

## **How the Mighty Can Fall... Unraveling the NKF Leadership Fallout (Part 2)**

This article continues our analysis of the leadership fallout in NKF saga. We have discussed two reasons.

1. Success can be intoxicating – Beware of its blinding power.
2. Strength can become our weakness – Beware of its corrupting power.

In this part, we look at the third and fourth factors.

### **3. Lack of independent corporate accountability – Beware of the corrupting power of one.**

History is full of accounts of single individuals who have made a difference. Think of the countries that have turned around because of one heroic, committed person like Deng Xiaoping and Lee Kuan Yew. Think of the artists, like Michelangelo and Leonardo da Vinci. Think of music composers like Brahms and Beethoven. Think of scientists like Thomas Edison or technological wizards like Bill Gates who have literally changed the course of history.

The flip side is also true. History also records for us the story of individuals who have destroyed society. Think of Hitler, Mussolini, Milosevic, Pol Pot and most recently, Osama. One person can cripple a country, cause havoc in nations, bring down a whole industry, and cost thousands of jobs.

One person can accomplish a lot: for good or evil. One person can yield tremendous influence. One person can build or break an organization. We see this in Durai. Unfortunately, an independent accountable board or effective corporate governance did not temper his “power of one.”

As the KPMG report concluded, “Power was centered around one person and was exercised in an ad-hoc manner through Mr Durai and his coterie of long-serving assistants<sup>i</sup>... Mr Durai drove the NKF and as a result of such trust and confidence placed in him, all effective power centered around him. This made meaningless the façade of a hierarchy of the checks and balances which were ostensibly in place in the NKF’s organizational structure.”<sup>ii</sup>

No one single individual, no matter how competent, effective and powerful should ever be given free and complete reign of power. There is a problem when we trust ourselves too much.

Which brings me to this final point in analyzing the fall-out: We are all not exempt from this kind of fall-out, especially successful individuals.

### **4. Belief in our immunity to cheating – Beware of its pervasive power.**

I read with great distress about the judgmental spirit of speck-finding when we have a log embedded in our eyes: We have a rosy view of ourselves but a jaundiced view of others.

We are quick to condemn others but slow to remind ourselves that we are also prone to the same kind of evil. Sometimes, I feel that the only difference between Mr Durai and us is that he is caught and we are not.

How many of us can truly say that we do not manipulate figures for self-interest? Allow me to cite some examples.

One of the best-selling and most astounding books of the year is “Freakonomics”, written by Steven Levitt, who teaches economics at the University of Chicago. He recently received the John Bates Clark Medal, awarded every two year to the best American economist under forty.

In his chapter, "Schoolteachers and Sumo Wrestlers", he writes candidly, "Who cheats? Well just about anyone, if the stakes are right." He asserts, "Cheating is certainly a prominent feature in just about every human endeavor. Cheating is a primordial economic act: getting more for less."<sup>iii</sup>

"So it isn't just the boldface names – insider-trading CEOs and pill-popping ball players and perk-abusing politicians – who cheat. It is the waitress who pockets her tips instead of pooling them. It is the Wal-Mart payroll manager who goes into the computer and shaves his employees' hours to make his own performance look better. It is the third grader who, worries about not making it to the fourth grade, copies test answers from the kid sitting next to him."<sup>iv</sup>

I see this in Singapore too. Every year customers are asked to vote their favorite retail outlet. I remember my own experience when dining in one of the best restaurants in town. The restaurant manager had no qualms soliciting votes for her restaurant.

Every guest was given not just one but a few forms to complete so that she can boost up the numbers. When I told her that this should not be done. She said nonchalantly, "Everyone is doing it." Guess what? Her restaurant always appears as one of the tops in Singapore.

I know too of sales staff "creatively accounting" their sales target every quarter to please their corporate office. One senior manager told me that it is not uncommon to urge their customers to "buy first, pay later" scheme just to inflate their figures and boost their target.

And usually, the "pay-later" may not result in real sales. Since everybody's job is on the line if targets are not met within two quarters, this type of practice is even endorsed by senior management. The senior manager confessed, "It's all a game we play to satisfy the corporate office."

Another much-heralded brand-name company measures their staff performance on service standard using the "C-C" (Compliment-to-Complaint) ratio. Bonuses are based on that. As a result, many staff went around to their customers to solicit for compliments. The scheme worked so well that at one point; the C-C ratio hit 30:1. Fortunately, the management reviewed the scheme and now brought it to a more realistic, natural "C-C" target of 10:1 ratio.

Similarly, in the NKF, when the CEO and the fund-raisers are rewarded based on the amount of funds raised, and not on number of patients, they would just skew their numbers to look successful.

So, beware of what we choose to measure. We get what we want especially when our stakes are high. In the end, perhaps we should not be too cocky and quick to condemn Mr Durai, less we become victims of our own successes someday.

Recently, Mr. Edison Liu, Executive Director of Genome Institute of Singapore, asks in an article detailing the Korean Stem Cell Debacle by now infamous Professor Hwan Woo Suk, "Can it happen in Singapore?"<sup>v</sup> His conclusion was, "Not likely, but the meltdown of corporate ethics and governance at the NKF is a stern reminder that high arrogance, clever politics and deliberate misinformation can combine to create a 'perfect storm' able to wreck any external oversight system imposed."<sup>vi</sup> My answer, which is more pessimistic, is, "You bet it can!"

The sooner we realize our own fallibility, the better we will become in our accountability.

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<sup>i</sup> Henson, B. (2005) Old NKF slammed for poor practices. The Straits Times. Dec 20, 2005. Singapore Press Holdings Publication. Singapore.

<sup>ii</sup> Lee, H.C. (2005) His power, His people. The Straits Times. Dec 20, 2005. Singapore Press Holdings Publication. Singapore.

<sup>iii</sup> Levitt, S. & Dubner, S. J. (2005). Freakonomics. HarperCollins Books. , New York, NY. USA.

<sup>iv</sup> Levitt, S. & Dubner, S. J. (2005). Freakonomics. HarperCollins Books. , New York, NY. USA.

<sup>v</sup> Liu, E. (2005). Can it happen in Singapore? The Straits Times. Dec 30, 2005. Singapore Press Holdings Publication. Singapore.

<sup>vi</sup> Liu, E. (2005). Can it happen in Singapore? The Straits Times. Dec 30, 2005. Singapore Press Holdings Publication. Singapore.