

LEE G. BOLMAN  
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Bestselling authors of *Reframing Organizations*

**HOW  
GREAT  
LEADERS  
THINK**

THE ART  
of REFRAMING

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# How Great Leaders Think

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# How Great Leaders Think

The Art of Reframing

Lee G. Bolman • Terrence E. Deal

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## PREFACE

**T**his book has a simple message:

- Good thinking is the starting point for good leadership.
- Leaders who can reframe—look at the same thing from multiple perspectives—think better. They create a lucid portrait of what’s going on around them and have a clearer vision of what’s needed to achieve desired results.
- Leaders can see and do more when they know how to negotiate four key areas of the leadership terrain: structural, human resource, political, and symbolic.

This book answers a request we’ve often heard from readers and fans of our work who have asked for a shorter, more applied version of *Reframing Organizations*. This new book is a compact overview of our ideas about reframing and our four-frame model, with a focus on leadership. Because storytelling is often the best form of teaching, we use cases and examples, many of them from iconic leaders, to provide realistic lessons about how great leaders think and act.

This work appears thirty years after we published our first book (with the ungainly title *Modern Approaches to Understanding and Managing Organizations*). Back then, we hoped we might be onto something. Our ideas were still evolving, but we believed that they captured much of the existing research on organizations and leadership, and we were encouraged by former students who were starting to send positive reports back

from the field. We've learned a lot in the years since, and we're even more confident that our framework has breadth and power. Readers, colleagues, students, clients, and workshop participants continue to report that our ideas are useful, even career saving, in the heat of practice. Their support and input has taught us and sustained us along the way. So has our long-term partnership. Book writing can be rewarding, but it's hard work that intersperses epiphanies and moments of joy with roadblocks and dark times when nothing seems to work. It's a lot easier with a partner, and our respect and affection for each other has helped us sustain a mostly long-distance writing relationship through the decades.

## ACKNOWLEDGMENTS

**W**e'd like to thank all the people around the world who've contributed to our work, but the list is too long and our memories too short. We've had wonderful colleagues and students at Berkeley, Carnegie-Mellon, Harvard, Stanford, University of La Verne, the University of Missouri–Kansas City, the University of Southern California, Vanderbilt, and Yale, and we're still grateful to all of them. They've given us invaluable criticism, challenge, and support over the years.

Ellen Harris took time away from her work at Harvard and Outward Bound to support this project, offer insights and ideas, and generously give us feedback on our manuscript. As always, Lee is grateful to Dave Brown, Phil Mirvis, Barry Oshry, Tim Hall, Bill Kahn, and Todd Jick of the Brookline Circle, now in its fourth decade of searching for joy and meaning in lives devoted to the study of leadership and organizations.

Many of Lee's colleagues at UMKC's Bloch School have provided invaluable support and input, including Dave Cornell, Nancy Day, Dave Donnelly, Doranne Hudson, Clancy Martin, Dave Renz, Will Self, Marilyn Taylor, and Sidne Ward. Bruce Kay continues to help Lee stay sane and productive.

Lee offers special thanks to Henry Bloch for his friendship and for endowing the Marion Bloch/Missouri Chair that Lee has been honored to occupy since 1993. Henry created the chair in honor of his wife, Marion, a truly remarkable woman who died too soon in 2013.

Terry continues to receive excellent counsel and advice from colleagues scattered in various places: Devorah Lieberman, Jack Meek, Peggy Redman, Donna Redman, and Julie Wheeler, University of La Verne; Sharon Conley, University of California, Santa Barbara; Kent Petersen, emeritus, University

of Wisconsin; Warren Bennis, Gib Hentscke, and Stu Gothald, University of Southern California; Regina Pacheco, University of Phoenix; Patrick Faverty and Eric Prather, SLO's Friday Afternoon Think Puddle.

Our lives become more ritualized as we age, and we once again wrapped up a manuscript at the Ritz-Carlton in Phoenix. As always, the staff there made us feel more than welcome and exemplified the Ritz-Carlton tradition of superlative service. Thanks to John Beeson, Grant Dipman, Jean Hengst, Sharon Krull, Rosa Melgoza, Marta Ortiz, Jean Wright, and their colleagues.

The couples of the Edna Ranch Vintners Guild—the Pecatores, Hayneses, Andersons, and Donners—link efforts with Terry in exploring the ups, downs, and mysteries of the art and science of winemaking. Two professional winemakers, Romeo “Meo” Zuech of Piedra Creek Winery and Brett Escalera of Consilience and TresAnelli, offer advice that applies to leadership as well as winemaking. Meo reminds us, “Never overmanage your grapes,” and Brett prefaces his answer to every question with “It all depends.”

