

Catastrophic Leadership Failure: An Overview

Henry L. Thompson, Ph.D.

Why do smart leaders with proven track records sometimes suddenly begin making really bad decisions—or no decisions? There are numerous well-known public examples, e.g., Enron, WorldCom, Tyco, the American Red Cross, Katrina, etc. CEOs are being replaced at a record high rate of 7.6 per business day. Over 28% of these CEOs were in position less than three years, and 13% less than one year (Challenger, Gray & Christmas, 2005). Research ([Thompson, 2005](#)) shows that stress and its impact on cognitive and emotional abilities may provide at least a partial explanation of what I call *Catastrophic Leadership Failure*.

Cognitive ability (IQ) and emotional intelligence (EI) abilities are required for successful leader performance—at all levels. Recent findings combined with my experience and research on leadership, stress, IQ and EI over the last 25 years indicate that when a leader's stress level is sufficiently elevated—whether on the front line of a manufacturing process, in the emergency room, the Boardroom or on the battlefield—his/her ability to fully and effectively use IQ and EI in *tandem* to make timely and effective decisions is significantly impaired. This impairment often leads to catastrophic results.

A war for talent is underway. Finding, recruiting and hiring talented leaders with high IQ and EI is only the first battle of the war. The war will be won or lost by those who are able to control stress at the individual and organizational levels. Stress negates talent, IQ and EI.

Intelligence and Leadership

Research clearly demonstrates that cognitive ability (IQ) directly impacts leader performance (Schmidt & Hunter, 1998; Sternberg, 2001; Thompson, 2007). Schmidt and Hunter (1998) reviewed 85 years of leadership research and found that general mental ability (IQ) was a strong predictor of leadership success ($r=.51$, $R^2=.26$). As the complexity of the job increases so does the value of IQ.

My observations and empirical research on the relationship of IQ to leader performance over the last twenty five years validates that IQ is predictive of “cognitive” learning ability and speed of information processing, both of which make a significant contribution to leadership performance, particularly at the higher leader role levels. For example, I have found a steady increase in the average Leader IQ¹ from the front line leader (IQ average of 100) to the CEO (IQ average of 125), especially in larger organizations (Thompson, 2007). IQ tends to be the price of admission for executive level leadership positions. It is very difficult to rise up the corporate ladder without an IQ in the 120-125 range.

Emotional Intelligence and Leadership

Over the past decade, emotional intelligence has not only come into being as a credible psychological construct, but a large amount of data has been amassed supporting that EI plays a significant role in the success or failure of the leader, especially at the more senior levels. There are some reports which suggest that EI might even play a larger role in leader success than IQ (Goleman, 1995; Cherniss, 2004). Whether

¹ The IQ ranges presented here represent averages at the role levels indicated. It should be noted that at the lower levels of leadership, IQ has a much wider range of variation, with front-line leaders having IQs that vary from 90 to 140 in our sample. At the CEO level, IQs tended to range from 110 to 142.

IQ or EI contributes the most in leader performance is still debatable at this point. However, EI has been shown to play a significant role at all levels of leadership.

For the purpose of this summary EI is defined as:

A person's innate ability to perceive and manage his/her own emotions in a manner that results in successful interactions with the environment, and if others are present, to also perceive and manage their emotions in a manner that results in successful interpersonal interactions (Thompson, 2006).

Note that this definition does not require interaction with another person. EI involves managing/controlling the Awareness and Appraisal of emotions and the resulting action in a manner that produces successful outcomes, whether in the presence or absence of others.

When a stimulus occurs, a signal comes into the brain to the *thalamus*, which acts like an air traffic controller. The thalamus sends information to various parts of the brain, particularly “up” to the *prefrontal cortex* (PFC) and “down” to the *amygdala* (Goldberg, 2001). The PFC, or CEO of the brain, controls “higher” level thinking processes, e.g., logic, analysis, decisionmaking, etc.—a significant portion of the leader’s IQ.

