



# The Challenges of a Leader

A commencement address

## William E. Simon Jr.

**D**ean Zupan, members of the faculty, and of the Rochester community, honored guests. I want to share with you today some ideas about leadership considered within the special context of the University of Rochester and more specifically, the Business School here that my family is so proud to support, that bears my father's name, and at which my brother Pete chairs the advisory board.

The Simon School's vision and focus have always been entrepreneurship. Entrepreneurship is always challenging, especially now in a time of accelerating change driven by globalization, technology, and dramatic political upheavals worldwide. So today, I want to identify three core challenges of leadership. I believe that preparing to meet them will help you to succeed in these turbulent times.

First, leadership is, above all, a test of character.

Second, leadership is lonely — be prepared to be judged wrong before you are right; to fail before you succeed. You've heard the expression, "It's lonely at the top." But it can also be lonely on the journey ... lonely along the way.

Third, leadership is a paradox — you often lead most effectively by listening and you will succeed by serving.

The cliché in remarks like these — that you are entering a world of opportunity and challenge — happens to be correct. We do live in a time of unprecedented challenges and opportunities. We live in a world dramatically and forever changed by September 11th. Until 9/11, the public and the press didn't talk much about anthrax. We didn't have to worry about airplanes being turned into missiles, or weapons of mass murder coming across our borders, into our ports, and into our subways.

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As Americans, we didn't feel the hot breath of people who hate us, the sharp teeth of those who want to destroy our traditions and heritage. Well, today, we do. That is why I believe the first and paramount challenge in a post-9/11 world is not one of economics, or of policy, but of character.

Thomas Jefferson's admonition two centuries ago that "the price of liberty is eternal vigilance" has never seemed more timely. Now, eternal vigilance does not mean becoming a vigilante. Eternal vigilance does not mean surrendering your good sense and judgment to emotion and hysteria. What it does mean, I would suggest, is understanding the importance of protecting all that is meaningful and that matters — from your families, friends, and colleagues at work, to your community and country, and more fundamentally, your faith and freedom.

One of the most visible changes that followed 9/11 was the thought and attention people began giving to making sure that their priorities were right. We all became more aware of the preciousness of time. We all became more aware of safety and security. We all became more aware of loyalty, *friendship*, faith, and family. As Ben Franklin used to say, "When the well is dry we know the value of water." When we realize time is fleeting, suddenly every day assumes greater value. Suddenly what matters most at the end of the day is not necessarily: did I seal the deal?, but: was my day well spent? Did I live with a sense of purpose? Was it clear that I stood for integrity? Did I make the effort to contact friends, to help someone in need? Does my family know, without any doubt or reservation, how much I love them? Have I sought to develop my relationship with my Creator?

**W**hen your lives are centered, really centered, when you are guided by high purpose and ideals, no day will be wasted, and you are likely to command respect as leaders in whatever you do. Just as importantly, you will make a difference to the people that cross your path, to



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the enterprise you embrace, and to the institutions to which you pledge allegiance. "Even in the midst of winter," Albert Camus once wrote, "you will have an invincible summer within you."

**O**n the other hand, even if your talent and ambition are unsurpassed, even if you are on the fastest track to wealth, rank, privilege, and power, if you lack character, your new-found authority and position will have all the permanence of quicksand, as will the reputation and credibility of your enterprise. Success without character is an accident waiting to happen; a Hollywood façade with nothing behind it. Companies like Enron and WorldCom did not fail just because they had lousy business plans. They failed because their leaders failed the test of character. These CEOs now say they didn't understand what was going on beneath them — but didn't they create the culture of short-cuts, of anything goes? It's a far cry from Harry Truman's "the buck stops here."

