

The Time Value of Improved Performance: Dealing with Executives Who Have Fatal Flaws

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The fact that leaders have fatal flaws is certainly not new and has been highlighted in recent public trials. In some cases, leaders with fatal flaws can remain in an organization for years. We have witnessed a growing slate of leaders who possessed fatal flaws causing devastation in their companies and our society. This roster includes Ken Lay, Richard Scrushy, Jeff Skilling, Dennis Koslowski, Bernie Ebbers, and Martha Stewart.

retention of key talent is one of the critical human resource issues facing companies today; with poor leadership, the chances of having a good retention rate decreases.

Working in an organization with a leader having fatal flaws has tremendous consequences for the output and results in the unit. This leader has an effect on employee job satisfaction and productivity, and, ultimately, turnover. Studies have projected

performance issues meeting either of the preceding criteria as fatal flaws, when not addressed. We have found that an overused strength turns into a derailer as the role or work environment changes during an executive's career. If not addressed and if allowed to continue, such leadership behaviors often turn into fatal flaws.

An Approach That Works

The approach we utilize to improve the performance of executives with potential fatal flaws has its underpinnings in earlier work on derailment and fatal flaws and has produced excellent results. The approach has four steps, each of which is discussed here in turn.

Step 1: Gain Agreement and Identify Leadership Challenges

As noted, fatal flaws may turn out to be competencies that are performed at an average or generally acceptable level, not particularly a strength nor a weakness, but essential for the organization and role. In other cases, a competency may be so underdeveloped that it is a weakness and required for the job. Finally, personality characteristics may be causing the executive to lead in ways that have negative consequences to the organization. By the same token, there are strengths that every executive brings to the role, and some are more important than others based on the organization and role. Exhibit 1 portrays the relationship of competencies to important areas of performance for the executive's role. It is critical to be able to deal with the most important competencies to achieve increased performance. Our process is focused on this relationship of competencies to the executive and company's requirements.

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The stakes for poor leadership have increased significantly over the past decade with the increased scrutiny of shareholder value and transparent organizational behavior by outside organizations. No longer tolerated are senior leaders whose leadership creates a culture of distrust, deceit, and stifling of open communications about serious business issues. Boards of directors are required to get beyond the CEO's personal reign and gain exposure to the broader organization to ensure that effective leadership is present and that no damaging and illegal acts occur as a result of fatal flaws.

The risks and costs for shareholders invested in companies that overlook executives with fatal flaws are tremendous and far-reaching, affecting the organization, employees, and customers as well as shareholders. For example, over time, a poor reputation develops not only in the community but in the industry as well. This makes it difficult to attract the top-notch talent required to support business goals. Also,

the cost of senior leader turnover to range between three to five times annual pay. All of these factors decrease shareholder value.

We are excited about the results of the approach described in this article and want to share them with other practitioners who work with leaders having derailment issues. Helping leaders maintain effectiveness and saving the company untold financial and nonfinancial costs are important contributions HR leaders can make.

Fatal Flaws Defined

It is useful to understand what fatal flaws consist of and how these lead to poor leadership behaviors and ultimately substandard results. A practical definition is provided by Zenger and Folkman's research (2002), suggesting: "Fatal flaws exist when executives have performance issues that ultimately lead to career derailment or job failure. A fatal flaw is poor or average capability in areas that are mission critical to the job." For our purposes, we consider leadership

EXHIBIT 1

Relationship of Competencies to Job Requirements

IMPORTANCE	HIGH	Fatal Flaws	Strengths to Leverage
	LOW	Weaknesses	Strengths
		POOR-GOOD	STRONG
COMPETENCY EVALUATION			

A critical first step is to gain agreement among the key stakeholders (i.e., executive, boss, HR, coach) on the changes that must occur, critical strategic and role competencies, timeframes for results, consequences for change, roles in the process, and measures of success.

A variety of methods help us understand why and how the dysfunctional behaviors are causing problems in the organization and how to achieve ownership and buy-in from the high-risk executive. A solid approach is to utilize a series of assessments and observations to provide a complete picture of the executive in action.

