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## CREATING THE FUTURE

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*With the address by the  
President of the Republic of Slovenia  
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BOOK OF THE YEAR

BOOK OF THE YEAR

*“If I had only changed myself  
first, then by example, I might  
have changed my family.  
From their inspiration and  
encouragement, I would have  
been able to better my coun-  
try. And, who knows, I may  
have even changed the  
world.”*



*A School with a View*

## Introduction

*I am very proud and pleased to present you with this year's Book of the Year. It is devoted to the IEDC-Bled School of Management's 25th anniversary celebration, which took place at Brdo pri Kranju on October 14, 2011 under the title "Creating the Future".*

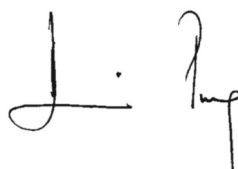
*25 years ago the Slovenian Chamber of Commerce and Industry and its president Marko Bulc decided that Slovenia, as the most market-oriented of the Yugoslav republics, needed a proper management school. At that time I was a young faculty member and a socially engaged person, so I was invited to create such a school on the foundations of the Chamber's 10-year-old Educational Centre at Brdo pri Kranju. On February 2, 1986, I walked into Brdo estate as a newly appointed director of Center Brdo, then called the Center for Educating Leading Workers in the Economy.*

*Very soon I understood that in order to realize the Chamber's and my own ambitious goal to create something relevant to the Slovene economy, I needed to make the school international, to get the best professors from the best management schools in the world, and to seek students internationally. With this ambition we started to outgrow the Slovenian Chamber premises. We identified the companies in Slovenia that were internationally oriented and understood the need for professional management. We decided to collect funds from businesses and to build the new school in Bled.*

[01]

*Thus the new phase in the school's life began. Besides being a centre of excellence in teaching, a business meeting place, and a change agent in Slovenia and in the region, with the new, beautiful Bled environment and by designing our school as an art gallery we became a creative environment for creative leadership. By learning from art and the sciences we started to introduce new, innovative programs, and today we are proud to be one of the foremost players in this field in the world.*

*To our 25th anniversary celebration we invited a group of persons who are leaders in their fields, and who are known as positive and engaged personalities with a great concern for the future. To these persons we awarded the title of IEDC doctor honoris causa. For in these new times of great change and uncertainty in social, economic and political settings we need such positive, creative and energetic leaders. With your help, IEDC will continue to develop more such persons in the coming 25 years.*



Prof. Danica Purg  
President



## ***Address by the President of the Republic of Slovenia Dr. Danilo Türk***

*Ladies and gentlemen,  
Distinguished guests,  
Dear Danica Purg,*

*I would like to start with a few words of gratitude. Thank you for inviting me again to this important Presidents' Forum. As you can imagine, since I am the president of this country, I feel an obligation to participate in this event. I have been to Bled every year and now I am here at Brdo. The number of participants and the outstanding quality of the discussions makes this a most vibrant and exciting forum. There are two presidential events every autumn. One is the General Assembly that takes place in September in New York and the other one is at the IEDC-Bled School of Management when we are hosted by Danica Purg.*

*This year we have a special occasion to be happy: the school's 25th anniversary. I would like to inform you that we are shortly going to have a more formal celebration in Slovenia at which Danica Purg will be decorated for her work. I will have the pleasure of hosting that event. It will present an opportunity to discuss her contributions to the development of IEDC-Bled School of Management at length and in depth. Today, I just want to mention briefly how glad we are to have this management school in Slovenia, which gives us an opportunity to make a contribution to the improvement of learning in the context of management and beyond.*

[03]

*Obviously, a school of management is in itself a valuable institution. But this school has gone far beyond the technical aspects of management. It has developed techniques of teaching, research and discussion that help people develop a strategic approach to business, to pursue national interests, and deal with contemporary problems. This is a very valuable achievement because we live in an era when everybody, and business leaders in particular, have to think of the broader context in which they operate and about the type of challenges that they have to address in a long-term manner. This requires strategic thinking.*

*We are very pleased to have IEDC-Bled School of Management as an institution that has helped many generations of young and senior managers to think strategically, lead their companies successfully and assist development in a more general sense. This is the spirit in which we have gathered today to discuss the theme of creating the future. This theme is appropriately ambitious. I say "appropriately" because IEDC-Bled School of Management is an ambitious institution; therefore it requires ambitious themes.*

*When I think of the issue of creating the future and about what this school does in that respect as the president of this country, two thoughts come to my mind. The first one relates to the education system. We live in a period when education systems are increasingly under pressure to adjust to new realities. This is not easy because education systems by definition resist change. They tend to be large and bureaucratic, which explains why change does not come easy. This may also be good because educational systems have to provide the necessary stability in education: a certain amount of basic knowledge that does not allow too much experimentation. On the other hand, change is also necessary. The question of how that should be done needs to be on the agenda of every responsible politician these days.*

*I say this because the problem is easy to see. Youth unemployment has become a major feature of our social reality and our economic situation. How can we ensure that young people get proper jobs so that they are productively employed, doing things that are useful to them and to society? What needs to be done at the national level and how should the education systems change? We have a problem of mismatch. Business people all over the world see a fundamental difficulty in guaranteeing proper employment opportunities for young people.*

[04] *Naturally, we, the politicians, cannot find solutions on our own. We need to work more closely with the business community. We need to anticipate what the economy will require in the future. Education systems should follow those needs.*

*I have brought up this issue because I have recently participated in a number of meetings at which the problem was identified with great clarity. However, no clear solutions have been proposed. I would like to ask you all to think about that and generate ideas because this debate is going to take a central place in the coming years. Of course, the debate will address the issue of primary and secondary education, yet higher education is also going to be high on the agenda.*

*In the domain of higher education, we have had an interesting phenomenon in Slovenia in the past three or four decades. The previous period could be defined as a period of scientific optimism and great prestige of engineering. Yet, this has started to give way to a different philosophy and a climate in which other disciplines have been receiving more attention. These are law, which is my discipline, economics, media, and other studies. These have become more popular than they used to be. We are living in a new era when information technologies and the applied sciences need to play a key role in order to strengthen the productive capacity of a given society and enable it to find its place in the global economic environment.*

*This is a big task but it will not go away unless we resolve it. It is a task that we have to address. But we, the political leaders, will be able to address it only if we have the support and guidance of the business community. I hope that IEDC-Bled School of Management will help us with this task in the future.*

*Of course, our discussion of the future should not be limited to education. There are other topics that also require our attention. I am sure that you will be discussing many of the problems that need to be dealt with by the business community and by business people individually. I would also like to add a few thoughts that are on the agenda of politicians as they may also be of some interest to you.*

*If we want to create the future, we have to know the present. This is important in politics, because - like it or not - politicians are changing the world. And when they resist the necessary change, they change it for the worse. This is something that we need to be acutely aware of. I am a former professor and I can almost physically feel the difference between being a professor and a politician. A professor describes and analyses the reality and criticizes what he sees. But, as a political figure, you have to understand the reality and try to improve it. That is much more difficult.*

*We, the political class, must realize that we change the reality even by resisting change. But that is a change for the worse. We have to change reality for the better. To do that, we need to make a clear assessment of the current situation. I would like to share some ideas with you about that and I hope that you will find some of them interesting and worthy of your own reflection.*

[05]

*I believe that the world has reached the end of a 30-year development cycle in which deregulation and unfettered market forces were the order of the day. I have deliberately worded this in a simplistic manner but basically this is where we are. This period started 30 years ago and is now coming to an end as a result of the big financial and economic crisis. The question is how to go forward. Obviously, the market is here to stay. Technology will develop further. But the question is whether the state should play a different role in this context. Has the time come to reassert the regulatory power of the state? Has the state lost too much of its original power in the process of the global advancement of market forces? I believe that the answer to these questions is positive. The state must regain some of its regulatory power and use it wisely. The international financial markets should be brought under control. This should ensure that development in the future takes place in a proper framework. We have gone too far with deregulation. We have left too much power to the market. As a result of that, the international financial markets are dominating the current global situation far too much. This is a*

*problem in my view and a reassertion of the role of the state is the order of the day.*

*The state need not be seen only as a system of repression. It is also a repository of legitimacy and an expression of the aspirations of the people. The markets do not have this legitimacy. Therefore, states must use their power wisely and collectively. This must be done at the local, regional, and global levels, in order to ensure the framework that we will need in the future.*

*My second thought relates to the European Union. Again, I would like to outline a few things that you might find interesting enough for further reflection. At present, the Union is struggling to solve what has been called the Euro crisis. Let us hope that the outcome of this struggle will be successful. But there are problems beyond that. I would like to dwell on one of them because I believe that it may be of interest to this audience. The European Union needs a clearer definition of its foreign policy priorities. It has defined itself as a community of values and a community that wishes to have a common foreign policy and a common security policy. To be successful in that respect, the Union must clearly define its strategic priorities. In my opinion, the choice is not too difficult. The future of the European Union lies in the East. This means that it needs strong partnerships with the countries of eastern partnership, with Russia and the Balkans. That is where the Union should place its top priority.*

[06]

