

A Tribute to Ignorance: Your Greatest Leadership Tool

by Stever Robbins

IT'S SHAMEFUL; THE BUSINESS COMMUNITY neither understands nor respects ignorance—one of your most powerful tools as a business leader. The last two years have seen ignorance vastly misused by heads of companies and their advisors¹.

Oh, we've seen certainly seen ignorance galore. CEOs happily accepting \$100,000,000 bonuses when times are good, yet declaring "I didn't know there were problems" when their company tanks a month later. It's hard to imagine a company owner who would reward that management with anything other than a pink slip, delivered with a swift kick to the private parts. If you're going to use ignorance, don't hide behind it as an excuse when things go wrong; use it to build something great.

Before you can get dumbness working for you, you have to conquer the fear of ignorance. It terrifies us, you know. Many people would rather die than admit they don't know something. But taming the fear is easy. You don't need a ropes course, or a month-long vision quest. Your demons are simply memories, right now. Probably memories of grade school. Third grade. When you were taunted mercilessly for saying "I don't know" when a teacher asked a particularly tricky question. Or was it the parents, disappointed when you said "I don't know." Either way, get over it. That was decades ago. Now, you're grown up. As kids in school, "I don't know" gets us punished. But in the real world, "I don't know" is the norm, and it brings great power.

Ignorance frees you to move

You see, the moment you say "I don't know," you're safe. You can venture into the unknown and if things don't work out, you're blameless. In fact, you've already pointed out that you didn't have the answers; but hey, you were willing to try

anyway! You may try and fail, but you stepped up and gave it a shot. And that's cool².

"Giving it a shot" includes doing what's new, unusual, and out-of-the-box. When you purposely put yourself outside your realm of expertise, your full creativity can come out for the problem at hand.

And in the unlikely event you fail miserably, rather than collapsing in a gutter and living a life of utter desolation, you can use it as a learning opportunity and move on. Have you ever worked with someone who confidently drove their team/business/life off a cliff, because they were flat out wrong yet never questioned themselves? "I don't know" saves you from over-confidence. When you know you're in uncharted territory, you know to expect the unexpected (and learn from it).

Of course, even in uncharted territory, you *always* stride forward confidently; that's what leaders do. But if you know the path is uncharted, you're ready to change direction if it ends up leading straight off a cliff.

"I don't know" unleashes leadership

One reason most people are afraid to say "I don't know" is they think it means they're somehow less than they were. Nonsense! It may create a bit more humility, but that's a good thing. Humility gets your ego out of the way, making room for other people and their ideas.

Now, many of us are proud of having a mind like a steel trap; I know I am. But have you ever caught your leg in a steel trap, especially one of their own making? Ouch. It's not pretty. Even if you have a mind like a steel trap, it's *other people's* ideas that will make you successful.

You're a leader. Leaders, by definition, bring out the greatness of everyone around them. Key

2. Have you seen *American Idol*, yet? It's a dreadful tv show in which hundreds of talented (and thousands of untalented) singers get made into losers—nationally. But as much as I ridicule the washouts in fluorescent spandex, they had the guts to go for it in front of fifty million people. And that's worthy of respect, spandex or no.



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1. See the attached "A Rant About CEOs Who Don't Know" on page 3.

words, *everyone around them*. You won't lead by doing everything yourself. **You must let others contribute, even if you can do the job better.** Proclaiming ignorance—even when you may know the answer—tosses the problem back to your team. If they whine, take the bait: step in and coach them. But don't solve the problem for them; coach them to develop the skill to solve the problem.

(Yes, yes, of course you could have done the job yourself in half the time, but this way, you're building an organization that will complete the next job for you, while you spend your time on much Greater Concerns.)

Oddly, people will respect you for taking this approach. Admitting your ignorance builds respect. It shows you have the strength of character to admit you're not perfect, and if accompanied by confident delegation and coaching, it turns into a development experience for those around you. And best of all, delegating will give you time to lose sleep over strategy, instead of just daily emergencies.

Sometimes, you need to know

Have I convinced you, yet? Good. But remember to use common sense. Sometimes, it *is* your job to know the answer. CEO should know how their company is doing at any moment. The VP of Sales should know the names of the three biggest customers. Functional specialists should know their content areas. If you find yourself saying "I don't know" about things you should, go set up systems to stay informed.

