, though queues in PKO BP branches (sometimes even in front of them) didn’t disappear immediately. Employees’ level of engagement was so high that they did their jobs with passion, which was poles apart from how they had gone about their business before. The new strategy resulted in one million new customers joining the bank in the course of a single year. It became clear that the company had regained its competitiveness and even become the clients’ preferred choice, as demonstrated by market research. When effort brings desired results and is appreciated by customers, work satisfaction increases exponentially.

Engagement is the key competence of winning teams, of both their leaders and subordinates. When searching for new employees, I always asked them about their interests, meaning their passions. I wasn’t looking for evidence of any specific professional interests. When their eyes lit up as they were telling me about their passions, I knew that I was talking to someone I wanted to have on my team. When people know the taste of passion, they find it easier to become engaged in their work. The mission they will come to treat as their own will fire them into action and their passion will keep the flame burning, which is necessary to see the mission through. I base this conviction on my own experience. My own passions shape my personality, my approach to life and work.

I was a frail child, the smallest in the kindergarten, the weakest on the playground. That caused me much suffering until one day I discovered that, despite my petite frame, no one in my class could beat me at middle-distance running. I started training at an athletics club and, before long, I was the fastest runner in my school. For many years, I divided my training between athletics and handball. My personal best in 100m is 10.9 seconds. It's a good result, bearing in mind that I devoted more time to handball. Handball is a team sport that requires strength, peak physical fitness, agility and speed. I was chosen captain by my teammates. Together, we had much success as a school and club team. Sport brought me a lot of emotions: the joy of winning and the tears of failure. It was a source of unique experiences that helped me better understand other people and the world. Thanks to sport, I have built character traits related to my professional career. It was handball that taught how to work in a team, and the role of team captain was my first important leadership position, which I held for several years. During tough training sessions, I learnt the importance of good cooperation, kindness, devotion and willingness to help. Without my passion for sport, I wouldn't be the man I am today. Handball taught me how to respond to crisis situations and how to remain humble in moments of triumph. So did marathon running and mountaineering. Passion uncovers the meaning of life, allows you to look at reality from a different angle, brings joy, alleviates daily stress and lets you escape the everyday routine. Passions reinvigorate. Passions inspire. Passions make you more engaged in work and family life.

Marathon running has become popular these days. I'm not surprised by that. Like in any mass phenomenon, there's an element of fashion in it. I don't think it's bad if someone decides to take part in a marathon just because it's trendy. Running 42 km 195 m requires a lot of stamina and is a lifetime experience. For those who run marathons consistently, the greatest value lies in systematic and

arduous training, even though races themselves bring moments of unparalleled elation. Marathon running requires following rules which are just as important in private, social and business life:

1. LEARN TO WANT

If you don't have a strong desire to finish the race, you never will. You'll always find some convenient excuse for your failure. At the end of the day, it's all in the mind, just as in life and business. The categorical imperative of reaching goals inhabits the mind.

2. DON'T NEGLECT YOUR TRAINING

Marathon never begins at the start. It starts long before with preparation. That's why you mustn't let go of training. Otherwise, you may find yourself short of that one ounce of energy which makes the difference between success and defeat.

3. DON'T SUCCUMB TO TRIUMPHALISM

Don't let yourself get carried away by adrenaline. You're bound to regret moments of elation when the excessive strain of the first few kilometres results in your muscles being "poisoned" by lactic acid in the latter half. A good business idea is just the beginning of a journey. It's perseverance and resolve that determine whether you succeed in reaching your destination.

4. REMAIN FOCUSED

During a marathon, concentration enables you to notice the warning signs your body and surroundings give you. Thanks to them, you can avoid dangers and skilfully react to surprises. In the contemporary world of business, you must constantly watch out for mortal threats and great opportunities which emerge as quickly as they disappear.

