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DEPARTMENT OF MBA

INDIAN INSTITUTE OF SOCIAL WELFARE AND BUSINESS MANAGEMENT

Why Do Well-Run Companies Make Bad Decisions?

– A Practitioner's Perspective

*Speaker : **Sumit Banerjee***

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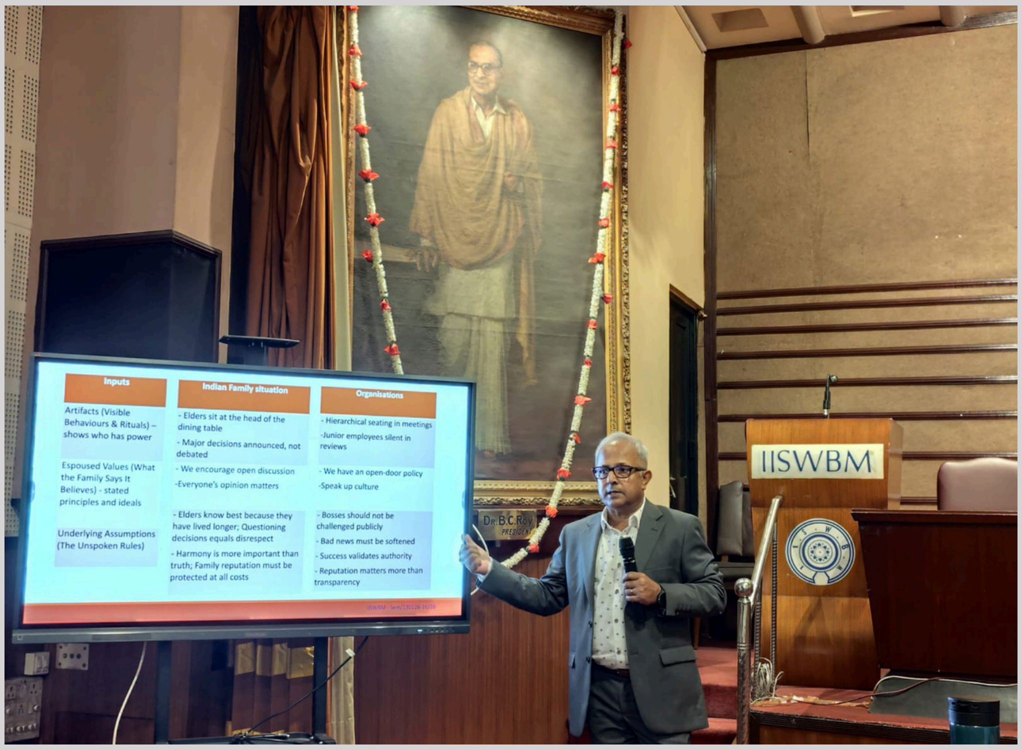
The session opened with a powerful statement: ***"Bad companies fail because they are weak. Good companies fail because they wait."*** The discussion explored failures such as Kingfisher, Nokia and Hanjin Shipping, highlighting that large organisations rarely collapse due to incompetence. Instead, leaders often take decisions that appear rational at the time but fail later, proving that ***"Failure is often a slow, rationalised process, not a sudden event."***



The ***Hanjin Shipping collapse demonstrated how delay and overconfidence can be fatal.*** Once the world's 7th-largest shipping company with a $10B turnover and loyal workforce, Hanjin misread a structural crisis as a cyclical one, doubled down on a losing strategy, and relied on a false safety net of government support. When that support stopped overnight, ships were stranded globally, triggering chaos across the shipping industry.

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A Session to Remember.....

Through ***Herbert Simon's Bounded Rationality***, Mr. Banerjee explained that leaders operate with limited information, limited time and limited mental capacity, which leads them to settle for satisfactory decisions instead of optimal ones. The **Nokia** case reinforced this: internal politics delayed the shift to Android, leading to a 90% market share loss and confirming that ***"Operational excellence cannot compensate for strategic blindness."***

The session linked these failures to organisational culture and hierarchy, where employees hesitate to challenge authority even when they sense risk. This silence reinforces the ***Success Trap***, visible in examples like the ***Indian Cricket Team*** and ***Yash Raj Films*** continuing old winning formulas despite changing environments.

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Insights from Industry

Honoured & Thankful

Inspiring Talk

The central takeaway was clear: **strong companies don't collapse because they lack capability—they collapse** ***when comfort delays courage and difficult decisions are postponed for too long.***

Beyond Classroom

Real-World Insights