LEADING ETHICALLY THROUGH FORESIGHT

BY DANIEL H. KIM

R ereading Robert Greenleaf's renowned 1970 essay "The Servant As Leader" is always an exercise in humility for me. His writings are a constant reminder of the high standards leaders must set for themselves if they are to be worthy of people's full commitment. Of all the things that Greenleaf wrote, I have found the following passage to be the most striking and most challenging to live up to:

"The failure (or refusal) of a leader to foresee may be viewed as an ethical failure; because a serious ethical compromise today (when the usual judgement on ethical inadequacy is made) is sometimes the result of a failure to make the effort at an earlier date to foresee today's events and take the right actions when there was freedom for initiative to act. The action which society labels 'unethical' in the present moment is often really one of no choice. By this standard, a lot of guilty people are walking around with an air of innocence that they would not have if society were able always to pin a label 'unethical' on the failure to foresee and the conscious failure to act constructively when there was freedom to act."

I have never heard anybody talk about leadership responsibilities in that way. Others may admonish us for not having exercised better foresight or for incorrectly anticipating the future. They may call it a failure of planning or an error in judgment. But to call such a lapse an *ethical failure* is such a strong stance that it compelled me to take a deeper look at the issue so that I could come to better understand why Greenleaf used such provocative terminology.

Foresight in the Face of Complexity

I once subscribed to a financial newsletter that focused on investing in a basket of eight stocks selected from the companies that make up the Dow 30. At first glance, this might seem like a limited investment strategy; after all, how many options do you have for picking eight out of a universe of only 30 stocks? Though people's guesses vary widely, the correct answer is that there are slightly more than 5.7 *million* different combinations of eight companies that you can select out of 30 stocks.

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Most of us are surprised to learn that such a mind-boggling number comes from such a relatively small set of choices. The number of possible combinations of human groupings within an organization is even more staggering. Even in a small organization with 30 employees, you can create millions of different combinations—or teams—of various sizes. Add to the mix the dynamic forces of the external environment that are continually affecting the organization, and you find yourself facing a situation in which exercising foresight seems to be nothing but a pipe dream.

Forecasting vs. Predicting. We might think then that the enormous complexity of our modern organizations leaves us incapable of exercising foresight. This conjecture would be true if we equated foresight with making accurate forecasts about the future—which is impossible to do. Fortunately, foresight is really about being able to perceive the *significance and nature of events* before they have

occurred—which *is* achievable.

In their scenario planning work at Royal Dutch Shell, Arie de Geus and his colleagues were careful to draw the distinction between making *forecasts* versus making *predictions* about the future. They realized early on that there was no reliable way to *forecast* what the oil price might be at a specific date in the future. However, they were able to develop a deep understanding of the geopolitical realities of the various countries in which they operated and combine it with their knowledge of the oil industry to develop scenarios to help their managers *predict* future consequences of current events. In short, their scenario planning efforts gave them the capability to exercise foresight even during times of turbulent change.

To illustrate the difference between forecasts and predictions, de Geus offers the following example: If it rains in the foothills of the Himalayas, we cannot forecast exactly when the rivers will swell and flood the valleys, but we can predict with certainty that the flooding will occur. The better we know the structure of the terrain, the greater knowledge we have about the flooding to follow. Thus, a leader's ethical responsibility is to know the underlying structures within her domain and be able to make predictions that can guide her people to a better future.

Helping vs. Meddling. Whenever I ask managers whether they think they are helping or meddling when they take actions in their organizations, they unanimously respond with "helping." When I follow up with the question, "How do you know you are helping?" most will admit they really do not know whether they are or not. Failure to know whether I am helping or meddling is another ethical lapse,

because it means that I lack the foresight to know the future consequences of my own (and my people's) actions.

Dr. Edwards Deming, a pioneer in the quality improvement movement, often illustrated the difference between helping and meddling with a marble-dropping experiment. Let's say we drop a marble 40 times, aiming for an "X" marked on a tabletop. If we mark the spot where the marble comes to rest each time, we will eventually have a random pattern of dots surrounding the X.

Now, instead of aiming for the X, we change our aim to compensate for where the marble ended up in the previous round. For example, if the marble ended up an inch to the right of the X, the next time we will aim it an inch to the left. If we dropped the marble 40 more times following that strategy, would the pattern of dots form a circle that is smaller, the same, or larger than in the first round and why?

When I use this exercise with a group, I generally get all three answers —smaller, the same, and larger. What is interesting about people's responses isn't whether they got the right answer or not, but rather the reasons they offer for why they gave their answer.

Those who say that the circle will be smaller explain that we are reducing the error because we are compensating for the directional deviations from the previous round. After all, if you shoot a gun at a target and your first shot goes a little to the left, you will make an adjustment the next time by shooting a little to the right. But this strategy only works if aim is the primary source of the variation, which is not true in this case.

