



# Book Derailed

## Five Lessons Learned from Catastrophic Failures of Leadership

Tim Irwin  
HarperCollins Leadership, 2009  
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## Recommendation

When *Fortune* 100 executives lose their jobs over spectacular errors of judgment or behavior, it’s always their innate nature that leads them astray. Dynamic, forceful, ambitious executives have no monopoly on blindness about their darker urges, but if you want to achieve success under stress and manifest your goals, you must look inside yourself and be honest about what you see. Leadership guru Tim Irwin dissects six larger-than-life executives who derailed and explains what you can learn from each of them and from all of them. His easy, readable, compassionate tone conceals the profundity of his insights, but he delivers his message. *BooksInShort* highly recommends this unique combination of business history, social critique and worthy self-help. Honestly answering the questions the author raises can help anyone avoid derailling.

## Take-Aways

- Business leaders must be tough, strong, resourceful and decisive. Yet these very qualities can blind leaders to their own faults and cause “derailments.”
- Even powerful leaders can suffer derailment. Home Depot’s former CEO Bob Nardelli fell off the tracks when he believed he was bigger than the company.
- Carly Fiorina suffered a similar fate when she refused to take responsibility for her erroneous decisions as CEO of Hewlett-Packard.
- Durk Jager’s arrogant, bullying personality led to his derailment at Procter & Gamble.
- Derailing happens in five stages: First, a leader displays “a lack of self-awareness.”
- Second, he or she becomes drunk on pride and arrogance.
- Third, the leader develops “tunnel vision” and often ignores the nonverbal communications that signal danger ahead.
- Fourth, he or she makes excuses for bad decisions and shirks blame for failures.
- And fifth, derailment. The board fires the leader to benefit the company.
- To avoid derailment, develop “authenticity, self-management, humility and courage.” Know who you are, including recognizing aspects of yourself that you dislike.

## Summary

### Spectacular “Derailments”

When new top managers arrive, everyone expects wonderful things — an easy succession, a brilliant turnaround, careful nurturing of the status quo, and so on. But even the best intentions can go horribly wrong. Studying the failure of talented, successful businesspeople reveals a lot about corporate morality — and about ordinary people. None of the executives discussed here as examples of derailment engaged in criminal behavior. They simply allowed their darker aspects to dominate their

decision making. They fell off the tracks due to the same factors that can derail anyone, including successful leaders: “a failure of character.” Derailment means a leader has “gone off the rails,” diverting so far from the company’s goals that he or she has to leave the organization. Derailment extracts a heavy financial or cultural price. A firm can underperform and suffer serious losses. Or the leader can steer the firm away from its “values and culture.” In the worst cases, companies lose both their profits and their culture.

## Owning the Dark Side

Your personality has many aspects. To view it with clarity, you “must sometimes look into the darkness.” You need to understand even the facets of yourself that you hide. Otherwise, the darker side can emerge in a crisis and push you toward self-destruction. Anyone can derail. The leaders chronicled here demonstrate that “those more likely to stay out of trouble remind themselves of their own vulnerability.” Your weaknesses can undo you, and a strength can quickly manifest as a weakness as well. The aspects of personality that people often conceal emerge in the crucibles of stress and power, revealing their true nature.

## The Derailed

These six famed leaders who derailed demonstrate lessons about character:

