



## Leadership in a Time of Crisis

ENERGY IS THE LIFEBLOOD of the world economy. Indeed, the availability of reliable, reasonably priced energy often defines the limits of growth and prosperity for both developed and developing countries around the world. In the wake of the Enron collapse, this industry and the leadership of corporate America has been under enormous pressure from investors, lenders, rating agencies, regulators, legislators and the public to ensure that the information given to the public is reliable, accurate and timely. And that companies are managed and operated with the utmost of integrity.

The debt and equity markets are valuing much of what has happened and what may happen in the near future. So it is important to remember that despite interest rates at 40-year lows, and continued U.S. energy-demand growth, the hoped for economic recovery has been much slower than expected. The markets are starting to access the impact of a U.S. wartime economy. Indeed, a wartime economy for which there is no precedent.

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At the time of this writing, war appears imminent. Our industry and the leadership of corporate America should be prepared for what may lay ahead. The past actions by Iraq, current actions of terrorists throughout the Middle East and the possible responses in world oil prices will affect U.S. energy markets and our economy in very unpredictable ways. The energy infrastructure is obviously one of, if not the most important, asset infrastructures requiring maximum reliability and security. The entire U.S. economic infrastructure literally needs to be prepared to help America defend itself from global terrorism.

Remember that even when we routed Iraq in a matter of hours, oil prices spiked and impacted the economy. And America is even more dependent on imported oil today. What can we do? What should we do? Frankly, there is much work ahead that will require strong leadership, courage and vision. America is not currently prepared for another major terrorist incident. But we must become so, and quickly.

Fortunately, the U.S. has always been the leader in advanced technology. Indeed, U.S. technology has led

the productivity gains of the past decade and can do so again. NEM has repeatedly suggested that encouraging new investments in technology is vital to the economy and, in my opinion, to our security. There is no reason why this country cannot better track terrorist intent and communications with its technology base and current glut of technological talent. Failing to harness this obvious and abundant national resource could be a painful and costly mistake.

Debate is always healthy, but America vitally needs bipartisan political leadership, particularly in a time of crisis and challenge. And many of the government's responses to terrorism will first be made politically. However, in a private enterprise economy, corporate leadership in time of crisis will be just as important, if not more so, than government responses. The government cannot keep the lights on, the food supply abundant, etc. Over the last year, corporate scandals and financial misdeeds have undermined the public's (and the government's) confidence in corporate leadership. And, this must be reversed.

Men and women who become CEOs or leaders of private or public companies are normally vetted by their superiors and their employees over many years of achievement. Lying, cheating and stealing should definitely not be traits that move an individual up the corporate ladder. Entrusting millions or billions of other people's money, jobs, families, retirement income and self-esteem requires integrity, trust, confidence, wisdom, judgment and an accurate sense of corporate responsibility. But this should be the norm in corporate leadership.

However, the telecom and technology boom and bust of the past decade have skewed corporate expectations and financial judgments. Price-to-earning ratios were multiplied by overly optimistic estimated future growth rates, putting new financial pressure on corporate leaders. In response, corporate leaders either kept up with expectations or suffered devastating devaluations in market value of their company. In any case, this experience should have taught us a valuable lesson. I submit that corporate leaders of the future must under-promise and over-perform.

Successfully managing expectations is just as important as managing people, operations and money. Indeed, those who fail at this vital task will have a very difficult time with the many challenges ahead, as we enter our new economy. ■

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