

Top three reasons new CEO's fail

Warren Carter, IRC USA - The QualiFind Group | Feb. 5, 2015

This topic surfaced earlier this year in a client meeting where we were discussing the replacement of a CEO that had been in the organization for more than twenty years and in the CEO role for more than eight. Such concerns are shared by many organizations that are facing a change of tenured executive leadership and we thought we would share some insights into this critical topic in our blog.

Reason #1

Entrepreneurial Founder (Peter Principle)

It is widely noted that entrepreneurial founders are often unable to scale to meet the needs of an expanding organization. Venture capitalist John Hamm documented this in an article in Harvard Business Review titled "Why Entrepreneurs Don't Scale". John cites four tendencies found in such leaders that make them susceptible to failure when appointed into leadership roles in an expanding or larger organization.



The first tendency is their loyalty to those who helped the founder build his/her organization. This blind loyalty works in founding mode but is a liability in a larger company.

The second tendency is task orientation. Excessive attention to detail over issues near and dear to the entrepreneurial leader can cause a growing organization to stall.

The third tendency is single mindedness. Leadership roles requiring vision, innovation and creativity will find

conflict with CEOs overly committed to their own ideas. Such CEOs lack the emotional intelligence to realize some change is needed until it's too late.

The fourth tendency involves the person working in isolation rather than engaging, inspiring and motivating others. Isolation prevents the newly appointed leader from being able to properly assess and weed out nonperformers.

Reason #2

Unable to connect with the existing team.

Newly appointed CEOs must forge meaningful connections and credibility with the existing executive leaders and employees. It is reasonable to assume that tenured leaders will have much of their philosophical and leadership DNA embedded in the organization and its culture. A newly appointed CEO will need to have the tools to be viewed as the “new CEO” versus being seen as “an imposter”.

Reason #3

Conflict with the Board of Directors.

It is critical that newly appointed CEOs quickly get to know and understand what motivates each board member. An inability to build a connection with each board member creates fertile ground for failure.

Areas of potential conflict include:

- hiring issues such as holding on to poor or mediocre performers too long or delays in hiring for a key role;
- board communication issues such as not fully disclosing bad news with good news;
- being unrealistic with budget preparations, burn rate and being unwilling to make tough decisions.

When proper candidate screening and assessment tools are applied, such reasons for failure are mitigated.