

WHY LEADERS FAIL

The fortunes of global companies have suffered these past 3 years. Poor economies and bear markets have contributed to the fall in profits, but is that all? Leaders and their leadership impact have to assume some responsibility for the poor business performance! Why else would there be such high turnover at the “C” level (senior management) globally? “CEO Succession 2002: Deliver or Depart”, (by BoozAllen Hamilton Strategy + Business) states that the tenure of “C” level executives is shorter today than at any point in history. Corporate governance is responsible for a few “C” level dismissals (Enron, Tyco, Vivendi or Tokyo Electric Power). Lack of top line growth and bottom line returns have also contributed to “C” level turnover, but this is just part of the story.

The NBOGroup wanted to understand what the stakeholders in organizations thought were the reasons for “C” level leadership failure. Was it all just lack of revenue growth, poor economies and low profitability, or were there other factors?

We asked 3,900 individuals why the ‘C’ level leadership turnover was increasing and what were the perceived reasons for failure? The participants were organized into 4 categories; “C” level (senior management), middle management, front line professionals and human resource professionals.

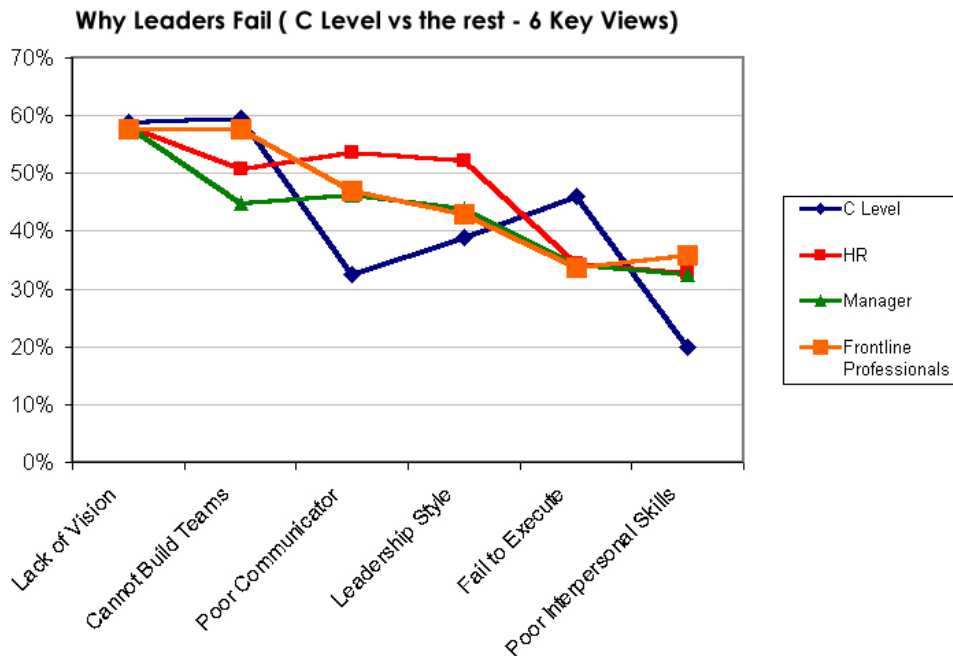


Fig1 Grouping of Respondants

The results revealed a difference in perception between the “C” level and other levels as to why leaders fail.

“C” level views of competencies which help them succeed or fail differed from others in a few key areas. The areas of disconnect were: *communication*, *interpersonal skills* and *execution*. Leaders perceived that their “C” level colleagues were most often “let go” because they lacked a clear vision, failed to build teams or did not execute. However, while other levels agreed with “C” levels on the importance of vision and **building teams**, they also saw **failure to communicate** and **poor interpersonal skills** as key reasons leaders fail.

WHY LEADERS FAIL



A 5 year study released in 2003 by William Joyce, Nitric Nohria and Bruce Robertson, “What Really Works” correlates closely to the NBOGroup survey findings: They identified **strategy** (vision, direction), **execution** (processes, attitudes) and **communication** as fundamental to a leader’s success.

When leaders and their **top teams** did not develop clear **visions**, strategies and direction, and were inconsistent in **communicating** their vision, the **execution** and **competitiveness** of the company was affected negatively.

Story: Former U.S. President, Harry Truman remarked to assistants that his successor, General Dwight H. Eisenhower, was in for a shock. Truman predicted that the General would sit in the oval office and shout orders and nothing would happen.

Many failed leaders have found out what Truman meant. Nothing happens unless middle management and the front line want it to happen. These are the people who translate strategies into action; hire, fire, motivate, inspire, coach and drive for results. They are the key to successful execution!

Happily the General already understood this lesson and Truman’s predictions failed to materialize. As a wartime leader, Eisenhower had learned first hand that every strategy needs tactical plans to be carried out at **all** levels. Execution on strategies only happens with clear communication and team cooperation across the organization.