5. REMEMBER YOU'RE NOT ALONE

Men, women, professional runners and amateurs line up at the start of a marathon. Everyone is part of this great collective event. Running in a group makes it easier to conquer the distance, even though you use your own energy. The same is true for companies. Well-cooperating teams of average people do better than groups of great individuals working on their own. Spectators' smiling faces and shouts of support are helpful too. Cries of "run, Sławek, run!" in New York and "napieraj! napieraj! już niedaleko!"⁷¹ in the streets of Łódź are still ringing in my ears.

6. DON'T BE AFRAID OF HITTING THE WALL

Hitting the wall is an inseparable part of marathon running. You must be prepared for it and respond the right way. Otherwise, it will defeat you. The worst thing is to be surprised by it. Even the strongest runners surrender when they're caught off guard. That's why I always tell my business partners: it's not problems that can kill you, but inability to solve them.

7. SLOW DOWN TO SPEED UP

A good marathon runner is faster in the second half of the race. Sometimes you need to slow down to overcome moments of crisis. But you shouldn't stop to rest, because it's extremely hard to start running again. Likewise, companies shouldn't be sprinting all the time. From time to time, they, too, need to catch their breath, take time to reflect and regroup.

8. PERSEVERE

It's the hardest when the finish line is near. Most people give up between kilometre 35 and 38. It's similar in business; thorough research and diligent preparation ensure that temporary obsta-

⁷¹ "Come on! Come on! You're almost there!" (translator's note)

cles can be overcome. They enable quick response to unexpected changes.

9. VALUE EXPERIENCE

After completing a dozen marathons, it seems that the next one can't surprise you with anything. But it does. And that's when experience pays off. In business, too, knowledge and experience are the basis for coping with any difficulty.

10. REMAIN HUMBLE

I've crossed the finish line so many times. Why should it be different this time? Such thinking leads to failure. Every marathon is a completely different story and you can't know how it's going to end. You need self-reflection in moments of triumph and hope in moments of crisis. This approach protects you from arrogance. It helps you rise after you fall in a race or in business.

Passion creates leaders. It has power to attract and motivate followers. It inspires respect in strangers and opponents.

An over one hundred-year-old textile factory in Łódź. Instead of murmuring machines and bustling workers, the huge hall is filled with youngsters and elegantly dressed forty- and fifty-year-olds. A riot of colours lights up a faraway stage where a band are playing their hearts out. The band is called VOO VOO and its members are: Wojciech Waglewski, Mateusz Pospieszalski, Karim Martusewicz and Piotr "The Foot" Żyżelewicz. A series of encores makes the concert longer by an hour. At last, a smart gentleman in a well-tailored suit takes to the stage, but, instead of a tie, he's wearing a clerical collar. The audience is going wild as though they were welcoming some famous artist. "Musicians have given their all today," he says to the crowd. "The storm outside has calmed down. It's time to go home. Good night! See you tomorrow! Big hug to all of you! Bye!" Spreading his arms, he hurls himself like

Icarus into the crowd who catch him in the air as if everything's been staged. A group of dancers and puppet actors from the Dutch Duda Paiva Puppetry & Dance will perform here tomorrow. Yesterday, the Witkacy Theatre from Zakopane presented Euripides' *Medea*.

All that happened at the Festival of Christian Culture, which has become something of an institution in Łódź. The festival has been offering interesting theatre performances as well as concerts of classical, jazz, rock and folk music every year since 1997. What's more, there are art exhibitions as well as lectures given by prominent intellectuals, mostly from the world of literature, cinema, art, philosophy and sociology. Entry to all events is free. Some people are ready to queue for a dozen hours to get that coveted ticket. It's worth the wait. Jan Garbarek's concerts with The Hilliard Ensemble during which they presented their *Officium* (2006) and *Officium novum* (2012) went down in history. The budget of the fifteen-day-long festival is no bigger than half a million zloty, which would hardly be enough to organize a single commercial concert. Appreciating the festival's character, however, artists often perform for free or for less than usual. Volunteers do the rest. Thanks to them, many people are able to witness these extraordinary events. The name of the festival may be slightly misleading. Even though it's organized by a priest, it's interdisciplinary and there's no religious indoctrination whatsoever. The Reverend Waldemar Sondka, the festival's director, often says that Western civilization has Christian roots and any product of its culture is nurtured by them. But when Teatr Wybrzeże performed its adaptation of Ivan Vyrypaev's *Oxygen*, some old churchy women whispered ostentatiously, "Stop this! Stop this!" Most of the audience was of a different opinion. That little pinch of scandal sharpened people's interest in the play, and it was put on once more during the festival.