The amygdala, sometimes described as the emotional center, plays a major role in emotional responses. It responds incredibly fast to incoming stimuli. But, fortunately, in most cases the PFC is able to exert control over the amygdala reactions and help the leader avoid what Daniel Goleman (1995) calls “amygdala hijacking.”

When the right blend of thinking and control from the PFC is combined with the right amount of emotion from the amygdala, a person may execute an appropriate action pattern to respond successfully to a particular event (stimulus). If this process works “correctly,” then that person is said to have performed intelligently, both emotionally and cognitively.

Successful leadership interactions require a certain amount of conscious intention using both the PFC and the amygdala to create a blended response. When something, such as stress, interferes with the functioning of the PFC, the probability of making an inappropriate interpersonal decision increases.

Stress and Leadership

Each year stress in the workplace cost US industry over \$350,000,000 and is linked to each of the six leading causes of death: heart disease, cancer, lung ailments, accidents, cirrhosis of the liver and suicide. Stress was dubbed as the 20th century disease and is quickly becoming the disease of the 21st century as well.

When a leader encounters a stressful event, a cascade of neurotransmitters and hormones is released into his/her system resulting in a short-term increase in strength, concentration and reaction time. These changes may be helpful in the initial response to a stressful event. However if the stress becomes high enough for a long enough period of time, deleterious effects will follow.

The initial release of neurotransmitters and hormones into a leader’s system begins to affect major brain systems, particularly the PFC and the amygdala. Too much stress “turns off” the PFC, resulting in a drop in IQ and ability to control the amygdala. Stress temporarily reduces IQ (Arnsten, 1998)! At the same time, the increased stress “turns on” the amygdala creating an overly sensitive, heightened state of

emotion. A leader loses a significant amount of ability to “control” his/her emotions, thus becoming not only temporarily cognitively impaired, but also less emotionally intelligent!

All leaders are human and make occasional “bad” decisions that they later change, or wish they had changed. Making a poor decision because of faulty information, lack of experience or the Peter Principle² (1969), is not necessarily CLF.

When CLF occurs, many of the following characteristic behaviors will be observable.

<ul style="list-style-type: none"> • Not listening • Over-analyzing • Failure to make decisions • “Low-quality” decisions • “Emotional” decisions • “Flip-flops” • Short-term decisions/focus • Reactive decisions • Defensive 	<ul style="list-style-type: none"> • Rationalizing • Self-satisficing • Hedonistic • Denial • Attentional blindness • Fear-based decisions • Anger-facilitated decisions • Automatic decisionmaking
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Table 1
CLF Decisionmaking Characteristics

A Catastrophic Analysis

An examination of the *EI-Stress Effect*^{TM3} reveals that it is neither static nor linear. A change in stress of five percent, for example, does not necessarily produce a five percent change in EI. If the EI-Stress Effect and the resulting CLF are not linear processes, then the appropriate analytical technique for investigating CLF should be nonlinear. One such nonlinear analytical process that might be appropriate is Catastrophe Theory (Thom, 1975).

Catastrophe Theory has been widely used to explore phenomena in the biological sciences (Scherer, 2000), psychology (Guastello, 2001, 2002; Nowak & Vallacher, 1998) and education (Stamovlasis, 2006). CLF (dependent variable *y*) is driven by two state parameters, or states of stable equilibrium. The change in the states is a function of stress and EI (*a*, *b*) and can be represented by the following equation.

$$V_{(y,a,b)} = \frac{y^4}{4} - \frac{by^2}{2} - ay$$

Dynamical systems, such as the one represented by CLF, try to maintain a stable state. Thus, when “an instability” occurs, the system will change to reach a stable state.

² Lawrence Peter’s 1969 principle states that in large organizations all leaders will rise to their level of incompetence.

³ The EI-Stress Effect is a trademark of High Performing Systems, Inc.

