

The Thought Leader Interview: Manfred F.R. Kets de Vries by Art Kleiner

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The Thought Leader Interview: Manfred F.R. Kets de Vries

INSEAD's expert on leadership development clarifies how self-awareness can break the destructive pattern of corporate narcissism.

by Art Kleiner

Anyone who has watched a company go through a change of leadership is keenly aware of how strongly the personality of the chief executive can shape performance. Manfred F.R. Kets de Vries, the Raoul de Vitry d'Avaucourt Chaired Clinical Professor of Leadership Development at INSEAD business school, has built his career on studying this impact. Starting with his first major book, *Power and the Corporate Mind: How to Use Rather Than Misuse Leadership* (coauthored with influential management thinker Abraham Zaleznik; Houghton Mifflin, 1975), Kets de Vries has focused his attention, in this and more than 30 subsequent books, on the psychological realities that determine human and organizational behavior — or, as the title of his recent book calls them, *Sex, Money, Happiness and Death: The Quest for Authenticity* (Palgrave Macmillan, 2009).

Along the way, Kets de Vries has dedicated himself to leadership development: first for MBA students at INSEAD, and then for CEOs and other senior executives. With professor Elisabet Engellau, he founded INSEAD's Global Leader-

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ship Center, which provides the core of the school's leadership coaching programs. Unlike many other executive education programs, the center is explicitly dedicated to teaching decision makers to improve their performance by knowing themselves and acting on that knowledge more effectively.

Kets de Vries's insights are particularly pertinent now, in the aftermath of economic crisis. He argues that although governance reforms may help shield companies (and the economy) from the destructive impulses of some decision makers, corporate failures and meltdowns are driven by deeply embedded attitudes. Those will not go away, no matter how strongly companies are regulated. One of the most prevalent influences is embedded narcissism: the profound self-centeredness of many high achievers, which is both a creative and a destructive force. Another is the willingness of everyone else to indulge that force.

In his 2006 book, *The Leader on the Couch: A Clinical Approach to Changing People and Organizations* (Wiley & Sons), Kets de Vries explains the "shadow side of leadership," and how it keeps many companies from realizing their full

potential. But he also defends corporate leaders who explicitly merge their own search for self-improvement with the improvement of their companies' performance.

We are publishing this interview on the occasion of the 50th anniversary of INSEAD. With campuses in Fontainebleau (outside Paris), Singapore, and Abu Dhabi, it is an independent business school, not attached to a larger university, and one of the most prominent and innovative management learning institutions. (Many of the partners and staff members of Booz & Company, the firm that publishes *strategy+business*, are INSEAD alumni.) Kets de Vries met with *strategy+business* in his Paris apartment.

S+B: In *The Leader on the Couch*, you blame the struggles of many companies on their tolerance for narcissistic leaders. How serious a problem is this?

KETS DE VRIES: The economic crisis was a reflection of narcissism and very primitive defense mechanisms (such as a complete denial of economic reality) built into the financial system. The best and brightest MBA students have been going into investment banking; many of them

used their brains essentially to play casino games, and not to add much value to society.

Now, we've seen the result. Look at the least-admired professions in most countries over the years: telemarketers and used-car salesmen. Today, you have bankers and CEOs achieving the same low rating. Companies like Citibank — which was the brainchild of one of the most visibly narcissistic executives in the world, Sanford Weill — have essentially collapsed. They have grown too complex for the people who work there to understand. I strongly question what the different parts of Citibank have in common. No matter what kinds of regulatory reforms are initiated, more companies will collapse this way, because narcissism breeds this kind of unmanageable grandiosity.

S+B: Is that what you mean by narcissism? Grandiosity?

KETS DE VRIES: Not exactly. Narcissism is a clinically recognized disorder. In an oversimplified way, it can be viewed as a pathological reaction to problems concerning self-worth. It manifests itself in the need to prove to yourself that you are special, and entitled to special

“People who achieve things — who run companies — have to be somewhat narcissistic, or they wouldn’t be motivated to excellence.”

treatment. Other indicators include a need for constant attention and admiration, selfishness, a lack of empathy, the exploitation of others, and enviousness.