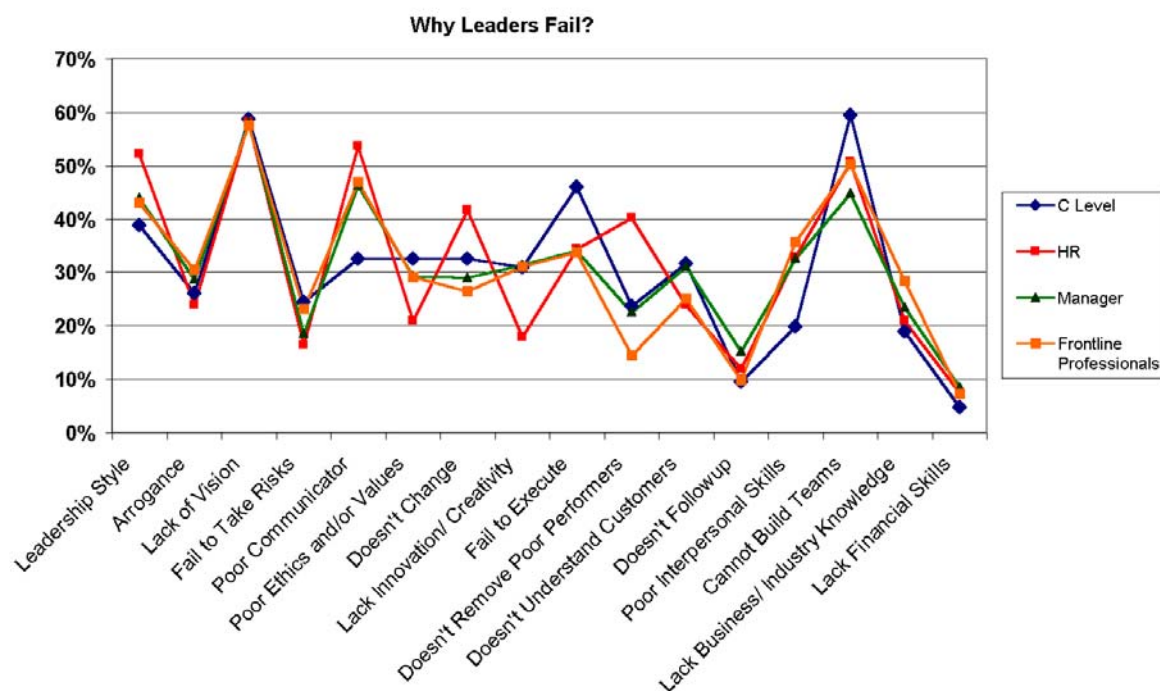
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The four groups surveyed by the NBOGroup were mapped against 16 competencies. All 16 competencies were selected from recent studies and books (2002-2003). Sources include:

- “How to Grow When Markets Don’t” - *Slywotzky & Wise*
- “Why the Bottom Line ISN’T” - *Ulrich & Smallwood*
- “What Really Works” - *Joyce, Nohria & Roberson*

The NBOGroup survey clearly reinforces these findings as well as those of other experts in defining the need to:

- Build strong top teams
- Develop clear vision and direction
- Communicate *constantly*
- Execute flawlessly
- Lead from your strengths, *know yourself*



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The NBOGroup has also been conducting 360° surveys for many years. These surveys cover leadership competencies, critical success factors and organizational values. We mapped the composite of the 360° competencies gathered over the last 5 years to the NBOGroup’s “2003 Why Leaders Fail” survey. The 360° leadership competencies of: **Customer Focus**, **Drive for Results** and **Integrity** are consistent in favorable ratings with the “Why Leaders Fail” survey. The competencies for **Vision**, **Teamwork** and **Communication Skills** are also consistent in both as areas needing development and being the top reasons for failure. It makes sense that leaders need to create a shared mindset in their organizations. They can only do this by having a clear vision and strategies and communicating these in a way that gains stakeholder support.



One report in the Financial Times, “Organizations too, can be put on the couch” June 20, 2003, notes that a 30% difference between a competitor’s performance can be attributed to differences in culture. If you want to build a “success” culture, it is leader driven, leader communicated, and leader practiced; “walk the talk”. The question for leaders is what culture are they creating?

The NBOGroup survey plus our 360° composite results tell a clear story. For leaders and their organizations to be successful, these very clear practices must be employed :

- Build a strong top team
- Develop a clear vision and strategy
- Communicate the vision and strategies *clearly and consistently*
- Execute the strategies flawlessly
- Lead from your strength and stretch the organization for success

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The survey highlights one area that requires special focus; building strong cohesive top teams. This was also highlighted in a 2001 McKinsey Quarterly (*“Teamwork at the Top”*, when it’s not working well it affects the entire company). If you don’t have a strong top team that works cohesively, you have a problem.

The building of a strong top team is the key step in a leadership process. It’s this team that develops the vision and starts the clear, consistent communication of that future goal. The strategies and plans to support the vision all come from this strong cohesive team. The groups, from the senior team to the frontline, are aligned in the execution of these strategies, missions and tactics. Only by starting at the top do you build the culture that executes flawlessly.

Visit the NBOGroup website to learn more: <http://www.nbogroup.com>

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