*Most of the people in this audience come from Eastern Europe. Because of that, I expect that you will probably agree with me. But there is a political debate about this as well. My proposal is not the only one that has been made. Yet, I believe that the implications of this proposal are quite far-reaching.*

*Let me reflect on another topic in the context of foreign policy priorities. If it is true that the East is the direction of the European Union for the future, the question is what we mean when we talk about partnerships. We often hear politicians mentioning strategic partnerships, East-West partnerships, partnerships with Russia and so forth. What does that mean? The problem is that the term "partnership" is not defined with any degree of precision. This is why the contribution of people like you can be very important. We need a more detailed definition of what partnerships entail. This will be possible only with the assistance of the business communities working in the areas where the partnerships are being built. It is easy for the politicians to describe something as a partnership. It is a good word, conveying a nice message; therefore it is easy to use. But that does not guarantee success. Success comes from sophisticated policy-making, courageous political decisions, and - most of all - through mature and well-thought ideas*

*concerning how to provide an economic content to the concept of partnership.*

*Thus, talking about partnerships today, we are still far from a clear identification of the content of that concept. This is especially the case when we talk about a partnership between the European Union and Russia. These thoughts are relevant to your work and I would like you to consider them. There are quite a few politicians who understand that in order to create partnerships in the future and to be successful in the pursuit of the European Union's common foreign policy, we need to open our borders. We need to extend communication among the people. We need to liberalize our visa regime. We need more human contacts. All this is necessary in order to create a base for future partnerships and development. These issues are being discussed but some of them - for example the visa regime - are dominated by bureaucratic considerations. They are not viewed in the light of human rights and freedom of movement. There needs to be a change in that regard as well.*

*At first glance, these issues may seem somewhat distant from the main topics that you will be dealing with at this forum. But these political questions are never too far from the reality that you operate in and your contribution is valued.*

*I am looking forward to your results. Let me assure you that Danica Purg and I meet occasionally and talk about the outcome of your discussions. I am always interested in learning about your ideas. I believe that if politicians and business people talk to each other, they can find good solutions to current problems. The issues are not easy but it is possible to deal with them. The IEDC-Bled School of Management is part of the solution.*

[07]

*Thank you very much.*





## ETHICS AND AESTHETICS OF LEADERSHIP

*Prof. Edgar Schein, Emeritus, MIT Sloan School of Management, USA*

I spent the best part of last night thinking about what would be appropriate to say on an occasion like this. I finally decided that I ought to discuss the role of art in education. But I will go a little bit beyond that, because art brings up the issue of values. In my view, the problem of the leaders of today is that they are in a sense ethical time bombs because they express their values through their daily behavior: the things that they pay attention to or ignore, how they choose to deal with crises or how they handle safety. I have done a lot of work in the power industry and in the healthcare industry. Leadership is very much about what we see or do not see, what we act on or do not act on. As you become a better observer, which is what art teaches us, you begin to realize that in every action or inaction there are hidden values. These values always express themselves somehow.

Here is a simple example. An accident happened in a power company and the leaders did a crisis analysis. A union member reported that he was very disappointed with the way that management had dealt with that accident. Why? Because he was a close friend of the worker who was injured. He came to company headquarters and asked if he could borrow a car and go to the hospital to see his friend. His supervisor said that they did not have a car for that; he would have to take the subway. For this man, this refusal became a major value statement. In his view, the company did not care about its employees. What had the supervisor done? He had just enforced the rules: "We don't give cars out for such fancy things."

[09]

That manager did not know that he had created an ethical time bomb. The employee went back to his union buddies and said, "We knew this all along. They have a safety program and tell us that they care about our safety. But when it comes down to doing something simple and humane which displays the value in actual behavior, look what they did. They did not give me a car to visit my friend."

I have many examples of leaders, not necessarily those at the top of the hierarchy, who do or do not do something that is interpreted by others as an indication of values. I think we need to see values better. Once I brought home a value survey. Respondents were supposed to rank different values. I showed it to my late wife and she said, with much greater wisdom than I had at the time, "That is not

how you learn about values. If you want to do that, you go to a museum or the movies or read a book. Then you reflect on what you have seen or read. You don't think about values in an abstract way, on the basis of some survey." Values are the implications of how you behave: what you do or do not do. They are unconscious until you talk about them or learn to see them in your own behavior.

Why do I keep talking about what you do not do? Because I recently read a very interesting article (Cook, 2005)<sup>1</sup>, that discusses three styles of governance. Each of them has enormous implications for how we process values in society. One is what we call "laissez-faire". The leader says, "We have good people here; let them act". Then, if something goes wrong, this leader will look for somebody to blame. There is always one bad apple in the barrel. This style of leadership creates what is called "a blaming culture". If you do not manage the process actively, sooner or later somebody will do something that is ethically incorrect or will cause some other problem. The leader will have somebody to blame and will say, "This is not my fault." Well, it is, because of the laissez-faire inaction style.

[10] The second style involves taking complete charge: rules, regulations, and bureaucracy across the board. The idea is to make sure that nobody can ever do anything unsafe, illegal or unethical. And what is the problem with that? It is twofold. First, people become complacent. They just follow the rules and stop thinking for themselves. This leads to the next problem: if the situation changes in any way, they are not prepared. What is the rule for action when this new type of accident occurs? Oh, we do not have a rule for this one, but we are going to write rules and procedures for the next time this type of accident happens. That is small comfort. This total-control style does not work as a governance system either.

What this particular article describes as the middle ground that we need to evolve comes close to what I consider to be the governance processes which reflect the underlying values of democracy. If you really want to cultivate concern for ethics and values, and if you want everybody to see how their behavior is a reflection of their values, you have to create a structure in which there is a lot of discussion, education, debate and dialogue. In that way, the whole society or organization will be better aware of the implications of the values which produce their behavior. Values and ethical issues are not found in books or in classrooms. They are in

<sup>1</sup>Cook, S.D.N. (2005) "That which governs best: Leadership, ethics and human systems". In J.B. Ciulla, T. L. Price & S. E. Murphy (Eds) *The Quest for Moral Leaders*. Northampton, MA: Edward Elgar

our day-to-day behavior. This is not about the values stated by leaders: how we should behave ethically. It is not about what we teach in business school courses: here are the ethical principles by which we should live. It is not about regulations, either. It is ultimately about our ability to see whether what I do day by day is in accordance with the values that I hold and want to hold. Remember the wonderful proverb, "You get what you settle for." If you do not actively think about your values and how you want relationships to be, you will get the kind of relationships that you settle for. That is a kind of inaction that we need to be very concerned about. It is not what others do. It is what we do that stimulates what others do. We have to understand these complicated relational problems. They will only get a lot worse in a multicultural world because of the potential for different types of value conflict.

The lesson that I have drawn from this experience is the same lesson that you learn when you try to become an artist. You must first learn how to see.

## CREATING REFLECTIVE LEADERS & AUTHENTICIZOTIC ORGANIZATIONS

*Prof. Manfred F. R. Kets de Vries, The Raoul de Vitry d'Avaucourt Chair of Leadership Development, INSEAD, France*

At the beginning of the 20th century, the Harvard psychologist and philosopher William James distinguished people as being either “once-born” or “twice-born.” According to James, “once-borns” are individuals who do not stray from the straight and narrow. They are tied to familiar territory where they have always felt comfortable. Conversely, “twice-born” people go to great lengths to reinvent themselves, often as a result of dramatic changes in their life. On reflection, they come to realize that their lives have become too predictable, and that if they do not embark on change, they will sink into a state of living death. The implication is that “twice-born” people actively use difficult changes in their external life to help them come to peace with their inner demons.

[12] In William James’s mental framework, we start our life’s journey simply by being physically born. However, we may be spiritually and intellectually challenged—in other words, “reborn”—when faced with unexpected adversity, such as a dramatic life crisis. “Twice-borns”—people who have undergone an experience of fundamental, moral, and spiritual upheaval (a near-death experience, for example)—may transcend their self-limitations. They may succeed in escaping their self-imposed mental prison and discover imaginative ways of dealing with adversity. “Twice-borns” are given a new lease on life. The ability to reinvent themselves changes the way they relate to other people and the world around them.

During the past three years I have had two near-death experiences, a terrifying accident on the top of a snowy mountain on the Kamchatka Peninsula in the Russian Far East, followed by an almost deadly hospital infection. These experiences created in me a greater awareness of what being “twice-born” really means. They brought home to me—more than once—how to make the best of the precious gift that life really is. They also brought home to me the fragility of life.

I am a disciple of what Sigmund Freud described as “the impossible profession.” As well as being a professor of leadership development and change, I have a parallel life in which I am also a psychoanalyst. In that respect, it might be said that I am a kind of shaman—shamanism is, of course, the origin of all the

psychotherapies in this world of ours. Throughout human history, shamans have bridged the world of the living and the world of the spirits. Shamans ensured that the right ceremonies were enacted in the right way to put the world to rights. Shamans were the explorers of the magnificent hidden universe that lies beyond this visible one. They brokered our search for another dimension of seeing.