Others guess that the circle will be the same size precisely because they know the cause of the variation does not come from the aim. Because they know that changing the aim is not going to *improve* the results, they erroneously conclude that it will not degrade the results either. This would be true if the changes we made to our aim were so minor that their effects were negligible. However, in our experiment, the changes were in direct proportion to the underlying variation

we experienced, so their impact is quite significant.

The correct answer is that the circle gets larger. Although some people are able to give the right answer, not everyone can provide the correct explanation of why it is true. This fact is important, because getting the right answer or the right results is not good enough; we must also know why. Otherwise, we may be making a lucky guess that we cannot count on the next time or an intuition that we are unable to pass on to someone else. The reason the circle gets larger is that we are introducing more variation by constantly changing the aim. The primary source of variation in the first round

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was the interaction between the marble and the surface of the table. Since we did nothing to reduce that variation, any other change we introduce simply adds more variation to the system.

So, if we are really interested in tightening the circle of dots, what can we do? We can make the table surface softer by covering it with felt so that the marble is less likely to bounce and roll. In addition, we can glue Velcro on the marble so it sticks to the cloth where it lands. These actions help because they change the system's underlying structures.

Understanding System Capability. The ability to discern between whether we are helping or meddling has allowed us to improve the quality of virtually all manufactured products. Through the application of statistical process control (SPC) techniques, we now have a much deeper understanding of the sources of variation in a manufacturing process and can work to reduce those variations. Prior to the advent of SPC, when a machine was producing a piece that was outside of specs, the operator would adjust the machine to compensate for the error. Doing so was analogous to the second part of our marble experiment and

would produce the same undesirable results: The very actions we took to correct the problem would actually exacerbate it.

Unlike the marble experiment, however, the impact of making adjustments did not produce clear and immediate negative results. In the short run, the adjustments often seemed to improve the results—although they then deteriorated over time. Operators saw little rhyme or reason as to why tweaking the machine worked sometimes and not others, so they couldn't produce consistent outcomes.

SPC provided a way to calculate the range of variability that was *normal* to the system. For example, a drill press that is supposed to drill a 10mm hole will not be able to drill a hole that is exactly 10.000mm every time. Because of various factors (irregularities in the drill bit, the effects of vibration, variability in the piece being drilled), the holes may fall somewhere between 10.000mm and 10.009mm. If we determine that this range represents the system capability of this drill press, then we must accept any variation that falls between these two limits to be *common* to the system—the correct action to take in this instance is to do nothing.

If a variation exceeds these limits, however, that is considered to be a *special* cause, and we must take corrective actions because something other than the normal operation of the system must have caused the greater variation. This ability to distinguish between common and special causes revolutionized manufacturing and led to dramatic quality improvement. Unfortunately, it has not been translated very well in domains beyond manufacturing.

There is an important link between understanding a system's capability and having the capacity to exercise foresight. In the marble experiment, we saw that although we cannot *forecast* where each individual drop of the marble will end up, we can *predict* with absolute certainty that the pattern of drops will get bigger over time. Therefore, we know that the act of changing our aim is actually meddling, not helping. Ultimately, taking ill-considered actions (or causing

actions to be taken) that actually worsen the state of affairs—especially in the guise of "helping"—constitutes an ethical failure.

Foresight and the Role of Vision

There is a biblical proverb that states, "Where there is no vision, the people perish." I believe this is true because without vision, people suffer death by a thousand paper cuts. They are driven to their "graves" through an endless stream of meaningless activity, reacting to one thing after another. They become the walking dead in the passionless halls of our hyperactive organizations. So, the failure to lead with foresight is an ethical failure because lack of vision destroys people's spirits and robs organizations of the generative energy of true commitment.

The Four Faces of Vision. Unfortunately, vision has become such an over-used word that it has lost its meaning in many organizations. When people refer to vision, they are often talking about its close cousins—

FOUR FACES OF VISION

IDLE DREAMS

↓

VISION

↓

VISION STATEMENTS

↓

CORPORATE OBJECTIVES

When people refer to vision, they are often talking about its close cousins—idle dreams, visions statements, and corporate objectives. Each of these concepts guides people's actions in different ways. Idle dreams are often the fertile soil from which compelling visions spring forth. A vision statement then serves as a snapshot and a formal reminder. Objectives help us track our progress toward making that vision a reality.

idle dreams, vision statements, and *corporate objectives.* Each of these concepts represents a different approach for guiding people's actions (see "Four Faces of Vision").

Some people do not see any practical significance to visions because they don't think they will ever become reality. They tend to view visionaries as idle dreamers because they focus on the future rather than the present, and the visions themselves often seem fantastically impossible to achieve. These people discount anything that is not rooted in the here and now as being "airy fairy" or impractical.

