



Damage Limitation

Preventing Liability and Derailment

After being extradited to the remote Elba Island in 1814, Napoleon did not waste time feeling a sense of remorse for the half-million French families mourning their lost ones who died in the Napoleonic Wars. What history books provide us with is a detailed account of a relentless leader planning his comeback with devastating effects for the French nation. Using this anecdote and other examples, this paper explores the dynamics of executive derailment, and offers pragmatic ways to minimise the potential damage that weaknesses bring about.

Everyone is looking for people with the potential to be successful – but for most roles, the potential of getting it wrong, can outweigh the benefits of high potential. In many cases, those who ended up being a major liability, gave an impressive initial impression associated with drive, ambition, potential and high capability.

How about Nick Leeson? Bearing Bank's golden boy whose unsupervised dealing resulted in the sale of the 200-year establishment for £1.

Remember Gerald Ratner, the entrepreneur who set the multi-million jewellery business, and in one statement (*"People say. 'How can you sell this for such a low price?' I say, because it's total crap"*) an estimated £500m was wiped from the value of the company.

Likewise, in August 2007, British Airways were fined £270 million after admitting that one of its senior managers tried to collude with Virgin Atlantic over fuel surcharges and price-fixing on cargo flights.

Think about these 'walking time bombs'. In many cases it would be difficult to stop them ticking, simply because they display qualities that are associated with success and high performance. Many manage to slip through the net, disguised as high performers, and you don't find out how disruptive, or even destructive they could be, until it is too late...

This article is about understanding those hidden negative attributes and preventing them emerging to the surface and becoming a liability.

The Practice of Leadership Development

I have been running leadership development and coaching programmes for nearly 20 years. When I started, the common focus of such programmes was around addressing deficiencies. Executives and leaders looked to the coach or the facilitator for a quick fix – How can I become more assertive? How can I turn into a visionary leader? What do I need to do to show more charisma and exert my authority? How can I transform my thinking and actions from operational to strategic? ...

The domineering notion was that great leaders have certain 'leader-like' qualities. Coaching and leadership developments were seen as methodologies of mapping the executive's profile against this 'leader-like' framework, and focusing on closing the gaps between the person's profile and the ideal profile. The message was "if you keep working away your non-talents, your persistence will pay off in the end". Superficially this provides a solid, if clichéd piece of advice – "If at first you don't succeed, keep on trying, again and again". Yet, if the focus of a person's life is to turn their non-talents to talents, then all they can look for is crushingly frustrating and unfulfilling life.

This approach focused on the negative – on correcting faults, on deficiencies – and as such it had an aura of being politically incorrect. In an era where HR managers taught to replace the term 'weakness' with 'development opportunity', this negativistic approach ran out of steam and became slightly unfashionable. We soon saw the rise of a highly appealing alternative, fashioned by Martin Seligman's 'positive psychology' and Gallop's strengths builder (Buckingham & Coffman, 1999).

Leadership Development took a different turn. Rather than fixing what is wrong with us, it let us focus most of our efforts on our strengths, learn to better utilise them, gain leverage from them, and realise their full potential. As for the 'weaknesses', all we needed to do was damage limitation – i.e., learn few techniques to ensure that these weaknesses do not hinder our progress. In a much-quoted example, Gallop used Tiger Woods as a poster boy for this concept (Buckingham & Clifton, 2001). Apparently, Tiger Woods has fantastic long-

game – his length with his irons and woods – is an exceptional strength, as is his putting. His ability to chip out of a bunker can be an issue. He is inconsistent compared to other top professionals (ranked 61st on the PGA 'saved sands'.) Consequently, he spends 90% of his training time perfecting his long shot and putting, and only 10% on chipping out of a bunker, ensuring that he does just enough to prevent it becoming an obstacle to achieving his goals – Knowing that what wins him his titles and prize money, is his long and short game.

The 'positive' approach quickly caught on and inspired many executives. At last they did not need to worry about their weaknesses, or learn skills that were alien to them. All they had to do was to focus on what they were good at – that sounded to many of them relatively easier, less taxing, and far more fun.

However, the reality of this 'positive' approach was, and is, less promising. All that it created was simply a shift in balance from weaknesses to strengths. Our developed leaders today, are not that much more capable and prepared for their leadership role, than those we encountered 20 years ago. I would like to argue that the reasons for it stem partially from the ways we define weaknesses and what we do about them.