Narcissistic people may evade rules and regulations; their attitude is that these apply only to others. They may throw tantrums when they don’t get their way. Their outbursts of rage can be phenomenal. But some of their behavior can be interpreted by others as quite charismatic. And thus they often rise to lead large organizations and put a strong stamp on them.

Keep in mind that narcissism in itself isn’t a bad thing; it’s part of our makeup. It may have received a bad reputation because of the Greek myth of Narcissus, the youth who fell in love with his reflection. But in moderation, the condition is natural and even necessary. It contributes to assertiveness, self-confidence, and creativity. These are all very desirable qualities for business leaders. People who achieve things — who write books, who run companies, who oversee projects — have to be somewhat narcissistic, or they wouldn’t be motivated to excellence. Some of our most gifted leaders have evident narcissism. John Har-

vey-Jones, for instance, the head of Imperial Chemical Industries [ICI] during the 1980s and host of a BBC television show called *Troubleshooter* in the 1990s, was a charismatic individual, with wild eyes, wild ties, and wild hair. He was also a consummate, constructive narcissist.

But narcissistic people in elevated positions can be destructive. When they reach the highest echelons, given their need for positive mirroring, those who work for them start to tell them what they want to hear. They lose their sense of reality. And then their narcissism needs to be harnessed.

Postmerger Narcissism

S+B: What kinds of situations are you thinking of?

KETS DE VRIES: You see it in many mergers and acquisitions. The chief executive, who is often somewhat narcissistic, gets a bit anxious or bored. Then a consulting firm comes in and says, “Listen, if you don’t take over this other company, there may be a good chance that you will be taken over yourself.” Investment bankers enter into the fray, and suddenly there’s a deal to be made. Everyone is excited. The

boredom is gone. They all wave the flag of synergy while talking about the marvelous things that are going to happen due to the merger or acquisition. Of course, *synergy* is really a disguise for saying that they are going to cut jobs.

We know from looking at a wide range of research findings that approximately 70 percent of corporate mergers and acquisitions don’t add shareholder value. That being the case, why then do some of them happen? Usually one ingredient for successful closure is that the two companies have CEOs of different ages. The younger one comes in to run both companies, and the older one goes out with a big golden handshake. It tells you something about the influence of self-interest.

What’s more, the consultants and investment bankers don’t suffer financially. The shareholders and senior executives get a bit of money. But eventually, the expected lovefest turns sour. Value is destroyed; lives are ruined. Large numbers of employees feel alienated. And the most capable employees may leave.

I wrote about some examples in *The Leader on the Couch*. There is the story, for example, of Jean-Marie Messier, who was the CEO

of Vivendi Universal until he was ousted in disgrace in 2002. In his glory days he went by the name “J6M” [pronounced *jeeseezem*], which stood for “Jean-Marie Messier: *moi-même, maître du monde.*” This roughly translates to “myself, master of the world.”

In 1994, after five years as an investment banker at Lazard Frères, Messier became the head of a utility group, Compagnie Générale des Eaux. It was a water and waste management company that ran sewage plants. He renamed it Vivendi, turned it into a global media and telecommunications giant, and started buying movie studios, music labels, and publishing houses. He moved to New York, living in a €20 million [US\$17.5 million] apartment that Vivendi paid for, apparently lying about the company’s financial health, and racking up close to €14 billion [US\$12 billion] in debt. In his early years, he condemned golden parachutes and promised never to accept one; then, when he was fired after a shareholder lawsuit, he blamed the rest of the company for not supporting his ideas and demanded a huge severance package. Billions were lost in shareholder value, and the company was destroyed, largely through vanity and greed.

S+B: Others might say, “These lessons don’t apply to my company. Messier’s was a special case. And the shareholders should have been paying more attention.”

