

## Avoid Management Malpractice

Wednesday March 17, 2010

Topic:  
Executive  
Management

Reference:  
Henning,  
Peter J. "In Lehman's Demise, Some Shades of Enron". New York Times  
Dealbook:  
<http://dealbook.blogs.nytimes.com/2010/03/12/in-lehmans-demise-some-shades-of-enron/>.

After one of the most difficult winters on the East Coast in years, it is great to see the sun and catch a glimpse of spring. It is the perfect time to shed new light on some of the leadership challenges facing organizations today. The news is filled with reports of failed management practices that threaten to destabilize and disrupt critical institutions and industries in the U.S.

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After one of the most difficult winters on the East Coast in years, it is great to see the sun and catch a glimpse of spring. It is the perfect time to shed new light on some of the leadership challenges facing organizations today. The news is filled with reports of failed management practices that threaten to destabilize and disrupt critical institutions and industries in the U.S. In Kansas City, Missouri the school board recently announced the closing of nearly half of the schools, after ignoring declining enrollments and quality issues for years. Over the last 40 years, Congress has watched the number of uninsured people increase from less than 20 million to nearly 50 million and has yet to pass meaningful health reform. A recent bankruptcy examiner's report evaluating the meltdown at Lehman has chronicled the fact that the organization was financially insolvent far in advance of the actual revelation, but was kept a float by suspect financial transactions involving repo 105 instruments. Toyota apparently ignored complaints about a faulty acceleration system on its cars, but waited until a Congressional inquiry before mandating a recall and issuing a public apology. When viewed in conjunction with the number of SEC cases filed for backdated options, insider trading, and the famous malfeasance cases represented by Enron, MCI, and others we have a full-blown crisis of management. Some it is so egregious that I have termed it management malpractice.

In the referenced article the commentator makes a similar assessment with respect to the Lehman situation. "The examiner's report discusses potential claims that the bankruptcy trustee can bring against Lehman's former officers and outside advisers; the Securities and Exchange Commission is likely to pursue civil charges for securities fraud, and criminal charges are certainly possible against Lehman's former top executives." These management actions certainly can place you in the middle of litigation. However, management malpractice need not rise to the level of criminality, but rather can simply be represented by extremely poor management practices. My top six are as follows: (1) failure to invest in leadership training; (2) failure to communicate important actions and strategies; (3) failure to be transparent in decision making; (4) failure to make timely decisions; (5) failure to innovate; and (6) failure to properly delegate. In many of the cases referenced above, the break down in management can be traced to one or more of these factors. Many organizations struggle with one or more of these factors. If your organization is suffering from three or more of these, and if you are still in business, additional management help is clearly called for. If your environmental review is not evaluating these factors the spring is a good time to make the adjustment.