



ROLLER COASTER LEADERSHIP

TIME WAS, BECOMING A CEO WAS A PROMOTION FOR LIFE.
NOW IT'S MORE LIKE HAVING A SEAT ON A ROLLER COASTER.
KEVIN KELLY BELIEVES THAT ASPIRING CEOs NEED A NEW SET
OF SKILLS IN ORDER TO MAXIMIZE THEIR TENURE.

In these impatient times, CEOs come and go. Short-term pressures, already intense, are intensifying. Trigger-happy investors look for new blood at the slightest suggestion that the pace of growth is slackening. The result is that the turnover of CEOs is accelerating. The average tenure of CEOs is now a mere 18 to 24 months.

To this another important statistic can be added: 55 per cent of global organisations do not have succession plans in place. So, if a CEO departs for another organisation or has to leave because of ill

their role, set expectations, discuss any issues that need immediate clarity and enter into an honest exchange of views and hopes. Clearly, they have to be careful not to overplay their hand or to become too involved too soon, but the tone can be set even before entering the building.

The timelines are fairly consistent. The first 90 days of a new CEO's tenure is a honeymoon period – though honeymoons, like CEO tenure, are shortening dramatically. Throughout this time CEOs get to know the business, the people and the

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health or some other reason, organisations are often poorly prepared – or not prepared at all.

These two trends, increasing CEO turnover and lack of succession planning, mean that new CEOs frequently walk into unpredictable and unstable situations. Morale is often low. Employees – and shareholders – are confused about the organisation's direction. Performance is likely to be down. The result is that the skills increasingly required of CEOs are those usually equated with turnaround CEOs.

Turnaround skills were once the preserve of specialists who took over ailing organisations and restored them to health. The emphasis of these leaders was usually on cutting costs and restructuring. Of all the jobs open to CEOs, this is, in fact, the easiest. If CEOs could cut costs and then leave they would be feted as heroes. In fact, in the old days, many were. But simply turning the corner is no longer enough. Instead, the modern CEO is expected to stick around and deliver sustained growth. And that's tough.

Maintaining strict control over costs while driving revenues up is an incredibly difficult task, but that is what is demanded of modern day CEOs. They are turnaround CEOs-plus. And this requires a complex pot-pourri of skills:

Understanding the process First, CEOs have to understand the process. A CEO's first period in charge is a roller coaster. Before boarding a roller coaster it is advisable to have an idea of what you are letting yourself in for, so by understanding the process, CEOs are likely to cope with its ups and downs far more effectively.

The process has four phases: anticipation, exploration, building, and contributing.

The anticipation phase occurs even before starting work. During this phase, it is important that CEOs develop an entry strategy. They must look at

management team: this is the exploration phase. At this point the board offers long-term support and promises whatever resources are required.

Even so, the first period is one of intense pressure for the CEO. There may be support from elsewhere, but CEOs tend, initially at least, to put pressure on themselves. They have a new job and a new challenge and they feel it is down to them to deliver.

They are right to feel pressured. Research suggests that the roots of failure can be traced to what happens within the first 15 days. Common causes of this failure are trying to do too much too soon, failing to assimilate the culture, failing to adapt leadership and management styles and insufficient analysis and planning. The challenge is that, while CEOs are often hired to achieve change, there is always resistance when change actually happens. CEOs can find themselves firmly wedged between the proverbial rock and a hard place. Failure is clearly bad for the individual and expensive for the company: experts estimate that the cost of failed hire is at least four times salary and bonus.

And then the pressure balance changes. The building stage, three to fourteen months, marks a shift in emphasis. The CEO has assembled a team and the onus is on the team to deliver. This is a time when the CEO can encounter emotional lows. After the initial rush of excitement, it is easy to feel physically and mentally exhausted, but difficult decisions still need to be made. The CEO may need to act on people who are clearly in the wrong roles or simply not up to the tasks required.

Finally, there is the contributing stage, beyond 14 months. This is when results need to begin to be delivered. Pressure mounts again, this time from the board. No excuses are available.

Being wary of isolation The CEO is often in a new industry with a new team, but everyone expects



Steve Jobs: there is an i in CEO

instant results. The potential for isolation is enormous. Being aware of this is crucially important.

