
Leading Through Denial

By Lynne Eisaguirre

What's the biggest mistake executives make during challenging times? Denial – which I define as waiting too long to recognize that the ship is sinking and you don't have enough lifeboats.

Recently, I interviewed Jim Farris, President of Energy, Environment and Systems for Ch2MHill, a veteran executive who has led during good times and bad. When the market falls out of your business, he observed, most people simply don't believe it. "They are in denial. Even when the stock price starts going down they believe that it will come back up." Leaders, he finds, wait too long to make the appropriate changes.

Jim worked in Manhattan during the 60s and 70s in the nuclear industry. People were simply not prepared when "the industry hit a cliff and dropped off. Everyone had to scramble to retain their position in the market."

He saw leaders in denial, who simply did not believe that things were going down that fast and they waited too long to react. No one believed that an industry so well funded would face an unknown future. After watching executives fail during that experience, he began urging leaders to consider the "unk unks," meaning to consider what is "unknown that is unknown." In Denver during the 90s, he saw some leaders making the same mistakes in the telecommunications industry. They simply failed to see the signs that began with a lack of capital investment.

My own theory is that the denial is fueled by people problems, executives who fail to see that they have the wrong people in critical position. When we do have the right people in the right positions, they will shake us out of our denial.

A recent Fortune Magazine survey entitled “Why CEO’s Fail,” postulated a similar thesis. The number one reason, of course, was a failure to make enough money. The number two reason, however, was a failure to deal with people problems, especially a failure to release their closest advisors and subordinates who were not doing a good job. And the reason? Conflict avoidance. The failed executives lacked the ability to face the fact that these people were not doing their job, even though everyone else in the company recognized their limitations.

If you’re in some kind of challenging time, a useful process is to decide how many of your leaders are in denial. How many people are simply refusing to acknowledge that the storm exists and are failing to make the people and strategic decisions necessary.

Leading Through Denial. Are you?