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Avoiding the Ax: Why CEOs Get Fired

Just as companies evolve, so too must company leadership. To ensure business and personal success, CEOs and founders must be able to personally transition through the various lifecycle phases of a company. When they can't, they are often unceremoniously booted. Traversing the transitions can be difficult, especially for founder/CEOs that are emotionally involved in a company. However, if a CEO's job is to maximize company value, it is critical that they have the ability to step back and be objective. This requires the personal insight of knowing where their skills can best serve a company.

The topic of CEO transitions is not new to Russ Aldrich or Mike Smith. Aldrich has 35 years of experience as both a venture capitalists and startup executive; Smith has served as CEO for companies such as Nordstrom.com and Classmates. At a recent Northwest Entrepreneur Breakfast meeting these two former CEOs discussed the sensitive topic of why CEO's get fired.

As start-up companies evolve they experience three primary stages of growth that create unique risks situations for their CEOs. For example, stage one of a company's evolution requires CEO talent that is uniquely adept at positioning the vision for the company, product, technology or service. The CEO helps to drive the company forward. It requires a highly energetic and visionary leader. Conversely, stage two requires a different set of skills. This is the CEO stewardship phase. It requires a CEO that is adept at taking the vision to the next level. Operational excellence and being able to successfully establish company policies and procedures is critical during this time. The third phase is generally known as the exit stage. The leadership needed during this time is someone that can cause transitions to happen. CEO's that are successful during this phase know how to sell. They know the brokers and lawyers who can make a deal happen, and can identify those who are likely to buy the company.

Executive Insights

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Not surprisingly it's extremely rare for a single leader to have the skills required to successfully lead a company through each of these three phases. For this reason it's important for a CEO to know which phase of growth their personal skill set is best suited for. Interestingly, when a CEO departs before a company transitions to a new phase, it is often naively observed by many as a failure on the part of the CEO. However, this is often a misconception. For example, if a company succeeds because a CEO departed at the appropriate time, then the CEO's tenure and exit were actually a success. This is especially true when contrasted with the CEO that forcefully resists a transition that should be embraced.

The Warning Signs of CEO Transitions

Although CEOs transitions are a natural evolution at nearly every company, some CEOs are forced to exit sooner than necessary. These premature transitions might be successfully delayed if the CEO understands what skills they need to embellish. According to Smith and Aldrich, here are some of the issues that CEO's need to watch for:

- Wrong Expertise: Know your skill set and where its best suited in a company's lifecycle. For example, are your skills better suited to building early traction or to establishing scale?

- Toxic Attitude: CEOs need to listen, continually adapt to new ideas and be open to change. If a CEOs attitude is toxic they will actively avoid changes, stop listening, and avoid adapting. When this happens, most often the board will step in and force a change.

- Oversized Ego: CEOs that believe that they are always right and the smartest person in the room often becomes the real life emperor without clothes. They fail to recognize their weaknesses and avoid hiring and listening to the smart people needed to shore them up.

- Lack of Humility: Serial CEOs that try to make one approach work for every company don't evolve their skills to fit new situations. Humility is needed to realize that every company is different. Past successes don't always translate into repeated success.

- Delegation Failures: CEOs set the tone at the top for delegation across operations. This instills confidence in their managers to delegate. An inability to demonstrate trust and a lack of understanding of the delicate balance of delegation will doom a CEO to failure.

- Board Dynamics: The company board needs to be on the same page as a CEO. It's important for a CEO to know they will get along with the board and that the board members are the right fit, given the company's lifecycle phase. Board dynamics bring down many CEOs.

- Disengaged: Great CEOs stay connected with the business. They understand what the enduring customer value is and can articulate any changes. They also have an ability to re-articulate the vision as the market broadens and the customer set widens.

CEOs that can effectively manage their board, while retaining their passion, staying humble, hiring well and delegate, represent the great leaders that every company should aspire to hire and keep.

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These "Executive Insights" are based on monthly presentations provided by leading entrepreneurs at the Northwest Entrepreneur Network (NWEN.org), a non-profit organization dedicated to helping entrepreneurs succeed. The column is written by Cheryl Isen, founder of Isen & Company, a strategic marketing and public relations firm that helps emerging companies increase corporate visibility and brand awareness Contact Cheryl at (425) 222-0779, Cheryl@IsenandCo.com or on the web at www.IsenandCo.com.