So, to repeat, character is the first and ultimate test of leadership. That said, I certainly don't want to imply that entrepreneurial leadership is not one of the most exciting avocations imaginable. The enormous, astonishing progress achieved during the past century — in economic growth, technological innovations, and rising standards of living — is due directly to the triumph of entrepreneurs in our free market economy. As Stephen Moore and Julian Simon point out in their book *The Greatest Century that Ever Was*, the 20th century saw:

- life expectancy rise from 47 to 77 years,
- deaths from infectious disease fall from 700 to 50 per 100,000 population,
- agricultural workers decline from 35 to 2.5 percent of the workforce,
- auto ownership rise from 1 to 91 percent of the population,
- and household assets, adjusted for inflation, rise from \$6 trillion to \$41 trillion between 1945 and 1998.

So, make no mistake — entrepreneurship is an exciting and noble calling. However, it is also a lonely one. When you start a venture, and take a sizable risk, it can get real lonely, real fast. There may be moments when you think you are wrong. There are certainly going to be moments

when everyone tells you you are wrong. You're going to wake up in the middle of the night with doubt gnawing in the pit of your stomach. But don't worry. You may feel lonely, but you are not alone. As Pope John Paul II often reiterated during his historic papacy, "be not afraid."

American history is chock full of thousands of entrepreneurs seizing opportunities to kindle their vision of a breath-taking future — then having to suffer through times when nothing seemed to go right. Christopher Columbus was an unknown Genovese sailor with a burning desire to sail beyond the horizon, but no means of getting there on his own. Get there he did, but not before enduring storms, starvation, and near mutiny by his crew. Surely, no entrepreneur was ever lonelier than he.

Later, George Washington was a fearless general leading an army that was outmanned, outgunned, and had lost or run away from virtually every engagement and skirmish with the British. Then, providentially, on Christmas night 1776, in a blinding snowstorm, Washington took a bold risk.

The Founding Fathers may have been the greatest entrepreneurs of modern history. They wanted to break free, in the best sense, so that the colonies could be in business for themselves. Mostly men of business, they risked their lives, fortunes, and sacred honor for the revolutionary idea that all people are endowed by their Creator with inalienable rights of life, liberty, and the pursuit of happiness. They paid dearly for those beliefs. Many were killed. Their families were maimed and murdered. Their homes were plundered. Virtually all lost their fortunes. But none lost his honor, and their ideas triumphed.

**V**irtually every new, revolutionary idea evokes three stages of reaction: One ... it's impossible. Two ... it's possible, but not worth doing. Three ... I said it was a good idea all along. According to an 1865 *Boston Post* editorial, "Well-informed people know it is impossible to transmit the voice over wires and that were it possible to do so, the thing would be of no practical value." In 1895, Lord Kelvin, president of the British Royal Society, scoffed at the notion that "Heavier-than-air flying machines are unfeasible." In 1932, even the legendary genius Albert Einstein said, "There is not the slightest indication that nu-

clear energy will ever be obtainable. It would mean the atom would have to be shattered at will." In 1962, a Decca Recording Company executive turned down the Beatles saying, "We don't like their sound. Groups of guitars are on the way out." What was on the way out was Decca Records! In 1977, the president of the Digital Equipment Corporation scoffed at the suggestion that "there is any reason for any individual to have a computer in their home." And in 1992, the *Wall Street Journal* predicted that "Bill Clinton will lose to any Republican who doesn't drool on stage." So if any of you feel underestimated, take heart.

I had my own experience becoming an entrepreneur when I ran for governor of California in 2002. I quickly realized there is no manual for a challenge of that magnitude. It's not like having that workbook we had when we took piano lessons. You learn by doing, and you experience moments when you find yourself asking, "What the heck am I doing here?" Of course, much of the California media asked the same question.

I recall holding one of my first rallies in a dog park — not a dog track for races, but the little patch of green where people in LA take Rover to relieve himself. Standing on that majestic spot, with a humongous crowd of perhaps 20 curious, standing-room-only onlookers, I thought back to great moments in history: Julius Caesar saying, "I am crossing the Rubicon ...", Teddy Roosevelt saying, "Credit goes to the man in the arena whose face is marred with sweat and dirt and blood ...", Winston Churchill saying, "We will fight them on the beaches, we will fight them on the land, we will fight them in the streets."