KETS DE VRIES: Yes, but the difference between a Messier and an ordinary leader is one of degree, not kind. The average American CEO gets paid more than 10-fold the salary of the U.S. president. Do you think that they are dealing with that

much more complexity than he is? Talk about narcissism and a sense of entitlement!

I wrote a book called *Lessons on Leadership by Terror: Finding Shaka Zulu in the Attic* [Edward Elgar, 2005]. Shaka Zulu was a despotic 19th-century tribal warlord who brought together the Zulu nation in South Africa with violent, paranoid authoritarianism; he executed thousands of people. The book was partly a way for me to reflect on the behavior of Saddam Hussein. And I also recounted the famous Stanley Milgram experiments, in which many people showed themselves willing to administer what they thought were painful shocks to an innocent person (supposedly in a learning experiment), as long as an authority figure gave them permission to do it. We all have these elements in us — the self-aggrandizing narcissistic leader, and the follower who obeys, no matter the cost. All of us have a darker side. It’s best to know how to manage that part of ourselves. Otherwise, in extreme situations, we tend to regress and become destructive.

S+B: Several years ago, we published a review by Jim O’Toole of *Lessons on Leadership by Terror*. [See “Best Business Books: Monsters and Diplomats,” *s+b*, Winter 2005.] He wrote that he was skeptical that businesspeople in our world could regress as far as Shaka Zulu.

KETS DE VRIES: I’m a product of the Second World War, and many of my family members in the Netherlands didn’t survive. That has colored my outlook about the damage that leaders can do. I think Hannah Arendt was right about the banality of evil, the ability of people in ordinary life to do great damage.

I can see it today when I look around the world. Look at Robert Mugabe’s reign of terror in Zimbabwe, or at life in North Korea, or at some of the things going on in parts of Russia.

S+B: But those are all political, not business, leaders.

KETS DE VRIES: And in business, look at all the corporate cultures gone astray. Look at Enron, with its brutal “rank and yank” practices. Even the first Henry Ford descended into violent cultural practices; toward the end of his tenure, if you were no longer wanted, you might find your desk in flames. Not a very subtle hint. It was like the Gestapo was running the place there.

The Hall of Mirrors

S+B: But what about the humble, responsible, very capable people who cope with enormous pressure and keep their heads? Haven’t you met many such people in business?

KETS DE VRIES: Certainly. Most people in corporations are like that. Many of them have a solid dose of humanity, humility, and humor. If you can still make fun of yourself, that’s a good sign of mental health.

In an overly simplistic way, you can divide humanity into three groups. The first group, about 20 percent, has been lucky in life. They had a reasonably happy background. Take for example Richard Branson, the chairman of the Virgin Group, about whom I have written many case studies. I even interviewed his parents once; he had a very warm father and an entrepreneurial, supportive mother. He is an example of the kind of person who feels very good in his skin.

At the other extreme, 20 per-

cent have suffered through a difficult childhood. When children grow up neglected, too pampered, or treated as an extension of their parents, they can lose their ability to relate their internal image of themselves to the real world outside them. As they grow into adults, they find it hard to maintain a stable sense of self-esteem. The pursuit of admiration, of feeling important, may turn into a lifelong quest. They're determined to prove that they amount to something. Some of these people respond, given what they experienced, by adopting destructive character traits.

And then the middle 60 percent, from a clinical point of view, can be described as mildly neurotic. That's hopefully us!

Some people, in these latter two groups, hold the attitude that life is tough, and they have to take for themselves everything they can. They may even turn spiteful and vindictive. Others say, "Listen, I have had a hard time, but I want to rise above it. I want to do something different, or give something back." That is the group I most admire. They try to change things for the better, starting with themselves. And if they become leaders, they have an impact on their companies. In the political world, these are the Gandhis and Mandelas.

S+B: How do businesses end up with so many destructive narcissists in charge?

