

BECHTEL-CONSULTING

Executive Search – Corporate Governance – Executive Counselling – Placement

KEYS TO CEO SUCCESS (Part 1)

Becoming a CEO means reaching a milestone. It is the culmination of a career and a life's work and, for many, represents the ultimate achievement. It is a new stage that is incommensurate with anything that has gone before.

When interviewed, CEOs who are newly appointed or have held the position for several years demonstrate a high level of confidence in their skills and ability to meet the demands of the role. As they say, "Being a CEO is something that you have to prepare for, but you cannot truly understand it unless you have actually experienced it." This might seem a bit out of character for high-level managers who have been trained to keep their vulnerabilities to themselves.

"When I became CEO I kept doing the things that got me there. I soon realized that what got me there wasn't going to keep me there."

I had a lot of learning to do and I found I was a student without a teacher. That was an awakening."

Exchanges: In Conversation with the World's CEOs, *The River Group**



When asked, "How well prepared are you to take on the CEO position?" and "How does this role differ from other leadership roles?," recently appointed, first-time CEOs state that they feel 75% ready for the job. Six months in, they find that they were much less equipped than they had thought, estimating their level of preparedness at just 35%. They acknowledge that aspects of the role are more difficult than anticipated and are full of surprises!

Although their experience has led them to the top level of their respective organizations, this position is quite unlike anything they had encountered before. They could not simply go about trying to reproduce, on a larger scale, what they had already done. Being a CEO requires a completely new and different approach.

What changes at the top

When they reach the summit, CEOs are aware that they are going to be put to the test. They will have to make decisions and deal with situations that are completely outside their experience. For example, they may be called upon to lead a takeover, handle a crisis as the public face of the company, or deal with a powerful board of directors with divergent opinions...

The board of directors requires a larger investment of time than one might imagine. The board's demands and challenges, whether collective or individual, can come as quite a surprise to the CEO. Yet the way in which a CEO comes to work with the board is what will determine the success or failure of his or her tenure.

The CEO's voice is louder and carries further, having an unprecedented impact. CEOs have to communicate with others three times more than they think necessary and they should never underestimate the repercussions that a five-minute conversation can have. Spontaneity can be an enemy.

The lights are never turned off, there is more stress, and, paradoxically, being "alone in the middle of a crowd" can

"Before I became CEO, I was the COO of two globally recognized publicly traded companies. I had been on Boards for 10 years. Then I become CEO and found out I wasn't as prepared as I thought."

CEO, Fortune 100 Retail Company



"Even my best friends and closest confidants in the business would not give me really honest feedback. Two finally did. It took years."

CEO, Industrial Manufacturing Company

be disturbing. "Solitary" is one of the words that CEOs use most frequently, despite the fact that they are the center of everyone's attention.

Even their closest colleagues and friends

act differently with them, keeping their distance and watching their words. The job title itself, as CEOs observe, has an influence on how others behave. It is important not to end up taking a similar attitude with oneself; you have to remain true to yourself.

The role of the CEO requires one to be able to learn and to lead simultaneously. Once they reach the summit, CEOs have to continue to improve their game and to challenge their ideas for the good of the organization. They have a lot both to prove and to learn in a short period. For the first time, they will be unable to rely on a teacher or a textbook.

Since CEOs' decisions affect the whole of the company — no leadership position has more impact on a company's success than its CEO — these decisions weigh on them. CEOs' decisions have an impact on all stakeholders and, according to CEOs themselves, they are even more weighty when they affect the lives of employees and their families.

CEOs appreciate and ask for feedback

on their performance, but this is often in short supply. When asked, "How do you rate the quality of the clear and honest feedback you have received from your team and other senior management?," interviewees score feedback from within the company at 4.2, while those who have worked with a coach or mentor score it at 8.6.*

From the very first day, a CEO is seen as the captain of the ship by those who surround him or her. As such, CEOs should have mastered all the intricacies of the profession. It is essential for them to work on not losing sight of the fact that, no matter what they may already have achieved, they are beginners when it comes to this specific role. The CEO has to *be* a CEO while still learning *how* to be one.

According to a study by Russell Reynolds Associates,** 13.1% of newly appointed CEOs leave the company less than three years after their appointment and more than half of this number hold the position for less than two years. The same study also found that 85% of these departures took place because the board had dismissed the CEOs for their lack of success or effectiveness.

Given the vast number of challenges that CEOs face, it is worth asking which factors contribute most to their success.