Traditionally, weaknesses are viewed as deficiencies in desired characteristics. Hence, the developmental approach to handle these deficiencies was to teach leaders how to master these skills areas, creating a model for each skill area and practicing and working hard to gain the skill. Assertiveness training is a typical example of the deficiency model. Typically, leaders were trained to internalise and practice a 4-stage process until they mastered it. Doing so, meant in developmental terms, fixing the weakness and turning it into strength. The model stated:

- Articulate the undesired behaviour displayed by the 'aggressor' - "For the last 3 weeks you have been parking in my car parking space"
- Say what do you want - "I want you to stop parking in my space even if I am not here, or you are just stopping for a short while"
- Explain why you want it - "This is my property which I've purchased, and I feel that you disregard my rights by doing so".

- Reiterate what you want - "From now on, I want you not to park in my designated car parking space under any circumstances".

Although I have simplified the model and neglected some elements (e.g., tone of voice), in its essence, this is what development means when dealing with fixing a deficiency. Although this approach has its place and value, I struggle to see how it delivers the leaders' expectations of turning a weakness to a talent.

The 'positive' approach shifted the balance towards strengths. It did not ignore weaknesses, simply gave them less 'air time'. As in the case of Tiger Woods training regime, the weakness received just enough attention to warrant that the person can get-by without the need to master it. The focus was on compensating for the deficiency by, and masking it with, the talents and strengths the person does possess. Going back to the assertiveness example, the 'positive' approach would emphasise to the non-assertive leader that dwelling on the weakness is the wrong way forward. Better use of their time is identifying ways to fine-tune their strengths, to enable them to get closer to their objectives. As for minimising the negative impact of lack of assertiveness, the 'Positive' coach would advocate building on strengths such as ability to articulate ideas and interpersonal charm as ways of allowing the non-assertive leader to influence and shape the behaviour of the 'aggressor'.

The reality was again somewhat disappointing. Being told to focus on strengths, leaders viewed it as a mandate to ignore or only pay a lip service to managing their weaknesses. As such, leaders may feel better about themselves, but the final outcome was only marginally better.

Ticking Time Bombs

The work of Bob Hogan, Marshall Goldsmith, and Morgan McHall offers a different line of thinking that departs from the definition of weaknesses as deficiencies (Hogan, 2007; Goldsmith, 2007, and McHall, 1998). Although recognising that people may have deficiencies, they prefer to view many weaknesses, as the possession of a negative trait or characteristic that can turn into a liability, rather than as lack of a desired skill. As such, we no longer talk about skills or lack of skills, but about a deeper layer

that shapes the way we either utilise or misapply skills. That further emphasise the importance of the application of Damage Limitation as a key part of any personal development.

Consider the following classical case study of Horst W. Schroeder, the former Kellogg Co. President, who was fired after only nine months in role (as reported in the Wall Street Journal nearly twenty years ago (Gibson, 1989)). The German-born Schroeder had been Kellogg's star for sixteen years. Schroeder started out as a controller in West Germany, and gained valuable cross-functional and cross-cultural exposure and experience, running operations in Europe, and then promoted to run all overseas operations. He consistently achieved impressive results, including successful introduction into North America, regardless of heated opposition of a popular European cereal Mueslix. He demonstrated an insightful understanding of the business and the market, and articulated an engaging corporate vision about growth during times of market share reduction.

With no doubt, Horst Schroeder had plenty of talent. If assessed against leadership competencies, he would have emerged victorious. His outstanding record of accomplishment suggests resilience, willingness to persevere in the face of tough opposition, and strong organisational commitment. His diverse cross-functional and cross-cultural experience and exposure made him a perfect match for the rapidly growing overseas markets. Likewise, his decisiveness coupled with his well-articulated corporate vision serve as a wake-up call for the relatively sleepy and somewhat complacent Midwestern culture of Kellogg. Indeed, if we list all of Horst Schroeder qualities on flipchart, few could predict the turn of events that followed.

The growing body of research and knowledge about executive derailment suggests that managers and executives who derailed brought highly impressive accomplishments and attributes to the fateful job. Hence, focusing on strengths, honing and perfecting them, is not sufficient. Unless, recognising that development is as much about neutralising negative traits (weaknesses) as it is about playing to one's strengths, many talented executives are like a ticking time-bomb... waiting to explode.

Before exploring ways of defusing these ticking time bomb, it is worthwhile to understand the

causes of derailment. There are three inter-dependent sets of factors that emerge within certain circumstances and lead to derailment:

- Overstretched strengths turn into weaknesses
- Blind spots matter
- Success breeds arrogance

Overstretched Strengths: Hogan’s outstanding work on the ‘dark-side’ of personality and its explicit link to executive derailment, offers a list of eleven measurable personality attributes, and regard them as overplayed strengths that turn into liabilities. Table #1 offers a list of strengths and their dark side, based loosely around the work of Hogan.

