



Mpowerment Matters

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Management Mpowerment Associates

Forward to a Colleague



David Sorin, CEO
Management Mpowerment Associates

Are you getting the results you want? Have you achieved what you always thought you could? David Sorin has a passion for helping people use more of their potential, motivating them to achieve outstanding results. Through individual coaching and leadership development and similar work with groups and teams, David lives his purpose, working with those who have the desire to improve themselves.

With thirty years of experience as an attorney, an entrepreneur and a trusted advisor to business people, David brings a wealth of strategic vision and focus to his clients. He understands the emotions felt by those in the "hot seat", and the pressures under which they operate. He has been there himself.

David has written a book and has spoken at a variety of national conventions and meetings. His exceptional communication skills enable him to relate to his clients on many levels and to help them achieve their goals.

Executive Failure: A Look at the Dark Side

Why have some very smart executives failed in recent years, bringing down whole companies, costing billions of dollars, and causing incredible losses to shareholders, customers and employees? What can be learned to avoid such huge failures?

Recent corporate scandals and bankruptcies reveal that some CEOs fail on such a scale that they bring the company down with them. Enron, Iridium, Webvan, WorldCom, and Tyco are examples. CEOs at GM, Motorola, Rite Aid, Mattel, Quaker, and Saatchi & Saatchi have led their companies to the brink of collapse at one time. These companies were led by executives with stellar track records of previous success.

CEOs are now lasting just 7.6 years in office on a global average, down from 9.5 years in 1995, according to consulting firm Booz Allen Hamilton. Two out of every five new CEOs fail in the first 18 months (HBR, January 2005).

The same underlying explanations can be seen as the cause of failure for all businesses and their leaders—whether they occurred during the 80s, 90s, or more recently. While the corporate cultures

of failed businesses vary widely, there are visible patterns of similarity across CEOs.

Tracking Underlying Causes of Failure

Sidney Finkelstein, author of *Why Smart Executives Fail* (2003), researched several spectacular CEO failures and their causes over a six year period. He found several patterns that explain what went wrong.

At some point, every successful organization is a victim of its own success stemming from a distorted view of reality. Many executives saw the signs—competitors or customers were asking for a change—and yet they chose to ignore them.

Why did they fail? What are the patterns and warning signs? How can we detect the warning signs in organizations before it is too late?

Four Explanations

Finkelstein offers four explanations for CEO behaviors that lead to failure:

1. Executive Mindset Failures - Breakdowns in how executives perceive reality for their companies
2. Delusions of a Dream Company - People within an organization do not face up to reality
3. Lost Signals - Information and control systems in the organization are mismanaged
4. Patterns of Unsuccessful Executive Habits - Organizational leaders adopt unsuccessful behaviors

In the CEO failures he studied, Finkelstein emphasizes that it was not unforeseeable events that brought their companies down. In all cases, these CEOs of failed companies knew there was trouble coming, but they chose not to act.

Seven Deadly Habits

Finkelstein identifies seven patterns of faulty behaviors, each with a warning sign. He arranges these into seven habits which are:

- Habit #1: They see themselves and their companies as dominating their environment. On the positive side, this attitude is seen as highly optimistic. Optimism is a primary trait of successful leaders and it contributes to the ability to inspire and communicate vision. Carried to extreme, one loses touch with reality.
Warning sign: A lack of respect.
- Habit #2: They identify too closely with the company, losing the boundary between personal and corporate interests. On the positive side, this trait also means that an executive works long, hard hours over and above what is expected. However, carried to extreme, a leader gains a sense of entitlement to compensate for his or her sacrifices. It paves the way for unethical decisions.
Warning sign: A question of character.
- Habit #3: They think they have all the answers. High intelligence and an ability to solve

problems quickly and decisively are essential for leadership. When one forgets to ask for input or adequate information before making and acting on a decision, decisions can be inappropriate.

Warning sign: A leader without followers.

- Habit #4: They ruthlessly eliminate anyone who isn't completely behind them. While knowing who to promote and who to reassign or fire is an essential responsibility of any leader, decisions based on favoritism are irresponsible and risky. When the senior team is comprised of 'yes' people, there isn't enough dissention to evaluate risks appropriately.
Warning sign: Executive departures.

- Habit #5: They are consummate spokespersons, obsessed with the company image. While getting press coverage is seen as good for share prices, when CEOs appear to be promoting themselves more than the company, beware.
Warning sign: Blatant attention-seeking.

- Habit #6: They underestimate obstacles. Optimism is the underlying trait that works for motivating and inspiring, but carried to extreme, it can obliterate adequate risk evaluation and reality checks.
Warning sign: Excessive hype.

- Habit #7: They stubbornly rely on what worked for them in the past. The problem is, nothing stays the same. It is human nature to go back to what worked before when things get tough. But applying yesterday's solutions to tomorrow's problems can't work. Knowing what problems to solve is a challenge for CEOs.
Warning sign: Constantly referring to what worked in the past.

11 Common Causes of Derailment

David L. Dolitch and Peter C. Cairo describe eleven derailers that lead to failure in their book *Why CEOs Fail* (2003). It is important to recognize these characteristics as being a part of one's character, that they can't be eliminated. They are part of the "dark side" of leadership characteristics—there is even some strength in each of these under normal conditions. Under stress, these characteristics lead to errors in judgment that can be fatal to a career and often to an organization. The key is to recognize their existence and to manage them before they become damaging.

1. Arrogance: You're right and everybody else is wrong.
2. Melodrama: You always grab the center of attention.
3. Volatility: Your mood swings drive business swings.
4. Excessive Caution: The next decision you make may be your first.
5. Habitual Distrust: You focus on the negatives.
6. Aloofness: You disengage and disconnect.
7. Mischievousness: Rules are made to be broken.

8. Eccentricity: It's fun to be different just for the sake of it.
9. Passive Resistance: Your silence is misinterpreted as agreement.
10. Perfectionism: Get the little things right even if the big things go wrong.
11. Eagerness to Please: Winning the popularity contest matters most.

Some derailers are both strengths and weaknesses. The average person has two or three derailers. Some CEOs are more vulnerable than others to derailment. The stress of being at the top, the intense pressures can activate the derailers. In addition, the higher you go in an organization, the less likely other people are to tell you about your failure-producing characteristics.

Leaders are Human Beings Too

We live in a celebrity culture where leaders, and especially CEOs, are expected to be perfect examples. They are held up as icons.

We must abandon this hero-worship. People can be great leaders and fallible human beings. Those leaders who don't recognize their dark side greatly increase the odds that derailers will strike. Our greatest leaders, both in business and politics have always been fallible. The key is in accepting rather than denying the existence of flaws and working to manage them.

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