1. **Robert Nardelli** – Although he soared at General Electric, Nardelli was stunned when he learned he’d never become its CEO. The day he got that news, Home Depot’s board invited him to become the chain’s CEO. Home Depot ran a “decentralized \$46 billion company.” Its founders believed in continual expansion and trusted their employees’ judgment. Insiders were shocked when the board hired someone from another company as CEO. Nardelli instantly centralized the firm and increased his control. He cut himself off in his 22nd-floor office. “People worked in constant twofold fear: of failure and of job loss.” Nardelli made himself more important than Home Depot. A fall from that height was inevitable. When his arrogance caused his firing, staffers high-fived in the hallways.
2. **Carly Fiorina** – George Anders, author of *Perfect Enough*, wrote that Fiorina once “used the word ‘I’ 129” times in a 30-minute speech. Fiorina became known for her problem-solving acumen when she ran Lucent during its spinoff from AT&T, but no outsider ever had served as Hewlett-Packard CEO when she took charge in July 1997. Insiders worried that her strategy was “less about H-P and more about promoting its new boss.” Fiorina cut business units and oversaw mass layoffs. When one group lost \$208 million in a quarter, Fiorina fired its leaders. She blamed everyone but herself. When she sacked more executives due to bad numbers, the board reassessed her work and fired her after five and a half years of steadily dwindling market share. Afterward, H-P’s stock rose 10.5%.
3. **Durk Jager** – Known as an “outstanding strategist,” Jager rode his reputation to become Procter & Gamble’s CEO. He initiated “rapid restructuring and cultural change,” ignoring P&G’s 150 years of history and demanding cultural transition. He sought huge mergers while searching for “rebels” among his staffers. “Change can be orchestrated respectfully and incrementally, but that was not Jager’s way.” Insiders perceived him as arrogant and uninterested in P&G’s culture. His bullying and ruthlessness won few friends and little respect. Employees feared him. After 17 months, the board ousted Jager.
4. **Steven Heyer** – Starwood Hotels’ new CEO arrived with an amazing résumé: president of ad giant Young & Rubicam; COO of Turner Broadcast Systems, where he launched 14 new networks and 19 websites; and president of Coca-Cola. When Heyer lost out on becoming CEO of Coke, Starwood swept him away. Heyer expanded its brand, forging lucrative relationships with BMW and Apple. But, as “shares rose 90%,” his reputation unraveled; he lost touch with his people. An anonymous letter accused Heyer, a married man, of sending “suggestive and provocative emails” to one female staffer and having “an inappropriate physical encounter” with another. When confronted, he resigned, walking away from some \$35 million in stock, bonuses and possible severance. His resignation was a “shockingly elementary marketing mistake.” He could have stayed and fought for his reputation, but his arrogance made him too proud to fight.
5. **Frank Raines** – Despite his working-class origins, Raines attended Harvard College, Harvard Law and Oxford. After running the White House’s Office of Management and Budget, he became CEO of the government-chartered mortgage giant Fannie Mae. Its stock rose under his leadership, and he “earned roughly \$90 million” while there. Raines expanded Fannie Mae’s reach, granting loans to low-income borrowers who never before had a chance at home ownership. A whistleblower told the government of alleged accounting irregularities, accusations confirmed by a report from the Office of Federal Housing Enterprise Oversight. Refusing responsibility, Raines resigned with \$19 million in severance. Later, he and other Fannie Mae executives paid more than \$24 million in fines, and Raines surrendered \$15.6 million in Fannie Mae stock options.
6. **Dick Fuld** – Perhaps Fuld’s 39-year Lehman Brothers career was an upward march because of his personality: “famously aggressive, uncomfortably intense and unquestionably smart.” While running Lehman, Fuld accepted board seats at the Federal Reserve Bank and at several well-known charities. He converted 1993’s \$102 million loss into 2007’s \$4.2 billion profit, but Lehman lost billions in 2008. Fuld became the “symbol of failure” and of the totality of “arrogant, blinded, massively overleveraged Wall Street.” Banished to a smaller, distant office, Fuld suffered more from the loss of his pride than his fortune. He never took responsibility for Lehman Brothers’ failure.

“Leaders must set direction, gain alignment among diverse constituencies, risk change, build high-performing teams, achieve results, go the extra mile and endure ungodly stress.”

Learn from these leaders’ character flaws and obliviousness. Never ignore the warning signs of possible derailment, such as failing to be promoted, not being named to a strategic project, and not being invited to crucial meetings or included in pivotal communications. If these fates befall you, consider which character flaw might be dominating your behavior.

## “Derailment...Really Happens Before the Crash”

Derailing follows a predictable series of five stages:

1. **“Failure of self-awareness”** – Fiorina never understood that she needed the support of her subordinates or that her manner fomented disloyalty. She was neither self-aware nor aware of other people’s concerns. Nardelli did not recognize he alienated his employees.
2. **“Pride before the fall”** – Any reader of tragedy or mythology knows about “hubris,” which is overweening pride, boastfulness, vaulting ambition and refusal to accept – or see – one’s faults. Hubristic leaders elevate themselves above the culture of their companies.