The Reverend Sondka is one of the best-recognized people in Łódź. He's not only well-known among churchgoing artists, scientists and local people, but also among many ordinary inhabitants of Łódź, all because of the festival which attracts the attention of a dozen thousand participants and many cultural commentators. It's beyond doubt one of the most important events in the city's cultural calendar. The Reverend Sondka can rarely be seen sporting a cassock outside of church. He usually dons elegant attire or dresses in a tracksuit for his daily runs across the streets and parks of Łódź. After all, an active member of the Tatra Volunteer Search and Rescue service must keep in shape. He's not a run-of-the-mill priest, which may explain why he's so effective. His biggest passion in life is theatre and he decided to share it with others. In 1987, he set up an amateur community theatre, the Logos Theatre. Sondka is always eager to explain that "amateur" shouldn't be associated with "parochial" or "plebeian". The word's origin lies in the Latin *amore* meaning "to love."

The theatre troupe comprises twenty people among whom are professional actors and complete amateurs who haven't had any acting training. They are bound by a shared passion and creative urge. The theatre's community spirit transcends the stage. At the end of a play, the actors and spectators don't just go home. They meet and feast together. Form is more significant than content in the troupe's performances. Dance and movement often overshadow the dialogue and the plot. Therefore, such close interaction between the performers and their audience is needed to discover the right interpretation. The actors of the Logos Theatre take care of almost everything from organization to the technical side of things. Andrzej Kierc, a "professional" who cooperates with the troupe, emphasizes that "The people who meet there give the theatre its meaning. Everybody does everything. They build decora-

tions, place podiums, perform.” This extraordinary community has been going on for over twenty years now. There are some who make just a brief appearance here, others stay longer. Waldemar Sondka has been involved in the theatre since its beginning. He was present at all forty opening nights, at every single workshop and nearly every performance of which there have been more than two thousand. Only Jolanta Kowalska can equal him in seniority and engagement. She’s been with the troupe from the outset and starred in over one thousand shows. Kowalska’s level of acting is as high as any professional actor’s, even though she’s a teacher and has been a headmaster for a number of years.

Professor Irena Sławińska has described Logos as “the only Christian theatre in Poland, or maybe even in Europe, that operates on such a grand scale.” The phenomenon of Logos owes a lot to Waldemar Sondka whose passion has overcome a lack of professional training. The Reverend Sondka is distinguished by his humility and ambition to make dreams come true. After a few, more or less, successful attempts at directing, he decided to rely on the support of professionals in all the key areas of theatrical art but also to retain the mixture of trained and amateur actors (in accord with his understanding of *amore*). Well-known artists have worked with Logos over the years, including Andrzej Kierc, Bogusław Kierc, Waldemar Wilhelm, Tadeusz Junak, Roman Komassa, Piotr Krukowski and Ewa Wycichowska. Despite their different backgrounds, they’ve all been united in bringing Waldemar Sondka’s message to life that theatre should talk about “transcendental truths.” And so, Logos has adapted not only the classic texts of C.S. Lewis, Karol Wojtyła, Fyodor Dostoyevsky, Antione de Saint-Exupery, Thomas Merton, Georges Bernanos and Erich Maria Rilke, but also more controversial works, such as Pier Paolo Pasolini’s *Orgy* and *The Passion*, or Michel de Ghelderode’s *Women*

At The Tomb. During a dozen or so performances I saw, it was always full house at Logos. The theatre has a small black-painted auditorium. Its stage and seating area seem to blend with each other. Sondka welcomes everyone, closes the door and only then a performance begins. He sits on the side, watching yet another play, sometimes the hundredth time. At the end, he gives flowers to actors. He's served as the Pope's chaplain since 2010 and holds the title of prelate. But very few know about that.