In this context, it is clear that there are many similarities between the role of the shaman and the role played today by people in the helping professions—psychiatrists, psychotherapists, psychoanalysts, social workers, and even coaches, counselors, and consultants.

As a practitioner in a “helping” profession, I have spent many years working with executives who are trying to become more human. On a macro level, my life’s task has been to bring the human dimension back into the organization—to create the kinds of organization that bring out the best in people, that help them become more human. And I have also seen it as my task to do everything in my power to prevent dysfunctional, pathological leadership.

I was born in occupied Holland during the Second World War, a period that wrought immeasurable human tragedy. So it is no surprise that pathological leadership has always concerned me. I have always been curious as to why some people in a leadership position will abuse the power that comes with the job. What is the fundamental difference between the Mugabes and the Mandelas of this world? Lord Acton’s words have been much quoted—“Power corrupts, and absolute power corrupts absolutely”—but that does not make his words any less true. When the sirens of power beckon, some people cannot resist the call. [13]

But grim as Lord Acton’s statement is, we should never underestimate the altruistic motive that is part of the DNA of the human race. *Homo sapiens* evolved rapidly to become the most sophisticated species on earth largely because of our ability to engage in cooperative behavior. Thus, we should not give up on the human race. I believe there is reason to hope for the best—surely this is the meaning of the story of Pandora’s box?

Without hope, there is no life. As Napoleon Bonaparte said—and he should know—“Leaders are merchants of hope.” Leaders need to speak to the collective imagination of their people to create a group identity—to help people become better than they think they are—a task that I have taken very seriously in my educational work. I help people to have dreams about the future. And I like to see people acting on those dreams.

True enough, when I look at the world around me, I have not recently seen many signs of the kind of leadership that transforms people, helping them to live fully and with hope. Perhaps this is because there are not many “twice-born” leaders among us. Far from it—we are currently faced with leadership meltdowns everywhere. The political leaders of Europe and the United States are exhibiting behavior that should be excised from the leadership equation.

Unfortunately, in this age of greed and anxiety, short-term expediency prevails, while bold, imaginative leadership is sorely missing. “Twice-born” thinking is notable by its absence. One exception, and one of the few signs of hope, can be seen in the Middle East, although we don’t know yet whether a new form of pathological leadership will replace the old.

In my work with leaders I have not given up hope. It is very possible that a new generation of leaders will rise to the challenge. And certainly, I am prepared to do all I can to help them move forward.

[14] A sine qua non in increasing leadership effectiveness is to make leaders realize that they are not rational decision makers—that much of their behavior is out-of-awareness, and that they may have many blind spots that need attention.

Above the Temple of Apollo in ancient Delphi was written: “Know thyself.” This observation is as true today as it was in those bygone times. If we want to develop more effective leaders we have to start with ourselves. But as I have discovered, to paraphrase Goethe, what is often hardest to see that which is in front of your eyes.

I once read the following words on a tombstone in Westminster Abbey:

*When I was young and free and my imagination had no limits  
I dreamed of changing the world.  
as I grew older...I discovered the world would not change,  
so I shortened my sights and decided to change only my country.  
but it, too, seemed immovable.*

*As I grew into my twilight years, in one last desperate attempt,  
I settled for changing my family...those close to me,  
but alas, they would have none of it.*

*And now as I lie on my deathbed, I realize:  
If I had only changed myself first, then by example,  
I might have changed my family.*

*From their inspiration and encouragement,  
I would have been able to better my country,  
And, who knows, I may have even changed the world.*

The most exemplary living leader of our times, Nelson Mandela, once said, “You can never have an impact on society if you have not changed yourself.” To get this message across, I often use metaphors to describe the key actors and primary forces that take the stage in the “inner theater” that plays in all of us. I tell the leaders I work with that we all have to manage the elephants, hedgehogs, and Ouroboros we harbor within ourselves.

Metaphorically speaking, the elephant is our character—a part of us that can have a powerful and uncontrollable effect on our actions. As a psychoanalyst I am very aware of the fact that much of our behavior is unconscious—we often do not understand (to quote my old friend Sudhir Kakar) what the elephant inside us is doing. (It is a metaphor he likes to use.) For example, the elephant is narcissistic. We have a tendency to look at ourselves through rose-colored glasses. The elephant is also somewhat paranoid. We are inclined to look at the world in a suspicious way—and such an outlook can have dire consequences. Furthermore, the elephant seeks revenge when it has been wronged. Finally, the elephant is lazy: it is very reluctant to change its behavior. And the elephant is alive and trumpeting in all of us. Only by acknowledging that it is there, can we learn to live with it.

[15]

And what about hedgehogs? The great German philosopher Arthur Schopenhauer drew an analogy between humans’ and hedgehogs’ discomfort with social proximity. In cold weather, hedgehogs cluster together for warmth but soon find that their spines hurt each other. Yet when they withdraw, they very quickly get cold again. Eventually, after a lot of shuffling and reshuffling, they find the optimum distance for warmth and comfort. For human hedgehogs, this conundrum—our simultaneous need for closeness and distance—is a fundamental reason why people often find it so difficult to work successfully in groups, teams, organizations, and civil society.

The third animal in our inner menagerie is a mythical one, the Ouroboros, usually depicted as a serpent or dragon swallowing its own tail. The Ouroboros symbolizes the cyclic nature of the universe: creation out of destruction, life out of death. The Ouroboros eats its own tail to sustain its life, in an eternal cycle of reinvention and renewal.



The Ouroboros symbolism should remind leaders that things cannot remain the same eternally—that there are times when they have to break with the past. To quote Giuseppe Tomasi di Lampedusa from his famous novel *Il Gattopardo* (The Leopard), “If you want things to stay as they are, things will have to change.”

Unfortunately, there are far too many leaders who fit Albert Einstein’s definition of insanity: “Doing the same thing over and over again, expecting different results.” Some people don’t seem to know that when we find we are riding a dead horse, the best thing to do is to dismount.

The ability to work well as a leader is essential in 21st-century organizations. The price tag of dysfunctionality, particularly in teams, can be staggering. For example, in one of my latest books, *The Hedgehog Effect*, I present the case for leadership group coaching as an experiential training ground for creating more effective leaders. My leadership group coaching model, incorporating the life case study, has been developed over more than 20 years of delivering programs to top-level executives, and is now successfully applied all over the world. It is a process whereby people are gently nudged to reinvent themselves. Fortunately, what helps in working with so many leaders, is the discovery that they all are quite normal—until you get to know them better!

As I said earlier, one of the hats I wear is that of a psychoanalyst, and that leads me to focus on the darker side of organizational life. It is now more than a decade since I truly entered into the leadership development business, creating with the help of many others (in particular my wife Elisabet) a leadership development center that has become the second largest in the world—and the largest in group leadership coaching. Through my work in this center I have been trying to make human hedgehogs more effective and humane. I have been trying to help leaders create what I have called *authentizotic* organizations—places of work where people feel at their best. In these kinds of organizations, people find meaning in their work; they enjoy the people they work with; they take pride in what they are doing; and they trust the people they work for and with. Such a view of organizations may be idealistic, but (as I said before) without hope, there is no life.

For many years, I taught the core Organizational Behavior course in various MBA programs around the world. I always enjoyed giving this course. I felt it was a gift to be able to guide these young men and women in making life choices about their interpersonal relationships

and careers. I wanted to help them better understand their own elephants, hedgehogs, and Ouroboros.

In my final class I used to show the students an old black-and-white masterpiece called “Wild Strawberries” made by the famous film director Ingmar Bergmann. It tells the story of an old man, Isak Borg, who is making two journeys—one from Stockholm to Lund to receive an honorary doctorate (now you know why I have been thinking about this film so much recently)—the other a more personal journey, a trip into his inner world. Helped by a mixture of dreams, daydreams, fantasies, and various encounters on the way to the ceremony (including one with his very icy mother—very different from mine by the way)—we obtain a remarkable insight into his personal inner theater, the quality of his interpersonal relationships, and the kind of muddles and mistakes he has made during his life’s journey. We really come to understand his elephant, his hedgehog, and his struggles with the Ouroboros. In spite of all the setbacks he encounters, it is a journey of hope. Even at his advanced age, and guided by the various people he meets on this journey, he opens up to change. One of the messages of the film is that it is never too late—but as we all know, a *sine qua non* in any change process, is the will to change yourself.

[17]

A goal I have set myself as a teacher is to help people feel better in their skin—to help them attain a modicum of happiness. In that respect, I tend to believe in the notion that happiness is not merely a question of good health and a bad memory, but more importantly, of having something to do, someone to love, and something to hope for. Happiness doesn’t come as a result of gaining something we don’t have but by recognizing and appreciating the things we do have.

The ancient Greeks believed that our life’s journey lies at the intersection of the *Morae*, the three Goddesses of Fate who spin our inescapable destiny; the goddess *Tichy*, symbolizing luck and chance; and the *daemon*, who is the elephant that represents our inner theater, guiding our steps. The way these various dramatic personae interact will always be a work in progress. And in dealing with this work in progress, it is not good enough to complain about the poor hand of cards we may have been dealt. The challenge of life is to make the best out of a poor hand. True leadership shows itself in tough situations. And as I said at the beginning of this speech, many of today’s leaders fail that test miserably. They badly need to get in touch with the Ouroboros inside them.

