

# When Smart Leaders Fail

## Those They Lead Often Leave

### A Pattern of Leadership Blunders

Why have some very smart executives and leaders failed in recent years, bringing down whole companies and countries, costing billions of dollars, and causing incredible losses to shareholders, customers, citizens and employees? What can be learned to avoid such huge failures? Recent corporate scandals and bankruptcies reveal that some CEOs fail on such a scale that they bring the company down with them. Enron, Webvan, GM, WorldCom, RIM, and Tyco are examples. CEOs at GM, Motorola, Rite Aid, Mattel, Quaker, and Saatchi & Saatchi have led their companies to the brink of collapse at one time. These companies were led by executives with stellar track records of previous success. CEOs are now lasting just 7.6 years in office on a global average, down from 9.5 years in 1995, according to consulting firm Booz Allen Hamilton. Two out of every five new CEOs fail in the first 18 months (HBR, January 2005).

**“We live and work in a world where organizational failure is endemic—but where frank, comprehensive dissections of those failures are still woefully infrequent; where success is too easily celebrated and failures are too quickly forgotten; where short-term earnings and publicity concerns block us from confronting— much less, learning from—our stumbles and our blunders.”** —Jena McGregor, *Fast Company Magazine*, February 2005.

While the corporate cultures of failed businesses vary widely, there are visible patterns of similarity.

### Tracking Underlying Causes of Failure

Sidney Finkelstein, author of *Why Smart Executives Fail* (2003), researched several spectacular CEO failures and their causes over a six year period. These “leadership behaviors” are relevant today.

Every successful organization may at times become a victim of its own success, stemming from a lack of transparency and vulnerability. Many executives saw the signs—employees, competitors or customers were asking for a change—and yet they chose to ignore them. What are the patterns and warning signs? How can you detect warning signs in yourself and the organizations you lead before it is too late?

In the leadership failures he studied, Finkelstein emphasizes that it was not unforeseeable events that brought their companies down. **In all cases, these leaders that failed their companies knew there was trouble coming, but they chose not to care or act.**

#### Four Explanations

Finkelstein offers four explanations for CEO behaviors that lead to failure:

- 1. Executive Mindset Failures** - Breakdowns in how executives perceive the reality of their companies - lack of self-awareness!
- 2. Delusions of a Dream Company** - How people within an organization face up to their new reality.
- 3. Lost Signals** - How information and control systems in the organization are mismanaged, misread, ignored and at worst- squashed.
- 4. Patterns of Unhealthy Executive Habits** - How leader's lack of charisma and connection create unhealthy leadership habits - and unhappy, absent employees.

## Seven Deadly Habits

Finkelstein identifies seven patterns of faulty behaviors, each with a warning sign. He arranges these into seven habits, explained below:

**Habit #1: They see themselves and their companies as dominating their environment.** On the positive side, this attitude is seen as highly optimistic. Optimism is a primary trait of successful leaders and it contributes to the ability to inspire and communicate vision. Carried to extreme, it causes one to lose touch with reality.

*Warning Sign: Lack of Respect.*

**Habit #2: They identify too closely with the company, merging the boundary between personal and corporate interests.** On the positive side, this trait means that an executive works long, hard hours over and above what is expected. However, carried to extreme, a leader gains a sense of entitlement to compensate for his or her sacrifices. It paves the way for unethical decisions.

*Warning Sign: A Question of Character.*

**Habit #3: They think they have all the answers.** High intelligence and an ability to solve problems quickly and decisively are essential for leadership. When one forgets to listen and then ask for input or adequate information before making and acting on a decision, decisions can be inappropriate.

*Warning Sign: A Leader Without Followers.*

**Habit #4: They ruthlessly eliminate anyone who isn't completely behind them.** While knowing who to promote and who to reassign or fire is an essential responsibility of any leader, decisions based on favoritism are irresponsible and risky. When the senior team is comprised of 'yes' people, there isn't enough dissent to evaluate risks appropriately.

*Warning Sign: Executive Departures.*

**Habit #5: They are consummate spokespersons,** obsessed with the company image. While getting press coverage may be good for share prices, when leaders appear to be promoting themselves more than the company, beware.

*Warning Sign: Blatant Attention-Seeking.*

**Habit #6: They underestimate obstacles.** Optimism is the underlying trait that works for motivating and inspiring, but carried to extreme, it can obliterate adequate risk evaluation and reality checks.

*Warning Sign: Excessive Hype and Denial.*

**Habit #7: They stubbornly rely on what worked for them in the past.** The reality is, nothing stays the same. It is human nature to go back to what worked before when things get tough.

*Warning Sign: Constantly Referring to What Worked in the Past.*

## 11 Common Causes of Derailment

David L. Dolitch and Peter C. Cairo describe eleven derailers that lead to failure in their book *Why CEOs Fail* (2003). It is important to recognize these characteristics can be managed. When not managed or over-exaggerated, these characteristics often derail charisma and connection and become the "dark side" of leadership. Under stress, these characteristics lead to errors in judgment, derailed relationships, and a decrease in employee engagement. They can be fatal to a career and often to an organization. The key is to recognize their existence and learn new habits to manage them before they become damaging to you or your team.

- 1. Arrogance:** You're right and everybody else is wrong.
- 2. Melodrama:** You always grab the center of attention.
- 3. Volatility:** Your mood swings drive business swings.
- 4. Excessive Caution:** The next decision you make may be your first.
- 5. Habitual Distrust:** You focus on the negatives.
- 6. Aloofness:** You disengage and disconnect.
- 7. Mischievousness:** Rules are made to be broken.
- 8. Eccentricity:** It's fun to be different just because.
- 9. Passive Resistance:** Your silence is misinterpreted as agreement or apathy.
- 10. Perfectionism:** Get the little things right even if the big things go wrong.
- 11. Eagerness to Please:** Winning the popularity contest matters most.

