

Compliments of



in association with



Enron, Worldcom And The Rest: Case Studies In Dysfunctional Strengths

By Adrian Savage, President of PNA, Inc.

THE SEEMINGLY ENDLESS SERIES OF SCANDALS affecting major companies raises many questions, but the one surely foremost in people's minds is this: "Why did intelligent, experienced executives engage in behavior that was inevitably going to cause major embarrassment if it ever came to light?" It is easy to point to consistent human failings such as greed and egotism, blaming them for the shortcomings in corporate governance. This explanation is too simplistic. What has happened goes beyond the dubious actions of a few. It is a systems failure, where many other people must have either turned blind eyes or supported those whose names have become a litany of shame for corporate America. Of course greed and egotism were present, but this is hardly news. From the first days of mankind, people in power have consistently shown the same traits. It is what drives many of them to seek out such eminence. Without the spur of greed and the pleasure of being able to throw your weight around with impunity, fewer people would wish to accept the labors and stresses of climbing to the top of the corporate ladder.

In the search for the traits and competencies that are believed to mark out natural leaders, we have overlooked one essential element: balance. When systems become unbalanced, what were positive elements begin to work against the overall good of the whole. Our minds are systems too, so this is as true internally as externally. Even the most treasured strengths can become dangerous sources of weakness if they grow too preeminent. Like over-vigorous flowers in a

garden, they start to crowd out the rest. When this happens, the result is usually a steady movement towards eventual disaster. Such dysfunctional strengths are, I believe, at the root of the problems affecting businesses and Wall Street today. In the period of "irrational exuberance" of the recent past, we lost the balance needed to keep such vigorous growers in check.

An Obsession with Achievement

Our most deeply held values are typically the most important and consistent influences on all our behaviors and decisions. They tell us what is right and guide us around the daily dilemmas we face, and are the primary sources of satisfaction and motivation.

In our research into the values of top executives on both sides of the Atlantic, we have found that the most consistently held value is achievement and success. Top people hold achievement very dear. In most cases, the importance given to achieving some notable successes in life far outstrips any other value. These are people who became used to getting straight As at school from a very early age, and had their parents and teachers who rewarded them for being such exemplary students. They did well at college, won high honors and gained similar success at business or law school. They are highly accomplished people, trained to fear failure and seek to be outstanding in everything they do.

Organizations prize achievement just as highly. They also reward it handsomely, not just with money and stock options, those now suspected symbols of executive greed, but

also with promotions, recognition and high social standing. Recruiters look for “high achievers.” Their faces appear on the covers of prestigious business magazines. They get to write books when they retire lauding their own successes and passing on their tips to future executives. Like sports stars, they become heroes to the next generation.

Achievement motivation is clearly a strength. It is also the value that most easily becomes dysfunctional when it is not balanced. Other important values are needed to moderate and control the tendency of achievement motivation to assume that the end justifies almost any means. Uncontrolled achievement drive quickly becomes obsessive as past successes are forgotten and only the next triumph can assuage the hunger to prove yourself better than the next person. Those in the grip of dysfunctional achievement needs are like alcoholics, always looking for the next drink to keep them in the glowing state of immediate gratification of the obsession.

Hooked on Excitement

In our survey, the next most important value for our group of 200 top executives was stimulation: the wish to be excited and energized by whatever you are doing. It is obvious at once that this is not going to act to balance over-active achievement needs. In most cases, it will only add fuel to the flames. If we want to know why some of the disgraced executives took the risks they did, we need look no further. It was exciting and stimulating. This is the value that fuelled much of the craze for highly leveraged takeovers and buy-outs. This is what encouraged some erstwhile heroes to push for growth far in excess of what could be sustained, then turn to dubious accounting and outright fraud to cover up the mistakes. As Wall Street demanded that each quarter’s growth should exceed the last and drove up stock prices whenever their demands were

met or exceeded, top executives found themselves on a wild rollercoaster ride at ever increasing speeds. The rewards for staying on the track were enormous: dizzying incomes from stock options, swelling reputations and deference from all those around you. No wonder that so many seem to have fallen for this kind of life, where the constant stimulation was matched by the equally consistent supply of proofs of outstanding achievement. When the whole car began to come off the rails, accountants and consultants could earn huge fees by offering clever means to hold it on the track while speeding up the ride still more.

