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How to Successfully Fire the CEO
The When, the Why, and the Where

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How do you know when it's time for the CEO to go? What are the indicators, the mistakes, and the evidence that signal the need for departure? Who makes the decision, what's the sequence of events, just how tough, and embarrassing, is it going to be?

A number of sources each year, usually the business magazines, take a poll, do some kind of survey, look up at the sky, and come up with the top 10 reasons CEOs have to go. One conclusion we can quickly draw is that the risks to CEO survival are steadily increasing.

Here's Lukaszewski's CEO Departure Index (LCDI) -- a compilation of recent departure reason lists and what I see every day as a leadership consultant and observer.

1. **Failure to get the job done**. The number one reason is the inability of the CEO to actually carry out or execute what he or she was hired to achieve.

2. **Over-optimism.** Constantly casting every decision, action, and decision in the most positive light possible whatever the actual circumstances. Sooner or later somebody notices, a key shareholder, a whistleblower, industry watchers, CEO watchers, the SEC, the Justice Department – you get the picture. Someone is always watching and counting what CEOs do.

3. **People trouble**. Big dreams, big aspirations, overcoming major obstacles often requires the acquisition of new people with new talents. Hiring the right people at the right altitude is one of the greatest challenges of top leadership. The failure rate for such new hires is high, probably 50% or better. When these people fail, the boss fails too.

4. **Stuck in the mud.** No matter what the fanfare, accolades from the board, even industry recognition, outsider or insider, huge problems, a demoralized workforce, persistent bad news can combine to defeat even the most highly credentialed CEO.

5. **AWOL**. This is the CEO who loves the television camera, the public platform, who is the high-profile do-gooder. When public visibility supersedes meeting fundamental management responsibilities, trouble lies ahead.

6. **Too long in the tooth**. A compilation of ten-year forecasts by executive search and outplacement firms puts the average tenure of a new American and European CEO at about 41 months. Every month beyond this threshold puts the incumbent deeper into this "long in the tooth" zone and closer to the door.

7. **What business schools failed to teach.** In the good old days of being a CEO, now long past, being a Chief was a career capstone. The job was fundamentally operational, inspirational, institutionally focused, and a pretty good gig. Today, by some estimates, the CEOs job has become about 40% operational and up to 60% nonoperational. Before, an angry shareholder would be mollified by the IR folks. Today this individual blasts right through to the CEO's desk. The same is true for public policy problems, neighbor problems, product problems, angry dissatisfied customers, and victims. Failure to manage these highly emotional nonoperational circumstances is among the most important and growing causes of CEO departures. Silence is definitely toxic to the CEO's career. Doing something can also be career defining.

   Emotional behaviors and demands tend to fall on management's deaf ears. What these people learned in business school was that only what you can measure or count matters. Guess again.

8. **Failure to manage persistent bad news.** One of the most interesting contrasts illustrating the vulnerability of CEOs is the difference between the Exxon Valdez incident in 1989, and the British Petroleum disaster of 2011. Exxon CEO Larry Rawls blasted the press, chided and insulted activists, government officials, just about everybody who argued that the spill in Alaska was a big deal. He and his pals at the petroleum club enjoyed extraordinary press coverage of their anger, vitriol, and whining. Fast forward to 2011, Tony Hayward says a few stupid things: "I would like my life back…." and "The Gulf of Mexico is a really big ocean," and he's out the door.

9. **Being the leader when bad things happen.** Today, virtually the first person tossed overboard will be the CEO. Boards and shareholders have learned that the best way to stop the lightning is to get rid of the lightning rod, the CEO. Want to moderate negative media coverage, fire the CEO. Want to move inquiries away from the company or organization, fire the CEO. Want to distract the detractors, even temporarily, fire the CEO. Want to temporarily redirect the work of public officials and congressional committees, fire the CEO.

There is a ritual for showing these people the door which is, in and of itself, a bit ludicrous and maddening. This ritual has ten basic components:

1. **Establishing the grounds for removal: O**nce the decision has been agreed to, this is often the most difficult and challenging assignment. The decision to remove is way easier than figuring out why and how.

2. **Determining what information might be necessary to achieve the removal objective: S**ometimes the appointing authority is so gun shy, the step becomes a major source of delay and debate.

3. **Preparing the exit compensation strategy: A**nother major point of contention between those who want to punish, and those who want to move on. There'll be a big check in either scenario. Count on it.

4. **Constructing the nondisclosure i.e. protecting the guilty, the incompetent, the conspirators, and the complacent)**: Why this is so important remains a mystery to most, but nevertheless takes up significant discussion time.

5. **Testing the waters:** Someone has to start the, “you need to exit" conversation. It’s usually a couple, sometimes three people, for what will be an 8 minutes or less conversation.

6. **Redoing your plans following first contact:** Despite some shock and awe, this is when the real uncertainty, sometimes paralysis, sets in. This is classic strategic planning. The reality is that after the first shot is fired, a whole new strategy will likely be needed to respond to the CEO’s reactions.

7. a. **Keeping those in the know from premature public disclosure:** Like most urgent or crisis like situations, it's never the media, the government, your toughest competitor, or even an angry employee that messes up your plans and spills the beans. Premature disclosure is all too frequently done by a board member who has a different perspective, an overconfident CEO, a well-meaning friend, or a relative.

   b. **Destiny Management: Managing the story from the inside out:** If ever there was a time to enforce the systematic and rigorous cascading communication strategy based on engagement, this is the time. Start at the top with leadership, and then migrate further south to the next level of leadership, then further south to the first line supervisors with probably a total of four messages, each message being between 75-100 words. These mini-scripts then make up whatever you say outside, regarding of the questions the organization is being asked. Adverse news accounts, web accounts, and social media accounts are collected, corrected, clarified or commented on, with great promptness on your organization’s web site. It’s your destiny. If you fail to manage it, someone else is waiting in the wings to do it for you.

8. **Preparing for leaks, hiccups, unintended consequences, and stupid mistakes:** These stumbles, fumbles, bumbles and mumbles are caused, to be charitable, by the need to be perfectly ready. The problem is, once this process is underway there is no stopping it, and there's only one way to avoid the stumbles, get it done fast, even faster than fast.

   Hiring people is always a dicey business. Firing people, upon reflection, is always done with a dull meat ax. Avoid prolong the process. Do it quickly - now - and fix far fewer mistakes later.

9. **Waging peace, finally, rather than war: I**f the target of the disposal effort pushes back, typical business school strategy says taking things off the table, punish them, teach them a lesson, “Don't be a sissy when you’re doing this." After a while, somebody really smart recognizes that the most powerful word to achieving your dismissal objective is," yes," rather than no.

   This usually takes place after sufficient public or internal embarrassment.

10. **Writing the check and zipping their lips.** Frankly, I've never understood the reason for nondisclosure agreements. The usual legal rationale is the prevention of copyrights, release of proprietary or competitive information. However, since most organizations have only one CEO at the time, the likelihood of copycats seems small. The more likely reason is the prevention of somebody’s personal embarrassment among business buddies and yet another bad headline. I always remind my clients that the check they write today will likely be the smallest check they will ever write in this matter, so let's get to it. It turns out that, as in most crisis scenarios, speed beats smart every time.

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