



Poor Leadership and the Vulnerable Enterprise

Without leadership, progress in an enterprise slows or halts. Often reluctant to act on their own, workers wait for guidance and direction. Situations needing attention frequently are neglected and potential opportunities may even be missed.

Contrast that with an enterprise that is operating and functional, but under poor leadership. Its operations and initiatives are shaped in response to priorities established by its executives. If they are incompetent, repeatedly exercise faulty judgment, adhere to misguided priorities, or engage in unethical or even evil practices—the dimensions of poor leadership—progress within the enterprise is not merely suspended, but rather is often reversed. Why? Poor leadership is worse than no leadership at all.

Unfortunately, all enterprises are vulnerable to the appointment of poor leaders when they are chosen amid vague objectives and performance guidelines, poor vetting practices, and insufficient attention to soft skills. Moreover, managers and employees often must follow even a poor leader's directions, creating another point of vulnerability. In the end, poor leadership is not only costly to an enterprise, it will severely damage its future viability.

Choosing Poor Leaders

A century and a half ago, master story teller Lewis Carroll, author of *Through the Looking Glass*, wisely observed a potential weakness in all of us when he wrote "If you don't know where you are going, any road will take you there." When applied to management, Carroll could have said that when enterprise objectives are not clear, any leader can help achieve them.

With surprising frequency, those responsible for choosing an organization's leaders only vaguely define, and sometimes even lack agreement on the direction of the enterprise and in turn the capabilities needed in an executive. Such vague recruiting objectives as attracting "a leader that truly understands this business and can take us to the next level," or "someone who will make this organization prosper financially in good times and bad," or even "a CEO who can unleash the great potential of this organization" are of little value. Since these broad objectives say nothing about priorities, they provide little guidance for choosing executives. Should the emphasis be enterprise growth or driving for profitability? What is of greater importance: short-term performance or

consistently building the long-term value of the firm?

Second, enterprises are susceptible to weak and incomplete vetting practices. Selection committees frequently fail to gauge how potential leaders will go about achieving key objectives or whether they will even utilize acceptable methods and tactics. For example, a firm will surely want to know if a prospective leader intends to employ "slash and burn" tactics to shed

operating costs, especially if abrupt moves to deliver immediate bottom-line profits will have an undesirable long-term impact.

A third vulnerability is the tendency to scrutinize an individual's past financial success along with their strategic and operational capabilities while only minimally considering the effect that a prospective leader may have on the people and culture of the enterprise. Good boards will always judge a candidate's methods and soft skills as well as their character, their personal and professional values, and their judgment abilities. Are they known to be inspiring leaders, skilled in building a spirit and energy that unlocks hidden potential in the enterprise? Will they operate in a way that builds trust within the executive team and from the workforce? Or are they likely to deliver good financial results, but only through methods that could prove highly disruptive and divisive within the leadership team and across the workforce?

Any enterprise that chooses its executives by relying solely on the hard facts of management while ignoring the soft skills of leadership makes itself vulnerable to having terribly poor leaders.

When a large, well-known retailer needed a new CEO, its board of directors determined it could attract a top executive from a different industry. The executive had a proven record of delivering solid financial performance and had consistently maintained that company's market leadership position. Feeling it had identified the right person, the board moved fast. The entire process from recruitment through contract negotiation to the public announcement of the CEO took place in just days.

Upon appointment, the new CEO immediately began visiting many field locations and working tirelessly with operating managers to understand the company's business. He soon was implementing changes aimed at substantially growing sales while cutting operating costs sharply.

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However, tendencies that became evident within a few months after his appointment eventually led to his downfall. This CEO did not understand the culture of the company and was unable to sustain the spirit existing among managers and employees at the time of his appointment. In fact, he curtailed the ability of employees to respond to customer needs even though the company had been built on good customer service. His actions grew increasingly frustrating to both customers and employees. Soon the company's other top executives began leaving the firm. In the end, the board concluded that it had chosen the wrong CEO. His superior business acumen, strong work ethic, and delivery of good financial results did not substitute for what ultimately proved to be poor leadership capabilities.

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Accepting Actions of Poor Leaders

Even if they slip through a selection process, you would expect poor leaders to be evident immediately and quickly culled out. Often they are not. Therefore, enterprises become exposed to potential and costly damage accruing from any actions they may take. They are vulnerable for four reasons.

First, most people and organizations accept and support the value of having someone responsible and accountable for their enterprise. In other words, they believe in the need for leaders. Hence, they naturally anticipate those serving in that role to offer direction and guidance to the others. Followers are expected to be responsive.

Second, when the selection process is thought to have been credible, new leaders usually get a brief period of initial trust. Even when little is known or there is skepticism about them, a widespread view that the process was credible usually means they have opportunity to prove themselves before a judgment is made about them.

Third, if there is doubt—when managers, employees, and others see puzzling or questionable moves by their leaders, or actions that appear to have little merit—they may initially hold their concern. Conceding to having a limited view of the enterprise, they often rationalize that “He must have information not available to us.” Or, “She has a better view of things so I guess she knows which actions are best.” Consequently, there is a tendency among many to expect, or at least hope, that in the larger scheme of things those questionable moves will ultimately prove beneficial.

Fourth, poor leaders can always use the power of their position to push through even controversial initiatives, at least for a while. Moreover, because of widespread awareness that they have the power to

eliminate the jobs, crush the careers or affect the reputation of managers and employees who fail to abide, poor leaders remain powerful long after followers become skeptical about their capability or intent.


The costs to the enterprise can be exceptionally high with the failure to meet financial objectives only the beginning.

Damage From Poor Leaders

The greatest fallout from poor leadership is the damage to future viability of the enterprise. Its long term success is severely endangered when these leadership failures occur:

- **Failure to safeguard resources**—Actions that squander or deplete resources, financial or otherwise, including those from poorly conceived acquisitions, take away the ability of an enterprise to continue operating normally. Then investors, creditors, and regulators have the upper hand in determining its future.
- **Failure to safeguard talent**—Why do people leave poor leaders? Wholesale workforce reductions made to reduce costs or shut down functions always drain off valuable talent. However, talented personnel also leave on their own, choosing to jump from what they consider a sick or sinking ship.
- **Failure to invest**—An enterprise will be deprived of a bright future when innovation programs are curtailed, research and development investments are eliminated, or production facilities are carelessly jettisoned to get short-term results. Moreover careless outsourcing to cut current operating costs, may ultimately strip an enterprise of key operating knowledge and capabilities, essential infrastructure, and the flexibility needed for responding to emerging threats or opportunities.
- **Failure to protect against needless risk**—Protecting against financial, operational or reputational risk is especially important. Without instituting and insuring compliance with policies to safeguard against fraud, legal risks, and physical or environmental risk, executives leave their organization vulnerable. Likewise, safeguarding the enterprise from brand or reputational risk—actions or publicity that could cause a decline in the customer base or revenue—must come from an organization's executive team.

Executive Leadership Today

The investment needed to select key executives in any organization can be exceptionally high, for it requires careful planning and lots of time and energy. However, those expenditures pale in comparison to the costly damage that can accrue from poor leadership. 

— Jim Senn

Director, Center for Global Business Leadership