TABLE #1: Strengths Overstretched – The dark-side of Strengths

| STRENGTH | POTENTIAL DARK SIDE |
|---|---|
| Enthusiastic – Passionate | Excitable; Flippant, blowing hot and cold; Inconsistency; Mood swings; Lacks resilience; Loses heart when things go wrong |
| Analytical Capacity – Brilliance | Devalues others’ contribution; Creates intellectual silos; Cynical; Excessively sceptical; Uses analytical sharpness to block initiatives; Can’t-Do attitude |
| Consciousness – Quality orientation | Risk-averse; Paralysis-by-Analysis; Indecisiveness; Afraid to act; Inclined to create large staffs and over-resource |
| Results focused – Task oriented | Detached; Insensitive; Dictatorial; Harsh; Fails to engage others; Fails to enlist support at crucial times; The sum is no more than the individual parts |
| Diplomatic Skills – Political Astuteness | Manipulative; Passive-Aggressive; Too slick; Creates hidden agendas; Operates to own (covert) agenda; Untrustworthy; Does not address issues directly |
| Self-confidence – Leader Like Qualities | Egocentric; Narcissistic; Believes own press; Fails to learn from mistakes; Wins at all costs to the business’s detriment; Climbs on ‘dead bodies’ to reach top |
| Action oriented – Decisiveness | Reckless; Impulsive; Lacks reflection; Confuses activity with productivity; Underplays quality for quantity; Takes unnecessary risks |
| Communication Skills – Influencing skills | Prima-Donna; Superficial; Lacks substance; Emphasises form over function; Refuses to accept responsibility for mistakes; Creates a ‘blame culture’ |
| Innovation – Strategic Capacity | Airy-fairy; Unrealistic, Impractical; Wastes organisational resources; Sends the organisation on a fanciful ‘goose chase’; Misses on local markets |
| Diligence – Integrity and Values | Control-freak; Cannot grow the business beyond a certain level; Holier than thou attitude; Rigid; Imposes personal standards on others |
| Customer-focused – Dutifulness | Spineless; Can’t create breakthrough; Can’t control costs; Too conservative; Over-promises – Under delivers; Lacks independent judgement |

Blind Spots Matter: The American Guru of executive coaching, Marshall Goldsmith, views weaknesses as bad habits that at some point become beyond mere irritation. These are flaws that were overlooked or laid dormant for long periods, in light of outstanding results or compensating strengths, but become central in the context of new circumstances.

Weaknesses do catch up. In his study of derailed executive, McHall identified insensitivity as the most commonly reported flaw amongst

derailed executives, and one of the sharpest differentiators between derailed and successful executives (McHall, 1998).

Going back to our case study, Gibson (1989) describes Horst Schroeder as domineering, demanding, abrasive, unwilling to listen, abrupt, and intolerant of dissent. Yet, a highly impressive 16-year record of accomplishments overlooked these. It was not until he stumbled as president and needed the support of his

subordinates that his alleged treatment of others became his nemesis.

Power, dominance, and intimidation can produce compliance, but also create enemies along the way – a horde of disgruntled employees, each keeping an account of all the times they have been mistreated, eagerly waiting to see the fall from grace of their aggressor. When the time is right, they cash on all these mistreatments, through lack of support at crucial junctures, passive aggressive acts, and counter-productive activities. Organisations are willing to excuse behavioural flaws as long as they get the desired results. Yet, at executive levels, alienating others is a recipe for a disaster, ensuring that good results are not sustained over time.

Goldsmith lists no less than twenty-one of behavioural habits that prevent successful leaders' progress beyond their current position. The one that captures the notion of 'Blind Spots Matter', is what he calls 'an excessive need to be me'. It relates to innate personal attributes that result in an ingrained set of behaviours, both positive and negative, that we think of as our inalterable essence – our identity.

If you are what I call a 'last-minute.com person' (– i.e., chronically disorganised, poor at attending appointments at time or meeting deadlines, struggles to run projects to schedule, does everything at the last minute, and never plans properly) – you mentally give yourself a pass every time you fail to meet others' time expectations. "Hey, that's me," you tell yourself. "I have other qualities that compensate for it. It is part of my charm." You find justifications and rationales for it – "Disorganisation is a sign of genius; of creativity"; "sometimes you need to take longer than planned" or "at times you need to go of on a tangent before you can find the right direction". To change your habits would be going against the deepest, truest part of your being – going against the grain – It would be inauthentic.

