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Why do smart executives screw up?

Jean Pousson tries to explain the phenomenon behind some high profile executive failures.

Reflecting on 2004, the influential Business Week magazine ran a survey on the best and worst managers of the year. The year's top of the flops included among others, Raymond Gilmartin, Chairman and CEO Merck, Michael Eisner CEO Disney & Co, and Phillip Watts former Chief Executive of Royal Dutch/Shell Group. And the list goes on... .

The issues which have always baffled me is that these people are not stupid. Their careers to date make for a dream cv and getting the top job of a large organisation is an achievement in itself. But some of them do screw up! There is increasing research on this topic and this short article would not do justice to the wealth of information around. Some of the reasons though are summarized below.

Over optimism and over confidence

These people have been so successful to date that a feeling of invincibility starts to develop. They think that they can do no wrong. In some cases this develops into cult / celebrity status. An industry insider once commented that the only difference between God and Larry Ellison (of Oracle) is that God does not think he is Larry Ellison.

Passive board

They either purposely surround themselves with meek apostles or they allow a culture to develop where the Board or Top Team just goes along and never questions. George W. Bush senior was once asked what did he miss most about being American President. "Well for one, I don't win all the golf games that I now play!"

Short Course for Management & Professional Development

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Tired ears

Like Julius Caesar they develop tired ears and stop listening. They have been right so often, they have been so successful to date, why should that change now? Even when given warning signs they fail to take heed. The executives of Polaroid are well worth a call on that point.

Old tool kit

They rely almost fetish like on what has worked for them in the past. They fail to appreciate that the new set of issues/problems may well have different dynamics and may well require new diagnostic tools. It is like physicians a few centuries ago who would bleed their patients irrespective of the symptoms.

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