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## **ARTICLE** **LEADERSHIP**

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*by Jeffrey Cohn and U. Srinivasa Rangan*

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Even before the current crisis, CEOs faced a world that was increasingly volatile, uncertain, complex and ambiguous — an environment popularly referred to by the acronym VUCA.

Preparing future CEOs to lead in this environment is a challenge for the incumbent CEO, who must create a psychologically safe space for potential successors to reach their full leadership potential in an unforgiving environment. The incumbent's legacy depends on it.

Here's what they can do about it.

## **Help Rising Stars Learn to Lead Amid Uncertainty**

CEOs should ensure all rising stars have a crisp understanding of what it means to be a leader in uncertain times, why it's different than leading during more stable eras, and how leadership development obstacles get in the way.

Rising stars are used to success and accolades. But a surprising number of them are often not able to tolerate discomfort or maintain self-control when leading multiple businesses with incomplete information and the potential for unpredictable outcomes. Yet all eyes and ears will be on these leaders, particularly the eventual CEO successor. Self-control will one day be thrown into stark relief and needed to provide others with comfort and safety, particularly during tough times.

The incumbent CEO can help rising stars get to the next level by transparently sharing stories of leading amid uncertainty —both successes *and* failures. After sharing with the group, the CEO should ask all rising stars how they would have handled the same, tricky situations, and how they would have likely felt. These conversations should be transparent and direct. Listening with empathy, asking follow-up questions, encouraging a group discussion about techniques for self-control, and showing genuine interest in the answers helps the CEO create a psychologically safe space. Rising stars soon realize their anxieties and concerns won't be judged by anyone, as long as they're active participants. Over time these CEO prospects develop more situational awareness, a broader perspective, and increased self-control.

## **Set the Right Tone at the Top**

Some CEOs still view vulnerability as a weakness. That's too bad. Long gone are the days when CEOs can pretend to be omniscient. A crisis will quickly expose a leader's weaknesses and blind spots. If he or she pretends to have all the answers and is reluctant to admit mistakes or ask for help, others in the leadership pipeline will almost assuredly adopt this same perspective. Because the leader casts a long shadow, this kind of obstinacy will inevitably create a downward spiral of succession failure, like it did at General Electric, Wells Fargo, and Boeing. On the other hand, CEOs willing to embrace vulnerability and transparency will create a uniquely fertile culture in which thinking deeply about one's blind spots and development needs is not only tolerated, it's encouraged and rewarded.

Brad Smith exemplified this sensibility when he was the CEO of Intuit. "I actually told the board I *wanted* to do a 360-assessment and share the results with them, my executive team, and then with the entire company," he says. Indeed, Smith taped his 360 results on the front of his office so everyone could see it. "Each year I created clear development goals that I shared with other rising stars in the leadership pipeline. This created a safe space for them to become more reflective and self-aware. People started checking their egos at the door and asking for help."

## **Get Rising Stars to Embrace Vulnerability**

Bridgewater, one of the most powerful hedge-funds on the planet was led for a decade by co-CEO, Eileen Murray. It's hard to imagine a more intense culture with higher stakes. One bad decision, and

hundreds of millions of dollars could vanish. Not surprisingly, this culture puts a lot of pressure and stress on top talent and rising star leaders.

Like all hedge-fund CEOs, Murray faced a dilemma: How could she motivate immensely talented, headstrong people to talk about their anxieties and insecurities? Eileen wasn't willing to let rising stars sweep their baggage under the proverbial rug and pray that anxieties and insecurities wouldn't surface at exactly the wrong time — during a big client presentation or right before making a huge investment, for example. That was an unacceptable risk.

Eileen took an interesting tack. She scheduled regular, one-on-one coaching sessions with high-potential talent — from future CEO candidates to younger, rising stars — and started each of these conversations by sharing her own anxieties and fears. For example, she often described what it was like when she first stepped into the office of the CEO as one of the first women to lead a powerful hedge fund. “You can imagine all of the fears swirling around in my head: fear of looking stupid, fear of getting fired for making a bad decision, fear of saying something that got perversely twisted in the press, fear of letting down my board of directors. I openly shared my angst with subordinates. I was an open book. Honesty is the cornerstone for all trusting relationships, and it had to start with me.”

From a leadership development point of view, Eileen believed that running away from what some called “strange and uncomfortable conversations” was counterproductive. Even though our best leaders were accustomed to accolades and talking about their unique capabilities, Eileen wanted to talk about the exact opposite. What were their fears? What were their limitations? Why were they sometimes afraid to ask for help? Because Eileen made rising stars feel safe, they were willing to explore obstacles limiting their personal growth and work together to create a leadership development plan. Many at Bridgewater believed these conversations had the added benefit of institutionalizing a culture of continuous learning and inclusivity.

### **Embrace the Risks**

There is a fundamental leadership paradox in today's uncertain world. On the one hand, corporate executives have been rewarded their entire careers for making logical bets on the future. On the other hand, executives recognize that the world is becoming increasingly unpredictable. What seems like a good bet today may suddenly seem foolish once the world changes tomorrow. The inability to make accurate predictions causes anxiety and sometimes paralysis, especially among rising stars. Why would they want to damage their reputation by making a risky move, particularly if they are already in the CEO pipeline? That might jeopardize their candidacy if things go wrong. Yet, the company needs a future CEO with courage, who isn't afraid to make bold bets that position the organization for future success.

The incumbent CEO can help rising stars navigate this tricky paradox by teaching them to disentangle the true nature of these risks. It may seem counterintuitive that a deep-dive conversation with the boss about risk and uncertainty would alleviate anxiety. But if handled correctly, it can be quite comforting.

“Typically, what causes anxiety is the perceived consequences of making a risky bet,” says Kindred Healthcare CEO Ben Breier. He sees rising stars asking worried questions such as: Will I be perceived as a failure? Will my compensation be impacted? “These associations happen in the brain on autopilot,” he asserts. Breier discusses with rising-star executives their perception of each risk, the potential downside, and if they think they could bounce back from failure in the worst-case scenario. “What we both learn during this process is that there are quite a few false assumptions. Neither I, nor the board will hold it against them if they take a reasonable risk and fail. Actually, we’re more upset by inaction and paralysis. In the health care industry, the world will pass us by if we don’t take bold action and intentionally disrupt the status quo.”

### **Let Go**

Ultimately, it’s the board’s responsibility to select the next CEO. Succession planning is still their most important responsibility. More often than not, the CEO, who is often the board chair, tends to control the process tightly. This can have the unintended side effect of influencing potential successors to parrot the party line, which can deprive the board of an opportunity to personally assess the leadership potential and understand the core values of the CEO candidate.

We are in favor of CEOs loosening their tight grip on the succession process. It takes courage and confidence, but the payoff is beyond dispute. It, too, creates psychological safety. Candidates can express their unfettered views and vision for the company, even if it differs dramatically from the incumbent CEO’s. Honest, authentic relationships are forged between individual board members and top executives. Regardless of who is ultimately selected as the future CEO, this process increases the odds that everyone in the boardroom will work together as a seamless team when the VUCA world inevitably rears its ugly head.

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