3. **“Missed early warning signals”** – A deliberate lack of focus keeps leaders from seeing their own repeated mistakes. Derailing executives suffer from “tunnel vision” and often ignore the nonverbal communications that should tip them off about their own actions.
4. **“Rationalizing”** – “The leader makes excuses, twists data to fit his view of the world” and invents reasons why nothing is his or her fault.
5. **“Derailment”** – This is the crash – the culmination of the derailment process. The board ousts the leader, stockholders rejoice and, perhaps, the leader begins to understand the process. But by then it’s too late.

## Character Is Destiny

Leaders need charisma, but that glow cannot conceal character flaws. With great power comes impact, either positive or negative. The three tests of character are:

1. **Do you have an intact “moral/ethical guidance system”?** – This internal compass guides you in unclear moral situations. Moral tests arise at work daily. Some are obvious in the moment; others are recognizable only after the fact. A firm set of internal ethical standards can guide you instinctively. The lack of one steers a person awry.
2. **Do you make decisions out of “expediency”?** – “Expediency by its very nature places performance over principle.” Do you look for the simplest, most efficient solution, or do you embrace the greater effort involved in doing the right thing?
3. **Can you handle “adversity with grace”?** – Adversity is a crucible; under its pressure, people learn who they are. Adversity magnifies character weaknesses. It always arrives unexpectedly, so prepare for it as you develop your character. Leaders who can deal with adversity stay on track calmly. Many become stronger. Stress makes weaker leaders fragile, “tense, irritable and moody.” They complain more; they empathize less.

“Many derailments occur because epic weaknesses nullified a leader’s towering strengths.”

Four crucial character failures contributed to the derailments discussed here: a lack of “authenticity, self-management, humility and courage.” Developing these “dimensions of character” can enable you to guard against derailment and become a more potent leader:

1. **Authenticity** – Masks are not lies. They are not inauthentic. Everyone wears, and even needs, masks. Wear the right mask for each situation, and others will trust you more. Choose an inappropriate mask and people will find you weird. If you behave like the person you appear to be, others will regard you as authentic. This perceived authenticity affects your credibility. If others think you are consistently yourself, they are more likely to believe you. The more open you are, the more open they will be. To explore your authenticity, try to know yourself and the “fundamental values” you hold. To maintain authenticity, “save your drama for your mama.” If you work alone in your “garage trying to invent fusion,” you can behave as strangely as you like. But if you share workspace and goals with others, keep your emotional responses in check. Like it or not, social norms and expectations matter. “Being eccentric can derail you in a hurry.”
2. **Self-management** – “Skill, insight, sensitivity, impulse control, optimism and persistence” form self-management. Practicing these interpersonal arts develops your “emotional intelligence” (EQ). And while “IQ gets you hired, EQ gets you promoted.” Being self-aware means understanding not only your thought patterns and emotions but those of others as well. Self-awareness leads to good judgment, and good judgment helps you avoid the “self-inflicted wound” that fuels most derailments.
3. **Humility** – “Humility is not a quality that people automatically associate with the workplace,” but it should be. Great leaders possess great will, but also great humility. Humility means forgetting yourself – forgetting the credit due you, even your own role in others’ success. It means taking advice. Those who bully and act entitled often feel weaker than others. The truly strong never need to show all their strength.
4. **Courage** – The workplace demands courage “far more often than we might think.” Not choosing expediency requires courage. And courage requires knowing who you are.

“Derailment can happen to all of us.”

Business leaders who fail and derail demonstrate five important character lessons:

1. **“Character trumps competence”** – Being good at your job doesn’t mean you’re a good person. Job skills will not protect you from your flaws.
2. **Arrogance drives derailment** – A lack of humility fuels destructive character flaws.
3. **All derailers lack self-awareness** – Know who you are, including aspects of yourself you dislike. That takes courage.
4. **Your inner qualities determine your actions, “especially under stress”** – When the chips are down, you are all you’ve got, in all your aspects.
5. **If you don’t develop, you will derail** – Self-knowledge, like derailment, is a process. Derailment springs from a refusal to “grow personally and professionally.

## About the Author

**Tim Irwin**, PhD, is an author and speaker on leadership development.

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