My contest was a tad less glorious. I didn't strike so much as slog through — a little like Thomas Edison in the story about his 100th experiment that failed to ignite electricity. Edison didn't say, "This is hopeless. I give up." He said, "We have now eliminated 100 ways that we know will not work." And pretty soon, he found the way that would. Now, I didn't win my race. However, our up-start campaign came within 5 points of upsetting a sitting governor whose party out-numbered ours in voter registration nearly 2 to 1. And, after everyone said Simon was crazy to man the ramparts for ideas like education reform, infrastructure, and the budget deficit being so much worse than they admitted, I've had the satisfaction of hearing, "My gosh, Bill, you were right after all!"

And one thing I learned — or, perhaps more accurately, remembered — when you lose it's important to get right back up. So then, entrepreneurial leadership is not just financing new risks and ventures; it is a state of mind. It is daring to take a chance; risking failure to follow your

dream. Like running for office, or going back to school later in life, or launching a new career. You may, during those inevitable moments of loneliness, second-guess your decision. But if you keep your resolve, keep people engaged, energized, and believing in your vision, you may not only be vindicated, you may well be victorious.

The third challenge is that leadership is a paradox. It may seem counter-intuitive — certainly it seems so for many in the media — but greed and looking out for number one are less effective principles of successful entrepreneurship than the Golden Rule: do unto others as you would have them do unto you. The most successful entrepreneurs lead by listening; they get by giving; and they succeed by serving and solving other peoples' problems. There is an expression — "to keep it, you've got to give it away." In doing so, you will be heeding what author George Gilder calls the moral foundations of the free market.



**Y**our stature will grow by collaborating with colleagues and enhancing teamwork. Your wealth will grow by entrusting your money to people with powerful profit-making potential.

Your success will become stronger by you serving your customers, listening to their needs, and striving always to place their interests first. Businesses that put their customers first often succeed when others fail. You master the magic of lowering prices to increase revenues. You will commit your work and wealth for long periods of time with absolutely no guarantee the world will accept, let alone appreciate, the product or service you bring. But, ultimately, through your efforts and actions, your generation can step up in new, creative, and potentially mind-boggling ways. I'm confident you will.

As in our past, you will prove that the most powerful impact upon humanity's quest for better lives and a better world will come from brave entrepreneurs who, fortunately for the rest of us, have the courage of their convictions. I look forward to knowing that a good and healthy piece of our future will be in your hands. So thank you again for inviting me to share this wonderful day. To those of you who are visitors in our land, whether you stay or return to your countries, we are grateful that you came and I know that America and the world will be better for your presence. Thank you all for the contributions you have made, and, most importantly, for the leadership you are about to bring — as you go forth to serve our country and refresh the American spirit.

God bless you all.

CPR

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are over-done. Nothing here has gone so grievously wrong that it can't be fixed with an aggressive, meticulously thought-out battle plan to take on the Democrats and their allies on all fronts, employing clear lines of authority and delegation of duties in both the actual campaign and the Capitol office. The Democrats can be counted on to over-play their hand — they always do. The governor remains a powerful communicator and still gets the rock star treatment on the campaign trail, paid Democrat demonstrators notwithstanding.

The best news for those interested in fixing California and those who wish the governor well is that team Schwarzenegger belatedly, but finally realizes it has a big problem. High-level councils of war have been held. By the time you read this it will probably be clear whether significant improvements have been made, and who, if anyone, has emerged as winners and losers among the Schwarzenegger consultancy and staff. The identities of the survivors should tell a lot about how 2005 and 2006 will play out.

### More than just Schwarzenegger

I should once more stress that the situation I describe is "as of early May." As with everything in the recall/Schwarzenegger phenomenon of the last year and a half, conditions change radically on a daily, sometimes hourly basis. By the time you read this, the governor may be back riding high and the Democrats again in full retreat.

