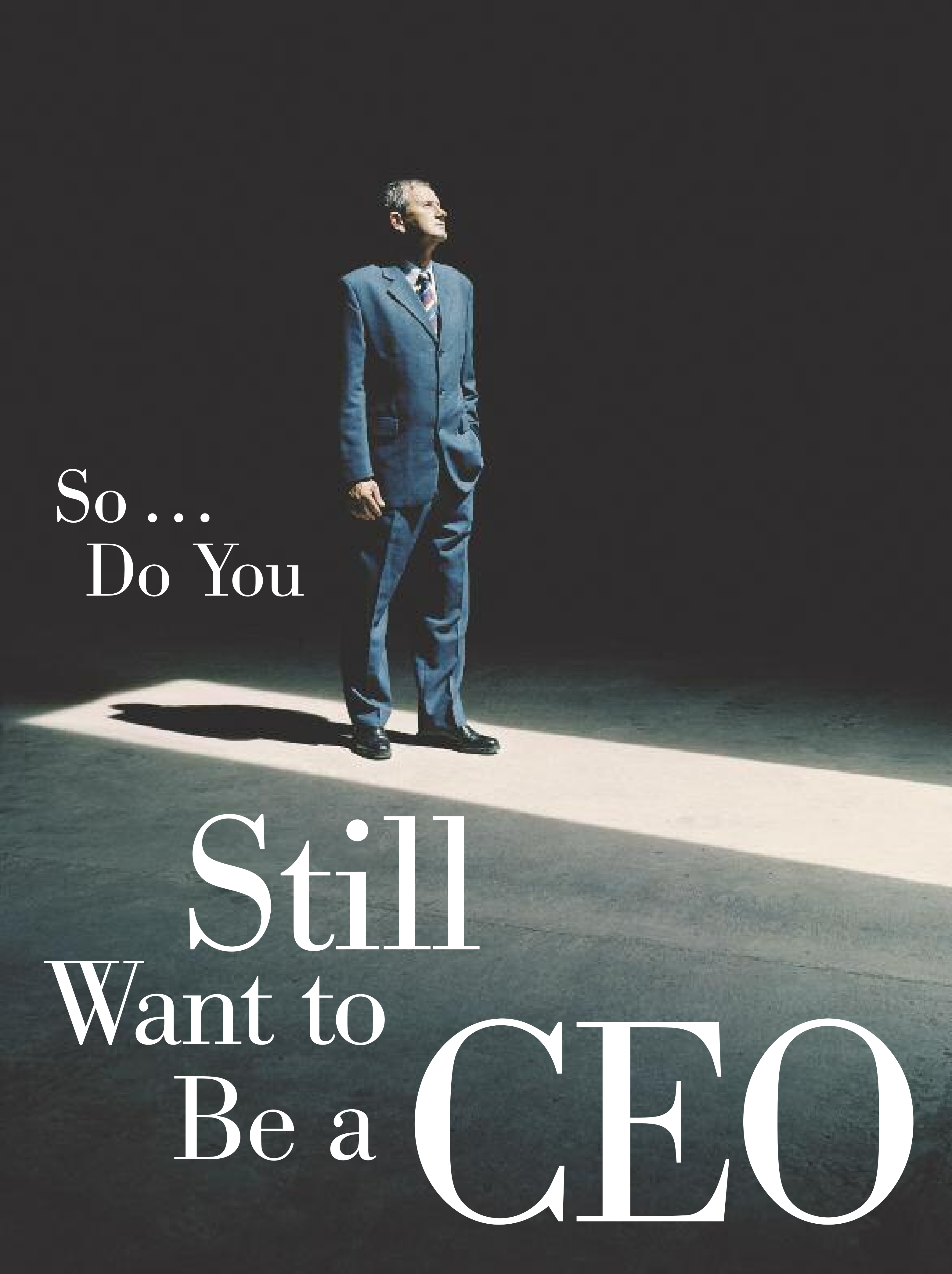
So . . .
Do You
Still
Want to
Be a
CEO

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The job isn't the same as it used to be.

BY JAMES M. CITRIN

It wasn't that long ago that top CEOs were the superstars of the business world. Many viewed them as corporate heroes whose efforts in leading growth companies to soaring heights or turning around struggling firms to renewed success deserved the highest praise and reward.

