

On Becoming An Effective and Enduring CEO?

By Denis Orme



“Oh yeah, I definitely feel out of my depth at times. But I think that if you don’t occasionally feel out of your depth you’re either not growing anymore, or you’re kidding yourself, or you’re not pushing the organization hard enough.”

Comment in Unlimited from Grainne Troute - CEO McDonalds. Grainne has an HR background.

Potential CEO’s come from a much wider range of business disciplines than even five years ago and perhaps CEO applicants can benefit from my real-world, in-the-trenches questions and experiences on both sides of the CEO fence. If you have had a career largely in one discipline to this point, then these questions will enable you to think of the CEO role in broader terms.

Questions, many of which are in the considered “soft” areas, have potential answers that will help you make a balanced decision as to whether your potential career move will be a good fit, and if so, increase your chances for success in the role.

The alternative?

I describe it as the “eighteen-month club.” You are hired, the board has great expectations on sales and profit growth..... you make the right noises, six months go by, twelve months and the board starts questioning “Where are the results?” and by eighteen months you are in the departure lounge along with 15-20% of the CEO’s from the Fortune 1,000. *You have joined the eighteen-month club!*

So it is time to start probing:

Q What stage in the business life-cycle is the organization in?

Initial high-growth; maturity; decline or the start of the 2nd growth cycle? Is there widespread recognition and acceptance by individual board members of the life-cycle stage?

**Q. Does the company strategy have a long-term sustainable competitive advantage?
How do you know?**

A. Instead of just relying on information provided, have you completed a S.W.O.T? Talked to customers and ex-customers? Talked to competitors? Searched the internet? Found industry trend information? Looked at benchmarked data?

Q. Has the business model passed its “use-by” date?

Aggregators, e-commerce, new competitors or technology may all have had a major negative impact on the business. Does the board truly recognize it or are they still in denial and in the mode of trying to make a silk purse out of a sow’s ear?

Have they considered a Greenfields approach to the development of a business plan?

“If I were starting the business today would we do business the same way?”

If not, then the board should have directed the development of a business plan recognising: industry trends, new technology, competitors, factors impacting on the business model, geographic factors related to sales and support and traditional and non-traditional competitors. e.g., in the check printing business considering the impact of credit and smart cards.

Q. Has the board gone through the cost-cutting phase, or are they locked into ongoing cost-cutting?

A. No-one ever downsized to greatness. During the process of downsizing trust and morale typically are destroyed. Unless the board is focussed on re-growth strategies and not further cost-cutting, then I would suggest that your tenure will be short-lived as you will not be demonstrating additional profit from new business acquisition.

Q. Is the board focused on the short or long-term?

A. While the board may talk about being “in it for the long-haul”, look at what shareholders and board members have done in other situations. Are they long-term players or typically just looking for a quick return?

Q. Will there be a business reinvestment strategy or is there a single-minded focus on shareholder returns right now?

A. To this point there may not have been calls to reinvest in the business. A leading question to ask then is: “What has been their track record either in this or other business interests?”

Q. Is it a public or private company?

If private, who are the key shareholders? It is important to meet one-on-one with each of them to consider such things as:

- is there a dominant personality?
- will they let the chair do their job?
- has the board been “stacked” or are there the right disciplines to take the company forward?
- will directors do what is right for the company, or do some board members pursue personal agendas?
- will primary shareholders continually second-guess the CEO by calling in regularly at offices or taking staff to social events etc?
- Is the owner or dominant shareholder an entrepreneur? Typically they are short-term players, not interested so much in planning and have a “Do it – fix it” mindset.

Q. Does the board truly understand their role?

A. My experience - largely in private corporations is that the board does not stick to strategy design, and then evaluate the CEO on his or her execution of that strategy. Too much time is spent debating operations. This discussion does little to ensure the long-term profitable operation and market superiority of the business. Again, using my experience this is not such a factor in public corporations.

Q. Governance charter.... Is it just a wall-hanging, or a code they live by?

A. Quiz board members on their knowledge of the charter and answers will provide your first clue.

Q. Do board members seem “tenured” or do board members change according to the skill mix needs of the organization’s life-cycle?

A. Very easy to see how long each board member has continuously served and whether board members have to retire by rotation and offer themselves for re-election, and whether after say two terms they have to stand down for one complete term.

Q. Does the Board go through a formal evaluation process?

Whole Board?

Chairman?

Individual Board members?

A. If not, why not? Perhaps it has never occurred to them, perhaps the Board is too new or perhaps it is considered too threatening by individual Board members.

Q. What are the sacred cows?

A. I am pleased to report that in most cases there are none. However, understand whether there are any sacred business processes, unprofitable/low-profit customers you are “requested” to retain, or any untouchable personnel.

Q. Why did they consider making the job offer to you?

A. Job descriptions are broad and so what specifically out of your background is it that they think you will do?

Were they looking for a celebrity CEO, someone who will build a leadership team, a consensus builder or someone who will drive change? Roles are broadly characterized as growth navigators; execution maestros; turnaround surgeons or business model transformers.

Do you think they will want you over the longer term, or will they transition to someone else once their initial goal with you is met?

Q. Have they structured your proposed compensation package for growth or stability? Do they want you for the long term?

A. An easy way to determine the answer to the first question is to look at what percentage of the package is at risk? Twenty to thirty percent probably means that they are looking for high growth. That said; make sure you can control all KPI's. For example if there is a percentage related to

EBITDA growth and you are in a service business, will they let you change staffing ratios to improve profitability?

A balanced approach is to weight a portion for sales and customer growth, net profit improvement, plus a percentage for business reinvestment. BP is the best example of this balanced approach to senior executive compensation

Q. Is there a stock option component?

A. How will it be triggered? After KPI's are achieved, after a set time period, or at the discretion of the board? Are they just holding out a "future promise" or is it a genuine offer? What is their track record in this area?

Q. Finally, what is the board attitude to people? Do they have a view that "people are our most important asset" or do they view staff as a "cost of business" or some point in between. Do they believe in investing in people?

A. Unless you have the ability to hire, motivate and retain the strongest team then the business is likely to remain a "me too" company with higher than average staff turnover usually accompanied by low customer satisfaction.

This implies the right culture, values and at least being in the top one third in compensation bands for your industry.

The First 103-days

This is the most critical time following your appointment and certainly sets the future culture under your regime. Clearly before you start your new role, and with your now good knowledge of the company, time should be spent on your Action Plan for the first 90 days at least.

This plan will include further fact-finding, meeting personnel, understanding production and distribution processes or service offerings, meeting both current and former customers or clients and suppliers. Good information on which to base your plan.

However, do not underestimate the need to create a support network and build a coalition around your strategy and implementation plans. No single person can successfully grow a business. Identify and groom your motivated torch-carriers.

Conclusion:

Your success as a CEO is not totally dependent on positive answers to these questions.

In addition to being experienced, well-educated, and intelligent and articulate you must have the ability to inspire others.

This involves a highly developed social quotient to move quickly and successfully in a complex, multi-layered and fast-paced environment. So it is now time to hone your skills of empathy, integrity, stamina and flexibility in a variety of business and social situations.

After all, you must become the passionate torch-carrier for your new organization.

About the author:

Denis Orme has served as a management consultant to over 200 prestigious international organizations and companies. He is president of the Leadership Success Institute, is a national seminar presenter, and has written articles for prominent publications including The National Law Journal, The Forbes Report, and the National Business Review. Denis has been consulting various organizations for over 20 years and his effective “hands-on” approach has proven successful. You can learn more about his organization and services at www.leadersuccess.com

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