Merryck & Co

Mentoring Matters: Long Live the CEO

Mentoring Matters

Merryck mentoring

Merryck & Co is the world's leading mentoring firm that supports CEOs and senior business leaders in their challenging, and often surprisingly lonely, roles. Our clients include leaders in some of the world's most prestigious organisations.

Merryck mentors are all former CEOs or senior business leaders who understand the complexities, the issues and the hurdles that must be overcome if an organisation – and its leader – is to thrive.

The Merryck methodology

Merryck mentoring employs a proven, practical and results-oriented methodology. At its heart is the personal relationship that develops between mentor and client. Since 1997, Merryck has helped hundreds of business leaders to unleash their potential as leaders and deliver exceptional business results.

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MENTORING MATTERS

LONG LIVE THE CEO

The tenure of a CEO is becoming ever shorter.

In 1995, Fortune 500 CEOs could expect to serve for nearly 10 years. By 2001, this was little more than seven years and in 2008 just six. In the UK today, almost three-quarters of FTSE 100 CEOs survive for less than five years. So time is not on your side if you're a CEO – and it can be very short indeed. Three high-profile examples from the UK in 2010 illustrate the issue:

- Ian Watmore left the Football Association after nine months in charge (citing failure to win the support of his board for his strategy)
- After a career spanning 27 years at De La Rue, James Hussey quit after just 19 months in the top job (because of quality control issues)
- BP's Tony Haywood similarly enjoyed a long and successful career with the company, but one major disaster spelled the end for him as CEO after four years.

Were these people ignorant? Did they lack application? Did their talent suddenly desert them? It's unlikely. On the contrary, to reach the executive suite at all requires skill, knowledge, expertise, nous. These, and the countless other CEOs who leave their posts each year, are able people. Sadly their downfall is all too commonplace.

Most top leaders do not sail gently into retirement, to a world of golf and gardening and grandchildren. Some CEOs do change jobs of their own accord to develop their careers elsewhere. But many are eased – or forced – out. Being sacked is an occupational hazard.

However new research from Merryck & Co* reveals that executive musical chairs is – surprisingly – welcomed by many CEOs. Less than a third of those surveyed want to stay in post until they retire. Almost half don't want their current job to be their last. They crave another "next big job."

In this edition of Mentoring Matters, we examine CEO longevity from the perspective of those it affects most.

** Merryck & Co surveyed 55 CEOs, former CEOs and senior business leaders in June and July 2010*

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Almost half of CEOs will jump ship when "the next big job" comes along.

The right CEO at the right time

The business environment changes so fast. A dotcom boom followed by a dotcom bust. Easy credit then a lending drought. Technological innovation with obsolescence not far behind.

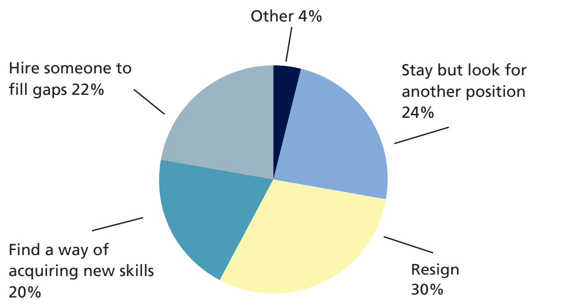
Whilst one might expect CEOs to say that the person at the top should be able to address all such issues, in reality they recognise that their skills today may not be those required by the business tomorrow.

- Only 28 per cent of CEOs say they will be the right person for the job in five years' time
- Almost a third (30 per cent) would resign immediately they felt they were not in the right role
- A further quarter (24 per cent) would remain in post but begin the search for another job

However, recognising that the business environment changes rapidly, chief executives are willing to invest the time to adapt and grow:

- One in five (20 per cent) CEOs will find new ways of acquiring appropriate skills, perhaps by taking a course or an additional non-executive role
- A similar proportion (22 per cent) will hire someone to plug the gaps in their own skills and knowledge

If you no longer feel that you are in the right role, would you:



The Merryck View

Companies change. Economic cycles turn. Competitors come and go.

