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Executive Search & Board Advisory

## WHY AREN'T CEOS FALLING ON THEIR SWORD – WHAT HAPPENED TO HONOUR?



*"Ability without honour is useless"* – Marcus Tullius Cicero

The CEO not only leads the company, he or she leads the values mantra. With that comes responsibility and accountability. As they say, the buck stops with the CEO.

Why is it that CEOs who are failing to continually hit the numbers or have had a company scandal, or who are losing good staff are not stepping down? 'The Captain goes down with the ship' is an idiom and maritime tradition that a sea captain holds ultimate responsibility for both their ship and everyone embarked on it, and that in an emergency, the Captain will either save them or die trying. For the Captain, shirking responsibility in a crisis would go against their ethics and moral code.

To fall on one's sword is to take blame for a situation and accept responsibility. It is to accept defeat, and comes from the ancient practice of a military commander committing suicide this way rather than being captured.

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You may wish to describe the act as one of chivalry, however, as a leader particularly as CEOs in the public eye, it has been questioned why over the last five years, a number of CEOs have not done the honourable thing and departed swiftly.

We recognise it is never as simple as that, however, if a CEO is to command the substantial remuneration that they do, with that comes responsibility and integrity.

There have been numerous occasions where CEOs have remained on after poor results or particular events that many would say has made their position untenable. Yet they have remained. They have then overseen a fall in company value, an exodus of good executives and a decline in company morale. For many they are dead people walking whose respect held by others unfortunately, has also declined.

In some cases, it is a weak Board and Chairman who have not acted decisively and are more focused about managing their reputation. For others it is simply blind faith that they can turn the situation around, and for others if they could, they would depart but are unable to do so. This is where the CEO and Board have failed to have an internal and external succession plan in place so that the CEO can depart with some respect and facilitate a smooth transition.

We are not advocating that with one or two unexpected results a CEO should depart, but more than that, consistently falling short where it is not going to be solved, and where the CEO unfortunately lacks the ability.

Questions have to be asked around why Boards are allowing non-performing CEOs to remain. Whilst it is a reflection of the Board's judgment in approving the appointment initially, that does not justify the ongoing support of low performance or company scandal.

Not every CEO appointment is successful, and for Boards to fail to have a contingency plan is both unfair on the CEO and investor community.

As Headhunters we cannot create people, succession planning is a comprehensive and ongoing process. We feel at Blenheim Partners there is an opportunity for Boards and CEOs to adopt a far more effective succession planning strategy than is currently being considered by many ASX Boards.

It is never an easy decision when a CEO should depart. However, if circumstances are that they have put the company and its brand in a compromising position, if performance under their leadership has waned, why are CEO's not falling on the sword and exiting with as much respect and as little public reputation damage as can be achieved?

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## BACKGROUND

# Blenheim Partners specialise in:

- Executive Search;
  - Non-Executive Director Search;
  - Board Strategy and Structure Consulting;
  - External Succession Planning; and
  - Executive Re-Engagement / Transition.
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Founded in 2012, our team have acted as specialist adviser to many of the world's leading corporations on Board and Executive performance, capability and succession planning.

Our consultants have worked with clients from all sectors and a broad range of geographies. They include over 80 of the ASX 100, 10% of the FTSE 100, Private Equity, Multinational, Private Family and Mutually Owned Companies.

Our work includes assignments that are both local and international in scope.

Our team consists of senior Search Consultants, Human Resource Directors,

Psychologists, Coaches and exceptionally experienced Researchers.

Blenheim Partners is continually investing in knowledge and understanding as exemplified by our Thought Leadership "The Challenges of Attaining Growth", Industry Papers and monthly Market Intelligence reports.

Our philosophy is to develop deep and committed relationships with a select number of clients and help them deliver a superior performance by optimising the composition of their Board and Executive team.

Our culture is built on pride, professionalism, esprit de corps and client service.

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