And then there is the people's underlying discontent with the Sacramento *status quo*. The people may be demoralized, especially if the Schwarzenegger meltdown continues, but this discontent will,

in the long run, only be exacerbated if the establishment succeeds in beating back the reform movement for now. Also, as I mentioned earlier, this movement is showing signs it may be able not only to survive but to move forward independent of the governor.

Consider, for instance, the "paycheck protection" measure championed by National Tax Limitation Committee President Lew Uhler. Uhler's measure would stop the automatic transfer of money from public employee paychecks to union political coffers except for those employees who authorize them annually in writing. Current practice in this regard is insider, special interest politics with a vengeance. Imagine liberal reaction if a GOP Legislature forced all public workers to contribute to industry political action committees that spent virtually every dollar thus collected electing Republicans and defeating Democrats — and labeled criticism of the outrage "an assault on workers' rights." Big labor defeated a different paycheck protection initiative (Proposition 226) in California in 1998 by the relatively narrow margin of 53 to 47 percent, but it took a \$30 million campaign (compared to \$3.5 million spent by supporters) to do it. A Luntz Research exit poll of voters who *opposed* 226 found that 69 percent agreed with the statement: "unions should be required to obtain written permission before using dues for political purposes." In other words, without a massive, one-sided disinformation campaign, big labor would have lost. The Uhler initiative, our sources tell us, has the major financial support 226 lacked. And without the public employee, state-supported extortion racket the new initiative would dismantle, unions would

soon cease to be a major force tilting state politics leftward.

The ironic spectacle of Schwarzenegger's leadership possibly cracking up even as the reform movement he set in motion may be taking off on its own reflects the ongoing strengths and weaknesses of California's conservative and liberal political adversaries. The left has competent leaders, effective organization, and a clear idea of the importance of the battle and of its own objectives in fighting it. It does not have popular support for its program, however. California conservatives, in contrast, are chronically short of strong, effective leaders, organization, and a clear sense of mission. They do, however, enjoy popular support most of the time for the overall direction they want the state to follow. Thus California's Democrat/liberal Party must rely on undemocratic gerrymandering and extortion of political funding to maintain its power. Conservatives tend to win the upper hand when they add attractive leaders to their popular issue positions, as happened under Ronald Reagan and, in 2003 and 2004, under Schwarzenegger. But at a critical moment, the conservative side is now again suffering a crisis of leadership, and the Democrats are exploiting the crisis to re-establish control over the debate and, possibly, the state.

At this point, for conservatives, the questions are whether (a) the governor can survive the current crisis and re-assert effective leadership and (b) whether the reform movement, as embodied in the redistricting and paycheck protection initiatives, is now strong enough to prevail on its own over the next year or two even if the governor does not find his way back to the top.

CPB



# CORRESPONDENCE

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March/April) on the collection of political contributions through union dues from public employees, and I would also support Mr. Uhler's ballot initiative. But allow me to suggest another solution to deal with the problem.

The state employee unions' bagman is Controller Steve Wesley whose payroll division, staffed by his employees, process the paychecks, deducting the union dues, tallying them up, and sending them to union treasurers. So: public employees working in a public facility collect union political contributions. Excuse me! Is not such political activity prohibited by state law?

I suggest a lawsuit to stop Mr. Wesley and his employees from violating the law: allow him only to pass on dues monies the unions can certify won't be used for politics. Or how about placing the dues in trust accounts administered by the state Public Employment Relations Board with money released only to reimburse legitimate union expenses — none for politics.

**B**UT THE best result would be a judicial ruling that, one, labor unions, particularly public sector unions, are inexpressible political organizations, two, "splitting the hairs" of dues into political and non-political accounts is futile, therefore, three, the unions, which have a right to represent their members in collective bargaining, must function strictly on a voluntary basis regarding both membership and dues and must make their own dues collections. Then let the unions be as politically active as they please, with voluntary contributions donated, not mandated, from their members.

Another point: using public payroll offices to collect money for unions' generally one-sided political activity violates equal protection of the law at

the expense of parties *not* receiving equal proceeds from the state-authorized and carried out collections.