Likewise, if you are a relentless procrastinator who habitually ruins other people's timetables, you are doing so because you are true to yourself. You are exercising your right to be yourself. Over time, it becomes easy for you to cross the line and begin making a virtue of your flaws – simply because the flaws constitute what you think of as your identity. This misguided

loyalty to our true natures – this 'excessive need to be me' – is the toughest obstacle to behavioural change, and is at the essence of a Blind Spot that matters.

Given the obvious danger that weaknesses pose, it raises the question why don't people, particularly the talented ones, correct their weaknesses before they cause havoc? Why don't they engage in damage limitation? The most obvious reason is that they haven't yet been hurt by them. Because of the confidence generated by success and demonstrated strengths, it is easy to dismiss them as unimportant. Yet it goes deeper than that, and that leads to our third set of factors associated with derailment, namely, arrogance.

Success Breeds Arrogance: Self-confidence that is a key ingredient in success can grow bloated by the success that fed it. A common feature of executives who derailed is that their confidence turned into arrogance. Many develop an 'untouchable' self-belief. While this adds to their charisma, it also instils a false sense of security. When challenged, it can result in poor judgement based on inflated assessment of own capability, and as in the case of Nick Leeson, bringing down the executive and the whole business. Like Napoleon who believed that he can march to Moscow, because nobody can stop the unbeatable French army, or Hitler that repeated the same mistake over a century later, the consequences can be dire.

Hogan (2007) refers to executive arrogance as a narcissistic tendency. His description is of a self-confident person who seems fearless when facing difficult tasks, and will take charge in social situations. An executive with high career aspirations, who seeks leadership positions in every assignment, and gets annoyed if they are not forthcoming. Their superiors are impressed by their drive and energy. However, their confidence may exceed their performance capacity. They tend to overestimate their abilities and competencies, assumes they have the right answers and do not seek others' input. Take more credit for success than is fair, and refuse to accept responsibility for failures. Their aggressive style may intimidate subordinates, possibly leading them to surround themselves with people who agree with them. They are hierarchical, feel entitled to leadership positions and demand to be treated with respect.

So strong is this arrogance and refusal to accept responsibility for failure that most executives fail to learn from mistakes. Instead of repentance, or attempt to engage in damage limitation, they blame everyone else than themselves. Believe that they will get it right next time.

History books do not tell us about Napoleon feeling suicidal after being forced to abdicate to the remote Elba Island. Nor do they tell us about a sense of shame or guilt for initiating the invasion of Russia campaign that wrecked the French 'Grand Armée'. Likewise, there is no account of a sense of remorse for the estimated half-million French families mourning their lost ones. What history books tell us is that while in exile, he ran Elba as a little country; he created a tiny navy and army, opened some mines, and helped farmers improve their land. However he became restless, and planned his comeback. Within a year he returned to France and regained control of the government in the

Hundred Days (*les Cent Jours*) prior to his final defeat at Waterloo on 18 June 1815.

The same applies to Gerald Ratner and Nick Leeson. The first re-launched as **Gerald Online**, the UK's largest online jeweller, retailing "high quality" jewellery at discounted prices. Whereas as the second re-built his career on the back of the devastation caused to Baring Bank, emerging as a book writer, and a regular guest on the after-dinner speaking circuit.

How about O. J. Simpson, who planned to launch a book and a TV series named '*If I Did It, Here's How It Happened*', which puts a new spin on the link between arrogance and the term 'getting away with murder'?

And what happened to Horst Schroeder, can the same set of factors be applied to him as well? – Read the following extract (box #1) from the Associated Press (2006) and judge for yourself

Box #1: On Success, Arrogance, and Weaknesses that Matter

Schroeder quits American Italian board – *January 27, 2006*

KANSAS CITY, Mo. – American Italian Pasta Co. said Friday that former Chairman Horst Schroeder has resigned from the company's board of directors... Schroeder was named chairman in 1991 when he came to American Italian from Kellogg Co.

The move comes a week after an amended federal lawsuit claimed Schroeder and a number of other current and former company executives used various accounting and operations tricks to hide the company's declining finances from shareholders. Among the schemes was hiding excess inventory in warehouses, repackaging product past its expiration date and improperly accounting for some capital expenditures...

Earlier this week, the company's stock lost 41% of its value in a single day after an analyst downgraded the stock on worries about the lawsuit. Shares lost 8 cents to close at \$3.43 Friday on the New York Stock Exchange.

The stock has lost 84% of its value since August, when the company disclosed that its audit committee had begun an internal investigation into the company's accounting and that it couldn't release third-quarter numbers. In October, it told investors not to rely on financial reports going back to 2002.