I would like to end my speech by paying tribute to Danica Purg, who is one of these rare transformational leaders, the kind of person who is so badly needed in difficult times. More than most of us, she must have pondered the question of what we would like to leave behind as our life's legacy. How do we want to be remembered? I believe that true leaders take the kinds of action that will benefit the next generation. And Danica has certainly done this: just look around you. We should be very grateful.

I would like to thank you all very much for the great honor you have bestowed on me today.

## COURAGE TO CHANGE

***Dr. Ichak Kalderon Adizes, President, Adizes Institute, USA***

It is a privilege for me to give the keynote presentation at this celebration, marking the 25th anniversary of the founding of IEDC—a school that epitomizes the title of my presentation today: “The Courage to Change.”

Why is courage needed in leading change? To answer this question I need to first address the theme of this celebration: “Create the Future.” Ladies and gentlemen, the title is wrong. You cannot create the future. The title is missing one word—a critical word, which would make it right. Let me explain.

The human mind responds to thoughts literally, not unlike a computer: You cannot type a certain instruction into your computer and expect it to deliver different information than what you asked it to do. Our mind works the same way: It handles thoughts literally. If you make the decision: “I will go on a diet tomorrow,” when you wake up the next morning your mind will ask you: Is today tomorrow? Since the answer is obviously “No,” you probably will not go on your diet. There is a bar in Amsterdam, I am told, that displays a sign on the wall that says, “Free drinks tomorrow!” Whoever asks for a free drink is told to come “tomorrow”. They have yet to serve a free drink.

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You cannot create THE future. Like the past, which once existed but no longer does, the future does not exist, either. What exists in reality - and the only thing that exists - is what you are creating NOW. This concept, that the only thing that is real is NOW, has important implications for the task of planning. “Planning” is not “deciding what we will do tomorrow.” Effective “planning” is deciding what we are going to do right now in order to prepare for tomorrow. Thus, the theme for this celebration should have been: “Creating FOR the Future,” rather than “Creating THE Future”.

But that begs the question: if one needs to create the future NOW, how does one know what to do now? For that we need to be creative, be willing to take risks and, as the title for this presentation says: have courage.

First, why creativity? Creativity is necessary precisely because we need to act now in anticipation of the future, a future no one knows for sure. We must imagine the future. We must build scenarios. We must use our creativity to recognize a pattern and fill in the missing pieces with our imagination in order to get the total picture. In other words, we should handle uncertainty with creativity.

Now, why a willingness to take risks? Because in order to create for the future, which is uncertain, we need to act in the present, and that is risky; maybe the future we imagined and acted in anticipation of will not happen. All our preparations in the present may turn out to be a waste of energy, effort, and resources. Maybe we were wrong, and usually there is a price to be paid for being wrong.

Being proactive in a situation that has not occurred yet, we run the risk of being criticized and even ridiculed. Why? Philosophically speaking, there is no present. The present is a mini-split-second between the past and the future. It either happened already or is going to happen. For some people, usually the ones with a conservative outlook, the present is a continuation of the past. For people who are creative, those willing to take risks and have the courage to act, the liberals, it is the beginning of the future. Those who continue living their past in the present can neither understand nor appreciate people who are, in the present, preparing for a future that has not happened yet. The latter are criticized and ridiculed.

[20] To act today in anticipation of a future that has not happened yet, leaders of change must have the courage to take risks, and withstand criticism and ridicule. That is why they are called LEADERS, not followers. IEDC, the institution celebrating its 25th anniversary today, in the past epitomized the courage to change, and continues to do so in the present. How?

Allow me to first analyze the past. Twenty-five years ago, Professor Danica Purg had the courage to establish – singlehandedly! – the International Executive Development Center, the IEDC, in a country where the curriculum of executive education had historically been determined by Marxist ideology; a country that was just beginning the struggle to introduce market forces as regulators of economic behavior. This called for a significant paradigm shift in thinking. It required courage to take on the establishment. And she succeeded not only in developing Slovenian executives, but also in establishing an organization that transcended the borders of Slovenia, her home country, to serve the entire Central and Eastern blocks in their parallel struggles to transform themselves. Danica Purg's efforts ultimately had an impact even beyond Central and Eastern Europe, inspiring changes in executive education as taught today in Western Europe and Asia. In 2010 Danica was voted Dean of the Year by the Academy of International Business, a leading organization of scholars and specialists in her field. No surprises there.

Now, how about having the courage to lead change at the present time? Ladies and gentlemen, something very significant is happening at present which is imposing new demands on executive leadership. Creativity, risk taking and courage are no longer enough.

I suggest to you that business leadership is not what developed countries need the most now. Developed countries are already saturated with things: the creating, manufacturing, and selling of things that improve our standard of living, but reduce our quality of life. How? Why?

Change is accelerating in modern society, and different macro subsystems are advancing and changing at different speeds. Technology is changing the fastest (thus increasing our standard of living), while social values are changing the slowest. This disparity in speeds of change creates socio-ecological gaps, manifested by growing systemic social problems that are increasing in their severity, such as crime, unemployment, social unrest, and socio political alienation: manifestations of deteriorating quality of life.

As you see, ladies and gentlemen, a higher standard of living does not necessarily bring a higher quality of life. I suggest to you that precisely the opposite is true.

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What developed countries need now more than ever are social leaders-or what André Malraux, France's first Minister of Culture, once called "social animators": people who identify society's developing cultural, social needs and trends, people who are able to mobilize resources and social forces in the present to create for a better future.

But how does one go about becoming a social leader? How does one deal with those socio-economic systemic problems?

What must come into play to be a social leader is not just creativity, risk taking and courage, as in the past, but values: the ability to distinguish between right and wrong.

Modern society, in order to create a better future today, needs leaders who are capable of making value choices. And how does anyone arrive at such values? Not by using logic or mathematical cost-benefit relationships, but by listening to one's heart. It is what makes us human, what differentiates us from being animals.

True social leaders, those who can lead us to a better future, think not only with their heads but also with their hearts. And ladies and gentlemen, it is infinitely more difficult to teach values than to teach facts and formulas. To be human it is not enough to be born in a

human body. I believe this aspect of leadership development, to think with one's heart and not only with one's head, is deficient and missing altogether in today's executive leadership development programs.

And here again, Professor Danica Purg, the Founder and indisputable leader of this institution, the IEDC, has shown courage and provided leadership in bringing values, experientially, into executive leadership development.

For example, she developed a program where executives from Britain visit Bosnia and Herzegovina, to study management principles but also to meet the victims of the ferocious war there and see for themselves what happens to mothers, to children, to the elderly when modern military technology is combined with the values of the Stone Age. By the end of the program, some executives were weeping. Executive development should not only open people's minds to see, but also open people's hearts to feel.

[22] Society needs to create today the leaders of tomorrow, a new breed of leaders whose social values drive their materialistic decisions rather than leaders who, driven by materialistic goals, compromise social values. We need social leaders, leaders who are led by values, leaders who have the courage to change a society driven by materialism into a society driven by values. And here Professor Danica Purg had the courage to change leadership development once again.

I feel privileged to be associated with IEDC, a School with a View literally as well as metaphorically, and applaud the leadership of Danica, whom I hope may celebrate the fiftieth anniversary of this school in good health and with the same energy that her courage requires.

I thank you for your time and attention.

## CREATING THE FUTURE; Panel discussion

### ***Prof. Jean-Pierre Lehmann, Emeritus, IMD Lausanne, Switzerland***

*On 28 August 1963, I happened to be in Washington DC and I listened to the famous speech by Martin Luther King, "I Have a Dream". That was a very important moment in my life because I realized the power of dreams. But as Manfred Kets de Vries put it, a vision without implementation is a hallucination. Having a dream is the easy part; I dream every day.*

*The times that we live in require a lot of thinking. According to a well-known cliché, it is difficult to transform the times. All these media these days are characterized by a sense of gloom and doom. These feelings are not unjustified; we have reason to worry a great deal.*

*At the same time, imagine somebody who was here 25 years ago and then disappeared from the planet. He reappears at this time and looks around to see how Planet Earth is doing. During his absence there were some bad moments, especially in this part of the world. But, also, extraordinary new technologies have been developed. Their impact is absolutely amazing, not only because of the technological dimension but also because of the social implications. As Peter Drucker put it, it is not an industrial revolution but an intellectual revolution. The number of people who own telephones is greater than the number of people who have toilets. This creates connectivity across the world. Imagine that three years ago somebody had told you about Facebook. "What is it?", you ask. "Well, it is a gadget that will start a revolution in the Arab world". This enormous capacity of knowledge is one of the pieces of good news.*

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*There is other good news, too. Could we have imagined 25 years ago that China would be what it is today? For one thing, it is the biggest market in the world for Bordeaux wines. Think also of the impact of tourism from China.*

*Also on the good news front, I do not think that anybody would have believed that so many people, hundreds and hundreds of millions, would be lifted from poverty in such a short time. This is extraordinary. It is remarkable. It is something to celebrate.*