Ironically, perhaps one of the most difficult jobs in the world is when a CEO is hired and the founder remains chairman. Think of Phil Knight at Nike who brought in William Perez as CEO. Perez lasted a mere 13 months (and left with a \$10.6 million severance payment). At Apple Computer in the 1980s, Steve Jobs recruited John Sculley to

Some CEOs will bring in a person they can trust to share the burden. At Home Depot, Bob Nardelli brought in Denis Donovan, a former colleague at GE, as head of human resources. Others take another route. When he took over as CEO of Ocean DHL, John Allen eschewed the option of bringing outsiders straight into the management team. He wanted to show that he thought the people in the organisation were up to the job and to give them an opportunity to shine. This was a statement of faith but not of blind faith. Later, he recruited an external CFO and COO.

Mastering morale The morale of an organisation's people is crucial at any time but especially when a new leader takes over. In their book, *The Enthusiastic Employee*, David Sirota, Louis Mischkind and Michael Meltzer found that the stock price of companies with high morale outperforms similar companies in the same industries by more than 2.5:1, and the stock prices of companies with low morale lagged behind their industry competitors by almost five to one.

Calibrating an organisation's morale is not difficult. Walk into any office and you will be able to detect morale levels fairly quickly. As a rough rule of thumb, CEOs tend to find that 20 per cent of their people are ready for change, 60 per cent are unsure, and 20 per cent are adamant that change isn't for them. Organisations have enormous inbuilt political and cultural inertia.

Key to understanding and changing morale are a couple of points. First, people have a natural aspiration to be part of a winning team. The reality is that people don't move from job to job because of money – 60 per cent of people who have left organisations cite reasons other than money for their departures. People want meaningful, enjoyable

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take the company to the next level with his marketing experience at Pepsi. It didn't last. Founders like Ted Waitt of Gateway and Charles Schwab have failed to resist the temptation to return as CEOs. There are many other examples of unpassed torches.

Whether they have a founding father looking over their shoulder or not, CEOs must invest time in building relationships with key influencers both inside and outside the organisation. This may only be a handful of people, but they are the people whose views count in the organisation and whose views can make or break a CEO's tenure.

and rewarding working lives. It is part of the CEO's job to convince people that the organisation can meet their aspirations.

Second, in any organisation there is good news. "It is interesting how much a single leader can set in motion," says Harvard Business School's Rosabeth Moss Kanter, who has studied turnarounds and the leadership skills required to make them happen. "In turnarounds it is quite striking how much fresh leadership can accomplish by unlocking talent and potential which was already there in the organisation but was stifled by rules, regulations and bureaucracy." →

→ In any organisation there are people who have exceptional skills, a track record of achievement, high-performing units and so on. Even if the majority of the organisation is filled with unexceptional people or poorly performing units with a track record of failure, there are bright lights. CEOs need to find them – quickly.

Balancing IQ and EQ CEOs now require a broad spectrum of knowledge. The identikit CEO of our times has experience in a number of global markets, has worked in marketing, operations and finance and

organisation, it came as news to everyone except the board and the team of consultants who had come up with the plan. Contrast this with Birt's successor, Greg Dyke, who was a master of closeness. Turnaround CEOs flit easily and consciously between the two modes.

Communicating constantly The reality is that better communications could, and perhaps should, sort out most of the day-to-day problems in organisations. Poor communication is the consistent downfall of organisations. Turnaround CEOs constantly

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is able to lead and motivate. The best CEOs are adept at applying their analytical skills and their emotional skills at the right times. They aren't purely "people" people, but they can make sense of complex market data and strategic plans. The important thing is that they are able to balance the two elements.

"You can't be a dictator or someone who listens to everyone," reflects Michael Critelli, CEO of the \$6 billion US company, Pitney Bowes. "You have to balance stakeholders and make independent judgements. People put you in the job to represent the collective will of the organisation, not to respond to every fad and fashion of the moment."

Another CEO I talked to put it like this: "The problem is that you think that everyone thinks like you. But if they thought like you, they wouldn't need you as CEO."