We're delighted to be well into the fourth decade of our partnership with Jossey-Bass. We're grateful to the many friends who have helped us over the years, including Bill Henry, Steve Piersanti, Lynn Luckow, Bill Hicks, Debra Hunter, Cedric Crocker, Byron Schneider, David Brightman, and many others. In recent years, Kathe Sweeney has been a wonderful editor and even better friend, and we're delighted to be working with her again. Rob Brandt, Kathleen Dolan Davies, Mary Garrett, Michele Jones, Nina Kreiden, and Alina Poniewaz have done vital and much-appreciated work backstage in helping get all the pieces together and keep the process moving forward.

We received many valuable suggestions from a diverse, knowledgeable, and talented team of outside reviewers. We did not succeed in implementing all of their many excellent ideas, and they did not always agree among themselves, but the manuscript benefited in many ways from their input.

Lee's six children—Edward, Shelley, Lori, Scott, Christopher, and Bradley—and three grandchildren (James, Jazmyne, and Foster) all continue to enrich his life and contribute to his growth. Terry's daughter, Janie, a chef and TV personality, has a rare talent of almost magically transforming simple ingredients into fine cuisine. Special mention also goes to Terry's parents, Bob and Dorothy Deal. Both are now deceased, but they

lived long enough to be pleasantly surprised that their oft-wayward son could write a book. Terry's sister, Patsy, and brother, John, have stood by him in past years when it wasn't clear which direction his life would take.

We say a special thank-you to Chris Argyris, a wonderful and influential colleague and teacher for both of us, who died late in 2013. Chris's mix of playfulness, intellect, and willingness to confront anyone about anything were unique. He's irreplaceable, and we'll miss him.

We again dedicate the book to our wives, who have more than earned all the credit and appreciation that we can give them. Joan Gallos, Lee's spouse and closest colleague, combines intellectual challenge and critique with support and love. Her contributions (which included a very helpful nudge on the question of the book title) have become so integrated into our own thinking that we are no longer able to thank her for all the ways that we have gained from her wisdom and insights.

Sandy Deal's psychological training enables her to approach the field of organizations with a distinctive and illuminating slant. Her successful practice produces examples that have helped us make some even stronger connections to the concepts of clinical psychology. She is one of the most gifted diagnosticians in the field, as well as a delightful partner whose love and support over the long run have made all the difference. She is a rare combination of courage and caring, intimacy and independence, responsibility and playfulness.

To Joan and Sandy, thanks again. As the years accumulate, we love you even more.



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**PART 1**

# Leadership in Four Dimensions

*Before we change the world, we need to change the way we think.*

—Russell Brand<sup>1</sup>

*A man cannot expect to progress without thinking.*

—Henry Ford<sup>2</sup>





# Introduction

## The Power of Reframing

Intelligence, talent, and experience are all vital qualities for leadership, but they're not enough. They don't make the difference between success and failure. It's commonplace for businesses, once successful, to go into a funk. Then they need a turnaround because the smart, experienced people in charge who know the place better than anyone else have failed. The usual solution is to bring in an outsider with a stellar track record, but that approach doesn't always work. It all depends on how a leader thinks.

Take the case of an American institution, JCPenney, where generations of Americans had shopped for almost everything for more than a century. More than a few remember it as "the place your mom dragged you to buy clothes you hated in 1984."<sup>1</sup> By 2011, the firm was treading water, and CEO Myron Ullman retired after seven years at the helm. Ullman's initial years had gone well, but the recession of 2008 hit Penney's middle-income shoppers hard, and the company had been going downhill since.

The board looked for a savior and found Ron Johnson, a wunderkind merchant who had worked his magic at two of the most successful retailers in America. He'd made Target hip and led Apple Stores as they became the most profitable retail outlets on the planet. Johnson moved quickly to create a new, trendier JCPenney. His vision went well beyond making the company more profitable. He wanted to graft an entirely new model of retail merchandising on old root stock: "to analysts and employees, Johnson was Willy Wonka asking [them] to go with him on a trip through his retail imagination."<sup>2</sup>

Wanting to move fast, Johnson skipped market tests and staged rollouts. “No need,” said Johnson. “We didn’t test at Apple.”<sup>3</sup> Creative new floor plans divided the stores into boutique shops featuring brands such as Martha Stewart, Izod, Joe Fresh, and Dockers. Centralized locations provided places for customers to lounge, share a cup of coffee, have their hair done, or grab a quick lunch. Games and other entertainment kept children occupied while customers visited boutique offerings or just “hung out.”