*Another thing that would have been difficult to imagine 25 years ago is that the Soviet Empire would implode. Europe has become predominantly democratic. Things are still not perfect but there is still good reason to celebrate. Who would have imagined 25 years ago that Lithuania would be a member of the European Union today?*



*We live in extraordinary times. Inevitably, there are shocks to the system. Inevitably, there are mistakes that need to be corrected. But at the same time it is very important for leaders not only to get us out of the crisis but also to tell us where we are going. Former Brazilian president Luiz Inacio Lula da Silva, who can rightfully be placed in the pantheon of great leaders, once said, "How will we explain to the next generation that we had so much, yet did so little?"*

*We must take advantage of the fantastic opportunities that we have and think about the next generation. Unfortunately, we do not have much time left. The situation does not look good. Youth unemployment in Spain is over 46 percent. It may be even worse in the Arab world and they have a lot of young people to begin with. Those young people are impatient and feel alienated and need to be taken very seriously. This is one of the things that we should be thinking about now.*

*This panel is about what we can do to stimulate change and create the future. We have a distinguished panel who are going to share some interesting thoughts with us.*

### ***Prof. Hermann Simon, Chairman Emeritus, Simon-Kucher & Partners, Germany***

[24]

*First, I would like to suggest a change to the title of this panel discussion. Instead of "Creating the Future", I recommend, "Preventing the Future". My reason: the most important changes that are needed have to do with preventing some negative future occurrences. I am not sure if we can create futures, but we can certainly prevent some events from happening.*

*I recently wrote a book that, so far, has come out only in German and Italian. Translated into English the title is "The Trends that Shape the Future". I would like to share some of its highlights with you. The first trend is the acceleration of globalization. It took 80 years from 1900 to 1980 to bring global per capita exports to 500 dollars. Then, the figure doubled in the following 20 years to 1,000 dollars and once again in the past 10 years to over 2,000 dollars. Now global per capita exports are 1,600 times higher than 100 years ago.*

*The main change that has recently come with globalization is the rapid shift towards Asia. This is happening even faster than the advance of technology. Let me give you just one example as an illustration. Bosch Rexroth is the industry division of Bosch, employing 40,000 people. In their forecasts before the crisis, they predicted that revenues from Asia would equal those from Europe in about 2020. However, Asia is generating revenues at a far faster pace. The reason is that even during*

*the crisis Asia continued to grow, whereas Europe is still stagnating.*

*The biggest challenge, especially for Europe, is Africa. I was in the United States recently and I repeatedly heard the word Chimerica: China plus America. Then, I compared Chimerica and Eurafrika. These two entities have roughly the same populations today: 1.7 billion. In 2050, however, according to the official forecast of the United Nations, Eurafrika will have 2.8 billion people, whereas Chimerica will remain the same.*

*One billion more people in Africa. If we do not take good care of that continent and help them become productive, they will come to Europe. At present, the United States receives one million immigrants per year. Italy and Spain each get about 400,000 immigrants a year, mostly from Africa because they are geographically so close. It is clear that globalization creates dramatic challenges.*

*The second important trend is the increasing role of governments. On this point I disagree with President Türk, who said that governments should assume a larger role. The opposite is necessary. We need a radical reduction of government in economic and financial matters. We have been living far beyond our means and have accumulated an unsustainable level of debt. To quantify this, Germany should spend 100 billion euros less per year. It is very simple: we have added a net debt of roughly 50 billion per year in the recent past, leading to an accumulated debt of 2,000 billion. This is no longer feasible. The reduction of state budgets, especially of social budgets, will trigger significant social and political turmoil. This is not a matter of party politics. This is a matter of sustainability. Otherwise we will all be heading down the road Greece is on.*

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*How have we gotten into this mess? The problem of democracy, especially in spoiled rich democracies, is that people always ask for more than can be financed. Politicians respond to these demands by being generous. This is the debt-creation machine. I know only one corrective. It is an old-fashioned tool: the gold standard. The 3- and the 60- percent debt limits in the European Union have never worked; neither have the multiple debt limits in the United States: they have always been changed arbitrarily. When I spoke about these things three years ago, everybody laughed at me. Today, nobody is laughing. I would not be surprised if, in a few years, we see the reintroduction of the gold standard. As Milton Friedman put it, "A real gold standard is thoroughly consistent with liberal principles and I, for one, am entirely in favor of measures promoting its development."*

*I call the third trend "entanglement of management and capital".*

*Managers have been playing with money in something that I call "option casino". They have been taking huge risks, expecting huge rewards if they win. But if the gamble does not pan out, others, especially the shareholders, but also the workers, have been expected to pay. We need a redistribution of risks and opportunities between management and capital. There is a very simple solution: managers must buy shares in the companies they run. The first large company that introduced this system is Siemens. The chief executive officer must invest three times his fixed salary in Siemens shares. Currently, this amounts to 6 million euros. For the other board members the amount is twice the salary, amounting to about 2 million euros. These amounts are significant, and "hurt". This type of financial commitment changes managers' behavior because it relocates risks and liabilities.*

*Jean-Pierre Lehmann mentioned the fact that millions of people in the developing world are now earning enough to be able to afford industrial products such as a small motorbike or a cheap car. But they are not going to buy a Mercedes S class; they can afford only a Tata Nano. The Nano's price is about 2,500 dollars, and its manufacturing costs are about 50%. These ultra-low-priced products are the fastest growing segment in the world. The segment does not consist only of cars but of all sorts of consumer and industrial products. European companies need to be represented in this market. Tata Nano is essentially a German car. Nine German suppliers are involved in that car, the largest of which is Bosch. It is a big challenge for European companies to gain a foothold in the ultra-low-price segment of the emerging markets.*

*The last trend that I would like to discuss is total networking. The Internet has only two main capabilities. One is to distribute digital content at virtually zero cost. The second is to connect people who are looking for information and those who are supplying it. This is about supply and demand. Let me focus on one point related to digital content.*

*Five years ago, Steve Jobs said that newspapers would have disappeared by now. They have not. Why was he wrong? In order to distribute digital content you need appropriate devices. The first of such devices were the iPad, which was introduced a little over a year ago, and the Amazon Kindle. Today there may be about 100 million of these devices in the world. This stock is currently growing by 2 million a day. Once the number of these devices equals that of mobile phones, the days of many books and printed newspapers will be over. In the foreseeable future, many current printing operations will disappear. At the Frankfurt Book Fair in October 2011 the main topic was the transition from printed book to electronic book. As you may have heard, in April Amazon sold*

*more electronic books than printed books for the first time in its existence.*

*I would like to conclude with a personal emotional experience, confirming what Jean-Pierre said. In August 2011 I visited Spangdahlem, the largest American air base in Germany. Among the aircraft on display were two Polish fighter planes, F16s, with their crews. Forty-three years ago, I was an officer in the German air force, stationed at Buechel airbase in the direct vicinity of Spangdahlem. That was the time when the Soviet army marched into Czechoslovakia. Our bomber wing was on high alert and prepared for a specific mission: to drop devastating bombs on targets on the other side of the Iron Curtain. Six pilots were sitting in their F-104G Starfighters 24 hours a day. Within seconds they could have all been airborne. And what is the situation today? Polish fighter planes are coming to Germany. An unthinkable situation some time ago.*

### ***Dr. Horst Weitzmann, Senator, Chairman of Badische Stahlwerke, Germany***

*I am probably the only misfit at this conference. When I introduce my wife and myself, I often say that we are in the iron and steel business, because she is iron and I am steel.*

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*There is a joke about people in our business. Three people go to heaven and meet Saint Peter. He asks them what their IQ is. The first one has 150. He was a nuclear physicist, a winner of a Nobel prize. The second one has an IQ of 100. He was a philosopher. The third one is a shy little man. His IQ is only 50. Saint Peter asks him, "What was the steel market like when you kicked the bucket?"*

*I have been in the steel industry all my life. It is capital intensive but I spend an equal amount of money on human resources. I started out when I was a nobody by means of a management buyout. What I can offer my people is that if I make a profit, I will leave it in the company in order to secure jobs and perhaps better earnings for them in the long run. I cannot promise more than that.*

*I am a passionate member of the Danica Purg fan club. I have spent a long time in education and I believe that we need long-term investment in that domain. It is frightening to see that unemployment among the young in Europe is twice as high as the national averages. In Germany, we currently have five percent general unemployment and nine percent among youngsters. Those young people do not have any vocational training. In Spain it is even worse: 20 percent general unemployment and 40 percent among the young.*

*A hundred years ago, the European countries had a wonderful demographic pyramid. Between the two world wars, four people supported one retiree. After the Second World War, one pensioner was supported by two working persons. In the long run it is going to be one to one. I do not see how this will work and it is too late for me to start a reproduction initiative. I think that we have to look at our system at all levels. I believe that in the highly industrialized countries, like ours, school dropouts of immigrant origin need to be taken special care of.*