Learning at the Top

CEOs often turn to mentoring to accelerate their training and ensure their success. We have observed this in interviews conducted with CEOs who have sought to speed up the learning process and get constructive feedback from experienced professionals outside the company. Most CEOs of large companies have participated in mentoring and

*"When I stepped into the CEO position, Art (Collins) told me that I should always view the board as a valuable resource rather than a threat. Well, I took this advice to heart, and there is no doubt in my mind that the board's collective knowledge and counsel allowed me to make better decisions that in turn benefited our employees, customers, and shareholders."
Richard Davis*



"How much time you need to spend with the Board was a surprise to me.... You need to be constantly looping back."

leadership training programs throughout their careers. However, once at the top, they find that the number of appropriate options that are available is drastically reduced, especially since they are no longer able to be absent for several months.

Mentors are models, people who "have been there and done that." They can provide timely advice based on experience and tailored to the situation, along with a network that is essential for troubleshooting problems. When CEOs have this kind of support, good results are not far behind. Studies show that 71% of CEOs who have received mentoring believe that this had an impact on company performance. Strong majorities find that they make better decisions (69%) and that they respond better to stakeholder expectations (76%). Further, mentors clearly help CEOs avoid certain costly mistakes and gain proficiency in their role more quickly.

Beyond relevant experience and an outside view of the company, complete confidentiality is a decisive factor because it allows the CEO to bring up major, strategic subjects. For some executives, it is just too risky to reveal any shortcomings or lack of experience to the chair or other members of the board.

The challenge of the all-powerful board of directors

The board of directors has the ultimate authority and responsibility for both appointing the CEO and letting him or her go. It is thus not very surprising that, for a CEO, working with the board can feel like dealing with a powder keg.

The board represents the interests of shareholders and supports the CEO with sound advice, providing experience and insight that is both food for thought and an invaluable source of feedback. A strong board can act as a periscope, helping the CEO to get a perspective that goes beyond the company's day-to-day concerns and to spot potential problems before they occur.

First-time CEOs tend to feel particularly vulnerable and are eager to prove themselves. This can lead them to adopt a "report back" attitude with their board, conscientiously providing evidence of their results, actions taken, and milestones that they have set. CEOs believe that showing solid results is what will make the board happy. As it happens, this is not enough. It is important to get to know the members of the board personally, to understand the different contexts, and to build partnerships.

A CEO's first task is to set up a good working relationship with the board by understanding how things were done before he or she took the position. How often did the board meet? How much communication was there between the previous CEO and the other members of the senior management team? How were decisions made? How did the board handle the last company crisis? How does it deal with change, and to what extent can the company let go of established habits and behavior? Experience shows that CEOs often fail because they do not have an adequate understanding of the company culture.

"Call out unproductive behavior: Jack Krol, the former chairman and CEO of DuPont, told us that he found that board meetings tended to be dominated by two or three voices. The other members were silent. Jack adopted the practice of calling on each member individually. That keeps everybody thinking actively. By doing this, he found out that the silent folks were often the source of great ideas."

The CEO Next Door, Elena Botelho and Kim Powell with Tahl Raz***



Herbert Bechtel

30 years experience as a Headhunter
Former Managing Partner at Heidrick & Struggles and Whitehead Mann (Korn Ferry)



Geneviève Joassard

5 years experience as a Headhunter
15 years as CEO in the tourism industry

Creating the best scenario also means getting board members involved in issues that are important to them and in which they have relevant experience and expertise. It is useful to set up real and clear priorities for each member of the board.

Team Up with the President

Some CEOs make the mistake of thinking that a weak president will leave them with more power, but this is not the case. If you align yourself with your president, you will have the best possible partner for harnessing different points of view and driving the company forward.

The successful CEOs whom we have interviewed devote 10 to 20% of their time to working with the board of directors. This can go up to 30% or more in some situations, such as a merger/acquisition or the sale of the company. As with every aspect of the CEO's work, allocating time and attention in terms of key priorities is a winning strategy.

Corporate Governance: At BECHTEL-CONSULTING, we assist businesses of all sizes in the recruitment process for executives and expert positions, board members, and advisory committees.

We work in close collaboration with companies to develop an understanding of their strategy, culture, personalities, and the additional skills they need. Our in-depth experience with bringing high-performance candidates to boards of directors allows us to advocate for people who are not found in conventional databases and to bring added value and diversity to executive boards.

*Thank you for taking the time to read these reflections.
We are delighted to have had the opportunity to share them with you.*

Sources:

*Exchanges: In Conversation with the World's CEOs, The River Group
**CEO Transitions: Mitigating Risks and Accelerating Value Creation, Russell Reynolds Associates
***The CEO Next Door, Elena Botelho and Kim Powell with Tahl Raz