Personality

The high-risk executive makes choices every day in his/her leadership behaviors; many such behaviors have been developed over years and rewarded by organizations. It is insightful to understand why executives are leading in the ways they do and to provide this shared learning with the high-risk executives. To aid in this we recommend a series of assessments that get to the essence of personality and identify how the executive leads in stressful and ambiguous situations. After all, it is under stress that executives go to the most trusted and efficient leadership style because it has led to success in the past. We utilize the OPQ 32 and Hogan's Development Survey.

The OPQ 32 is a self-report questionnaire measuring 32 dimensions of an executive's preferred or typical style of behavior at work. These dimensions are grouped into three broad categories of behavior: feelings and emotions, relationships with people, and thinking style. This assessment has been expanded through research of on-the-job leader behaviors and a model of management and leadership effectiveness has been developed (Bartram, 2004). Based on the patterns of scores on the various personality dimensions, the executive's likely leadership style and behaviors are predicted. The combination is powerful with executives and aids in their understanding of why the executive leads the way he/she has in the current and prior roles, and what changes can be made to neutralize negative behaviors.

The Hogan Developmental Survey was developed several years ago and is the only instrument available that assesses through self-report an executive's preferences toward derailing behaviors in times of stress and uncertainty. Typically, the 11 dimensions of personality measured by the survey are not enough to derail unless overused by the

EXHIBIT 2

Hogan Developmental Survey Dimensions

1. Excitable: Overly enthusiastic and then disappointed
2. Skeptical: Cynical and overly sensitive to criticism
3. Cautious: Overly worried about being criticized
4. Reserved: Lacking interest in or awareness of the feelings of others
5. Leisurely: Independent, ignoring others' requests, and irritable
6. Bold: Having inflated views of one's competency and worth
7. Mischievous: Being charming, risk-taking, and excitement-seeking
8. Colorful: Being dramatic, engaging, and attention-seeking
9. Imaginative: Thinking and acting interesting, unusual, and eccentric
10. Diligent: Conscientious, perfectionist, and hard to please
11. Dutiful: Eager to please and reluctant to act independently

executive (see Exhibit 2). We all possess many of these traits, and these can be helpful in leadership performance; however, when used to an extreme, all can become debilitating to the executive and contribute to derailment (Hogan & Hogan, 2001).

It is useful to understand these behaviors so executives can prepare to manage the downside of the flaws when faced with adversity. Our experience is that derailers are at best neutralized in their impact for an executive to avoid failure. Typically, there is not enough time to turn a damaging behavior into an area of strength in today's demanding world of rapid results.

How leaders exhibit the derailing leadership behaviors was outlined several years ago in the research conducted by the Center for Creative Leadership on why executives derail (Lombardo & Eichinger, 1989; McCall & Lombardo, 1983). There are five broad categories of derailing behaviors found in the research: (1) problems with interpersonal relationships; (2) difficulty building and leading a team; (3) difficulty changing or adapting; (4) failure to meet business objectives; and (5) too narrow functional orientation.

360-Degree Assessments

The use of 360-degree surveys and interviews has become a key aspect to helping executives increase understanding of their impact on the organization and how they are leading others. We value the 360 degree survey process in the case of leaders with fatal flaws, as they provide "surround sound" for the executive on what he/she is doing that is inhibiting leadership performance and lessen the denial of issues. Research has consistently showed self-evaluations are more lenient. Recently, a survey that showed 92 percent of managers rated themselves as excellent or good whereas their direct reports only rated 67 percent and 10 percent as good and poor, respectively (*HR Magazine*, 2006). In addition, 360-degree surveys and interviews provide several other advantages including:

1. Identifying the most important competencies;
2. Providing for key stakeholders (i.e., manager, peers, direct reports, others) to shed some light on how the executive is performing and to provide suggestions for improvement;
3. Facilitating a discussion between the executive and his/her stakeholders on improvements and changes;
4. Offering evidence of the negative impact of certain leadership behaviors;
5. Providing insight into the executive's goals and commitments as well as into the key role and company requirements for the executive to be successful; and
6. Comparing the executive's view with those of others and a global norm base of leaders.