To most, he's just Waldek. His friends from Łódź have nicknamed him "Reverend" and the highlanders from the Tatra Volunteer Search and Rescue simply call him "Kirkman."

Sondka has been attracted to mountains since the age of five. Since 1982, he's been part of the Tatra Volunteer Search and Rescue service. He does more than his compulsory 120 on-duty hours. At least once a month, he sneaks away to the Tatras, which he knows like the back of his hand. Once a year, he travels to higher mountain ranges, such as the Himalayas, Karakoram, Caucasus, or Andes. Mt. McKinley, Aconcagua, Mt. Vinson and Elbrus are just some of the peaks Sondka conquered. Waldemar Sondka shows that passions can enrich the daily routine. Even though theatre in the Catholic Church hasn't been seen as sacrilegious since Karol Wojtyła's time, it still remains something out of the ordinary. In times when religious experience is often confused with a political stance and lay culture renounces its Christian roots, Sondka's interdisciplinary initiatives have gained the respect and favour of experts and ordinary people alike.

The next big opportunity came when I was offered a position in BRE Bank, where I created mBank and MultiBank from ground

up. As a leader, I always eschewed managing from the desk in favour of getting personally involved in creating a vision, mission and values of all the enterprises I was involved in: the restructuring of PBG and PKO BP, and creating mBank as well as MultiBank which were my brainchildren. I started out in consultancy and later worked at the highest management rungs of retail banking for almost twenty years. I held positions of Vice-President and CEO at Poland's largest financial institutions. In all the projects I was responsible for, each strategy was the product of the team that would later implement it. When we needed specialist knowledge in a narrow area in which we weren't competent, we cooperated with external consultancies. We did that in PBG SA, PKO BP and BRE Bank. Creating a business strategy is an ability that every company team must have. It cannot be outsourced. A company where one team comes up with concepts and another one implements it is out of sync. The biggest consultancy firms prepare perfect presentations and then company workers are supposed to put their ideas into practice. It's a flawed approach. And this is how it was done at mBank:

“A Strategic Diagnosis was an inextricable element of each important business decision. We Every day we would analyze case studies, trends and best practices from around the world. Amazon.com was our preferred library and the leading business schools, such as Harvard Business School, INSEAD, Wharton School, Stanford University, were the sources of the case studies and analyses. The question we asked was: “How do others do it?” We didn't want to copy others, but to draw conclusions from their mistakes and successes. CEO Sławomir Lachowski used to say, “Learn from other people's mistakes and you'll avoid doing your own”. Strategy, strategic management, getting everyone engaged in matters big and small proved the key

to success.”⁷²

I knew that expecting a lot from employees must go hand in hand with helping them perfect their skills. The staff could and had to take part in training courses and business conferences. I was trying to create an intellectual ferment and increase their curiosity which inspired them to learn more. Arek Jadczak, an employee at mBank and MultiBank, had this to say about my methods:

“Books given to employees by Lachowski himself is an entirely different topic. Some were souvenirs from his business trips, barely read during a flight over the Atlantic and already all the rage in our open space office. Others were awards for successful workers, carefully selected and bearing inspired dedications. When employees were stepping from the crowd to receive them, it resembled a scene from a school assembly. But only at first glance. During school assemblies books are objects. Here they were tools which were supposed to be used and bring even better results. They helped develop the potential the boss spotted in people. It was edifying that some of the books were read by people whose last exposure to literature had been at Matura⁷³ in Polish. While others were devoured in a single night by people with minds highly receptive to new ideas.”

