

Inspiring Leaders...

inspiring excellence

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Newsletter

The Costs of Ego

"Ego is the invisible line item on every company's profit and loss statement." —David Marcum and Steven Smith in *egonomics: What Makes Ego Our Greatest Asset (or Most Expensive Liability)*, Fireside, 2007

Fifty-three percent of businesspeople estimate ego costs their company 6 to 15 percent of annual revenue; 21 percent say this cost ranges from 16 to 20 percent.

That's somewhat astonishing, considering "ego" is difficult to measure by any standards. But even if ego accounts for only 6 percent of revenue, the annual "cost of ego" would translate to nearly \$1.1 billion to the average Fortune 500 company — roughly equal to the average annual profit of these same companies.

What are we talking about here? Most people associate "ego" with words like "arrogant," "self-centered," "closed-minded," "defensive" and "conceited."

Big egos invade every team conversation, boardroom debate, marketing plan, client interaction, contract negotiation, employment interview and performance review. There's no question it gets in the way and is a major cause of bad decision-making.

Each of us has an ego. Most of us strongly believe ours is healthy and vital to our success. Our egos contribute to self-confidence, optimism and drive for success. The overwhelming majority of us — 99 percent — don't have overinflated egos, but we're all capable of letting our egos run rampant on occasion.

When this happens, our personal success and organization's performance pay the price.

10 Signs of Ego

Using five years of research, David Marcum and Steven Smith write about the costs of ego in their book *egonomics* (Fireside, 2007). When they refer to the "cost of ego," they're really talking about several detrimental workplace phenomena:

- Hearing, but not listening
- People thinking "me first, company second"

FRAMING CHANGE



I'm Ellen Bayer, President of Framing Change and my passion is to motivate leaders like you to expand your thinking and work to fulfill your total potential: using professionalism, sensitivity, and a touch of humor.

I deliver corporate and individual business coaching and executive development programs that are goal and action-oriented. You are guaranteed to achieve improved results in performance, productivity, and profitability through my programs identifying the values, beliefs, attitudes and behaviors that build success -- then adding the knowledge and skills that you need to accomplish your dreams.

I founded Framing Change to help people like you maximize your potential and be inspired to excellence in your personal and professional lives.

As a sought-after speaker, consultant, and through this newsletter, I reach out to the 'unfulfilled' and support the quest for excellence.

Stay in touch. Let me know what you want to learn. As they say, let's talk!

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- Only the “right” people have good ideas
- Pressure to fit in
- Failure to challenge status quo
- Candid discussion saved for outside the meeting
- Failures being buried and never mentioned again
- Silos created and tolerated
- Meetings going longer than necessary
- Fear of making mistakes or admitting them

Companies can be populated with talented, high-IQ people with no shortage of vision, education, experience or good intentions, yet they may still have an undercurrent of out-of-control egos responsible for huge losses in productivity and profits.

Ego: Liability or Asset?

Why do people cling so tightly to their egos? There’s a significant difference between “big ego” and big ambition. High-potential professionals usually start out with great ambitions, big ideas and a healthy ego. A certain combination of ambition, talent, ideas and healthy ego drives success. When coupled with good timing and help from others, great things invariably happen.

But there’s a trap inherent in success. When people begin to believe their “own press,” their success creates the illusion that they alone were responsible for workplace accomplishments.

Once people are in the limelight – and the more publicly visible and celebrated they are – the greater the tendency to forget the other factors involved in success. And once they attribute all of their success to their personal talents, their formally healthy ego relaxes and “big ego” takes over. Ego encourages the belief that anything they do in the future will be just as successful, or even more so.

It can be hard to recognize the point where ego becomes “big ego,” as our past successes reinforce the message that we’re the one – the “only” one – who pulled off the job to rave reviews.

“In over two-thirds of comparison cases (average/ good companies), we noted the presence of a gargantuan personal ego that contributed to the demise or continued mediocrity of the company.”

– Jim Collins, *Good to Great: Why Some Companies Make the Leap...and Others Don’t*, 2001

Ego As a Good Thing

Titrated properly, ego is inherently positive, providing a necessary level of confidence and ambition. If we know how to use it effectively and

manage it well, it’s a powerful asset. Ego drives away insecurity, fear and apathy. It fuels an optimistic attitude, known to be a powerful predictor of success.

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Left unchecked, however, ego goes on a hunt. It seeks out reinforcement and more of whatever bolsters and strengthens it. But overconfidence and unbridled ambition can also attack our talents and abilities, with big ego leading to bad decisions.

When we fail to manage the intense power of ego, it actually damages our strengths and turns them into weaknesses. Through ego’s overconfidence, overambition, insecurity and me-centered agenda, talents take on a different appearance, with a decidedly negative impact.

