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How to avoid recruiting a narcissist

Narcissistic leaders are only interested in themselves and are more likely to make risky decisions. Following the credit crunch, firms are wary about repeating past mistakes and hiring a leader who could lead to disaster. By **Jackie Switzer**

Overconfidence: as CEOs become more successful they start to believe they can do anything, even walking on water

ALAMY

NARCISSUS – the beautiful youth in Greek mythology who falls in love with his own reflection, remains gazing at his perfection and eventually dies – may not immediately remind you of the pantheon of long-serving chief executives whose decisions have seriously impacted business success.

However, a recent research report by MWM Consulting on the risk of narcissistic, arrogant and power-hungry behaviour by CEOs, Taming Narcissus, suggests that the unchecked personalities of senior leaders can become a major destructive force and harder to detect than other corporate threats.

More than 80 CEOs, chairmen and board directors shared their experience (successful and unsuccessful) of identifying high-risk CEOs across 400 boards in 21 countries.

Michael Reyner, managing partner at MWM, says: "If their behaviour becomes distorted and is unchecked, a once enormously positive and talented CEO can begin to imperil the business. If the CEO stops listening to advice and there are not sufficient checks and balances, the business can make flawed decisions. Equally, the culture can become corrupted with people unable to be open and say what they think, believing that they have to ingratiate themselves with the CEO."

Business leaders need unusual levels of self-confidence, charisma, persuasiveness, drive and resilience to reach the top but, once established, a combination of unchallenged power, soaring financial rewards and a lack of honest feedback risks isolating them from the day-to-day reality that would keep them grounded and self-aware.

Many CEOs have notable successes early on in their careers, move up quickly and may not experience the legacy of their actions. Also in today's "always on" culture, the relentless pressure and demands can drain the most resilient.

Headhunters can play a key role in identifying potential risks in the appointment process, with Reyner saying: "We use in-depth behavioural interviews to focus on understanding the candidate's behaviour as well as their business judgment and achievements.

"We also carry out thorough referencing to explore character, talking to people informally who have not been suggested by the candidate. Most senior people can suggest three people to provide positive formal references so informal checks are vital to ensure a broader picture. Past behaviour is a good guide to future behaviour and in the CEO role latent negative behaviours can become exaggerated."

AVOIDING THE RISKS

Having an honest discussion about development areas and formally agreeing a firm development plan to address behavioural risk is invaluable.

"The best time to talk to the CEO and set expectations is in the early days, when they are still listening," continues Reyner. "Almost no CEO starts off with malign intent, so discussing with them the pitfalls that lie ahead in their new position is very useful."

Over time, as CEOs are successful and any uncertainty fades, the risks increase. One CEO reflects, "It is hard not to start believing your own PR and concluding you can walk on water," while another adds, "It's easy to believe that the success is all down to you – confusing coincidence with causation".

On the flip side, CEOs identify fear as a trigger for derailing, as one comments: "When the stardust dims and the CEO is under real pressure, his worst characteristics may come to the fore."

CEOs agree that the risks increase over time: as their dominance in the business increases they may become convinced of their own brilliance and less in touch with reality. One chairman comments: "CEOs have a shelf-life; the longer the tenure is, the more carefully the board needs to ask questions about performance and behaviour."

Reyner adds: "Few CEOs get the timing of their exit right; they usually stay too long. Once a chairman recognises a CEO has tipped over, they need to ensure they have the support of the non-executives to address the issue.

"Then they must have a frank discussion with the CEO while business performance is still good and their behaviours are not yet actively destructive. They should agree their exit in a year's time and plan how to make this effective for both sides."

The research identifies a number of symptoms of a risky CEO, including grandiosity and greed where demands for lavish office redesigns, expensive perks, corporate sponsorships reflecting the CEO's favourite sports and flouting corporate rules become the norm.

CRAVING 'CELEBRITY STATUS'

Another risky symptom is becoming addicted to the limelight – craving the business equivalent of celebrity status and focusing on their public image over that of the company. Leading the executive team by having one-to-one meetings rather than building a strong executive team is another risk as it prevents healthy opposition and risks playing off different members against each other. Narcissistic CEOs are unlikely to be interested in succession planning or considering the future of the organisation once they move on. One chairman describes a tendency for CEOs to "deny oxygen, airtime and freedom for the next generation".

All these factors increase the risk of CEOs making poor strategic decisions: from pursuing risky M&A deals or taking the business into new arenas to ignoring changes in the market and persisting in their tried and tested approach in spite of all warning signs.

The board's role in providing checks and balances to the CEO may not work as the behavioural risks may not be as obvious as business or financial failings – few independent directors are chosen primarily for their emotional intelligence or psychological skills.

"Chairmen need to address early abuses by the CEO and to take decisive action to send the right message, otherwise they may find the CEO's behaviour steadily diverging from the acceptable standard," says Reyner.

Also the challenge is to step up when the CEO's behaviour has reached a tipping point. Unless the performance of the business is clearly affected boards may tend to take an optimistic view. As one interviewee commented: "It is hard to deal with this when your CEO has been given a knighthood."

DON'T BE A SELF-CENTRED LEADER

- Be aware of your weaknesses and blind spots.
- Ask yourself if you would tolerate your behaviour in a direct report.
- Check with a trusted person outside your business environment if they think your public business persona reflects the real you.
- Think about whether you are spotting and developing top talent for the business.
- Do not outstay your tenure – leave when people are asking "why you are going?" rather than "when?"
- Ensure you build a strong team that will challenge and outlast you.
- Look for opportunities to sit on another board to get a fresh view on your role and relationships.
- Lead open, robust and honest debates and encourage different views.
- Ask for 360-degree feedback from other directors and staff.
- Question whether your success is the result of your brilliance alone or if luck, context and the team have contributed.