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Five Pitfalls That Derail CEOs in the First 24 Months — and How to Avoid Them

Stepping into the CEO role is one of the most demanding transitions in business leadership. New CEOs feel an enormous weight of responsibility. They can create or destroy significant value and impact the livelihoods of countless employees. And the market does not give them much time to win their confidence. Even with the best preparation and executive experience, nearly 40% of CEOs lose the board's confidence midway through year two. The early days of a CEO's tenure are a decisive window for value creation, and early mistakes can cost companies momentum, talent and value.

At Spencer Stuart, we've written extensively about the life cycle of a CEO and the levers that differentiate exceptional CEO performance. Boards today are less patient than even a decade ago. CEO tenure is shortening, activist scrutiny is rising, and performance narratives now solidify quickly. Based on our work with thousands of CEOs and boards, here are five common failure modes — and how to avoid them.

1. Delaying C-suite talent decisions

What goes wrong?

New CEOs often wait too long to reshape their top team, fearing the potential disruption while they're still building trust with the board and employees. They also postpone setting new cultural norms and operating rhythms, hoping to align these with a yet-to-be-finalized strategy.

Case study: Rocco, CEO, financial services

Rocco stepped into the CEO role with concerns about two key members of his leadership team. Neither was performing up to his expectations, and the COO wasn't fully on board with his vision. Still, he hesitated to act, setting aside these critical talent decisions as he sought to understand the company's financials and strategy.

A shareholder crisis hit seven months in, averting his attention. By the time he revisited his concerns at Month 10, financial performance had declined and the resistance from his COO had hardened. Though he eventually launched a successful search for two replacements, the delay cost him critical time and traction on his strategic agenda. He spent four months in the weeds with his operations team driving accountability rather than driving the bigger strategic shift towards growth. He missed the opportunity to set the culture and refine the company's operating rhythms, and it took almost two quarters to repair and reset the behaviors in his top team and bring the leadership team together around the vision.

How new CEOs can build the right executive team

Successful CEOs invest in the composition, chemistry and cadence of their team. Teams are looking for guidance in the first few months and habits quickly set — leaders are wise to take action early and refine as they go. Here's our advice:

- Ensure you have the right talent to deliver your vision through critical capability and capacity-creating leverage. Modern-day CEOs cannot do it all themselves.
- Build an enterprise team that puts the interests of the organization ahead of individual functions and works well together. Be cognizant of their views, but avoid being overly influenced by directors, who have limited visibility into day-to-day performance.
- Foster the norms and routines that will enable the team to cohesively and collaboratively run the business and enable the CEO to elevate their work and attention.

A strong top team is the foundation for everything that follows. What's at stake is execution, capacity and speed to value. See more on managing executive teams for new CEOs: Setting up World-Class Leadership Teams.

2. Insufficient momentum on new vision

What goes wrong?

New CEOs often benefit from initial tailwinds thanks to enthusiasm about the transition and momentum from the prior CEO's strategy. But without early wins, that goodwill fades, and they lose the opportunity to build strategic momentum when the organization is most receptive. Many get stuck in "analysis paralysis" as they build a fuller strategy, delaying near-term decisions in pursuit of perfect clarity.

Case study: Jodi, CEO, mid-market industrial

Jodi entered the job with deep industry knowledge and a clear operational vision. She spent months analyzing strategic options but failed to commit to early moves that could build momentum and provide learnings to help refine her new strategy. Business performance was strong for the first six months, but this was largely attributed to her successor's plan. Growth rates began to flatten out towards the end of her first year.

By Month 12, the board was questioning her ability to drive the business forward and looking for a bolder strategy. Jodi's vision was solid but she had no proof points to support her new strategy and missed opportunities to test entry options for market expansion. She found herself on her heels with the board on her vision.

