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# Jayson Blair, Meet Nicholas Leeson

By SYDNEY FINKELSTEIN

People have been shaking their heads recently over the Jayson Blair reporting scandal at the New York Times. How could top management have let it go on for so long? How could they have missed all the warning signs? One staffer was even quoted as saying, "How could we be so stupid?"

But it's not stupidity at all. In fact, what happened to the Times is not very different from what happened to Barings Bank in the Nicholas Leeson scandal, or to Motorola when it watched passively while the cell phone business shifted from analog to digital technology. In my research I've found that companies led by very smart executives fall into disastrous situations, and the same patterns emerge time after time, across industries.

Despite what most people would think, in almost every case of major corporate failure key executives are fully aware of what's going wrong, in real time. At Barings Bank, Nicholas Leeson was covering up huge losses on his speculative trades by relying on Account #88888 as a catch-all clearing account to make sure the numbers balanced. Far from being a "rogue" trader, however, Mr. Leeson had approval from his superiors in London. Even among clerks in the Singapore office where Mr. Leeson held court, interviewees told me that his activities were an open secret.

Similarly at the Times, the management knew that Jayson Blair's stories had to be corrected dozens of times. Metro editor Jonathan Landman emailed superiors that "We have to stop Jayson from writing for the Times. Right now." That was more than a year ago. Senior editors were aware of Mr. Blair's track record. And reports are emerging that several of Mr. Blair's former colleagues had strong suspicions about his activities. In short, Mr. Blair's untrustworthiness was an open secret, and when the scandal broke, many in the organization were not surprised at all.

Another shocking pattern is that in case after case, senior executives who know that something is wrong specifically choose not to do anything about it. At Motorola, a succession of CEOs watched as Nokia took market share away with its new digital phones. Remarkably, Motorola owned several key digital patents that it licensed to Nokia, which then had to report back how many digital phones it was selling. Yet despite

this detailed market information, Motorola executives chose not to enter the digital market themselves, which would have meant turning away from their dominance in the analog market.

At the Times, top management has pleaded guilty to bad internal communication, but the story goes deeper than that. Top editors who knew of problems with Mr. Blair's work intentionally did not share that information with other editors. Instead Mr. Blair was assigned to the high-pressure national desk. Even when he wrote front-page stories that relied on unnamed sources and drew complaints, senior editors kept him on the job and did little to rein him in.

The big question is why. How could executives at prestigious institutions like Barings, Motorola, and the Times fail to act in the face of such clear data? I believe that it's fundamentally not about incompetence, or bad communications, or a diversity program that got out of hand. The key is in the very prestige that these companies enjoy.

The Times is internationally respected by outsiders, and revered by insiders. It considers itself not just America's newspaper of record, but maybe even the best news organization on the planet. When your aspiration is to be not just great but the best, it's easy to believe that your young reporter has actually scooped everyone else on the Washington sniper story, or the Jessica Lynch story. Why question someone who is simply fulfilling the organization's highest self-image? Jayson Blair appeared to be doing the kind of reporting that was expected of him.

It's the same at many other blue-chip companies: Leaders choose not to sweat the small stuff because they've been so successful for so long, they disregard warnings that would trouble a less confident group. The willingness to challenge the status quo and confront dominant but dangerous assumptions are the hallmarks of thriving companies. When these qualities are absent, even smart executives fail.

When Times Publisher Arthur Sulzberger puts the blame squarely on Jayson Blair, he is factually correct. Mr. Blair is the one who lied, cheated, and plagiarized. But it appears that Mr. Sulzberger doesn't realize that, from a management perspective, this was much more than a case of bad internal communications, or a flawed mentoring process for young reporters. It's about leaders closing their eyes to reality in the face of evidence that challenges their deepest self-image.

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