Recognising this, CEOs accept that they may not have the necessary skills or leadership style within the next few years. They know that, like the organisation they lead, they must adapt or die.

Organisational – and personal – success can be determined by having the right leader for the right time. Some business leaders are creators, entrepreneurs who bring new businesses into the world, or who are adept at inspiring new products and services within a larger enterprise.

Others are **builders**, taking established organisations and expanding into new markets, services, technologies, or expanding through mergers and acquisitions.

Others still are **operators** who maximise the value of existing assets.

A select number of CEOs posses a rare talent: being able to create, build and operate organisations as times change. The vast majority who don't have three options: they must hire talent to complement their own skills; find a way of acquiring new skills, or leave.

That more than half of respondents say they will seek a new challenge once their skills no longer fit is heartening. Whilst CEOs need to remain in their jobs long enough to make a contribution and to fulfil the strategic goals asked of them, they should not stay so long that they – and the business – grow stale. Although many long-lived leaders have become legendary: GE's Jack Welch, ICI's Sir John Harvey Jones, Pearson's Dame Marjorie Scardino, those who cling on well beyond their heyday damage both their own reputation and that of the organisation they serve.

"Organisational success is determined by having the right leader for the right time."

The right time to go?

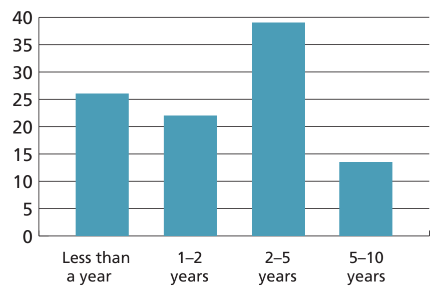
Whilst the average lifespan of a CEO in a large company may only be about five years, the popular conception is that this is because impatient boards, under pressure from analysts and shareholders, too often dismiss executives prematurely.

Yet many CEOs actively choose to go. For them, leaving one big job for another is a positive move.

- Almost half of CEOs surveyed (48 per cent) intend to stay in their post only until the next big job comes along
- Almost a third (31 per cent) intend to stay until they retire, although fewer (24 per cent) think they will make it that far, usually because they expect to be pushed first
- One in nine CEOs (11 per cent) expect to be forced out of their jobs

The length of time that chief executives intend to commit to their existing company is in itself relatively short. For one in four (26 per cent), it is under a year. Half expect to have gone within two years. This is true however long – or short – the leader has been with the company. Whether they have spent 20 years inching their way to the top, or have moved in from another organisation, CEOs understand the reality of their situation and are thinking about their future.

On average, younger CEOs (those under the age of 45) expect to remain at the helm longer, but even then 80 per cent of under-45s intend to leave their current organisation, one way or another, within five years.



A quarter of leaders surveyed expected to stay in their current role for less than a year

The Merryck View

That many senior business leaders expect to stay in their roles for under two years – and a quarter less than a year – will surprise many companies, and should be a worry. Yet if business leaders feel that they may be replaced at any time, it is perhaps understandable that they may have a casual, if not active, eye out for the next opportunity.

The effect of losing and then having to replace the CEO in terms of disruption to business continuity, the resulting strategic vacuum and loss of momentum can be huge. The result can be unsettled staff, an executive team whose members are jostling for position, concerned customers and competitors eager to take advantage of the situation.

By creating an environment in which a successful CEO can develop, both personally and professionally, without moving can be advantageous to all. However, it is hard to keep growing when you are already the biggest beast. Developing the CEO is only possible when that leader has appropriate support.