⁷² Lachowski, Sławomir. *Droga innowacji. Pracuj ciężko, baw się, zmieniaj świat*. Studio Emka: Warszawa, 2010. 120.

⁷³ A Polish high school exit exam (translator’s note).



From Values to Action

*Everyone leads, and everyone can lead all the time.
On rare occasions those leadership moments are dramatic and obvious;
more often they are subtle, easily overlooked opportunities that,
taken together, can form a lifetime of positive leadership influence.*

Chris Lowney

*Where values do not exist
or are not clearly communicated,
a vacuum is created in which doubt,
cynicism, and distrust can quickly take root.*

Harry M. Jansen Kraemer

*Genuine success does not come from proclaiming the values,
but from consistently putting them unto daily action.*

Ken Blanchard

Values-based leadership is a philosophy of action, not a management method. In any case, leadership isn't management and vice versa. Leading by values flows from an inner conviction about what's most important in life, at work and in society. It's not a social engineering ploy designed to trick followers and subordinates into desired behaviour. It's not a convenient way of shinning up the career ladder, racking up promotions and sweeping the board in the rat race.

Leadership is shaped within us. A leadership behaviour is a natural consequence of finding answers to such questions as: Who am I? What do I want? What do I consider important? What is my destiny?

We use our values to guide our decisions and to assess the reality we face. They serve as a signpost in our journeying. Thanks to values, people take the right actions and try to do what really matters. This is their practical application. Focusing on things that are objectively important in the long term yields desired results; achievements bring personal satisfaction and contribute to the common good. Leaders who lead by values can count on genuine support from their followers. They wield real spiritual power. A leader can't influence others unless their values are understood and accepted. Values should be conveyed clearly so that followers have no trouble identifying what their leader prizes most. A leader's values should be plain to see in daily practices. Much significance should also be attached to good communication. Without these two, followers will never grasp their leader's principles. They also create a solid foundation for shaping values common to all team members.

Everyone's a leader in certain contexts, for better or worse. Leadership isn't about assuming some political, administrative or managerial function. Values-based leadership makes it clear that values aren't determined through appointment. They're a key element of personality which is shaped through knowledge and experience. When you find yourself in a leadership role, you must first realize who you are and what is most important for you. The awareness of your own values determines whether you're ready to take on challenges and succeed. The process of identifying values and constructing a coherent system out of them is unique to every individual. However, self-reflection is invariably its key element. Thanks to it, a person can become aware of the things they're un-

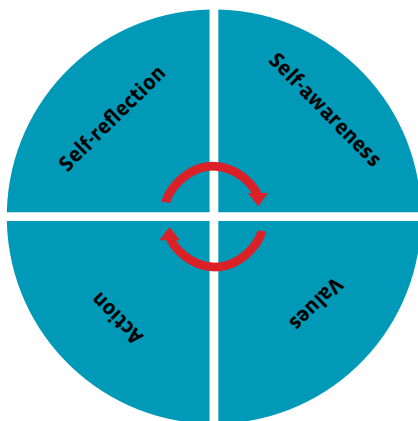
willing to compromise on. We learn values through education and experience. During our upbringing, our first leaders – parents, family members, and other authority figures of our childhood and youth – pass their values onto us. Education teaches general norms of conduct, which are then verified by life. Self-awareness helps cast a critical eye on upbringing, education and experience. Thanks to it, an individual can determine their own values. The awareness of values is of fundamental importance since it is the irrevocable and uncompromising primacy of values that constitutes a stimulus to action. Self-reflection should be a leader's regular exercise. That's the only way he or she can avoid giving a heart-shattering answer to the following question: "What have I done with my life, my talents and the opportunities I've had?" Self-awareness and self-reflection which flows from it allow one to attain self-understanding. From here, it's just a short step to defining one's individual values. Articulating those values is the basis of leadership. Being a leader requires adherence to the four principles:

- periodic self-reflection,
- careful construction of self-awareness,
- determining your fundamental values,
- following your values.