The Developmental Approach

The common approach to development evolves around the development of counter behaviours – i.e., changing the negative trait and turning it into a positive one. For example, let us say that you are a high-achiever, focused, decisive, self-starting, low-maintenance, and a hard-working individual. One that does not suffer fools gladly, and hates wasting time picking up the pieces dropped by less purposeful individuals. You are perceived as a high-power manager, but also as direct, blunt, harsh, and insensitive. People respect and fear you, but do not necessarily

view you as a nice person. You reach the painful realisation that you can achieve more by getting people on your side, and decide to change peoples' perception about you. Hence, you decide, "I need to become a far nicer person". How would you go about it?

The 'counter-behaviour' approach advocates that you start engaging in a series of 'nice-person' type behaviours, and try to turn them into daily habits. Coaches subscribing to this approach will work with you on building habits such as:

- Having a Monday morning meeting as the first activity of the week, where you invite all your direct reports to a 20-minute informal chat over coffee (that you prepare for all) to update them on business matters
- Spending everyday 20 minutes 'walking the floor' and doing nothing in particular, beside talking to people, showing personal interest in them, and making yourself available
- Giving three unconditional complements every day to your colleagues, from simple statement like "I like your tie", to more business-related comments such as "I heard you gave an excellent presentation yesterday, well done".
- Starting every day by approaching each of your immediate colleagues with a smile, a bright "Good Morning", and an informal, "How do you do?"

Knowing the person you are such coaches will probably ask you to keep a daily record (probably in the form of an Excel spreadsheet) of all these small behaviours, and email the spreadsheet to them every Friday, as a way of monitoring your behavioural change.

While this target-driven coaching might appear appealing from the outset, it is a daunting assignment. It requires you to master a very long list of positive actions, to enhance your self-awareness, and worst of all, to behave against your common nature. From a person who prides themselves of being focused and low-maintenance, you find yourself 'wasting' your valuable working hours on niceties that cause your workload to build up. In a sense, when adopting the 'counter-behaviour' approach, you are asked to engage in a 'personality transplant' – converting all the negative things you do at work into positive actions. This is asking a lot from most people. It is hard enough to try and change a single habit, let alone a whole raft of actions. Doing so means that you set yourself to failure. All it takes is a bit of pressure and stress at work, and you will drop one by one the good intentions and the 'nice person' behaviours, and will revert to your old self.

Fortunately, there is far more efficient and effective manner to meet the objective of becoming a 'nicer person'. It builds on the view of weaknesses as the possession of a negative trait or characteristic that can turn into a liability.

I call it 'Damage Limitation'. With 'Damage Limitation', you don't have to try becoming a nice person, all that you have to do is stop being not nice. This is not a semantic psycho-bubble. It is conceptually different. It is very different thing to STOP doing negative actions, than to start engaging in positive ones. 'Damage Limitation' will not turn you into 'Mr. Nice Guy', but it will prevent your nasty streak costing you heavily. Soon people will pigeonhole you in their mind using your strong attributes. The 'being nice' attributes will not feature there, neither in a positive nor in a negative way. – Thus, if in the past people would have branded you "a tough, ambitious, high-flyer, who climbs on dead bodies to reach the top", they will now refer to you as "hard-working, focused, high-achiever – someone you can trust to deliver".

'Damage Limitation' does not require much. You don't have to constantly think of coming with new ways of being nice to people you don't rate. You don't have to design and keep tedious daily routines as a make-up hiding the personality imperfections you wish to cover. You don't have to remember to say nice things, dish out phoney complements, and tell little white lies. All you have to do is ... do nothing at all.

- When someone challenges you, rather than biting their head off, arguing with them, proving that you are cleverer than them, or being defensive, all you have to do is ... nothing. Listen, consider what they have said (they might even have a point), and say ... nothing.
- When someone makes an incompetent suggestion, don't criticise it or them, don't pass comments on their naivety, say ... nothing.
- When someone offers a brilliant idea, do not get competitive, don't claim that this is simply a re-hash of earlier ideas you made, don't try to hijack their idea, don't let everyone else know that you already knew that. Thank them, and say ... nothing.

The beauty of this approach is that it is easy to apply. You simply need to know what to stop. You might feel the first couple of times that you have to 'bite your tongue', and may need to convince yourself that you are not losing your edge, or becoming 'a softie'. This is not the case, you simply 'stop behaving like a jerk'. Given the choice between starting being nice, or

ceasing being a bully, the second option is far easier. The first requires a concentrated effort of adding acts; the later is nothing more than omitting acts. No need to polish your skills, perfect your mannerisms, train or practice. All that is required is the faint imagination to stop doing what you have done in the past – simply, do nothing at all.

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