Nevertheless, CEOs always have an expiry date, however near or far that is. It makes succession planning for the CEO role essential, even if CEOs themselves do not wish to seriously address it. Too many hope to secure their legacy by moving their own preferred candidate into position. For the organisation, effective succession planning relies on identifying the next leader – ideally from the next generation – and ensuring they have the leadership skills and styles for the years to come. One danger is that following a successful CEO's reign, boards are likely to seek a copy of the predecessor, or not to plan for succession at all. The Merryck & Co. survey reveals that almost half of companies have no succession plan for the CEO. When the chief executive leaves quickly – a strong possibility if that "next big job" comes along – this will be a serious strategic and operational failing on the part of the board.

"It is hard to keep growing when you are already the biggest beast, but CEO development is only possible with appropriate support."

The ultimate pressure

It's not easy being a CEO. In this all-pervasive job, pressures come from all directions: from above (shareholders and the board), below (employees) and sideways (unions, the community, regulators, politicians).

We asked CEOs where they felt those pressures most. Their responses fell into three broad categories:

Leadership and visibility

- The need to provide strong leadership places the greatest pressure on CEOs

  Younger leaders (under 45) and older ones (over 60) are far more likely to say this affects them a great deal
- The need to be "on show" affects 70 per cent of CEOs
- Having to be guarded in what they say or do affects half of CEOs

The corporate environment

- 'Hitting the numbers' is a constant pressure, regardless of how experienced the executive is
- Press from the external environment or competitive landscape affects a third of senior business leaders

  Older CEOs find this pressure more than their younger counterparts
- CEOs under 45 find that governance and compliance issues more troubling than older leaders

The daily grind

- Almost all CEOs find that keep the email inbox under control is an issue

  Surprisingly this is less of a problem for older CEOs
- 40 per cent of CEOs find it difficult to get through everything they need to do

The Merryck View

The CEO has much to do, but it is a pressurised, visible and demanding job that has significant downsides as well as tremendous ups. The pressures are often contradictory: everyone wants a little of the CEO's time, but time is short. The numbers have to improve quarter-on-quarter, but long-term investment has to be made too. The CEO wants to get out to meet customers, employees, suppliers, but strategic thought needs quiet reflection.

Survival and success can only be assured by concentrating on the business context, focusing on the most important issues and building an effective, talented and united team. For the CEO to do too much, to spread their time too thinly, is to do a disservice to themselves and their organisation. In the few years that they have at the helm, it is unlikely that they will be able to drive through anything other than a handful of strategic projects. They will be remembered – if they are to be remembered at all – for just one big thing.

The greatest leaders play to their strengths, delegating what they do not do well to others who are more accomplished. Knowing what those skills are, and identifying (and then trusting) other members of the team – perhaps people who aspire to their job – is a skill in itself. Fortunately, with the right guidance, and a little instinct, it is one that can be acquired.

"CEOs will be remembered – if they are to be remembered at all – for just one big thing."

Sources of support

The relationship between the board and the executive team (and in particular the CEO), necessarily has to be strong. When differing agendas arise, both the company and individuals within them can suffer.

We asked senior business leaders to whom they first turn for agenda-free support, advice and guidance. When it comes to having someone to confide it, the largest single proportion of CEOs look down, not up.

- A third of business leaders turn to their executive team when they need to agenda-free support
- Only 17 per cent seek out their chairman
- Other board members are favoured by 13 per cent of CEOs

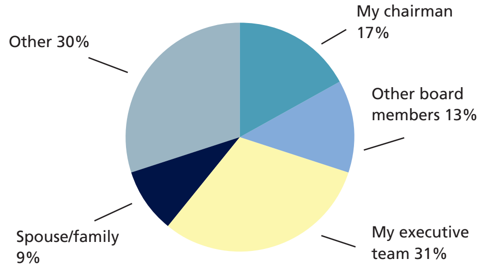
However, for a significant proportion of CEOs, help is not to be found within. Almost 40 per cent turn to people outside the organisation: to spouses, friends, coaches or mentors, even to people in other businesses. Some even found inspiration from a higher being.

The desire for external counsel might be explained by the fact that often the board is cause of, not the solution to, the CEO's problems – and it can keep them awake at night.

- A third of CEOs (31%) say they have trouble sleeping and nine per cent say insomnia troubles them quite often.