But visions are not the same thing as idle dreams. Idle dreams are meant to remain idle—that's what provides them with their magic and generative power. When we relieve ourselves of the need to produce and simply dream, our imagination lights up with all kinds of possibilities. As leaders, we should encourage our people to devote some of their time to daydreams, because this is fertile soil from which visions are likely to sprout.

Other people think their job is done when they have crafted a vision statement; they mistake the vision statement for the vision itself. They see the process of sharing the vision as one of simply "rolling out" whatever it is that senior management has created through cards, posters, videos, speeches, and other forms of one-way communication. These efforts almost always lead to cynicism. The organization does not value the vision because people do not sense that senior executives support it nor do they feel like participants in the process.

Those who mistake vision statements for a vision do not realize that drafting a vision statement marks the beginning, not the end, of a continuous process. In a sense, they are committing an error that is analogous to mistaking a photograph for the real person, because that is what a vision statement is—a static snapshot—relative to a true vision, which is a living source of energy in the organization.

Then there are those who equate vision with corporate objectives. Proclamations like "Our vision is to hit

20% ROI this year" resonate with those interested in driving people to perform to measurable yardsticks. The issue here isn't whether setting numerical objectives is good or bad, but what happens when we turn a vision into performance objectives. When coming up with objectives that we know we will be measured against, we tend to focus on what is do-able, not what is desirable.

Will the Real Vision Please Stand Up? So, what qualify as real visions? Visions are clear and compelling pictures of the future that people *truly care about* bringing into reality. They do not need to pass a reality test, because the primary consideration is whether we care enough about them to commit ourselves to bring them into reality.

The thing that distinguishes idle dreams from visions is the fact that we have made a conscious choice to start working toward the vision. For example, when John F. Kennedy articulated a vision to put a man on the moon and bring him back safely within a decade, it could have stayed as a nice idle dream of what we *might* do. But, because he had tapped into the latent aspirations of the American people at a time when they needed a great dream, his "idle dream" united the nation in a common vision that taxpayers cared enough about to invest billions of dollars to make it a reality. Even though the articulated vision was literally impossible to do at the time, once Americans chose to make it happen, the impossible became the possible.

When we have made the commitment of choosing a vision, then vision statements can be useful. A vision statement provides us with a way to engage others in the visioning process. Of course, we will need to set many objectives along the way, but the objectives themselves are not the vision. Compelling visions provide us with the energy and desire to set and meet numerous objectives, including ones we would have never accepted if they were set before us in isolation. In short, visions are powerful because of the simple fact that we care about them. When our *emotions* are engaged, we have the energy and desire to set things in *motion.*

Foresight and the Power of Choice

As mentioned above, choice plays an important role in vision. If we never exercise choice, we will forever want things without ever taking steps toward attaining them. It is the conscious choice to bring something into reality that transforms an idle dream into a vision that has the power to tap people's energy and commitment. Making choices, then, is a powerful act.

Hierarchy of Choices. In his book, *The Path of Least Resistance* (Fawcett Books, 1989), Robert Fritz differentiates between making Fundamental, Primary, and Secondary Choices. Fritz points out that it is difficult to make choices at one level if we have not yet made a choice at the level below it. He refers to vision as a primary choice—choosing a clear picture of a result we want to create. Given that there are literally an infinite number of possible choices we can make about what vision to pursue, what will help us narrow the possibilities? The answer lies in making a fundamental choice first (see "Hierarchy of Choices").

The fundamental choice addresses the big question "Why?" and serves to clarify our purpose in life. Being clear about our purpose then informs all future choices. To do so requires deep self-knowledge and an awareness of the core values that define who we are. In my experience, core values and purpose are so intimately interrelated that they form the basis of our identity. That is to say, the values we deeply believe in and our sense of purpose define who we are as individuals and as organizations.

Many people in organizations struggle to make choices at the level of strategy and tactics. Without the clarity of primary choices such as vision to guide them, they have no basis for making secondary choices. When they get stuck, rather than going down a level and clarifying the fundamental issues, they tend to move up a level and try to make tertiary choices (which may come easier because the stakes are lower). As they make these tactical choices, they then work backwards to see how their tactical choices may help them to decide on choice of strategy. In the end, people in the organization are all busily engaged in executing numerous activities, but very few have any idea how their activities are connected to a broad strategy or a common vision, let alone a sense of purpose.