How new CEOs can signal their strategic direction

Successful CEOs use their early days to signal their thinking on the strategic direction for the company, picking two or three things that in combination build momentum to get there. They understand that they don't have all the information or a fully baked strategy and use these early activities to learn from and refine. Here's our advice:

- Land a first draft of your strategy within the first six months. Identify signature moves — whether operational improvements, product bets or market shifts — that demonstrate momentum and signal your leadership style.
- Strategy is iterative; early action builds credibility and buys time for refinement. CEOs have more trust and support from the board in their first few quarters, which helps as they iterate and refine signature moves.
- As CEOs head into Year 2, a deeper refresh on strategy and board alignment is critical. Successful CEOs generate "signature" value in Year 1 and then build on first-year wins to establish a longer-term strategy that can drive more transformational change.

What's at stake: early wins and strategic optionality. New CEOs balance the risk of acting too soon without testing assumptions with the risk of waiting to have it all figured out before they take action. Take two or three calculated moves in the right direction to help you build momentum and drive learnings.

3. Neglecting organizational activation

What goes wrong?

CEOs often focus solely on their direct report team, assuming alignment among these top leaders will cascade throughout the organization. But transformation depends on middle managers — those closest to customers, operations and culture — and the group of leaders at the CEO–2 level that serve as the "engine room" for the organization. Without engine room buy-in, a key lever for change and feedback is missing and the strategy stalls. It's easy to underestimate how much work goes into resetting culture through the organization and ensuring horizontal processes are working — a town hall speech is not enough.

Case study: Julien, CEO, consumer industry

Julien had a clear strategy to move upmarket and win larger and more profitable customers. With strong alignment with his board and direct reports for this vision, he launched two new programs to expand the business, each requiring more hands-on support for larger customers. Both programs were met with early customer success and positive market response, but they stalled in full rollout. Julien was surprised and frustrated to see middle managers continue to prioritize cost discipline and fail to adopt the new behaviors necessary to support the larger customer segment. By Year 2, execution faltered.

How new CEOs can activate the broader organization

Organizations that thrive in today's competitive landscape purposefully recognize and empower key leaders 1–2 levels below the C-suite, activating them together as a force rather than a set of individual leaders. They serve as culture carriers and change agents to mobilize your strategy and serve an essential feedback mechanism for tracking progress. Here's our advice:

- Understand the behaviors and norms required to execute your strategy. Identify and engage the engine room level of leadership early and build mechanisms to reinforce new expectations.
- Assess the ways the current culture does and does not support your strategy and articulate the cultural norms that will need to be developed — and how leaders will model the change.
- Look for ways to quantify these leaders' impact on the business, e.g., the adoption of new behaviors, improvements in business outcomes and leader performance and engagement. Monitoring and connecting engine room effectiveness to business effectiveness helps identify obstacles to change.

What's at stake: execution and speed to value. See more on organization activation and culture: Is Your Business Operating on All Cylinders?

4. Mismanaging stakeholders — especially the board

What goes wrong?

Boards are diverse, and feedback is often indirect. New CEOs may misread silence as support or fail to build relationships with individual directors. This is particularly critical in the first 6–12 months where expectations around momentum, leadership and strategy are forming. When concerns go unaddressed, they calcify.

Case study: Jeanine, CEO, a transformation-focused financial services company

The board was excited to bring on Jeanine to energize and transform the business. She entered with clarity and speed, but it soon became clear that she was misaligned with the board's expectations for communication and pace of change. This caused concern among some of the board members who were comfortable with the prior CEO's more paced style. Initial concerns went unspoken, and Jeanine pushed forward with speed.

While she updated the board on her vision, she missed communicating a change in the product line to a board member who had been an advocate of that product strategy and heard about the change from peers. After an urgent compensation meeting to approve an offer for an external hire, resistance was hardened with one critical board member. Misinterpretations of employee feedback and minor setbacks were amplified, eroding support for her transformation.