Much loss of sleep is job related, often because of pressures from the board (33%), or HR issues (18%). Four out of 10 CEOs say that jet lag and other extensive travels causes them sleep problems. One CEO reported that he finds himself "working in my sleep; waking up thinking about things that must be completed" whilst others spoke about the next day's agenda or the work issues going through their mind.

Where do you turn first for agenda-free support, advice and guidance?



The Merryck View

Even CEOs running large, global businesses with good people around them can feel isolated. Starbucks CEO Howard Scultz, just one notable example, told *Harvard Business Review* that being the CEO of a public company has, over the past couple of years particularly, been difficult and lonely.

They may spend their days talking with customers, employees, shareholders, vendors. But in the end, as the most senior executive in the organisation, the CEO is alone. They may even feel unable to trust even the most trustworthy people around them: people they like and respect and who like and respect them in return. For when you're the boss, not everyone tells you the truth. Where does the CEO go to work through new ideas and concepts – ideas that may alarm those in the organisation if they are expressed before they are ready? Who can help test assumptions, assess opinions and weigh up options if they are not at the stage to be presented the board, chairman or executive team?

As barely one in three CEOs turn to the board or chairman for agenda-free advice, they need guidance from other independent trusted sources. Family and friends are useful for emotional support, of course, but do not always have an understanding of the complexities of running large businesses. For experienced, non-judgemental support, outside consultants whose livelihoods are not entirely dependent on the CEO may feel much more comfortable about telling it like it is.

"As barely one in three CEOs turn to the board or chairman for agenda-free advice, they need guidance from other independent trusted sources."

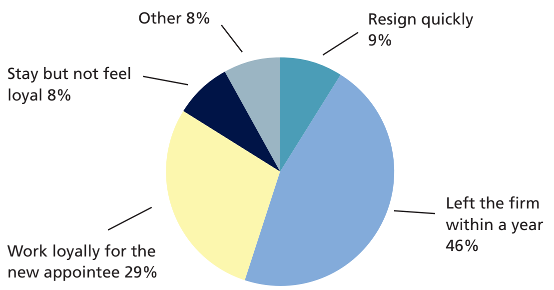
When the next big job doesn't come

Two-thirds of the senior business leaders in our survey were external appointees. It's not too much of an assumption to suggest this equates to a large number of executives whose hopes of being promoted to the top job have been thwarted. Quite simply, when an outsider gets the job, it hurts.

So we were interested to learn what the third of CEOs who had been appointed internally would have done if their candidature had not been successful. The results were not altogether surprising, for the appointment of an outside CEO is almost certain to lead to other senior departures.

- Nine per cent of executive would resign quickly if they had not got the CEO job, even if they had no other position lined up
- Almost half (48 per cent) would leave within a year, having found another job
- Only one in three say they would work loyally for the person who had beaten them to the job

If you hadn't got the CEO job, what would you have done?



The Merryck View

For some, not landing the next big job can be a serious career setback. For others, it may have planted a flag by explicitly expressing an ambition, or be a useful part of professional development. However, there is a right time to land the right job, and if it doesn't come up at the right time, the disappointed candidate has some serious thinking to do.

Expert guidance at this point is crucial. Those surrounding the executive will have a different agenda: the board who may want her to stay; the new CEO who may want her to go. Family and friends will have their own opinions, based on loyalty, that may not be in the best interests of long-term career development. As only 29 per cent of spurned leaders say they will work loyally for the new CEO, clearly for them a new challenge outside the organisation might be in the best interests of all concerned.

But if they do move into the corner office, they shouldn't expect it to last forever. Executive life expectancy for CEOs is remarkably short, and this may be both good and bad. Organisations may be refreshed by a change at the top; equally they may be in a period that requires constancy. Whenever and however the CEO's office becomes vacant, though, it will almost certainly result in upheaval within the executive team. If a smooth transition is to be achieved, development support and growth opportunities are necessary for that team too.

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