



## Pollyanna and the Ponzi Predicament

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Pollyanna was the optimistic heroine of a classic children's book. Bernard Madoff is a present day Ponzi villain. The two create a thought provoking juxtaposition of values. Today's headline disappointments indicate a golden opportunity for leaders to buoy optimism by shifting focus to a values-based approach to managing themselves and their teams.

"Pollyannaish" is a term used to describe naive optimism. While no one wants to be labeled a Pollyanna, most of us have a bias for hopefulness, an attitude that everything will work out fine in the end. Could some sort of Pollyanna principle be at the root of the apparent collapse of common sense values in business, politics, and society at large?

Recently we've seen actions that seem to follow the Pollyanna principle. Seasoned and wealthy, yet naively hopeful investors handed over their fortunes without questioning Bernie Madoff's methods for generating extraordinary returns. Marginally qualified borrowers bet their futures that the housing bubble would never burst, variable interest rates would never increase and the economy (and with it their job) would remain stable. Were lenders' risky mortgage products and lax standards a product of optimism or greed? While we don't know the initial intention, in retrospect, most would say it began with greed. Optimism and greed are not mutually exclusive. Both lie along a continuum of values that can be monitored for appropriateness within the business context.

Where does optimism end and greed begin in organizations? Optimism is the positive belief in potential and possibility, while greed distorts optimism into an unquenchable appetite for more. Each of us make decisions and take action for some intrinsic or extrinsic payoff. In each instance we can choose a well-intentioned mindset that seeks the win-win and long-term success. Or we can adopt a win-lose mindset that excuses questionable behavior in the pursuit of revenue generation or cost savings.

Evaluating today's unfortunate circumstances and their impact on each of us as individuals, we often blame external forces that seem out of our control. However, when we view the situations of others, we assume their problems are the direct result of their conscious choice. Maybe, just maybe, the real estate crisis began with good intentions. What better win-win than gaining record profits while making good on Americans' dream of home ownership? What if the snowball started downhill that simply? History is full of disasters that began just this way--as a small deception or rationalization that took on a life of its own. We can stay aware of the signs and notice when positive intention has shifted into the downhill slide toward greed. Determining if behaviors are ethical needs to begin with an honest evaluation of intention rather than judgment of the consequences.

Madoff's Ponzi scheme is obviously extreme behavior. So, let's look at values a little closer to home and think about where they fall on the continuum stretching from positive intent to selfish personal gain. Did the executives who approved Wall Street bonuses while accepting TARP money step over the ethical line even though they were rewarding hardworking employees? What about a senior manager who blogs live about presentation details during a confidential meeting? Is a high flying gen y engineer who twitters names of laid off colleagues before they tell their families behaving in an unethical manner? Should we scorn a politician who fails to report taxable income? What about the small business owner who eliminates staff to preserve her own income stream? Depending on which seat you are in, the answers may look very different because of the control and rationalizations at play. No one ever said consistently defining or exhibiting positive values was easy.

Now think about the Ponzi scheme example. Doesn't social security have the same characteristics of a Ponzi arrangement? Payments to retirees are funded by active workers. Each generation funds the next. We take this as a positive aspect of society. So what makes Madoff's scheme clearly bad and Social Security clearly good? One clue of positive intent gone wrong is when authenticity turns into lies.



Questions about applying the right values seem so basic that some would suggest they belong in a children's book like Pollyanna. We thought we were done with egregious

excesses after Enron and with the advent of Sarbanes-Oxley. The headline news indicates otherwise. We are reminded time and time again that sound values are essential to individual well being and organizational success and managing them is no easy task.

### **A Call to Action for Leaders**

#### **Organizational Values; A Stake in The Ground**

Organizations must define the values that bind employees, suppliers and customers as a set of operating principles and behaviors that go beyond achieving financial outcomes. Just as optimism and greed are not mutually exclusive, making a profit and behaving ethically can co-exist. During good times, some organizations consider corporate values as a “nice to have,” and at best create posters touting their message. During crises, leaders find that clear articulation of values keep the true best and the brightest engaged and committed to the company's success.

- If your organization has stated values, what is the evidence that they are being considered in day-to-day business decisions? Bring them to the forefront of discussions and decision making processes.
- Examine whether your organization's stated values are guiding the right behaviors.
- Do you hire and measure performance against the value set?

#### **Leadership Courage**

Leaders must be crystal clear on their expectations and articulate to their teams the boundaries of behavior on a daily basis. Managerial courage is required for leaders to speak up to issues and behaviors whose nuance has shifted outside the realm of sound business values. Make explicit those actions that fall outside the bounds of acceptability. Engage in authentic conversations about tough choices.

#### **Leadership 101**

A commonly stated organizational value is collaboration, or involving other stakeholders in decisions. While this behavior often gets a bad rap as too “touchy-feely,” it is foundational to preventing out-of-control narcissism from determining a team or company's fate. Consider

- Do needs for power and control lead to unilateral directives that no one can question?
- Given the generational and cultural diversity in our workplaces, don't assume that your values are those of your team. Talk about present day ethical dilemmas to create a shared value expectation with your team.
- Understand the drivers of the decisions you make and how the lens of the world impacts the context of value decisions. We are all so busy; what might you be overlooking in your rush to get it all done?

#### **Personal Accountability**

The values-in-action of an organization consist largely of the sum of the personal values of the leaders that grow and sustain it.

- Define what drives your commitment and actions to determine their potential for subversion. Create a monitoring system that sounds when you enter ethically gray territory.
- Stop for a moment and put yourself in the shoes of your customer, your employee or the reader of your story on the front page of the newspaper. Do you ever justify bad tactics by your positive intent? What are the subtle sacrifices you make in your ideals that are for some perceived greater good? By examining the tough values questions, you position yourself as a leader to be followed and respected. Blindly following the crowd could put you on headline news.

Optimism gives us hope for the future, wanting more drives us to achieve. Effective leaders operate in a values-driven position of balance between the two. Adopt “Pollyanna” optimism in people, not in power. Give your team explicit operating values and model them in everything you do. Create a strategy in which sound ethics and goodwill are the currency that is gathered from one and paid to many.

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