Why do CEOs fail, and what can we do about it?

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Wired for Success

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In the past two decades, 30% of Fortune 500 CEOs have lasted less than 3 years. Top executive failure rates as high as 75% and rarely less than 30%. Chief executives now are lasting 7.6 years on a global average down from 9.5 years in 1995. According to the Harvard Business Review, 2 out of 5 new CEOs fail in their first 18 months on the job. It appears that the major reason for the failure has nothing to do with competence, or knowledge, or experience, but rather with hubris and ego and a leadership style out of touch with modern times.

Why is this leadership crisis happening? One reason may be the gaps between how leaders see themselves and how others see them. These blind spots can be career limiting. The wider the gap, the more resistance there is to change. It also makes it difficult to create a positive organizational culture where openness and honesty are encouraged. Candid, constructive feedback can help a leader grow, and often leaders don't get that feedback from employees and board members.

Research shows when someone assumes a new or different leadership role they have a 40% change of demonstrating disappointing performance. Furthermore, 82% of newly appointed leaders derail because they fail to build partnerships with subordinates and peers.

Sydney Finkelstein, author of Why Smart Executives Fail(link is external), researched several spectacular failures during a six year period. He concluded that these CEOs had similar deadly habits:

1. Habit 1: They see themselves and their companies as dominating their environment. Warning sign: A lack of respect for others.
2. Habit 2: They identify too closely with the company, losing the boundary between personal and corporate interests. Warning sign: They define themselves by their job.

3. Habit 3: They think they are the only ones that have all the right answers. Warning Sign. They have few followers.
4. Habit 4: They ruthlessly eliminate anyone who isn't completely supportive. Warning Sign: A lot of subordinates are either fired or quit.
5. Habit 5: They are obsessed with photos, speeches, appearances and publications in which they represent the company. Warning Sign: They blatantly seek out media.
6. Habit 6: The underestimate obstacles. Warning Sign: Excessive hype and little substance.
7. Habit 7: They stubbornly rely on past achievements and successes. Warning sign: They consistently refer to what worked for them in the past.

David Dotlich and Peter C. Cairo, in their book, Why CEOs Fail: The 11 Behaviors That Can Derail Your Climb To The Top And How To Manage Them, present 11 cogent reasons why CEOs fail, most of which have to do with hubris, ego and a lack of emotional intelligence.

There are no universal ways to prevent failures, except perhaps to be alert for the warning signs. We live in a celebrity culture where executives are expected to be perfect, and larger than life. We don't like to admit they have flaws. We crave heroes and contribute to their heroic myth when we can't see their flaws.

Good leaders make people around them successful. They are passionate and committed, authentic, courageous, honest and reliable. But in today's high-pressure environment, leaders need a confidante, a mentor, or someone they can trust to tell the truth about their behavior. They rarely get that from employees or board members.

Professional executive coaches can help leaders reduce or eliminate their blind spots and be open to constructive feedback, not only reducing the likelihood of failure, and premature burnout, but also provide an atmosphere in which the executive can express fears, failures and dreams.