Clearly, ego doesn’t turn all of our strengths into polar opposites, but they become close counterfeits – traits that appear to be positive, but ultimately sabotage us. Consider these organizational “strengths,” which can backfire when left unchecked:

Strength	Return	Costs
Charismatic	Paints a vision, inspires others, attracts talent, keeps people motivated	Manipulates bad ideas to sound good; people overlook substance for style
Dedicated	Produces, doesn’t let obstacles overcome the end goal, finds a way to get things done—no matter what	Won’t consider alternatives, resists changes (even when they provide better outcomes), cuts off creativity in the name of “getting things done”
Optimistic	Isn’t frozen by reality, even when it’s negative; can help people get through difficult times; reminds people of better times ahead	Won’t listen to bad news, believes a positive outlook can overcome anything, rejects bad news as the pessimism of the naysayers

(For a complete table of strengths and their returns and costs, visit www.egonomicsbook.com)

These subtle differences become leaders' ultimate blind spots. Weaknesses feel almost the same to us as our strengths. While we can easily spot these differences in other people, they usually aren't discernable to us.

Why Businesses Fail

Dr. Paul Nutt of Ohio State University conducted more than two decades of research, with hundreds of organizations, on why business decisions go awry. He discovered three key reasons why 50 percent of decisions fail:

1. More than one-third of all failed business decisions are driven by ego.
2. Nearly two-thirds of executives never explore alternatives once they make up their minds.
3. Eighty-one percent of managers push their decisions through by persuasion or edict, not by the relevance of their ideas.

4 Warning Signs of Big Ego

Your coworkers and team members are usually aware – much earlier than you'll ever figure out – that your ego has become overinflated. Here are four telltale signs:

1. You find yourself being defensive. Defending ideas ultimately turns into becoming defensive.
2. You continually compare yourself to others. In truth, being too competitive actually makes you less competitive.
3. You seek acceptance to justify your ego needs. You crave respect and recognition from others, which eventually interferes with your success.
4. You make a point of showcasing your brilliance.

High-performing individuals have inherently strong competitive drives. But what happens when competitiveness is reinforced by success? Our ego says, "Right on! That worked. I'll continue using my competitiveness and even kick it up a notch."

Your ego may be in control if you experience the following:

- Viewing a colleague as a rival and planning how to "beat" him/her
- Taking it personally when someone disagrees with your ideas
- Disagreeing with someone simply because you didn't come up with the idea first
- Prematurely criticizing the competition's strategies without considering their value
- Compulsively following a competitor's lead, just

to "keep up with the Joneses"

- Comparing others' external environments to your own (signs of status or wealth, without regard for inner values)

According to the research in egonomics, 63 percent of businesspeople say ego negatively impacts work performance on an hourly or daily basis, while an additional 31 percent say it happens weekly.

Regardless of the subjective nature of such research, what's certain is that otherwise talented and intelligent leaders compromise their performance by mismanaging their egos. Ego contributes to the downfall of the 35 percent of managers who take new jobs and fail, quit or are asked to leave within 18 months.

Solutions

The hardest side of business to master is the human component. Entire industries are now dedicated to providing training and development to organizations challenged by the behavior of their "human capital."

Ultimately, however, it's up to each of us to manage our egos: conversation by conversation, project by project, meeting by meeting.

3 Keys to a Healthy Ego

The health of a company's culture is a reflection of the health of our conversations. Ego is a continuum: At one extreme, there is too much. When we have a big ego, we are overconfident and arrogant. When we have too little, we lack confidence and self-esteem.

There are three keys to developing balance:

1. Humility
2. Curiosity
3. Veracity

Humility is the fulcrum that prevents a healthy ego from becoming unhealthy. It has the unique ability to open minds by keeping us curious and interested in others.

Unless we're ready to listen and learn, curiosity and veracity won't even have a chance to enter the game. Discussions and debates that facilitate progress require us to temporarily suspend what we think is best for us so we can consider the best interests of the business.

Humility Is Key

Without losing confidence in who we are or lessening the importance of what we've achieved, humility creates a desire to reach the next level of performance. It doesn't lose sight of "me," but it also prevents our personal needs and agendas from interfering with open dialogue and intense debate.

Humility swallows excessive ego and channels our ambitions into the success of "we," rather than a selfish and short-lived agenda of "me." It's not the equivalent of being weak, ignored, indifferent, boring or a pushover. True humility is characterized by confidence, ambition and willpower.

When Jim Collins conducted his research for Good to Great, humility was one of only two characteristics he found that distinguish those who can lead top-performing companies from those who can transform their companies into great performers. (The other trait was intense professional will.)

Once humility creates an open mind, curiosity is the active ingredient that drives the exploration of ideas. It gives us permission and courage to test what we think, feel and believe to be true, reminding us we don't know everything. When we lead with questions rather than answers, curiosity can strip us of an agenda and stop ego from spiraling out of control.

Veracity – the habitual pursuit of the truth – is the third principle of ego management. It's not that people don't want the truth; after all, we all say we do. But we often don't want all of it. We don't want the part that's hard to hear or doesn't support our agenda.

If openness and progress are the outcomes of humility, and innovation is the aim of curiosity, then veracity is the light that exposes the truths hidden in the shadows of our habits and comfort zones.

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