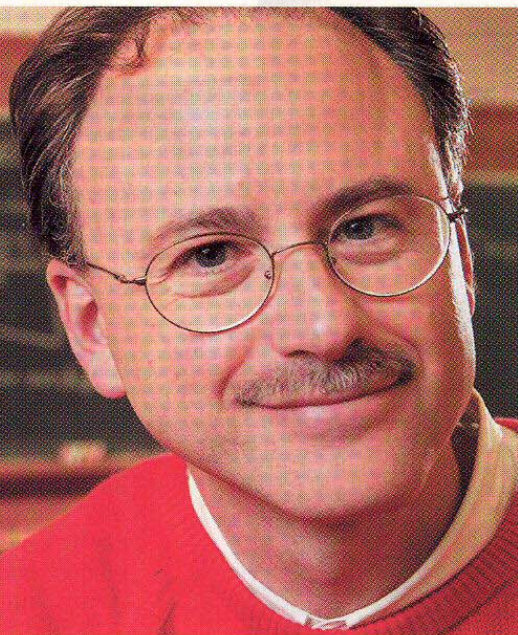


## EDUCATION

# THE ABCs OF FAILURE

Dartmouth's Sydney Finkelstein focuses on corporate blunders



**FINKELSTEIN:** *What pitfalls lead to missteps?*

On the theory that, to loosely paraphrase Tolstoy, troubled companies are more interesting than happy ones, Finkelstein set out to gain deeper insight into the string of decisions that lead to mistakes. It's not so much about pointing out flaws, he explains, as it is about identifying the pitfalls that led to the missteps in the first place. He starts at the source of the problem rather than conduct the more typical examination of just the morbid result. Finkelstein and his research assistants dug into the world of corporate bloop-

In early May, 20 senior-management hopefuls filed in for the final day of a five-day program at Dartmouth College's Tuck School of Business, figuring they'd get the same old schtick about leadership—a rah-rah, get-out-there-and-do-it pep talk. But once seated in a spacious classroom on the Hanover (N.H.) campus, the group was taken aback. "I expected the typical ho-hum last day," says Michael Marusa, an attendee and regional sales manager for Cardinal Health Inc. Instead, Professor Sydney Finkelstein strolled in and launched into a treatise on spectacular corporate failures. "This class on leadership was going to be different," says Marusa.

Casting off standard management fare about how to copy what companies do right, the 44-year-old Finkelstein has raised eyebrows with his unconventional research on worst practices and corporate mistakes. "It's counter-intuitive, but he's doing an important thing," says Paul A. Argenti, a 22-year veteran professor of management who co-teaches courses with Finkelstein. "He's saying: 'Here's how people screwed up, don't do that.'"

It's a twist on the hundreds of case studies churned out each year at places like Harvard Business School, which mostly prompt students to dissect successes. But Finkelstein isn't much intrigued by how people get it right. "Some of the best learning comes from studying the things that go wrong," he says.

So Finkelstein has focused his research over the past five

years on in-depth examinations of snafus big and small at all sorts of companies, where he got managers and employees—past and present—to open up to him. At Webvan Group Inc., the online grocer, he found that executives' hunger for fast growth overshadowed grocery quality, helping lead to its demise. Barney's New York Inc.'s attempt to export its New York City clothing sensibilities to the Midwest and West Coast flamed out, he says, because management failed to do market research on the tastes of non-New Yorkers. It has all been fodder for the classroom and is now featured in his new book, *Why Smart Executives Fail*, due out on June 2.

ers, conducting nearly 200 interviews. And because he focuses mainly on otherwise intelligent managers who were respected in business, the lessons are more profound, say students.

Finkelstein, a Montreal native, arrived at Dartmouth's idyllic campus in 1994 with a PhD from Columbia University and quickly became a popular figure at Tuck, practically holding office hours at a local coffee house and cooking for his MBA students, whom he regularly invites to dinner.

At first, Tuck students were suspicious about this upside-down look at management. Finkelstein offered an elective class, *Learning from Corporate Mistakes*, a year ago, and though he ultimately received his highest teaching rating ever, the first day of class didn't go so well. "They looked at me funny because it was a contradiction to some of what they learned in other classes," he says. Some traditionalists scoffed, too, contending that examples of good management make perfectly good lessons for what not to do.

But the paradigm-changing professor wasn't discouraged. And this fall, his worst-practices class will be folded into Tuck's retooled MBA curriculum as part of a required first-year course. Other schools' professors now want to use Finkelstein's cases for their own classes. Sure, the best practices approach is tried and true, says Argenti. But "people who look at things in a slightly different way are welcome voices" in a business world that could certainly use new ideas.

*By Jennifer Merritt in New York*

## WORST PRACTICES

*Tuck Professor Finkelstein's research pinpoints key reasons why companies make bad decisions. A few of Syd's picks:*

### DON'T STAND SO CLOSE

When a CEO too closely identifies with a company, there are boundary problems, as in the case of Dennis Kozlowski and Tyco

### SPINMEISTERS

Believing all problems are public relations issues, Fruit of the Loom hired William Farley, a CEO who dazzled Wall Street but not Main Street

### HEAD IN THE SAND

Missing clear signals in the market, Motorola in the 1990s failed to import its early digital successes abroad to the U.S.

Data: Sydney Finkelstein, *Why Smart Executives Fail*