But otherwise, say "I don't know." Say it proudly. Say it with confidence. You'll discover

it's a powerful phrase that, used correctly, will unleash your creativity, give you the freedom to experiment, and help you build a strong organization rather than carrying the load yourself.

Action steps

1. Are you afraid to say "I don't know?" If so, start saying in about unimportant stuff and watch the reactions of those around you. You may be surprised.
2. Choose a problem you're stuck on in an area you know. Now clear your mind, say "I don't know," and approach the problem from a mindset of knowing nothing. Play with the problem. Engage your creativity. Find out what happens.
3. What are you doing because you'll be the best job, even though there are better uses of your time? Look in the mirror, laugh, and say, "I don't know how to do that any more." Then stop knowing, find someone else and let them take over. It will drive you nuts, but enjoy it.

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A Rant About CEOs Who Don't Know

Warning: This isn't an essay. It's a rant. Don't look for deep logic, well-thought-out arguments, or statistically supported statements. Think of this as an amusingly public catharsis from someone who's horrified, outraged, offended, dismayed and (let's be honest) just a wee bit jealous because I haven't yet found a way to get rich regardless of whether or not I do a good job.

White collar crime pays. It pays very, very well. Just ask Kenneth Lay, Michael Milken, Ivan Boesky, and a whole host of others. And to top it off, a lot of the horrifically unethical behavior isn't actually illegal. And when it is, penalties may be large in absolute numbers, but they're laughably small¹ relative to the crime.

We pay salary for adequate performance, except for CEOs

If an engineer in a company suggested, "Yes, you're paying me \$90,000 salary, but I need an additional 500,000 stock options on top of that to motivate me to finish my project," we would want to fire them just to make a point. The reason we pay them *anything* is to get their job done. We only pay a bonus if they perform exceptionally well, and even then, we wouldn't pay an engineer a 500,000 share bonus.

Yet we consider it completely reasonable for a CEO to ask for a huge option pool on top of an already over-the-top salary, just as a base part of their job. There are occasional lame justifications "We need to give those levels of option to attract a good CEO." Sorry. I just don't buy it. Yes, some percentage of CEOs are really that good. But most aren't. Let's have them start working for base salary, and award options once they prove they're worth their already-bloated salary. Warren Buffet manages dozens of businesses, replacing option grants with performance-based bonuses. Maybe the richest investor in the world has insight we should pay attention to?

But with the CEO, let's add an additional stipulation. In a company that can reinvest its free

cash in revenue-producing activities, its revenues will rise every year as retained earnings are reinvested, regardless of any actions on the CEO's part.

That means we can expect share price to rise by roughly the company's ROE every year. So a CEO whose options have a set strike price can do nothing and still collect their obscenely bloated bonus. Fair? I think not.

The CEO should get their base salary for doing their job adequately. They should receive a bonus only if the company does substantially better than expected, and expectations should include the internal equity compounding.

So what is a CEO's job, anyway?

Legally, a CEO's job is making a company successful: crafting strategy, building a senior team, creating a culture, and yes, making money for shareholders. If they don't do all four, they aren't meeting the minimum job requirements. If the CEO isn't keeping the company profitable, they aren't even earning their salary much less their bonus.

Rogue's Gallery

So let's just explore some recent shenanigans of those wacky corporate CEOs. In each case, the defendant was accused of wrong-doing, and their excuse was, "Golly shucks, I just didn't know what was happening with my company. Sorry boss." To the best of my knowledge, not a single one offered to return any of the money they received in salary, stock, or bonus which they were awarded for doing a supposedly stellar job:

- **Kenneth Lay.** CEO of Enron. Made hundreds of millions from selling stock while restricting his employees from selling their 401(k)-owned shares while the price plummeted. Claimed his understanding of accounting and complex financial transactions was "vague at best²." Uh, huh. Is this a man who deserves the rewards associated with being CEO of a \$101 billion company? A man who has a "vague understanding" of his company's main business, which involves over 3,000 financial partnerships?
- **Jeff Skilling.** Founded the trading arm of Enron and served as its COO and CEO. Built the organization from scratch. Did the hiring,

1. At the Harvard Business School conference on April 22, 2003, "Restoring Confidence in American Business," a major SEC player pointed out that Michael Milken paid almost a \$1B fine for his 1980s market manipulations. That sounds impressive until you realize he still walked away with more than a billion. Yes, a billion-dollar fine is high, but is it enough, given that the criminal still has enough left to support 5,000 people for life?