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Tracy

## Outlaw gerrymandering

It's time to outlaw gerrymandering ("Kill the gerrymander?", Ray Haynes and Shawn Steel, *CPR*, March/April), a job that can be done by two simple rules: one, all districts shall hold the



same number of persons (within one-tenth of one percent), and two, all districts shall be as compact as a computer can make them. The measure of compactness shall be the district's actual perimeter divided by the square root of the district's actual area, with all measurements in feet and square feet. The smaller the measure obtained by the algorithm, the more compact the district is.

That's it. Forget competitiveness. Forget retired judges. Forget Schwarzenegger's redistricting plan. All you need is the program and the demographics of the state. You can let your worst enemy choose the point interior to the state at which the program begins its iterative process. It

doesn't matter where it starts; when it's done, all districts will have the same number of people and all will be as compact as possible (probably all of them will be nearly square, and the state will look as if it has been tiled by squares of widely different areas).

Party registration shall not be included in the data set the program uses to set district boundaries. Only the identity of each person in the state and the location of that person shall be available to the program. That's it. Without the gerrymandering information, the program can't be jiggered to perform any gerrymandering. And because all the other "sensitive" characteristics of individuals are similarly missing — ethnicity, religion, sex, marital status, children, and so forth — there can be no charges of discrimination. Further, because persons of like beliefs and culture tend to cluster geographically, the program generates district boundaries that tend to represent groups of persons with similar needs and aspirations.

In maximally-compact districts, the successful candidates must necessarily appeal to the voters — not the party-controlled cadre — and once elected, wise representatives will claim to represent the voters and not the party. That's an improvement.

It couldn't be any simpler. I think the people would vote for this way of setting compact district boundaries, even though neither major party will be at all happy with the results. On the other hand, when reapportionment was specified in the Constitution, there were no political parties. Now that parties exist, it is necessary to remove their influence. Let the people choose the issues that are important to them. In every election, let the people choose the axes upon which their districts are competitive.

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# ARTS & CULTURE



C R I T I C U S

## Theories of Everything

B Y G . B . T E N N Y S O N

WHEN THE story broke that Lawrence Summers, president of Harvard, had offended academic political correctness by saying in a casual, unscripted talk at a conference that innate differences between men and women may account for the fact that men were much more heavily represented than women in the sciences, Criticus found the only thing interesting about these remarks was the response they generated among Summers' audience and subsequently among Harvard students and faculty and the ravenous media. The comment about innate differences seemed to Criticus so self-evident that he thought even academics could see it. Of course he underestimated the power of ideology among feminists and academics. And he overestimated the public relations smarts of President Summers.

First the reaction. The most extreme was the statement by an MIT professor named Nancy Hopkins who walked out of the room upon hearing Summers. It went as follows: "My heart was pounding and my breath was shallow. I just couldn't breathe because this kind of bias makes me physically ill." If she

hadn't walked out, she "would've either blacked out or thrown up." Yes, this was the reaction of an adult, professional woman, more or less confirming the common belief that there are differences between the sexes, if not having to do with scientific aptitude then certainly with emotional behavior. Even Margaret Carlson — no conservative she — wrote in dismay that this was a "return of the vapors." Other women survived the discussion but were equally outraged, even if they didn't have to take out their fans and flutter them frantically to maintain their composure.

Second, Summers himself, *i.e.*, the Harvard president's reaction to the firestorm that the media gleefully reported and abetted. Although Summers came to his position after serving as Treasury secretary in the Clinton administration, he evidently didn't learn all that he should have in Washington, such as this bit of Critical doggerel: "Imitate not the hapless Trent Lott / If you are ever put on the spot." All right, it's not Milton, but the point is clear. Lott, you will recall, suggested at a dinner celebrating Strom Thurmond's 100th birthday that the U.S. would be a better place if Thurmond had won on the Dixiecrat ticket in 1948. Although this could reasonably have been seen

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