The Honest Majority

These two examples of dysfunctional values - values that are out of control and driving unbalanced behaviors - are probably enough to explain the woes and embarrassments now facing business leaders. So why have many top executives not fallen into the excesses of their colleagues? It may be fashionable to subscribe to the conspiracy theory that those who seem untainted are only the ones whose actions have not yet come to light, but the facts point elsewhere. The vast majority of executives do keep their behavior within acceptable bounds. Many are driven by higher ideals than greed and personal aggrandizement. They have values that compensate and balance their undoubted drive to achieve and liking for stimulating and exciting roles.

Our survey showed that the most common value that balances achievement and stimulation is a high regard for justice and fairness. This value came number three in our survey. Most of our top executives shared a firm belief in the need to behave in ways consistent with some code of ethics. They were not going to be tempted by the idea that the ends justify the means. Like the public at large, they have fairly clear

standards for acceptable behavior in a corporate setting. It is these inner standards, not rules laid down by the SEC or Congress, which keep them from falling into excess. Their achievement drive is balanced by their concern to be seen as good corporate citizens.

A concern with ethical standards is not the only value that can balance excessive achievement drive. Other commonly held values work just as well: a concern to be accepted and included by other people, the wish to belong to a social grouping and be seen as admirable in other people's eyes, placing a high value on service to others, generosity and even duty.

Executive Blind Spots

It is interesting that our survey showed that the typical top executive has at least two significant blind spots in terms of values. We define a blind spot as a value that the individual simply sees as inconsequential and irrelevant. It does not figure on their internal radar screen. We all pay a great deal of attention to the values we hold most dear and are extremely alert to any threat that could cause them to be damaged or negated. That is why the high achiever nearly always shows great fear of failure and sometimes open contempt for those who do fail: the very presence of failure, even in others, is felt as a threat to this cherished value.

Blind spots draw no such attention. They make us miss what is right before our eyes. When we meet people for whom the values in our blind spots are of great importance, their behavior will appear to us to come from some other place. Our blindness leads us to make an incorrect interpretation of what we see. If we are blind to, say, the value of unquestioning loyalty, we may see loyal behavior and yet seek for some ulterior motive to explain it.

The top executives in our survey shared two very obvious blind spots: a regard for rules and traditions and a value for duty or obligations. This does not show that they had no interest in either of these values, but it does suggest quite strongly that such mundane values have very little influence over their behavior compared with achievement, stimulation or the like. Now it is clear that valuing traditions or rules would have prevented both the Enron and Arthur Andersen scandals, as would a strong value placed on duty toward stockholders and employees. I do not expect that many people who are primarily motivated to be dutiful and follow the rules would have made it to the top in the heady days of the 1990s. What is interesting is that the balancing power of these values has long been recognized in one area of life where no one wants to see unbridled ambition, disregard for rules and greed for power: the military.

Military organizations throughout the free world prize a sense of duty and a willingness to play firmly within the rules. There is no doubt that the military contains just as many highly intelligent, ambitious and achievement-minded people as any industrial group. It is even scarier to reflect that these people have control of weapons that could easily subdue any group of civilians to their will. The history of the 20th century is filled with cases where dictators seized control of the military machine to use it to enforce their power. Look at Adolf Hitler or Joseph Stalin. Yet in stable democracies, no one seriously fears that the generals will suddenly go on the rampage and grab the levers of political power. We rely on their sense of duty and the deeply held value of sticking within the rules that govern the exercising of military power. Perhaps if organizations in corporate America placed a slightly higher importance on these two workaday values, duty and tradition, they too would find it easier to avoid the excesses

that arise when egotists manage to seize the levers of power.

The Current Picture

Imagine a top executive who has become obsessed with achievement and personal excitement. Now imagine that this same person places little value on being liked or accepted by others, has a limited regard for justice and no interest at all in “old fashioned” rules or sense of duty toward anyone but him or herself. Does this sound familiar? What actions will this person be capable of doing? He or she will undoubtedly work hard, win many successes and drive themselves to the top. Once there, the intoxication of the climb will be over. Enemies will have been subdued with ruthless efficiency and old fashioned ideas and concerns thrown into the trash. Nothing remains to exercise balance or control. The other members of the board of directors will probably all be supporters, since any dissenting voices will have been removed without regard for the need to hear alternative views. Since our own values are always, by definition, “right,” dissenting values must be “wrong” and their presence will not be tolerated.