*At our training centers, we have developed methods that provide additional help to such people, mostly of Turkish origin, in mathematics, reading and writing, as well as some specific practical skills. We take them in two steps through a four-year program that is quite useful to them. It is useful because universities of applied sciences have a dropout rate of 20 percent. This is just not acceptable. Universities must realize that some of the students that they enroll do not have the necessary preparation for higher-level studies. We are now eager to reduce the age at which young people graduate from high school. But if they graduate at 17, they should go to college before they go to university. They should spend two semesters in humanistic studies in order to learn something about culture and develop their personalities before they go on and become specialists.*

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*These are some of the things that describe my activities. In addition, I collect art. Another passion that I have is music. I think that we need to be versatile personalities and develop different talents. This will help you deal with people properly, and they will repay you a hundred times over.*

***Prof. Aleksandra Kornhauser Frazer, Emerita,  
Faculty of Natural Sciences and Engineering,  
University of Ljubljana, Acting Dean, Jozef Stefan  
International Postgraduate School, Ljubljana***

*I accepted the invitation to speak at this forum a year ago, but after I received the instructions from our chairman I got cold feet. He asked me what I expected for the future and my grandchildren. A second question was what I would do for them. I thought, "My God, I am not qualified for this." I have grandchildren, but they are already grown up and they have got what is available. Therefore, I can only speak my dreams about the future of my great- grandchildren.*

*Then I thought, "I am a chemist; why on Earth am I getting involved in this debate?" All my life I have been taught to think in terms of well-defined parameters and values. And in this context there are hardly any. But Danica Purg and Barbara Vilfan insisted and I agreed, on*

*condition that I spoke last as I wanted to hear what the other speakers would say and learn from them. So, the reason that I am speaking last is not Chairman's discrimination of women.*

*In the past 25 years I have come many times to lecture in this center, but I felt more as a student than a lecturer. Each time it was like climbing a mountain: I saw more. Yet, as my horizon expanded, I had the impression that I knew less and less. And I have always admired Danica's mastering of this not-so-well defined world of management, her talent, intelligence and creativity, and the way in which she fought in our macho society. Congratulations on that, Danica!*

*So, what do I wish for my great-grandchildren? Certainly, peace and freedom. Definitely a good environment as well as an ability to cover their basic needs. As far as the first three are concerned, I can contribute by being a good citizen. But maybe I can do a little more with respect to the forth one. But I can do only so much with respect to the fourth one.*

*A decade ago, Europe proudly announced the Lisbon declaration: in 2010 Europe was supposed to be the most competitive and dynamic knowledge-based economy in the world. I do not want to analyze such political fairy tales. But let me think. I have had a long life and have worked with UNESCO, the United Nations Development Program and the World Bank, and I have been very lucky to travel all over the world. Yet, I have seen enormous poverty. I have seen people struggling to survive in abject conditions. I fully agree with the statements that we heard before: we need to do something about it.*

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*Then, I started doing calculations. The present distribution gap is enormous - from 100,000 to 300 US dollars per person. Redistribution of wealth? The global domestic product, generated by 7 billion people, is estimated to be worth 65 trillion US dollars. This amounts to approx. 9,000 dollars per person. Some people might think that 9,000 would be a lot, but e.g. Slovenia has three times that. Norway has 10 times as much. The call for redistribution of wealth, however justified and attractive, cannot solve the problem of poverty since we have not enough wealth and you just cannot distribute what you do not have. Would it help to create more? But that means depleting the natural resources and ruining the environment. Therefore, this course of action will not create an appropriate solution. So, what is the answer?*

*I think that the only answer is quality. I am talking of quality of processes, products and human relations. Quality has two dimensions: material and moral. This means that we need both knowledge and values. And, of course, values are rooted in culture. That is why I admire IEDC Bled so much: because it devotes special attention to the*



*integration of knowledge and values based on cultures.*

*What can we do to produce new knowledge and transfer it rapidly into processes of work? In this effort, I cooperate with researchers and with industries. E.g. Gorenje is a great supporter of this. We try to bring new basic knowledge into development efforts. To achieve that, you need a concerted action of researchers, industrialists, and teachers. I think that the value system of researchers needs to be changed. Their philosophy is still "publish or perish". To be promoted in the academic world, you need to have publications and citations in high-impact journals. Cooperation with industry and risk-taking do not count at all. Only a few enthusiasts participate in industrial projects. There are also very few graduate students involved in projects that convert their results into industrial practices. Also, technologists and managers work separately, but they need to work together: technologists should enter the boardroom.*

*Another is the concept that if you cannot measure something, it is not worth studying. This is a common disease in education. We have to be more aware that in scientific models we often reach high level of preciseness by choosing selected parameters and neglecting the others. Increasingly we need holistic approaches.*

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*Management research also need changes. E. g., I looked into research papers on the introduction of innovation, especially radical innovation. I found nearly 200 different models, but only seven of which were tested in practice. I would like to see management become more of an experimental science. It should have freedom of art in designing models, but also discipline of science in objective observation and testing.*

*As far as education is concerned, it should be less restricted to the patterns of the past. I would like to quote Bernard Shaw: "Some see things as they are and ask why. I dream of things that never were and ask why not?". Think of nanotechnology. We were taught that carbon could exist only in two specific configurations, planar and tetrahedral. Before 1985, when fullerene was discovered, nobody had dreamed that there could be also a spherical and cylindrical configurations. This was the beginning of nanotechnology - a whole new branch of science and technology bringing entirely new products, including materials that are 10 times stronger than steel. We had been trained in model thinking. If we had been encouraged to experiment with creative thinking, this discovery would have been made many years ago. I would like to see much better conditions for creative dreaming in education. Why not!*

## NEW TIMES NEED NEW LEADERSHIP<sup>1</sup>

*Prof. Nancy J. Adler, S. Bronfman Chair in Management, McGill University, Canada*

*We are sightless walking among miracles*

Miracles. How else do we explain the birth and first 25 years of the IEDC-Bled School of Management? How else do we explain the miracle of IEDC's founder and president, Danica Purg? Think for a moment about the beauty and change that this school has brought to the world.

All of us recognize, however, that much as we might like to place Danica and her school on a pedestal and proclaim, "Danica, you are the miracle: now finish the job for us!" we cannot do so. Especially after this morning's debate on "Creating the Future" expanded from the formal 25th-anniversary panel presentation into the liveliest of audience discussion, we all know that leadership miracles are in each of us, not just in Danica. As leaders, and more fundamentally as human beings, each of us knows that we are individually called upon to use our own unique experience and abilities to contribute to the world; each of us needs to do our part, so our grandchildren and great grandchildren can live in the world they deserve. Sadly, we also know that having a positive future is not a given. [31]

"We walk sightless among miracles." Is that some new fad? Of course not! Most of us recognize the source, given that it is rooted in a 5000-year-old tradition. The proclamation that "we walk sightless among miracles" comes from the *Bible*, from the opening pages of Genesis, and is thus rooted in all three of the Abrahamic religions that have so profoundly shaped the history and culture of Europe. Nonetheless, we remain strangely blind to the existence of the miracles that the world most needs to create the future that each of us so fervently desires, not just for our own great grandchildren, but for all the world's children.

### The 20th Century: A Long Experiment in Ugliness

Think for a moment about the condition of global society and the planet. During the 20th century, the world seems to have conducted a long experiment in ugliness. Now in the 21st century, we find ourselves relegated to the results of that experiment. Whether we look at the incessant wars and lack of peace or at the ecological disasters; whether we look at poverty or at disease, the evidence of

<sup>1</sup> Based on Adler's speech delivered in Brdo, Slovenia on October 14, 2011. For a complete version, with references, please contact Professor Adler at McGill University, Montreal, Canada (nancy.adler@mcgill.ca).



ugliness assaults our senses and our sensibility. How do we lead when confronted with such ugliness? The answer, endlessly repeated throughout the past quarter century at IEDC, and even more insistently today as we celebrate the school's 25th anniversary, is: by reclaiming our ability to see and by daring to care.

Danica Purg and IEDC have chosen to focus, among a set of other core leadership skills, on artistry; on those leadership approaches that we can learn from great artists and that have the most potential to transform the world's ugliness back into beauty. That means collectively refocusing our 21st-century leadership on transforming recessions back into vibrant economies; on transforming environmental disasters back into flourishing ecologies; and on transforming poverty back into prosperity. It means taking responsibility for returning the world to beauty. It does not mean merely attempting to make the world a little less ugly. That's not the goal. "Less ugly" is not good enough, and we know it.

### **Beyond Denial: Recognizing that Lake Bled's Swans are White**

What is most important to learn from great artists about 21st-century leadership? What can we learn about returning the world to beauty? The first essential leadership skill that great artists offer leaders is the ability to see the world as it actually is. Seeing the world accurately is vital for leadership.

Is seeing-the-world-accurately easy? No. As we observe most contemporary public discourse, we immediately realize that much of the world has descended into denial. Most people, including most leaders, refuse to see what is really going on. Without appreciating the pervasiveness of denial, how can we explain people's seeming surprise at the depth of the current global financial crises? "Oh my goodness", they express with astonishment; "Greece appears to be tottering on the edge of collapse!" How do we explain leaders' amazement as they suddenly discover that Europe's financial systems are considerably more fragile than most supposed experts had previously reported - even just a few months ago? Didn't anybody notice what happened on Wall Street in 2008? How can anyone, other than those in complete denial, express surprise at the undercapitalization of the world's major financial institutions? Leaders who had been using the artist's ability to see the world accurately, rather than simply allowing themselves to deny (to fail to see) whatever they did not wish to see, would never have been surprised.