The need for balance is emphasized by Rob Goffee and Gareth Jones, two professors at London Business School, in their book, *Why Should Anyone Be Led By You?* The authors argue that effective leaders consciously move between being close and distant to the people they lead. "The leader's job is to look out for all the stakeholders in an organisation, and that can't be done if the leader is too close to any one group of them. Mired in a complex situation, the leader must rise above it to understand it. Preserving distance may be the only way to see the full picture," they say. "When establishing goals, objectives, and the rules of the game, distance is essential. Norms, values and standards need to be communicated as non-negotiable. These are the bedrock on which operations are built. This can only be done effectively early in a leadership relationship, with as much distance and formality as possible."

Of course, as Goffee and Jones point out, distance can sometimes be overdone. As leader of the BBC, John Birt was renowned for his distance to such a degree that, when he announced a major re-

communicate. Indeed, they often communicate exactly the same message but to different audiences. An appetite for repetition is part of the CEO's job description.

The need to communicate is particularly acute in troubled times, but it is a constant feature of the CEO's job, no matter what stage they are in. Asked about how he spends his time, Pitney Bowes' Critelli estimates that around five per cent is spent on board and corporate governance matters; 25 to 30 per cent on meetings – staff meetings and one-to-one meetings every year with people from all levels of the organisation; five to 10 per cent on meeting with industry officials, politicians and other regulators; and 10 to 15 per cent in some form of interaction with customers. In addition, he attributes around five days a year to talking to shareholders, analysts and rating agencies, and his remaining time is spent on a variety of outside activities which somehow relate to his job. Whatever the split, it is clear that communicating with people inside and outside the organisation lies at the heart of the CEO's job.

But communicating what? The best CEOs have an innate ability to identify what needs to be done today and what can wait. They know the key messages to communicate from day to day, from audience to audience. They prioritize constantly, aware that wars are lost by fighting on too many fronts. This requires a high degree of patience. "Everyone feels we're moving like a bullet," one CEO confided, "but I feel like we're crawling." Pace is relative.

Writing their own legend Change, it is commonly argued, begins with the CEO achieving some easy wins that signal that new rules now apply. In reality, there are very few easy and meaningful things that a CEO can do to make an immediate material difference to the performance of the organisation,

but what they can do is to create their own legends, to make it clear through symbolic acts what matters to them and the organisation. News travels fast in organisations, and it needs to work in the new CEO's favour.

For example, the CEO of a bank was amazed to find that the approval process for certain loans involved a piece of paper being signed by someone on the first floor, then someone else on the third floor and then, finally, the CEO. All this took time as everyone who needed to sign was extremely busy and often not in the office. Loans took three days to approve. The next time the CEO received a loan approval document he called the other signatories into the office and told them that from now on one signature from either of them would suffice. Not rocket science, but the message was clear: Customers come first and bureaucracy must be reduced. The story speedily spread through the bank.

At a telecommunications company the new CEO reassigned the parking spaces outside the entrance to customers rather than to senior executives. One of Greg Dyke's first actions as the new director general of the BBC was to get rid of the chauffeur-driven cars allocated to senior executives. It sent a clear message that cost cutting started at the top rather than the bottom of the organisation.

"Executives sometimes think of things like changing the culture or getting good results from people as something that requires very elaborate, long programmes," says Rosabeth Moss Kanter. "But, someone like Greg Dyke at the BBC started with the behaviour of the 18 people that reported to him. The quality of the way people treat each other starts with the team at the top."

A lucky break?

These skills ask formidable questions of CEOs. In most large organisations the questions are now asked on the global stage. Think of Carlos Ghosn at Renault, GE's acquisition of Tokyo Life or a myriad of other examples. This adds to the complications and demands sensitivities unknown to the traditional slash and burn turnaround CEO.

There is one final element, inexplicable and beyond management: *luck*. Napoleon hoped to recruit lucky generals and so, too, must organisations. CEOs have no control over the vicissitudes of global markets. Turnaround-plus CEOs maximize their influence over what matters to the organisation and over the aspects of its performance that they can influence. After they've done all they humanly can, they can hope good fortune shines on their efforts. ■

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