Johnson quickly did away with Penney’s traditional coupons, clearance racks, and sales events, part of a model that relied on inflating prices, then marking them down to create the illusion of bargains. Johnson replaced all that with everyday “Fair and Square” prices. To Johnson’s rational way of thinking, this move made perfect sense. But shopping is more of a ritual than a rational undertaking:

JCP’s Ron Johnson was . . . clueless about what makes shopping fun for women. It’s the thrill of the hunt, not the buying . . . Women love to shop and deals are what make the game worth playing . . . Bargain hunting is now like playing a game—and finding deeply discounted goods on sale is part of the game.<sup>4</sup>

Johnson replaced much of Penney’s leadership with executives from other top retailers. Many, like Johnson, lived in California, far from company headquarters in Plano, Texas. They often looked down on the customers and the JCPenney culture they had inherited. One of Johnson’s recruits, COO Michael Kramer, another Apple alum, told the *Wall Street Journal*, “I hated the JC Penney culture. It was pathetic.”<sup>5</sup> Inside and outside the company, perceptions grew that Johnson and his crew blamed customers rather than themselves as results went from bad to worse. Traditionally, great merchants, such as Costco’s Jim Sinegal or Wal-Mart’s Sam Walton, have loved spending time in their stores, chatting up staff and customers, asking questions, and studying everything to stay in touch with their business. Johnson, on the contrary, gave the impression that he wouldn’t shop in one of his own stores and didn’t particularly understand the people who did.<sup>6</sup>

Johnson substituted broadcasts for store visits. He sent out company-wide video updates every twenty-five days. Staff gathered in training rooms to hear what the CEO had to say, and struggled to make sense of

the gap between Johnson's rosy reports and the chaos they were seeing in the stores. It didn't help that Johnson liked to broadcast from his home in Palo Alto or from the Ritz-Carlton in Dallas, where he stayed during visits to headquarters. Instead of marking milestones in Johnson's turnaround effort, the broadcasts deepened a perception that he was out of touch and self-absorbed. They "came to be emblematic of how Johnson seemed to have little grasp of the way he was perceived inside the company and how little faith workers had in his plans."<sup>7</sup>

Johnson's reign at JCPenney lasted seventeen months. Customers left, sales plummeted, and losses piled up. A board with few good options sacked Johnson and reappointed Ullman, the man who had left under a cloud less than two years earlier.

If Johnson failed, even though he was a retail superstar, imagine how much worse it would be for a company to hire a chief executive who didn't even know the business. That's what the board of IBM did after the company ran up a \$5 billion loss in 1992. They fired CEO John Akers and went after such luminaries as Jack Welch and Bill Gates, who all said no. Eventually they turned their sights on Lou Gerstner, who had just finished a stint as CEO of Nabisco, purveyor of brands such as Oreos and Triscuit. Skeptics wondered if he knew the difference between chocolate chips and computer chips.

Gerstner spurned the initial overtures. He knew IBM was in deep trouble and wondered whether he, or anyone else, could save it. In the end he was persuaded by friends who told him, "IBM is a national treasure."<sup>8</sup> He took on the awesome challenge of pulling a giant enterprise out of its free fall.

When he arrived at IBM, Gerstner saw an exclusive club of sovereign fiefdoms, a bloated whale trying to compete with a group of agile blue-fin tuna. The smart money wanted to break up the company, and vultures circled in the hope of grabbing the good stuff, like the renowned T. J. Watson Research Center.

In the 1960s and 1970s, IBM had been the jewel of American business, the world's most admired company. Its laboratories developed products such as the System/360 mainframe, so advanced that competitors struggled to keep up. IBM's sales force dominated the computer market. Impeccable customer service kept customers loyal and satisfied, as reflected in the

popular adage that “no one ever got fired for buying IBM.” Enjoying a near-monopoly in the computer industry, IBM entertained America with Charlie Chaplin commercials and pithy slogans such as THINK. But too much success can be heady and dangerous. IBM began to lose touch with changes in the world outside. Events soon came knocking.