Unfortunately, our denial is not limited to our view of the economy. Patterns of denial are evident in all aspects of our collective life on the planet. Ask yourself: How else, other than by recognizing the depth of denial, do we explain why so many so-called experts continue to act shocked when confronted with the extreme shifts in weather patterns – including massive floods, hurricanes, tsunamis and earthquakes? How else do we explain why so many purported experts, along with the general public, act astonished when confronted with the growing number of young people who lack sufficient literacy and numeracy to succeed, including in the United States, historically one of the world's most advanced and privileged countries? How, except by recognizing the pervasive patterns of denial, do we explain leaders' supposed surprise at discovering the extent to which income distributions have become skewed, both within countries and around the world?

None of these trends are hidden. Looked at optimistically, the expression of surprise reveals that at least some people are starting to open their eyes. But even as they begin to see, the corrosive influence of denial remains. As people finally recognize some of the unpleasant events that surround them, they often continue to protect themselves from the truth by refusing to identify the bigger picture. They refuse to see that the objectionable events are not isolated, but rather form patterns and ominous trends.

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Over and over again, they classify their new discoveries as atypical, thus implicitly relegating them to the category of "black swans" - events that they believe are so rare that they can safely ignore the eventuality that similar events might again take place. By viewing potentially disturbing events as "black swans", they render them as innocuous, and therefore as ostensibly so safe that they need not command our attention. It becomes much too uncomfortable to admit, even to oneself, that what we are witnessing are not rare occurrences, but repeating patterns – not black swans at all, but flocks of ordinary white swans. Lehman Brothers, they acknowledge, went bankrupt, but in choosing to understand Lehman as a "black swan", they remain able to cling to their belief that no other major financial failures are imminent. They invent and then live with a false security, built firmly on the very fantasies that their denial has manufactured. Sadly, the situations that surround them, but that they have chosen not to see, are rapidly becoming the defining patterns of the 21st century. Great artists know how to see. To lead in the 21st century, we urgently need artistic vision.



[34] We all know that Danica is brilliant at transforming everyday situations into learning experiences. But even I thought that at least the swans on Lake Bled were simply swans; merely a beautiful part of the alpine environment, and not yet another strategic learning opportunity designed for IEDC's community of leaders. I was wrong. You too must have noticed that all the swans on Lake Bled are the normal, expected color (at least for a swan), white. There isn't a single black swan on the lake. Are Lake Bled's swans yet another invitation to each of us to recognize the "common" (most swans are white) rather than protecting ourselves by categorizing the common (white) as rare (black). Lake Bled's swans, transformed through the prism of IEDC's leadership vision, invite us to see patterns in contemporary reality and then to transform the patterns-of-ugliness by finding and creating patterns-of-beauty.

What happens once we notice that we are not simply dealing with a single black swan, but rather with the possibility of whole flocks of black swans? We move out of denial, but risk falling into depression. Opening our eyes to the reality of pervasive patterns-of-ugliness can easily overwhelm even the strongest among us. By accurately seeing reality through artists' eyes, we realize that we cannot escape the ugliness and its incumbent threat. Understandably, but dangerously, as we see more clearly, we risk becoming entrapped in a depression-induced inertia that, at its extreme, precludes all forms of effective action. Not surprisingly, when confronted with the nadir of despair, it becomes easy to start hoping that someone else – perhaps in some other profession or some other country - will solve the world's problems for us. Yet knowing that there isn't a smarter, wiser, more committed group of leaders somewhere else in the world who will fix everything for us, depression threatens to consume us.

## **In these Ugly Times, the Only True Protest is Beauty**

How do we lead when confronted with the overwhelming ugliness bequeathed to us by the 20th century? Answer: by doing exactly what Danica and the IEDC-Bled School of Management have coached us to do: by returning to the wisdom of artists. Singer and song-writer Phil Ochs urges us to remember that "In these ugly times the only true protest is beauty." Was that not Steve Jobs' secret strategic tool? In an economy dominated by technological functionality, Jobs re-introduced beauty. As we reach into our pocket and lovingly caress our iPhone, we instantly understand why Jobs succeeded so brilliantly. He incorporated a level of beauty that previously had not been part of our product world. Jobs won because he became the world's premier business artist, not merely the world's most competent business analyst.

Danica and the whole IEDC community have done (and are doing) exactly the same thing for management education. They have become the world's premier business-education artists. IEDC is the only place on earth where one can become a leadership artist. Why else would Peter Drucker have labeled IEDC as one of the best business schools in the world? Not because it is the largest school; it isn't. Nor because it teaches business analysis and the functional basics better than any other school; it doesn't. It teaches them equally well, but not better than do other management schools. Drucker understood, long before most of us, that what the world needs now is more business artists, not simply more business analysts.

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## **Designing Options Worthy of Choosing**

In the opening years of the 21st century, Irish poet and philosopher John O'Donohue proclaimed, "Now is the time to invoke beauty!" Not tomorrow, not next year, but now. For those of us who care so passionately about the world, what does it mean to invoke beauty, and to invoke it now? Once again, we must return to the wisdom of artists before we can begin to answer the question. Invoking beauty requires that we design options worthy of choosing - for society, for the economy, for our organizations, and for each of us personally. No matter which of yesterday's options our best analysis directs us to, they still can only produce yesterday's outcomes; meaning they will only produce more ugliness. Twenty-first century leadership demands the design skills of artists. Leading today requires that we create what we actually want to see in the world.

## **Serendipity: Transforming Ugliness into Beauty**

Serendipity was one of the first big-adult-words that I fell in love with as a little girl. To invoke beauty, we need to embrace serendipity,

both as a concept and as a strategic approach. Although serendipity is a particularly powerful idea, it's also one of the most difficult words in the English language to define. Serendipity means turning something bad into something good. It means finding something wonderful in a disaster or in an unpredicted mess. Serendipity means discovering something good after confronting a situation that has gone "all wrong" and resulted in an outcome that you neither planned for nor want. It is what Jim Collins, author of the best selling business book *Great by Choice*, refers to as getting high returns on bad luck. According to Collins, it is what distinguishes extraordinarily successful business people, such as Bill Gates and Warren Buffet, from everyone else.

Serendipity means confronting ugliness and transforming it back into beauty. It therefore requires both perception and design skills. Discovering something good after something bad has happened requires seeing the world in new ways, which is a perception skill. Creating something good out of something bad requires innovation, which is a design skill.

[36] Serendipity means letting go of our slavish reliance on planning, prediction, analysis, and control. In today's world of discontinuous change, such traditional approaches are at best insufficient and at worst dysfunctional. They won't get us from where we are to where we want to be. Underscoring the fallacy of repeatedly using traditional analytic approaches and expecting new and better results, Einstein reminds us that one definition of insanity is doing the same thing over and over again and expecting different results. Only stupidity, or as Einstein would label it, insanity, would lead us to repeat 20th-century approaches while expecting to achieve new, desired 21st-century outcomes. Repeating what we did in the past will, predictably, result in more ugliness. The 21st-century challenge is to design better options; or as John O'Donohue would say, it is to invoke beauty.

Because of the powerful possibilities it offers, serendipity is what can support us in keeping our eyes open as we observe today's ugliness; and it is what can simultaneously allow us to see paths back to beauty. The optimistic sense of possibility that serendipity offers is what protects us against descending into denial and depression as we observe the disheartening condition of the world today. In offering us a unique perspective that allows us to escape denial and depression, serendipity supports our very best leadership.

## Getting a High Return on Bad Luck

For those of you who have not been playing with the concept of serendipity since you were children, let me suggest several examples. First, a visual example. As an artist, the monotype prints I create sometimes emerge from the press looking totally different from what I had expected and hoped for. In order to salvage the all-too-frequent errant results, I often look for the “print within the print”; that is, I search for a small part of the print that is compositionally interesting, even if the print-as-a-whole looks more like a disappointing mess than anything I would want to frame. The newly-found smaller compositions are frequently much more powerful and engaging than the originally imagined print: jewels of beauty discovered within the chaos of disastrously messy surfaces.

Similar to the beauty that can emerge from artistic process, equally powerful examples of serendipity regularly occur in society. One important example comes from a group of Scandinavian innovations managers I recently worked with. After introducing them to the concept of serendipity, a Norwegian executive, with a very serious expression on his face, confronted me: “Nancy, are you really asking me to use serendipity to see beauty in the more than 70 people who were murdered this summer in Norway simply because of their political affiliation?” My immediate answer, of course, was “No!” How can anyone see beauty in the murder of 77 innocent people, of whom 69 were children? In the ensuing silence, a Norwegian woman quietly spoke up: “Yes, serendipity did emerge of that horror. Following the carnage, all Norwegians very publicly recommitted themselves and their country to freedom and openness. We re-embraced our quest for safety and security in an open democratic society. We refused to accept that the only possible response to such horror was to acquiesce to authoritarianism or any other form of repression. We refused to accept that losing our freedom was the price that we, or any society, must pay today for security. Freedom and openness have always been part of Norway’s core values, but never before have our values been so strongly, explicitly, and publicly re-asserted.” From the horror of the murders, Norway is giving the world a role model for how a civilized society can and must act.