Yet being at the top is less exciting than the climb, unless you continually drive yourself to new heights. Being number one in an industry is a defensive position, unless your aim is to crush all competition and establish a virtual monopoly. Perhaps the most obvious source of excitement is to launch your company into new industries and repeat the heady excitement of clawing your way to the top. Not any industry will do. For maximum excitement you need an industry that is new, fashionable and “cool,” preferably one that uses the latest technology and attracts most media attention. Energy trading was new and free from most kinds of regulation. If you seek the excitement of being a corporate

gunslinger, you need to create a context like a corporate version of the Wild West. Telecommunications has probably been the victim of more media hype than any other industry, with constant suggestions of mind-boggling technology that would place everything from television to control of home appliances into some tiny box that we would all carry around with us. The “dot-coms” exemplified both tendencies run wild.

Accepting Accountability

The rest of us cannot escape all blame for the excesses of a few, however far they were lead astray by dysfunctional values and obsessions. We allowed it to happen, turning a blind eye as long as stocks raced higher and paper profits poured in. Indeed, in our own obsession with individual achievement, we allowed all kinds of false metrics to be used to produce yet more successes: the number of hits on a web site, the number of subscribers to some on-line service or the quarterly increase in earnings per share calculated on some unaudited or pro forma basis. In the end, even some of the auditors were caught up in the whole sorry business of seeking to justify systems that had run wildly out of control.

Perhaps now people will take far more interest in what is motivating their leaders and those they entrust with the future of the organization. It is time that we all refrained from looking at one or two attributes in isolation and ignoring the need for balance. More is not always better. Dysfunctional strengths and values can cause as much havoc as any amount of incompetence. By rewarding achievement without also demanding ethics, organizations fed the fires that were going to bring them down. Stock options are not the problem: the problem is the basis on which they were awarded and the thinking that allowed them to be repriced or more issued to compensate for any shortfall in growth. If

executives' pay is to be linked to real corporate progress, it must go down as easily as up and the executives themselves should not be allowed to change the rules constantly to their own advantage.

We ignore values at our peril. In the past few decades, the emphasis has been on competencies and skills. Yet the way that we use the skills we have is determined by our values, and a highly skilled person driven by some personal obsession will not always turn out to be a visionary leader. It is just as likely that he or she will hit the headlines as the next top executive to be vilified for putting personal values before the needs of employees, stockholders and the nation at large. When that happens, the innocent suffer and we all shake our heads in disbelief. We should rather shake them in shame, since the causes of such harmful behavior are largely clear and only our own compliance allows them to continue unchecked.

About the Author

Adrian Savage is president of PNA, Incorporated, which provides solutions that enable corporations to manage succession management, employee retention and talent utilization. More than fifteen years ago Mr. Savage co-founded the forerunner of PNA with the goal of clarifying the way people and organizations utilize their potential. Drawing on a background in senior management positions in diverse organizations and experience with complex organizational structures, he developed fresh ways of understanding what allows companies to achieve optimum performance. Mr. Savage was quickly convinced that the primary blocks to optimum performance are poor systems and unclear motivation, both derived from the habits we form around what has worked for us in the past. When people can align themselves successfully with their unused talents and fundamental values, they can

seize the opportunities available to them to make the kind of contribution that fully reflects their ability, helping themselves and their organization achieve new levels of business success.

As a result of his lifelong interest and research in individual development, Mr. Savage founded PNA, Incorporated. PNA provides corporations with solutions for talent management, organizational development, succession planning and key staff retention. Using proprietary approaches that have been developed and proven over more than 15 years, the company helps national and international clients maximize individual, team and organizational strengths to achieve their business goals. PNA is part of the global RSM International network. Visit www.nettps.com for more information or call 908-541-1700.

About Work In Progress Coaching

Founded by Camille Smith, Work In Progress Coaching specializes in increasing the performance and productivity of executives, managers and teams. Her approach enables people to achieve organizational goals while maximizing personal and corporate resources. "When people access their potential and produce results that they thought were impossible, two powerful things happen: the bottom line benefits *and* people's view of what they can accomplish together is expanded. This gives the individual and the organization the ability to create and fulfill rewarding futures."

As an associate of PNA, Inc., Camille is a certified NetTPS™ Solutions Provider. For more information, call 831-685-1480 or visit www.wipcoaching.com.