KETS DE VRIES: Many successful people in business can be described

as insecure overachievers. They feel like they're fakes; that it could be discovered that they don't actually know what they're doing as managers. This is known as the "impostor syndrome," and it's quite common. Whatever they accomplish, they feel it is never good enough. It may start when they are tapped to lead others. The transition from being a very good salesman, trader, or researcher to heading a sales force, trading group, or research team can be difficult. And it is not always clear why they are successful in these more managerial roles.

But they rise higher, nonetheless. And if you rise to run a company of, say, 100,000 people, naturally you wonder sometimes, "Do I really deserve this position?" You'd be very unusual if you felt otherwise. But you'd have to be quiet about it, because if anyone found out you felt like an impostor, they would question why you were there, in that role, making so much money. Some people compensate for this feeling of insecurity by becoming more narcissistic: convincing themselves, and everyone else, that they truly are special.

S+B: Presumably, the higher they get, the more the rest of the company contributes to this.

KETS DE VRIES: Exactly. Harvey-Jones tells the story that when he became the chairman of ICI, he wanted to continue to drive to work in his old, battered Volkswagen. But he was told subtly to stop such nonsense. The chairman of ICI is sup-

posed to arrive in a Rolls-Royce, driven by a chauffeur. He had a good sense of how ridiculous this was; others easily get used to it. They start to believe that they are entitled to such things — and more.

When you finally become a CEO, you're a symbol, with everybody in the organization looking at you. Your natural narcissism is combined with being in a top position, and before you know it, you live in a hall of mirrors. People always agree with you. You see what you want to see. It's very difficult to resist becoming grandiose. And suddenly you're finished. You lose the ability to realize your ambitions for the company.

Alexander the Great, for example, was somewhat of a participative manager in his early life. He got his key people — his "companions," as they were known — very much involved in decision making. But as he entered his late 20s, he started to believe that he was a god. That was the end of his participative management period. Because he died so young, we will never really know how he would have ended up.

The Romans understood the danger of excessive narcissism. When a conquering general entered Rome in a chariot, by custom, there was often a slave behind him in the chariot, whispering in his ear, "You're human, Caesar. You're human, Caesar." Of course, many of them didn't take this lesson to heart.

It's still very hard for senior executives to get frank feedback — or to welcome it. I worked with a

corporate leader from the Caucasus who got a perfect score in his subordinates' appraisals of him. They said he was a great manager. Then I found out that he had handed out the feedback forms to his subordinates with their names printed on them, and said, "Bring these back to my office." This case may be extreme, but that's the kind of feedback that many leaders get. There's the famous scene in Joseph Heller's *Catch-22* where Lieutenant Scheisskopf says, "I'll be grateful to the man who tells me the truth," and then court-martials the one person who dares to speak up.

Workplaces with Authenticity

S+B: Do all companies breed narcissism in this way?

KETS DE VRIES: No. Some companies are what I call "authentizotic," meaning that people are attracted to work for them. They are the best places to work. [The word *authentizotic* is derived from the Greek *authentikos*, meaning authentic, and *zotikos*, meaning vital to life.] These organizations cultivate three major values. The first is a sense of meaning: People feel they do something substantial. For instance, Novo

Nordisk, a Danish pharmaceutical manufacturer, is in the insulin business. People are not likely to go on strike there because they know what will happen to their customers. Another example is the National Australia Bank. It was originally a farmers' bank, and senior executives in this company pride themselves that very few farmers went bankrupt during the recent financial crisis. They are in for the long haul.

The second value is a feeling of being a family. Take W.L. Gore, which is probably one of the most creative companies in America. The family ethos is very important in this firm. Richard Branson's Virgin Group works the same way. He has gone to great lengths to maintain this family feeling. He used to say, "When there are more than 100 people in the building, split."

Then there is the quality of fun, or enjoyment, in the work itself. There is a very close relationship between play and creativity. The amount of fun and enjoyment that exists in a workplace can reflect how diverse teams are, the role of women, and the way teams work. There is a strong relationship between diversity — in terms of gender, culture, age, and background

— and creativity.