The average person has two or three derailers. Some leaders are more prone than others to derailment. The stress of being at the top, the intense pressures can activate the derailers. In addition, the higher you go in an organization, the less likely other people are to tell you about your unhealthy leadership characteristics.

## Identifying Seven Bad Leadership Styles

In another study of executive failure, author Barbara Kellerman identifies seven types of dysfunctional leadership characteristics (see below). In her book, *Bad Leadership* (2004), she says that identifying and studying the seven types teaches us what not to do or reinforce in leaders. Bad leadership is either inefficient or unethical.

1. **Incompetent:** The leader and some followers lack the will or skill to sustain effective action.
2. **Rigid:** The leader and followers are stiff, unyielding, and unwilling to adapt to new ideas, new information or changing times.
3. **Intemperate:** The leader lacks self-awareness and self-control and is aided and abetted by followers who do not intervene.
4. **Callous:** The leader is uncaring or unkind; he/she ignores or discounts the needs of the rest of the organization, or of stakeholders.
5. **Corrupt:** These leaders may lie, cheat, and at worst, steal their way to the top - putting self-interest and ego first.
6. **Insular:** They disregard or minimize the health and welfare of those outside the core group.
7. **Evil:** Some leaders and their followers commit atrocities and/or tragedies.

While these seven types of leadership may seem obviously wrong, in most cases, dysfunctional characteristics exist in combination with strengths. Reality often masks a personality in shades of grey. There is a fine line at which leaders cross over from right to wrong, and like all humans, they are capable of switching back and forth at any given time. That is why it is difficult to recognize when the line has been crossed, when unethical behaviors become serious, when bad decisions become incompetence, and when a leader begins the slippery slope into bad leadership.

## Preventing Executive Derailment

There are no universal means for preventing failures that can derail your leadership career, except perhaps for being alert for the warning signals that appear. In all cases of leadership failures there have been warning signs that were not heard or seen. Leaders often think of themselves as realists, but the fact is that wishful thinking, denial, and other forms of avoiding reality can be embedded in corporate cultures.

## How to Become a Smarter Leader

Review the list of 11 common causes of derailment. Chances are you will recognize some of them as part of your personality. In fact, some of these characteristics serve you well in getting ahead in your organization. Here are three actions to manage your dark side and lead with charisma and connection:

- 1. Increase Self Awareness - do an adversity analysis.** Take a long hard look at your five biggest failures in your career. Ask yourself the following questions:
  - What behaviors didn't serve you well?
  - What would your worst critic say about how you acted?
  - Do you see a theme or pattern in your behaviors?
  - In what way did you contribute to the behavior?
- 2. Be Vulnerable - do a feedback session with your direct reports.** Ask them to report to you with brutal honesty about your behaviors. This can be delivered to you in the form of a confidential anonymous report, or delivered as a group in person, but you must reassure them that nothing will be held against them and follow through with this promise. Ask them these questions:
  - What do I do that drives you nuts?
  - How do I force you to work around me rather than with me?
  - When you get together to complain about me, what do you complain about?
  - When I'm under stress, what do I do that you think is counter-productive?
- 3. Develop Habits That Increase Charisma and Connection.** Another method to prevent leadership derailment is to enroll in a leadership forum called "The Science of Charisma and Connection offered through The Liautaud Institute, University of Illinois, Chicago. Leadership forums composed of six–eight leaders follow industrial ISO processes and a positive psychology protocol that is proven to increase the emotional intelligence connection by at least 23%. One of the many unique benefits of this program is that the group format is process-dependent rather than teacher-dependent, and applicable to leaders in all industries. Participation in this leadership forum will increase awareness of toxic leadership behaviors that derail that can derail one's career by increasing emotional and social intelligence. Most importantly, individuals develop leadership habits that create an emotionally engaged and committed followership.



## Leaders are Human Beings, Too

We live in a celebrity culture where leaders, and especially CEOs, are expected to be perfect examples. They are held up as icons. We don't like to admit they have flaws, or that the traits that make them special can also lead to failure. We crave the heroic leader to whom we can look up to and derive a sense of safety and security. We can't do this when we see their flaws. And so we may contribute to the heroic myth and enable leaders to plunge full steam ahead, even when their character flaws can bring everyone—shareholders, customers and employees—down. We must abandon this hero-worship. People can be great leaders and fallible human beings. Those leaders that don't recognize their dark side greatly increase the odds that derailleurs will strike. Our greatest leaders, both in business and politics have always been vulnerable and transparent. The key is to accept rather than deny one's humanity and embrace awareness, transparency and vulnerability as leadership strengths

## About the Author

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Cynthia Kivland, MCC, BCC has a Masters in Counseling Psychology, doctoral studies in organizational psychology, credentials as a Board Certified Coach, Master Licensed Counselor, Graduate Emotional Intelligence and Certified Leadership Coach. Cynthia oversees learning solutions and strategic partnerships for the Liautaud Institute, including certification, academic, Executive Forums and corporate programs. Before joining The Institute, Cynthia worked for CPP, Inc.; leading provider of leadership, team and career solutions, and is currently CEO of Smart2Smarter, a leadership, coaching and career optimization firm. Clients she has partnered with are Siemens, Bosch, GE Medical Systems, Knight Foundation, Allstate, Federal Reserve and numerous healthcare organizations. She is an active member of EmoNet, Leadership Faculty, and American College of Healthcare Executives. She conducted research on 2000 leaders culminating in the book Smart2Smarter: Smarter Skills Every Employer Wants: (2013) and the Board Certified Approved Coach Certification program “Social Emotional Leadership Coach”.

## Find Out More

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