2. Forbes, 2/13/02, Ken Lay's Best Defense

set the goals, determined the culture. Had full responsibility for its performance. Was happy to take bonuses and stock worth tens (hundreds?) of millions, essentially claiming responsibility for that performance. When Enron collapsed under the weight of more than 600 off-balance-sheet partnerships, Mr. Skilling's defense¹, according to a Feb. 7, 2002 article in *Time*, was "I was not aware..." "I did not believe..." and "I did not have any knowledge..."

Jeff, babe. Your *job* was knowing. You built the company and didn't know? C'mon. You're an ex-McKinsey consultant and a Harvard MBA, and you didn't notice something was a bit odd? Perhaps when your Board of Directors two times voted to suspend your company's ethical guidelines to allow certain deals², you might have taken note. As CEO, COO, and founder of the division, perhaps you have heard of the Board of Directors?

- **Chief C. Gregory Earls**, chairman and CEO of U.S. technologies is charged with misappropriating \$13.8 million and criminal charges of securities, mail and wire fraud³. He says "It's ludicrous. I practically have no assets right now⁴." Earls said in a telephone interview. "If I stole \$15 million, where is it?" Well, apparently at least \$500,000 of it was happily posted by Earls for a personal-recognizance bond so he doesn't have to wait for his trial in jail. Great use of that bonus money, isn't it?

Earls bypassed the "I don't know" defense, in favor of the "charges are substantially embellished⁵" defense. It's a shame he can't say "charges have no bearing on reality." A wishy-washy response like that suggests that Mr. Earls's benefits, perks, and job title are perhaps also "substantially embellished" from where they should be.

- **Henry C. Yuen**, former CEO of Gemstar-TV Guide (and once named America's Most Successful Asian Executive) was fired after the SEC recommended jail time for his refusal to tes-

1. *Skilling: The CEO Who Wasn't There*, Time Online, 2/7/02.

2. *The Role of the Board of Directors in Enron's Collapse*, report by Senator Joe Lieberman, 5/7/2002.

3. *U.S. Technologies Assets Frozen*, Washington Post, 3/14/03.

4. *Earls Faces Additional Charges of Defrauding Investors*, Washington Post, 3/25/03

5. *U.S. Technologies CEO Accused of Fraud*, by Erin McClam, Associated Press, 3/24/03

tify in an investigation into the company's accounting practices. I guess this isn't "I didn't know," but rather, "I really don't want to help you know." In any event, he may be about to waltz off with a \$30 million cash severance⁶. That will buy a lot of TVs, and probably a lifetime subscription to TV guide. The \$30 million must be his reward for doing such a good job that the SEC wanted to review his books in sheer admiration. And by the way, he stays on the payroll for the time being. Doncha love it? Other people's employment is linked to the company's ability to pay and the quality of their work. And we wonder why the rank and file are a tad cynical?

My Favorite I Didn't Know

My favorite, I've saved for last. Just for jollies, let's keep him anonymous for now.

John Doe of XYZ corp received \$60MM in cash, stock, etc. when he left his company. The company had loaned him \$24 million to buy company stock, and forgave the loan when the stock price dropped. His latest achievement: selling 120,000 shares of stock last August, less than one month before they didn't meet analyst expectations and the stock dropped. He claimed he "had no insider knowledge" he said. Um, really? As CEO, a mere *three weeks* before the announcement, he didn't know that his company would miss the projections that *he* promised Wall Street? Once again, the defense is basically, "I did nothing wrong. I was just incompetent."

Well, surprise! John Doe, is really John Snow, the new Treasury Chief of the United States. I'm sure *he* will do just fine at the new job. And if there are any important issues that crop up at the treasury, the rest of us can sleep easy knowing that he'll be able to give us three weeks' notice⁷.

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6. *Fired Gemstar exec may get \$30M*, Reuters CNN Money, 4/23/03

7. *Public Citizen Seeks Government Records on Treasury Secretary Nominee*, Public Citizen web site. 12/12/02