



Leaders to Follow

KEEP BUSINESS IN ITS PLACE

By Sara Tusek

This newsletter is an excerpt from our new book, *21st Century Jobs*, which we will publish through ILI Publishing House in February 2009.

During what is now termed the “Roaring 90’s,” the leading model for success in America and Europe was the free-market business model.

Noting the spectacular success of unregulated business in adding wealth to the pocket of the individual citizen, politicians jumped on the “free-market” bandwagon. Cumbersome institutions such as government, it was argued, were too large and conservative to take advantage of rapidly-changing market conditions. A new model was needed, for new times.

THE OCEAN LINER

To illustrate the awkwardness and inability to respond to change that hampered traditional governmental organizations, the ocean liner metaphor was employed:

A crew member on an ocean liner in the North Atlantic sees a passenger fall overboard.

By the time the crew member goes through the chain of command to get the attention of the captain, and the decision is made to turn the liner around and retrieve the passenger from the icy waters, the passenger has already died.

The federal or state government (which, for example, in America em-

ployed nearly 1/3 of all Americans in a huge, complex bureaucracy) was the ocean liner. The individual citizen was the hapless passenger who was in the icy waters, waiting for rescue; the captain, insulated from the plight of the citizen, was slow to change the ship’s course, and therefore couldn’t fulfill the basic function of a democratically-elected government: to protect (or at least not harm) its citizens.

DISMANTLING THE OCEAN LINER

The metaphor was simple and effective. To rescue the individual citizen (whose ability to profit from the unprecedented wealth-making abilities of Wall Street and big business, as evidenced in tremendous dividends and stunning gains in the stock market, was being constrained by a hopelessly anachronistic government mentality of control and uniformity), the ocean liner had to be permanently replaced by smaller, swifter craft.

The sailboat was a popular choice, with its “trim tab factor”: the slightest adjustment of the trim tab immediately changed the course of the boat. But any boat was acceptable, as long as it was light and agile.

The ocean liner (the huge federal bureaucracy) had to be scrapped before it abandoned any more fallen passengers in the sea; the only question left was how to do this quickly.

PRIVATIZATION: STAGE ONE

The quick solution to freeing citizens from bureaucratic constraints was to put government functions into private hands—“privatization” was the term often used, especially in the former soviet bloc countries.

“The business model was not only a poor fit for the best operation of people-oriented organizations; it also often produced even more misery for the people it was created to serve.”

Government, so the argument went, has no function except to provide the most essential services (such as military protection in time of war, law enforcement, and basic transportation infrastructure) to its citizens. Beyond the basics of government, such “frills” as healthcare, education, productive employment, and all cultural and spiritual concerns should be in the hands of the individual, or of groups formed by private citizens to take care of specific needs.



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INVISIBLE HAND

The ‘invisible hand’ of economist Adam Smith was often brought into the argument: the free market, if not constrained or managed, would automatically produce the best solutions to all human needs. Companies and organizations whose products found the perfect balance between cost and value would thrive; inferior companies and organizations would perish. In a sort of ‘market Darwinism,’ the principle of survival of the fittest was brought out from its 19th-century wrappings and reinstalled as the foundation of a scientific approach to economic growth.

IMMEDIATE SUCCESS

And it worked. The markets expanded, as, for example, China came on board as a quasi-capitalist country with a huge market for new products and deep pockets of uninvested capital. The United States and Europe went on a buying/selling spree that lasted into the new millennium.

Government agencies copied the ‘outsourcing’ methods of private business and began to parcel out most work by a competitive bid system, disrupting decades-old relationships between buyers and suppliers. Money was saved (at least according to the accounting books). Everyone was happy, except those who were too ‘set in their ways’ to change—the Darwinian ‘unfit.’

So successful was this strategy that some rather staid institutions began to feel pressure to adopt the free-market, entrepreneurial model. Public school systems, churches, universities, hospitals, the armed forces—no group was exempt from being urged to adopt the ‘business model’ of efficiency and cost-saving, of placing financial goals above interpersonal relationships (known positively as ‘the profit motive’ or negatively as ‘sell your grandma to make a buck’).

STAGE TWO: OOPS!

But a peculiar thing happened. Somehow, the business model, when applied to institutions that are set up for the improvement of human existence and the easing of human misery, was a failure. Echelons of MBAs could not offer the right answers to dire economic problems.

If the business model is given first place, then whenever tension exists between the requirement to use every resource ‘effectively’ (which is a major requirement of efficient business practice) and the need to respond to human circumstances with love and charity (which is the prime reason for the existence of churches, hospitals, schools and human services organizations), the humans involved suffer.

The business model was not only a poor fit for the best use of people-oriented organizations; it also often

produced even more misery for the people it was created to serve.

KEEP BUSINESS WHERE IT BELONGS

In the current economic climate, business solutions are no longer seen as the salvation for social, economic and political problems.

In fact, business is getting a decidedly dirty reputation, as the collapse of seemingly-solid businesses like Enron, AIG, Lehman Brothers, Fannie Mae, Freddie Mac, Merrill Lynch, GM and many others shake the foundations of the unregulated free market business model.

With the upswing in human needs created by the failure of the business model to provide a decent life for everyone, maybe the organizations which help people will reevaluate their paradigms. Perhaps loving, caring for and respecting people will emerge as the new, ‘hot’ management model.

Keep business in its place, and let it be what it is—a way to make money, not a way to nurture a society. Keep business where it belongs.

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