Step 2: Determine Coachability

At this point in the process, or sometimes sooner, there is a need to determine if the development process has an acceptable probability of success. Lore International recommends this step in the coaching process and we have found it useful to discuss with the executive and key stakeholders. An executive may not have a high probability of successful performance in the time required for change for several reasons, including:

1. Lack of motivation;
2. Lack of commitment;
3. Not possessing the basic technical capabilities and experience required for the role;
4. Not having a team or manager that will be able to accept change;
5. Not having the resources to be successful in the role; or

6. Having a deeply rooted psychological issue that needs to be dealt with by a qualified mental health professional.

Our experience in organizations, working in executive roles in the past and serving as external consultants, has demonstrated that working on personal capabilities alone

We encourage the executive to use private reflection or talk to someone else (i.e., advocate, mentor, outside party, coach, board member) to gain insight. We find that replaying a bad meeting, difficult presentation, poor decision, poor hire, etc., is useful to understand what could have happened and what other alternative leadership behaviors are viable in the situation. Learning from experience is a great teacher when it is focused and facilitated.

Summary

The approach described here is different than many executive coaching processes in the following ways:

1. Diagnose and develop the executive as part of a larger socio-technical system. Practitioners should take into account such factors as strategy, structure, management process in addition to the capabilities of the executive.
2. Measure progress frequently and use this information to help the executive address opportunities, adjusting the approach real-time.
3. Utilize a strengths-based methodology that identifies the most important and strongest competencies to leverage while eliminating derailing behaviors.
4. Help the executive develop self-learning techniques and advocates that help continue an enduring development process not dependent on a coach.

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"In my former company, we engaged CPS to work with an executive who I felt would not change. The CPS coach made a commitment to tell me if he didn't think the executive could change. But I saw things like staff meetings being held for the first time and being conducted by consensus decision making. I saw him letting participants set the agenda. He started asking HR for help when needed. He became an effective functional leader."

— Mark Banks, VP HR Sciele Pharma

Step 3: Implement, Measure, and Evaluate Results

Creating a specific development plan that outlines goals, steps, timelines, and measures is essential for success. Like anything in an organization, a plan helps ensure success. We also find that the plan creates an accountability with the executive and helps focus the executive and key stakeholders on the most critical items for success.

When working with executives with fatal flaws, the triage approach works best. In fact, we start the triage in the first meeting with the executive, especially with the chance to interview key stakeholders prior to this meeting. Our triage approach works as follows:

1. Eliminate destructive leadership behaviors (started immediately).
2. Build competencies required for the company and role.
3. Based on the success of Steps 1 and 2, move to leveraging the executive's strengths.

We subscribe to the approach outlined by Zenger and Folkman (2002) in their research that identified the impact leveraging strengths can have on leadership. As fatal flaws are neutralized, we focus the executive on leveraging his or her strengths that are critical to the company and role.

is not enough to ensure long-term success for executives. We assess a number of areas, including the presence and viability of the vision or direction; the management process for establishing strategy, goals, and accountability, and for communicating, monitoring, and changing; the structure of the leader's organization and roles; and people (e.g., the fit of the executive team's strengths with the executive's needs.

Step 4: Set Up an Environment for Success and Continual Feedback and Learning

It is crucial to establish an environment that is supportive to the executive's need to improve continually and to help the executive learn from his/her experiences as the process continues. We utilize the concepts from Ciampa and Watkins (1999) on leader assimilation to support our coaching process and ensure results.

The use of the word "advocate" is purposeful because we want the executive's mindset to be focused on recruiting supporters and advisors who want to assist in the development process. Advocates are key stakeholders or a mentor who can be trusted and motivated to provide ongoing feedback and suggestions for change over time. Advocates must be perceived by the executive as competent and be willing to provide candid and direct feedback.