Companies sometimes have to deliberately protect these values. For example, I think that Novo Nordisk would have been acquired a long time ago, but it's owned by a Danish foundation, so it is protected from takeover.

S+B: What else do you suggest to leaders who are trying to move to more authentizotic behavior?

KETS DE VRIES: If a person has a narcissistic personality, that individual is always going to be somewhat narcissistic, but he or she can learn to become more aware of the results of such behavior. Imagine that you have an elephant inside you. The elephant is a metaphor for your inner theater, your personality. You can nudge it a little bit, but you cannot make it go away. Sigmund Freud used to talk about having a wild horse inside us, but I think the elephant is a better metaphor. It lumbers around inside and it doesn't forget.

I also suggest that when executives become the king or the queen of the castle, they need to create an environment where people will have a healthy disrespect for the boss. There should be an open give and

“Some great executives choose to have a ‘wise fool’ working for them who can raise difficult issues in a joking way.”

take, with no penalties for venturing a different opinion. We don't want leaders like Lieutenant Scheisskopf. Some great executives choose to have people working for them whom the French sometimes call a *morosoph*: a “wise fool” — the fool of Shakespeare's *King Lear*. These people can raise difficult issues in a joking way. Of course, they may go too far and get “killed” eventually.

For example, when I go to Russia to work with senior executives, I often take on the role of the wise fool. I may walk in the snow and talk about the meaning of life, and sometimes when the timing is right, I say something that really sets the person thinking.

S+B: Say more about the challenges for leaders in Russia.

KETS DE VRIES: I like to go to Russia because there are many interesting people there. Some of them are larger than life. But it's basically a developing country with an enormous nuclear arsenal and a lot of raw materials. In the past 15 years, have any world-class companies come out of Russia? There are no equivalents to the Japanese companies that emerged after World War II to become some of the best

companies in the world.

To be sure, some Russian companies, like Gazprom, are big. They have a lot of power and resources. But they are extremely bureaucratic organizations run by the industrial–KGB–military complex. That is sad, because Russia has so much talent, and some very visionary, entrepreneurial executives. I really hope that this will change. And I'd like to help them get there.

And of course, thinking about Russia, there's a geopolitical reality. Russia has always been surrounded by enemies: Iran, Afghanistan, or China. In addition, Russians have for so many centuries experienced incredible hardship. Just look at the last world war. And Russia has always relied on autocratic leadership to keep the country together. Many of its citizens still believe in the strongman theory of leadership.

In trying to change people and organizations, I use a leadership group coaching methodology, in which the members of the executive team sign off on each other's action plans and learn how to coach each other. This type of group coaching is quite difficult in Russia. You need to be somewhat open and vulnerable in front of other people. It's very

hard to lower the mask when, as has happened in most Russian families, you have heard a knock on the door at 2 A.M.

Other cultures also have difficulty in being more open within a group setting. In some Muslim cultures, for example, it is considered shameful to talk about any matters of private life with outsiders. Whatever difficulties exist, they need to be contained within the family.

Applying Self-awareness

S+B: What is the role of leadership development programs, like some of the ones you oversee at INSEAD, in helping executives move away from narcissism?

KETS DE VRIES: First of all, most leadership development programs are band-aids, because they rely on classroom lectures and case studies. I've written something like 150 case studies myself, but I rarely use them anymore because it's much more exciting to have people talk about themselves. I tell them, “You are the case study.”

It may not be easy in the beginning to be a live case study, but people like to tell their stories. They see it as a great opportunity, and

“Ten years ago, people in business schools talked about short-term gains; now, it’s more acceptable to talk about the value of emotions.”

they are right. The challenge is to help them open up and trust each other, to create an ambiance of social reciprocity, to take some risks together. I’ve seen this done extremely well within many companies in their learning programs or change efforts. But to be really effective, you need to start with the top executives, because they’re the ones who have influence, and then move down the hierarchy to other decision makers. The leaders in a company are not just the people at the top. But the top people need to take the initiative.