Order Without Control. What does all this have to do with having foresight? Well, imagine that you are the leader of a large product development team that is several hu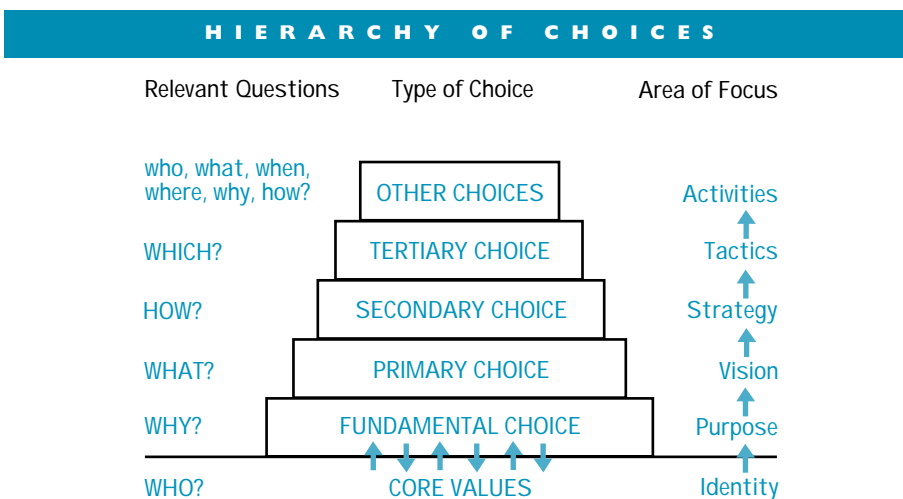ndred people strong. Everyone is busily engaged in all kinds of activities, presumably in support of developing the next generation of your product. But how do you know that your people are working as hard as they can to produce the kind of product they are supposed to produce? One approach would be to tightly control as much of the process as possible to ensure that everyone is making the "right" choices. This would require an army of inspectors, a sophisticated monitoring system for checking up on people's progress, etc. However, this kind of over-control seldom produces the desired results.

Instead, I believe that an organization's core values, purpose, and vision can create order out of seeming chaos without the need for tight control systems. When every member of a team or organization has internalized the core value and purpose and has a clear picture of the result they are striving for, they will be guided every step of the way. Their individual choices will all naturally fall within certain boundaries, even as the day-to-day activities are unpredictable and seemingly chaotic. The clarity in purpose and core values guides the organization and produces predictable outcomes that we can foresee even before they happen and without knowing much of the details.

Stewards of the Future

In the end, foresight is about understanding our organizational complexity, articulating a compelling vision, and making the foundational choices to guide our people. Exercising foresight requires us to not only know the true capabilities of our organization but also to be deeply connected to the highest aspirations of our people so that we can articulate a vision that inspires people to *create* their future instead of merely reacting to things. As leaders, by developing a deeper awareness and intuition of the forces that shape our future, we prevent complexity and the turbulence of our environment from casting that future into ever-darker shadows of doubt and uncertainty. Thus, developing foresight capabilities is

HIERARCHY OF CHOICES

Relevant Questions	Type of Choice	Area of Focus
who, what, when, where, why, how?	OTHER CHOICES	Activities
WHICH?	TERTIARY CHOICE	Tactics
HOW?	SECONDARY CHOICE	Strategy
WHAT?	PRIMARY CHOICE	Vision
WHY?	FUNDAMENTAL CHOICE	Purpose
WHO?	CORE VALUES	Identity

Being clear about an organization's core values, purpose, and vision can create order out of seeming chaos by guiding people's choices at the strategy, tactics, and activities levels. But without clarity at the fundamental level, people struggle to understand how their actions are connected to a broad strategy or common vision.

both an ethical responsibility and a business imperative, because the two are inextricably linked.

The recent scandals surrounding the demise of companies like Enron (questionable accounting practices), Arthur Andersen (shredded documents), and WorldCom ($4 billion of misstated income) graphically illustrate why Greenleaf felt that the lack of foresight was an ethical failure. The magnitude of these collapses cannot be summed up in the billions of dollars lost alone, but includes the tens of thousands of people who have been robbed of their livelihoods and retirement dreams. Their leaders failed them by not being good stewards of their organization's future and not anticipating the negative ramifications of their actions. The losses are particularly tragic because they were so eminently preventable.

My hope is that each of us will be vigilant in continually developing our foresight so that we stand ready and able to be true stewards of the future. Answering the call requires us to rediscover who we are as individuals and connect with the highest aspirations in ourselves and in our organizations. It requires us to ask the deeper question "Who am I?" and answer it repeatedly until we have stripped away the layers of varnish we have applied over ourselves and revealed the beauty of the natural wood that is our true self. Only then, from a place of authenticity, can we join together to create a better future for all. ◼

Daniel H. Kim is an organizational consultant, facilitator, teacher, and public speaker committed to helping problem-solving organizations transform into learning organizations. He is the founding publisher of *The Systems Thinker*, cofounder of Pegasus Communications, and a founding member of the Society for Organizational Learning.