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For an ecological example of serendipity, one need only look to Japan. As we all know, the 2011 earthquake that shook Japan triggered a tsunami, which then led to a meltdown at the Fukushima Daiichi nuclear plant, and subsequently forced Japan to close 39 of

its 54 nuclear reactors. Nobody had imagined, let alone predicted, such a disaster or its consequences. As the high-energy-consumption summer months following the meltdown approached, the Japanese government faced the dismal likelihood of a national energy disaster. Japan simply could not generate sufficient electrical power to meet projected demand. The government resigned itself to planning for rolling blackouts that would sequentially cripple large areas of the country. Yet, as the traditionally highest-power-usage summer period arrived, the Japanese “powered down”. Businesses and the public embraced *Setsuden* – drastic, and very creative, energy conservation. The Japanese invented thousands of ways to dramatically reduce power consumption:

*“Industries, offices and private households turned lights off and thermostats up... . Office workers traded suits and ties for kariyushi shirts, the Okinawan version of aloha wear. They moved their shifts to early mornings and weekends, climbed the stairs and worked by the dim glow of computer screens and LED lamps. Families stopped doing laundry every day; department stores and subway stations turned off the air-conditioning. Posters of happy cartoon light bulbs urged everybody to pitch in.”*

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Much to everyone’s surprise and delight, *Setsuden* worked. The Japanese experienced no brownouts, let alone blackouts. They totally avoided the forecast national energy disaster.

How many of us believe that we can radically reduce consumption, especially of energy, without severely reducing the quality of our life? While most of the world continues to focus on finding additional sources of power to meet the projected growth in demand, Japan proved to itself, and to the world, that reducing demand, which is much more ecologically sustainable than increasing supply, can not only be achieved, it can be achieved without radically diminishing people’s quality of life. Not only Japan, but the world learned that there are viable, sustainable options, ones that to date have only fleetingly been considered. Japan’s experience in transcending the horror of the tsunami-caused nightmare is a powerful example of serendipity, not just for Japan, but for the world.

As Jim Collins recently pointed out, there are many private-sector examples of serendipity. Business people, for example, often view small markets (such as Slovenia’s domestic market) as a severe disadvantage. Consider, for example, the market limitations faced by Singapore in launching an airline. Airlines, of course, are in the



business of transporting people from one location to another. Most countries financially protect their national carrier by shielding it from international competition on domestic routes. When I fly from Montreal to Toronto, for instance, I can choose to fly on Air Canada, but not on Singapore Airlines or Adria. Singapore, however, is so small that it has no domestic routes. Rather than viewing its lack of protected, domestically-generated, monopoly profits as a disadvantage, Singapore transformed its bad luck into an advantage. The absence of domestic routes forced the airline to exceed world class standards in order to go global from its first day of operation. Their strategy of global excellence succeeded, with Singapore repeatedly receiving the number one ranking among airlines worldwide. What could have been viewed as a severe limitation acted as a positive catalyst.

Does ugliness – whether in the form of restrictions, calamity, limitations, bad luck, or other forms of competitive disadvantage – have to limit aspirations? No! Serendipity requires that companies accurately diagnose the situations they face, but never allow themselves to believe that the generally-accepted prognosis will become their fate. Rather, those who benefit from serendipity, design options that transcend current reality (while refusing to become trapped in traditional business analysts' predictions). [39]

IEDC has also defied the analysts' predictions. The school was established in an environment that was so hostile to management that it couldn't even use the word management 25 years ago when the school was first established. Yet, even without the word, Danica and her colleagues went on to create one of the best management schools in the world.

### **Now is Our Time to Invoke Beauty**

25th anniversary is not simply a moment to celebrate Danica and the school. The challenges are too great and the state of the world is too ugly for even one of us to shirk our personal responsibility and fail to contribute. Singling out others to applaud, no matter how worthy, risks undermining our own efficacy and sense of responsibility. At the end of the day, the applause needs to be for all of us – for each of the miracles walking among us. Now is the time for each of us to use our artistic skills. Now is the time for all of us to invoke beauty.

Why would we embrace beauty? Why would we adopt such an unconventional and risky leadership approach? Because we passionately care about the future of our families, organizations, and country – because we care about our planet and civilization.



Nobel Peace Prize Laureate Elie Wiesel reminds us of what we have always known:

*The opposite of love is not hate, it's indifference.*

*The opposite of art is not ugliness, it's indifference.*

*The opposite of faith is not heresy, it's indifference.*

*And the opposite of life is not death, it's indifference.*

The IEDC community, our community, is not a community of indifference. None of us are indifferent. If we were, we would not be here today. If we thought that the world's problems could be solved by others – by some more powerful, more creative or more intelligent group of leaders — we would not be here today.

*Now is our time to invoke beauty.*

*There is no other time.*

*There is no other place.*

## IEDC Books of the Year

- 2011** Creating the Future: *25th Anniversary of IEDC*
- 2010** Stéphane Garelli, *Business as Unusual: A Competitiveness Outlook for 2011, and Beyond*
- 2009** Hermann Simon, *Role Models of Leadership beyond the Crisis*
- 2008** William A. Fischer, *New Generation Innovation*
- 2007** Jean-François Manzoni, *How to Avoid the Set-Up-To-Fail Syndrome*
- 2006** Ichak Adizes, *What is a Leader?* (a video lecture)
- 2005** Peter Drucker, *Manage Yourself and Then Your Company: Set an Example*
- 2004** Manfred Kets de Vries, *The Bright and Dark Sides of Leadership*
- 2003** Fons Trompenaars, *The Challenge of Leadership - Visions, Values, Cultures*
- 2002** Milan Kučan, Jean-Philippe Deschamps, William George, *Leadership for Innovation*
- 2001** Milan Kučan, Peter Kraljič, Peter J. Rohleder, *Competitiveness of Companies in Central and Eastern Europe* [41]
- 2000** Paul Strebel, *Focusing on Breakthrough Options*
- 1999** John M. Stopford, *Harnessing Organizational Knowledge for Strategic Innovation*
- 1998** Pedro Nueno, *Maintaining Your Personal Value*
- 1997** Lecture by Peter F. Drucker on the occasion of the 10th IEDC Anniversary: “*Manage Yourself and Then Your Company: Set an Example*”
- 1996** 10 years of IEDC
- 1995** George Taucher, *How to Succeed with Strategic Alliances*
- 1994** William A. Fischer, *The New Faces of Manufacturing*
- 1993** The European Presidents’ Challenge; Beyond Restructuring
- 1992** Developing Managers for Eastern and Central Europe
- 1991** Thomas J. Peters, *The American Way of Managing – A Model for the Whole World?*
- 1990** Arnaldo C. Hax, *Redesigning of Strategic Concepts and Processes*
- 1989** Derek F. Abell, *Management in the Organization of the Future*
- 1988** Peter Kraljič, *Ways to Industrial Success*



## About IEDC – Bled School of Management

Established in 1986 as the first business school of its type in Central and Eastern Europe, the IEDC – Bled School of Management is one of the most prominent international management development institutions in Europe. It is a place where leaders come to learn and reflect, an international center of excellence in management development, a business meeting point, and a unique place where works of art complement a creative environment for creative leadership. Some of the world's most eminent professors and consultants teach here, and participants attend from all over the world.

In 1999 the IEDC – Bled School of Management was one of the first two business schools to be awarded the IQA (International Quality Accreditation), while in 2005 it received international accreditation from the Association of MBAs (AMBA). In 2009, the IEDC was the only institution from Central and Eastern Europe to be named among the 100 top business schools worldwide in the Aspen Institute's Beyond Grey Pinstripes ranking, for having demonstrated significant leadership in integrating social, environmental and ethical issues into its MBA program. Prof. Danica Purg, President of IEDC, has been named the 2010 Dean of the Year by the Academy of International Business (AIB) for her outstanding achievements in international business education. As the third European awarded she joins an elite list of deans from top international business schools around the world. In 2011, IEDC was conferred The Golden Order for Services by the President of the Republic of Slovenia Dr. Danilo Türk, for its pioneering work in the field of business education in Slovenia and CEE and for its contribution to putting forward high business standards by teaching good practices and sharing new expert knowledge.

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The IEDC – Bled School of Management is also the headquarters of (CEEMAN), the International Management Teachers Academy (IMTA), the European Leadership Centre (ELC), and the UN Global Compact Slovenia. IEDC is also the founding partner of Challenge:Future, an open youth competition and global think tank accelerating ideas and talent for a future that works for all. Along with its highly-ranked International Executive MBA, Presidents' MBA and Doctoral programs, the IEDC offers short executive seminars for top management, customized programs for corporate partners, and a wide range of general management programs including a five-week General Management Program and an International Summer School for Young Managers.

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