In 1969, the U.S. government slammed IBM with an antitrust suit that dragged on for thirteen years before ending with a whimper. In the meantime, the suit ate cash, distracted management, and made the company gun-shy about doing anything that might bring the feds back. Once a sure-footed market leader, IBM became a laggard as the pace of technological change accelerated. The introduction of the UNIX operating system, championed by HP and Sun, provided a cost-effective option that eroded IBM’s dominance in mainframes. IBM fell behind Digital Equipment Corporation as minicomputers grabbed market share, and stumbled badly when personal computers took off.

Enter Gerstner, trained as an engineer at Dartmouth, with a reputation as a hard-nosed rationalist and brilliant strategist who prized analysis, measurement, and discipline. He was known more for impatience and arrogance than charm:

No one in his right mind would describe a session with Gerstner as congenial. Before he meets with almost anyone, he requires something in writing that establishes the facts, defines the problems, and allows him to skip the small talk when he sees you . . . “When you got a call from Lou, it was never to hear a compliment,” recalls [a former subordinate]. “It was always: ‘What the hell is this?’”<sup>9</sup>

Gerstner seemed to confirm this tough, rational frame of mind in one of his early comments after coming on board: “The last thing IBM needs right now is a vision.”<sup>10</sup>

Gerstner spent his early days getting to know his new place. He traveled to IBM locations in the United States and abroad. He met with stakeholders inside the company and customers outside. Within his first ninety days, he developed five bullet points that defined an initial strategic direction:<sup>11</sup>

- Keep the company together and not spin off the pieces.
- Reinvest in the mainframe.
- Remain in the core semiconductor technology business.
- Protect fundamental R&D budget.
- Drive all we did from the customer back and turn IBM into a market-driven rather than an internally-focused, process-driven enterprise.

The first four might sound like clinging to the past, but all ran counter to conventional wisdom at the time. The fifth point on customer focus signaled that IBM needed to change its ways. These points were only a start. Gerstner knew he had to do much more to revive the “national treasure.”

One issue that soon got his attention was culture. In his early days, Gerstner felt as if he had landed on a strange island where the natives spoke a peculiar language and cherished mysterious customs and rituals. Group presentations relied on “foils” that signaled the presenter’s place in the social order. “Non-concur” was IBM-speak for “no,” and was widely used to delay or kill new initiatives. Phrases such as “crisp up, tweak, and swizzle,” “boil the ocean,” and “lobs” made sense only to insiders. On two scheduled visits to IBM facilities, Gerstner found it hard just to get in the building. These experiences nudged him to reframe and to begin to look at IBM through a cultural window:

I came to see at my time at IBM, that culture is not just one aspect of the game—it is the game. In the end, an organization is nothing more than the collective capacity of its people to create value. Vision, strategy, financial management—any management system, in fact—can set you on the right path and carry you for a while. But no enterprise—whether in business, education, healthcare, or *any* area of human endeavor—will succeed over the long haul if those elements aren’t part of its DNA.<sup>12</sup>

Gerstner looked back as well as forward, studying IBM’s history to glean the secrets of its prior greatness: “It was a magical time and Thomas Watson Sr.

was the wizard who waved the magic wand creating the enchantment and excitement.”<sup>13</sup> In opening a window on the past, he saw that Watson’s legacy had lost its original intent and hardened into rigid prescriptions. A core value of excellence had deteriorated into obsessive perfectionism, slowing down the development of new products. (Gerstner once complained that products didn’t get launched at IBM; they had to escape.) Respect for the individual had morphed into letting people do whatever they wanted. Superior customer service had come to mean controlling customers and selling them what IBM produced rather than what they needed. Tom Watson had insisted on dark suits and white shirts when that was what the customers wore. By the 1990s, the customers had all gone casual, and “IBMers” stuck out like actors costumed for some other century.

Gerstner came to admire the original meaning of IBM’s cultural values and beliefs: “In the end my deepest cultural-change goal was to induce IBMers to believe in themselves again—to believe they had the ability to determine their own fate, and they already knew what they needed to know. It was to shake them out of their depressed stupor and remind them of who they were—you’re IBM damn it!”<sup>14</sup>

As his thinking expanded beyond analysis and logic to culture and heart, Gerstner developed a symbolic bond with the company: “Along the way, something happened—something that quite frankly surprised me. I fell in love with IBM.”<sup>15</sup> In rounding out his traditional strengths in structure and strategy with a new appreciation for the importance of culture and people, Gerstner developed a fuller appreciation of the challenges IBM faced.

