

The Quest for Forward-Looking Leadership

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News junkies these days are approaching nirvana when it comes to reports of turmoil in the mortgage industry. As one of the junkies, I am encouraged by a lot of what I read. It shows that a lot of smart people are thinking and writing about very creative fixes to what ails us. And in light of the flagging stock market, slow drip of write-off announcements, and growing evidence that the slowing U.S. economy, which generates one-fifth of the world's gross domestic product, is dragging down the world economy, we can use all the good ideas we can get. But good ideas alone won't solve the mortgage crisis. It will require leadership, which I sense, is lacking in the current discourse.

In a recent commentary, nationally syndicated columnist Lou Barnes suggested that policymakers need to turn their attention away from what he aptly described as the last, lost battle ("Credit crunch fixes? Policymakers need to get on with it," Inman News, Feb. 22, 2008). Barnes called the restoration of an adequate supply of credit the number one priority, cautioning against simply reworking existing loans and enabling qualified borrowers to buy homes. My news junky radar is picking up the restoration of an adequate supply of credit as being a reoccurring theme among the experts. So I will add this to my list of reasonable solutions by smart people. The inference though, that policymakers are focusing on past failures rather than future solutions, is very troubling. Certainly, identifying root causes of the crisis and punishing evil-doers are important. But it is not the primary function of leadership and surely isn't a good strategy for leading us out of the dark wood.

Forward-focused leadership, as I envision it, is choosing the right direction and pursuing it responsibly over the long haul; aligning various interests to the direction being pursued; motivating and inspiring action; monitoring what is working and what isn't; and course correcting, or staying the course, as appropriate. If my description of leadership is somewhere near the mark and encompasses most of what a leader does, wouldn't we be better served by leaders who know where they to go and getting us there rather than focusing on past battles lost? I believe we would be better served.

In "Why Wall Street rescues are failing" (MSN, Feb. 21, 2008), Jon Markman proposed that to effect lasting change the mortgage industry crisis will require not just a lot of money, hundreds of billions of dollars in his estimation. It will also require "a restoration of confidence in dishonored regulatory bodies, bank execs and rating agencies, and quite possibly wholesale changes in the way financial companies are governed and managed worldwide." It will also take time.

Suppose Markman and Barnes are right in proposing that radical out-of-the-box measures are needed to correct the course in the mortgage industry. Suppose also that current policymaking

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efforts are backward- rather than forward-focused as a general rule. This combination can't be good. How can policymakers succeed in restoring confidence in dishonored regulatory bodies with negative energy focused on past mistakes? How can they succeed in restoring confidence in bank executives and rating agencies while looking backward? How can wholesale changes in the way financial companies are governed and managed worldwide be made with eyes fixed firmly on yesterday's failures? Certainly, diagnosing past failings is part of the improvement. However, I am not encouraged by the notion that lost battles can sustain the level of leadership and commitment necessary to correct the current course.

This is not to say that all is lost. Just today, the Wall Street Journal reported that the FDIC is taking steps to brace for an increase in failed financial institutions ("FDIC Readies for a Rise in Bank Failures," page two, Feb. 26, 2008). Among other things, FDIC is bringing back retirees from its division of resolutions and receiverships. The agency is also running ads to boost employment, identifying banks and thrifts and updating data on problem institutions. All of these actions provide a glimpse of the kind of leadership I am advocating for: anticipating the challenges of tomorrow rather than fixating on the problems of the past.

Judging from the quality of the solutions offered up by a lot of smart people the right formula will be found to return the mortgage industry to prominence as a driver of the U.S. and world economy. However, translating these formulas into sustained reality will require leadership at all levels of government and industry. Monday-morning quarterbacking has its place and makes for good conversation at the gym. But it will never replace leadership that knows where it wants to go, aligns people to that aim, motivates and inspires action, monitors progress, and corrects the course or stays the course as circumstances evolve.

~ Jeff Schurman