I remember talking to Jorma Ollila when he was the CEO at Nokia [he is now the non-executive chairman of both Nokia and Royal Dutch Shell] about the executive leadership workshops there. I said, “You know, the first time you attend such a workshop, it’s fun. But are you going to be there the 20th time?” He said, “I will still be there.” It was important because of the signal it would send to the attendees. And he delivered.

S+B: And the course you conduct at INSEAD?

KETS DE VRIES: You refer to my seminar, “The Challenge of Leader-

ship”? It’s an opportunity for a group of very senior executives to talk, in a fairly informal environment, with their peers about complex organizational and personal issues. Many of them start off with a question like: “I’ve been the CEO of this bank for a number of years. Is this all I want — to be the richest person in the graveyard? What can I do to renew myself?”

During the seminar, they get a better understanding of their leadership style, and how they come across to others. It is also a good opportunity to work on their emotional intelligence. They start to become more reflective in action on a day-to-day basis. This means they think more and say, “What am I doing — and why am I doing it?” before they act. In the process of giving feedback to each other, they become more effective leaders. They begin to use themselves as an instrument. They listen to the text of what people say *and* the music — the words and their unspoken meaning. Very often, the feedback from people close to them, like their children, has the greatest effect on them. If your grown daughter tells you you’re a shit, you start moving. Because how many chances will you

have to change her perception?

The seminar takes place in four weeklong sessions over the course of a year. There is a six-month gap before the last session, so that we can assess whether the participants have internalized the things they promised to do. It’s not one of those short seminars where people exit with a eureka feeling, and soon go back to normal. This elephant inside you is very large. You can’t remove it in a few days.

By the last week, I’m always quite impressed by the kind of changes the participants have made, both in their business and in their private lives. I am also very pleased with the way they deal with each other. They’re less self-centered; they start to realize the complexity and value of other people. They have courageous conversations with people at work and at home. And they have truly committed to reinventing the way they do things.

In our surveys of many programs at INSEAD, it turns out this is what senior executives want most. They don’t really want to be exposed to more economic models; they want to think about the direction of their lives. And since many of them are responsible for thousands

of people, what they learn may have a beneficial broader effect.

S+B: Are most managers prepared for this type of self-awareness?

KETS DE VRIES: Not at first. But after a while, they discover that they are not alone in their confusion.

It's been evident for a long time that many people, as they move on in their careers, become more interested in longer-term issues. They may start out influenced by money, perhaps if they were poor as children. They may then become obsessed by spending power, by what Thorstein Veblen called conspicuous consumption. Who can afford to buy the biggest car, house, or yacht? But eventually they realize that however rich they get, someone will always be richer. So they start to try to do something for society, something meaningful.

And it's barely possible that the same may be true for businesspeople as a whole. In our "Consulting and Coaching for Change" class — which consists of a mixed group of people, including line managers, HR professionals, consultants, and executive coaches — we play a simulation game. It's set on an island like Jamaica, with a large population under the poverty line. Teams of players represent a bank, a group of radical activists, an investor consortium, a hotel owner, and a group that wants to start an airline. And, of course, there is a team that plays the role of the government.

The island's economy collapses. As the situation gets tougher, people

typically begin to pull fast ones on each other, trying to get any advantage they can. The hotel group tries to sell at an exploitive price; the radicals start rioting. And the bank pulls back its lending. It becomes a zero-sum game.

But this year, the outcome was quite different. The players took a much broader perspective, and started designing a solution together that would be better for the island as a whole.

I'm a skeptical person. But it was striking that in the debrief, when I asked why they picked that strategy, the participants said, "Listen, given the economic state of the world, and the state of the environment, it would be better to look at the long run."

Ten years ago, people in business schools talked only about short-term gains and the value of being purely rational. Now, it's much more acceptable to talk about the value of emotions. And although many executive-education programs are not doing so well, given the economy, the programs that I am responsible for — that deal with emotional issues and pay attention to what happens under the surface — are oversubscribed. It's very fortunate for me, because these students continue to help me discover my ignorance. +

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