Lou Gerstner learned, evolved, and developed a revised picture that enabled him to engineer one of the most successful turnarounds in America’s corporate history. Contrast him with Ron Johnson, who approached JCPenney with a heavy dose of rational thinking that he never got beyond. He saw no need to test the assumption that he could make Penney’s another Apple. Instead of learning, he discounted contradictory data and remained clueless about the symbolic impact of his moves. Johnson and Gerstner were both smart, experienced leaders with a track record of success who were hired to execute challenging turnarounds. The key difference: Gerstner learned and reframed his thinking. Johnson didn’t.

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The goal of this book is to give you the tools to think like great leaders, whose ability to reframe sets them free, and avoid getting trapped in cognitive ruts. The better you can read and understand your terrain, the clearer you'll be about what to do—like Lou Gerstner. If you misread your situation, you're likely to follow Ron Johnson down a road to ruin. You'll be clueless and won't know what's going wrong. You'll continue doing more of the same even though it's not working. But you won't be alone. There are more Johnsons than Gerstners trying to lead organizations. Why should this be? We'll explore why *cluelessness* is so common.

Then we'll introduce *reframing*—our prescription for sizing things up and figuring out what's really going on. Reframing requires an ability to think about things in more than one way. Gerstner intuitively found another lens when his usual way of making sense was falling short. Leaders can expand how they think by using different mental models to determine what's going on and what to do in complex situations. The goal of this book is to teach you how to do that.

We introduce four distinct and powerful *leadership frames*. Each captures a vital slice of organizational reality. Artfully combined, they enable leaders to develop a more comprehensive view of the challenges and opportunities in whatever situation they face. Gerstner's mastery of this art made him an exemplar of business leadership. You can develop this capacity to think holistically as well.

## THE CURSE OF CLUELESSNESS

Year after year, the best and brightest managers maneuver or meander their way to the apex of enterprises great and small. Then, like Ron Johnson, they do really dumb things. Take Bob Nardelli, who expected to win the three-way competition to succeed management legend Jack Welch as CEO of General Electric. Nardelli was stunned when he learned he'd never run GE, but within a week, he received an excellent consolation prize—the top job at Home Depot. He embodied a big change from the company's free-spirited founders, who had built the wildly successful retailer on the foundation of an uninhibited, entrepreneurial “orange” culture. Managers ran their stores using “tribal knowledge,” and customers counted on friendly, knowledgeable staff for helpful advice.

Nardelli revamped Home Depot with Six Sigma (an approach he learned at GE) and a heavy dose of command-and-control, discipline, and metrics. Almost all the top executives and many of the frontline managers were replaced, often by ex-military hires. At first, his approach seemed to work—profits improved, and management experts hailed Nardelli's success. But employee morale and customer service went steadily downhill. Where the founders had successfully promoted “make love to the customers,” Nardelli's toe-the-line stance pummeled Home Depot to last place in its industry for consumer satisfaction. A new website, [HomeDepotSucks.org](http://HomeDepotSucks.org), gave customers a place to vent their rage.

As criticism grew, Nardelli tried to keep naysayers at bay. At the company's 2006 annual meeting, he gave critics little time to speak and ignored them when they did: “It was, as even Home Depot executives will concede, a 37-minute fiasco. In a basement hotel ballroom in Delaware, with the board nowhere in sight and huge timers on stage to cut off angry investors, Home Depot held a hasty annual meeting last year that attendees alternately described as ‘appalling’ and ‘arrogant.’”<sup>16</sup> The outcry from shareholders and the business press was scathing. Nardelli countered with financial numbers to show that all was well. He seemed unaware or unconcerned that he had embarrassed his board, enraged his shareholders, turned off his customers, and expanded a reputation for arrogance and a tin ear. Like Ron Johnson, he ignored his organization's traditions and culture, and disrespected its people. Nardelli abruptly left Home Depot at the beginning of 2007, and his successor executed a U-turn to take the company back to its historic foundations.

How do bright people turn out so dim? Are they too smart for their own good? Do personality flaws or their style lead them astray? No—research shows that smart people tend to have fewer hang-ups and to be better at most things than the less gifted. The primary source of cluelessness is not personality, style, or IQ but a failure of “common sense.” People are at sea whenever their ways of making sense of the world around them fail. They see and imagine the wrong thing, so they do the wrong thing. But if they don't realize that their image is incorrect, they don't understand why they don't get what they hoped for. So they blame someone else and, like Ron Johnson and Bob Nardelli, insist that they're right even when they're headed over a cliff.