
How to Stop CEO Failure



By Philip Anderson , INSEAD

Boards often think the person in the corner office doesn't need more development, but this couldn't be further than the truth. To prevent CEOs from flaming out in the top job, they should build frameworks to help them learn.

When Marissa Mayer became Yahoo's CEO in July 2012, employees and shareholders saw the glamorous ex-Googler, former VP of product search and teacher of programming as their saviour. She made some big bets in everything from blogging to digital magazines, buying Tumblr, a blogging platform and BrightRoll, a video advertising platform. She even hired Katie Couric, a famous TV anchor to head its digital news efforts. She also caused numerous stirs, banning people from working from home and when times got tough, conducting firings by stealth in what became known as "lay-off" Wednesdays.

Fast forward to 2016 and now the company is up for sale, having lost a third of its workforce last year, as employees lost faith and voted with their feet. Critics contend that Mayer is an egocentric micromanager who dithers over crucial decisions. If this is true, why was she considered a superstar CEO hire? Mayer isn't the only CEO in history who has had a stellar career and

floundered in the top job. Much of the time, failures at the top are due less to character flaws than to the nature of the CEO position, which makes it difficult for leaders to develop on the job.

Companies spend a fortune developing high potential executives. The global executive education market is valued at **\$70 billion a year**, but CEOs don't get much of a look in. Investing in CEO development is typically considered a low priority for boards who think that by the time someone has reached the pinnacle of the organisation, he or she ought to be the finished article. Accountability for development falls to HR and they spend their resources investing in rising executives, not established ones.

Flaws unmasked

This leaves CEOs vulnerable to having their flaws “unmasked” by power. Research by my colleague **Manfred Kets de Vries** highlights six typical flaws in CEOs that either don't show up further down the ladder or have actually helped the leader to climb it, but in many cases, become liabilities in the corner office:

- Excessive narcissism (constant need for admiration, can solve problems without help)
- Hubris (confidence becomes pride and arrogance, “rules don't apply to me”)
- Imposter syndrome (dread of being exposed as imperfect)
- Folie à deux (leaders shift delusions to subordinates)
- Hypomania (excessive optimism, anything is possible)
- Inadequate life scripts (replaying scripts that satisfied basic wishes in the past)

These flaws are often exacerbated by the nature of the job. This is what I call “altitude sickness”. The CEO role is a lonely job. At every career step before this one, there are peers to talk to about what's going on, but those checks and balances disappear at the top. Information and feedback are distorted; people tell the boss what they think he or she wants to hear. Leaders are often expected to personify the company and are idealised by employees. External stakeholders are even worse; they want to see a winner or,

preferably, a CEO who's on a perpetual winning streak. It's more than a lot to live up to.

The ideal environment within which CEOs could learn, however, would be far from the environment that most CEOs currently occupy.

High altitude learning

Boards need to set a context for the CEO that keeps them from succumbing to their flaws. But as stewards rather than hands-on executives, board members shouldn't try to engineer CEO development. They should aim to create a climate within which effective development will happen naturally. This can happen through the questions they ask, the demands they make, the expectations they set and the rewards they give.

In a presentation I recently gave to the INSEAD International Director's Forum, a closing gathering of the school's [International Directors Programme](#), I laid out some key attributes of a strong learning climate.

- Help the CEO build a strong external network
- Encourage management by wandering around (MBWA) with employees and customers
- Ask for productive conflict
- Expect honest dissent
- Promote hypothesis-driven experiments
- Demand evidence-based learning
- Actively seek surprises and bad news
- Make it OK to be wrong or reverse course
- Reward results, not mystique

Boards members are ineffective as mentors because this goes against their governance mandate, but they can assist more indirectly by creating and sustaining a healthy developmental environment for the CEO. When I was on the board of Singapore-listed Chemoil after its listing in 2006, I agreed with then-CEO Bob Chandran that I would have direct access to his senior staff,

not to go behind his back or check up on him, but as an opportunity to speak with them and learn things that perhaps Bob wouldn't hear the same way.

When boards see their CEOs falling prey to some of the very natural flaws that can be unveiled by the pressures of this unique role, the conclusion shouldn't be that they need to be replaced. The next CEO is likely to have similar shortcomings. Boards should instead look out for which specific flaws rear their ugly heads and then take action to remedy them.

Marissa Mayer has had a tough time at the top. But the outcome is not all her fault. She is, however, a cautionary tale of what happens to CEOs who are brought in with fanfare and then left to steer the ship alone. CEOs who also chair the board are particularly vulnerable because they lack the most important counterbalance of all. Boards can neither anticipate nor fix every failing that the pressure-cooker of the top job brings out in CEOs, but they must take responsibility for sustaining the right climate for CEO's to grow over time.

Find article at

<https://knowledge.insead.edu/leadership-organisations/how-stop-ceo-failure>

About the author(s)

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