How new CEOs can build and maintain board support

It's important for a CEO to understand the board culture, norms and ways of operating, and build strong personal connections and trust. Directors tend to gain confidence by objectively evaluating data and through experience with the new CEO. In addition to spending time together, it's important to be transparent about the levers of the business you are focused on and understand where directors want to dive deeper. Here's our advice:

- Schedule 1:1 meetings with each member of your board, when possible on the director's home turf. Ask about their priorities, concerns and interests for board discussion. Discuss these perspectives with the board chair and incorporate them into board meeting agendas.
- Invest in a strong partnership and actively seek feedback from your chair. Work with your chair to shape efficient routines to use directors as sounding boards where helpful. Clarify what you will be held accountable to deliver, and expectations around cadence and content of interactions between the board and the CEO, especially when the former CEO remains on board.
- Identify or establish a mechanism for periodic board self-reflection, such as the board's annual self-assessment. The primary goal is to ensure a regular and predictable process for the board and CEO to step back and discuss what's working well and what could be working better.

See more in our article on how boards can support new CEOs (The CEO's First Year Isn't a Victory Lap. It's the Board's Next Test).

5. Underestimating the personal transition

What goes wrong?

The CEO role is uniquely demanding. During transition, many organizations default to pushing every significant decision or relationship to the CEO. Unless actively managed, this can create an "hourglass effect" that compresses time and amplifies pressure. Many CEOs are unprepared for the external demands, the loneliness and the lack of candid feedback. CEOs promoted from within often fail to step out of the day-to-day operations and hold the C-suite accountable so they can focus on new stakeholders and responsibilities.

Case study: Arjun, CEO, software industry

Promoted to the CEO role from within the business, Arjun had deep company knowledge and strong board relationships. He built confidence with the team and stakeholders and engaged the organization in his new strategy. By the end of his first year, the business was performing on all cylinders, and his new products were starting to gain market traction. But Arjun was exhausted. He was working side-by-side with his C-suite team (most of whom were previously peers) on the hands-on details, as well as managing strategy, key investors and the board. He was surprised by the isolation and lack of feedback. This showed up in key investor meetings where he didn't come across as confident and on top of the business, despite the strong results. The weight of the role — and the constant demands — were taking a toll.

How new CEOs can develop resilience and build confidence

All eyes are on the CEO — so it matters how you show up every day to a wide range of different audiences (e.g., C-suite, the fuller organization, board members, partners, investors and customers). Finding ways to manage "critical moments" with the right energy and be fully present is important for CEOs. Deciding where and how to invest time is critical and most new CEOs say yes to too many things. Here's our advice:

- » The enormity of the expectations combined with loneliness can be hard to handle. Build a support system from the very beginning (or even before when possible) of the new role.
- » This can include engaging a coach, cultivating trusted advisers, gathering structured feedback and carving out time for complex thought work that only you can do.
- » Prioritize personal resilience — because your energy, clarity and confidence set the tone for the entire organization. Being a CEO is about pacing for a marathon of intermittent sprints and recognizing your energy sources and drainers.

The first 18 months in the CEO seat are a crucible. Success requires agility, discipline and relentless focus. What's at stake: confidence, clarity and resilience. See more on how CEOs can manage their energy and the pace of the job: Four Ways CEOs Can Preserve Their Emotional Energy.

What do new CEOs need to do to succeed?

CEOs typically derail not because they chose the wrong strategy, but because their early decisions fail to build momentum and confidence — slowing learning and execution at the moment when the organization and its stakeholders are most receptive.

Our research shows that CEOs who deliberately drive strategy, talent, culture, governance and their own effectiveness outperform peers on total shareholder return. Focus on five levers:

» Build, align and engage your first team (C-suite)

» Define and launch two to three signature moves

» Go beyond the leadership team to activate the layer of leaders who drive culture and the customer experience

» Are proactive with your board and stakeholders

» Intentionally manage your own effectiveness

Avoiding early pitfalls isn't just about surviving the transition — it's about setting yourself and your enterprise on a trajectory of enduring value creation.

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