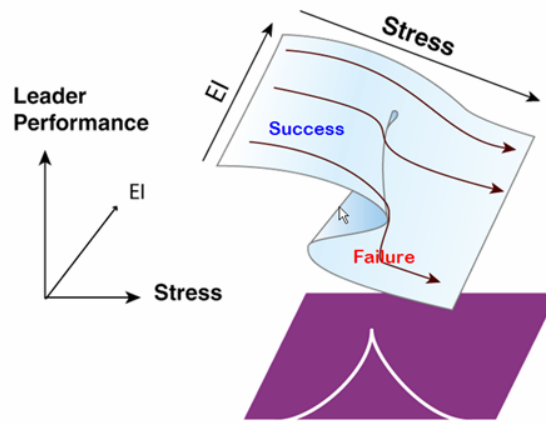


Figure 1
A Cusp Model of Catastrophic Leadership Failure

The cusp model depicted in Figure 1, shows a behavioral response surface with a bifurcation point. The left half of the response surface represents successful leader performance. The right half of the response surface represents a lower performance state. The right front quarter of the response surface represents leadership failure. As stress increases, there is movement from left to right across the response surface. A leader with high EI at the outset will traverse relatively smoothly across the back portion of the response surface while showing some gradual decrease in leader performance. If the leader has low EI at the outset, he/she will move along the surface until he/she encounters the bifurcation point and then make a sudden and catastrophic drop in leader performance.

When CLF occurs, it is sudden and causes a catastrophic change in the leader's ability to perform successfully. The leader will exhibit some or all of a characteristics set of behaviors such as becoming mentally paralyzed and unable to make appropriate decisions. In a scene from the movie *Pirates of the Caribbean 3*, a leader (commander) needs to make a critical and immediate decision. He stands there, staring blankly ahead, experiencing a CLF and his people are asking, "What do we do? Make a decision. What do you want us to do?" He just continues to stand there. Cognitively and emotionally, he is temporarily paralyzed and unable to function as a leader.

Sometimes, CLF results in hedonistic decisions. The leader takes care of him/her self. The Chief Financial Officer says, "We can set up several shell companies in Bermuda and flow a few million dollars into them, make millions of dollars and not pay tax. During CLF, this might sound like a good idea because the PFC has stopped working and IQ and EI have dropped dramatically.

Avoiding Catastrophic Leadership Failures

To avoid catastrophic leadership failure, hire people with high EI, train everyone in EI skills, and reduce individual and organizational stress to a manageable level. Reducing stress and increasing EI offers a greater chance of avoiding CLF. Keep in mind that CLF can occur at any level in the organization, to include the individual contributor level.

Techniques for reducing CLF include the following:

- Assess IQ, EI and stress
- Provide education on EI and stress
- Build individual and organizational stress coping strategies/skills
- Make systemic changes to remove stressors

- Make stress management a leadership responsibility
- Monitor individual and organizational stress levels
- Use stress coaches/mentors
- Implement EI training and coaching
- Create a culture that makes it okay to ask for help
- Build strong teams around leaders

Organizational stress is dynamic. Even within a 24-hour period there will be ups and downs in relation to stress. Additionally, organizational members are experiencing stress in their personal space which impacts their stress level at work. Good stress coping techniques for both personal and work stress are necessary.

Each individual brings to the organization a certain level of EI potential. The dynamic interaction between the individual and the organization influences how much of that EI ability each individual is able to use on a daily basis. Creating an organizational culture that allows and encourages the use of EI skills can help leaders perform at a higher level and reduce the probability of having CLFs. All leaders will have CLFs across their career. However, the number of CLFs and their destructive magnitude can be managed.

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Dr. Thompson's Abbreviated Bio

Henry L. (Dick) Thompson, Ph.D., M.S., M.A., is president and CEO of High Performing Systems Inc., an international management consulting and training firm he founded in 1984 to help leaders, teams, and organizations achieve high performance. He is an internationally recognized consultant, educator, speaker, and author. Emotional intelligence, FIRO, and psychological type theory are integral parts of Dr. Thompson's work and ongoing research. The Leadership Potential Equation™ and The CommunicationWheel® are just two of many tools he developed to facilitate leader and organizational development. He is a recipient of the Mary McCaulley Lifetime Achievement Award for work with the Myers-Briggs Type Indicator instrument. ([Expanded bio](#))

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hpsys2@aol.com

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