Leadership is not a one-off project but taking on new, increasingly varied enterprises. Irrespective of whether our lives are filled with routine or constant change, every leader should practice self-reflection in order to assess their performance, look for their strengths and weaknesses as well as verify if their aims and actions are aligned with their values.

The principles of values-based leadership are fundamentally important also for those who follow a leader. They're useful to everyone as they show how to find and practice values in your private and professional life. What's more, they enable followers quickly to identify the signs of the ever more prevalent bad leadership. The

deficit in good leadership can be reduced by people who don't want to be passively borne by the tide of events but who are prepared actively to face evil in the name of fundamental principles.



From values to action – the principles of values-based leadership

Values-oriented upbringing is the start and most effective method of leadership education. Teaching values in a conscious and purposeful way is the most important thing we can do for a child's development and happiness. "A strong value system is an effective tool for a successful life and, at the same time, a protection against many wrong choices and bad external influence. Every child deserves this life's equipment, this reliable navigational tool."⁷⁴ Parents, guardians, teachers as well as peers shape values and the life of a young person, their aspirations and aims, which will guide them in adult life and determine what kind of leaders they will become. Bearing that in mind, it seems that good values-oriented upbringing

⁷⁴ Koźmińska Irena, Olszewska Elżbieta, *Z dzieckiem w świat wartości* [Guiding a Child into the World of Values]. Świat Książki: Warszawa, 2011. 15.

and education in family homes, nurseries, primary and high schools are far more important than any university module or professional training. Values-based leadership is founded on the awareness of our own value systems. This awareness reminds us that we all possess a compass which shows us the right direction and prevents us from diverting from our path. A person's self-awareness changes with time. It's a process in which self-reflection amends one's value system on the basis of one's experiences and observations of the changing world. However, the basic values adopted at the beginning remain unchangeable.

Values-based leadership rests on the conviction that the means don't justify the ends. It's about the journey not the destination. Being faithful to fundamental values doesn't guarantee success, but it helps better cope with one's failures. It protects against discouragement and resignation. It's an inexhaustible source of inspiring energy.

Values-based leadership is the best method of ensuring shareholders' return on investment and the best guarantee of worker and client satisfaction.

Leadership isn't about satisfying one's ambitions and realizing a leader's goals. A value system keeps one safe from the lure of wealth and power. It prevents one from sacrificing people and one's company for personal gain. Genuine leadership is the ability to create positive change by means of cooperating with others. The most effective platform for cooperation is a community of values which ensures emotional involvement and readiness for sacrifice on part of all its members. The power of values is the best fuel for the engine of progress. Kindness, understanding, openness, readiness to help others and a sense of responsibility allow to overcome limitations, take leaps forward, perfect skills and knowledge and, eventually, achieve desired goals.

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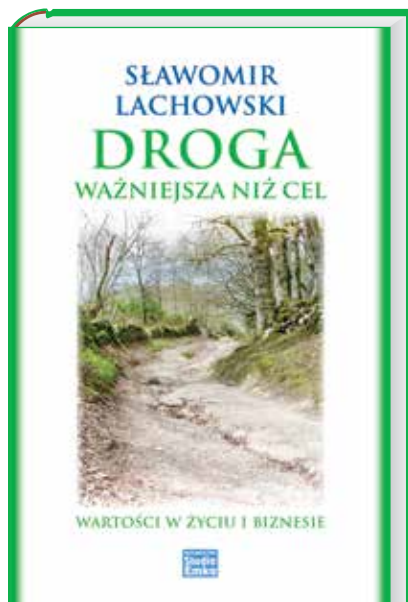
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