What a difference a recession makes. CEOs are increasingly taking the blame for their companies' failures. Entire industries may be struggling, but it's the people at the top who find themselves the target of increasing government scrutiny, public intolerance, and shareholder and board ire.

That's not to mention how CEOs feel about themselves right now. Chief executives can't help but see stock prices as a measure of their performance and of the world's confidence in them. With all but one Dow Jones 30 company on a negative trajectory, it's no wonder that everybody feels as though he's underperforming.

Even the highest-performing top executives are receiving lukewarm praise. In a December 2008 *Wall Street Journal* article saluting the year's best CEOs, Wharton leadership professor Michael Useem lauded "the best of the bleak, but no spectacular performer" and said that anyone who "managed to keep the company from dramatically dropping off a cliff deserves applause and accolades." Given this environment, it could be argued that the CEO job is harder than it's ever been.

PILOTING THROUGH TURBULENCE

After all, it's a job in which uncertainty has never been greater. It was astonishing how quickly age-old institutions such as Lehman Brothers and Bear Stearns vanished. What can happen—and how quickly it can happen—is enough to weigh on anyone's mind.

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CEOs today are not too dissimilar from airline pilots navigating through stormy skies. Even if they know that the ride will be rough, they recognize that employees, like passengers on the edge of their seats, are waiting for the reassuring voice over the loudspeaker. The CEO must project a sense of calm and tell everyone that the company will be going through some turbulence over the coming months so that employees can relax enough for the organization to stay productive.

But the weather may not break for many organizations anytime soon. As one CEO with whom I recently spoke said, if you look across industries, any company that isn't the number-one player in its market is genuinely at risk of going out of business. Examples are all around us: Best Buy and Circuit City, Toyota and General Motors, Barnes & Noble and Borders. The strong seem to be getting stronger, making things even tougher for the vast majority of CEOs. And second acts are increasingly rare for CEOs who are deemed to have failed the first time around.

Today's chief executives must devote considerable time to the unenviable tasks of planning layoffs, restructuring operations, closing plants, exiting geographies, eliminating product lines, and getting clients to pay their bills faster.

Moreover, many CEOs at struggling companies are also faced with the most difficult of choices—whether to allow their company to go into bankruptcy. And although it once seemed as though the highest-profile corporate failures were companies whose wounds were self-inflicted—WorldCom, Enron, Arthur Andersen—today many companies that arguably were doing everything right find themselves in dire straits.

In this environment, companies with debt levels that didn't seem so daunting a year ago, and that have made smart and prudent choices in terms of operational and customer-service improvements and new product introductions, now find their survival—not to mention their CEOs' reputation and careers—threatened by the liquidity crisis.

INCREASED PRESSURE, FEWER PERKS

Meanwhile, CEOs face external oversight like never before. As the joke goes, the best way to get a government job right now is to join the financial-services industry. At the same time, even the day-to-day job itself has changed. Gone are the days when exciting things like strategy, expansion, and dealmaking were the CEO's main focus. Today's chief executives must devote considerable time to the less enviable tasks of planning layoffs, restructuring operations, closing plants, exiting geographies, eliminating product lines, and getting clients to pay their bills faster. Much of the role once revolved around selling the company's vision to Wall Street. Today, external relations might mean being hauled before a Senate hearing committee rather than chatting with Maria Bartiromo.

That's not to mention CEO pay, an issue fraught with unprecedented social, political, reputational, and financial risks. CEOs don't want to be embarrassed and singled out for egregious compensation, but they want to be rewarded for the enormous responsibilities they take on—and for their performance.

Some who aspire to the top job may also see the power and trappings of the role as part of the allure. But even these perks aren't what they used to be. Just about everyone knows that you need to think twice about taking the corporate jet to Washington—you might have to drive. And before assuming that no one will notice how much you spend on office décor or on company events, give your friends at Merrill Lynch a call.

Even the glamorous corner office in Manhattan, San Francisco, or Chicago might not be in the cards anymore. After all, one of the only big corporations making money right now is Wal-Mart, whose cost-conscious approach extends to its famously spartan offices and its corporate headquarters in inexpensive Bentonville, Ark.

THE ROLE TODAY

So what *is* the CEO role like today? More than ever, it's a 24/7 job. I recently surveyed twenty CEOs and found that nineteen of them rose before 6 a.m. every day, with more than half up before 5:30. Almost all of them check their e-mail first thing upon waking up. The Internet has reduced many of the traditional layers of corporate communication: CEOs have more direct interaction within the company and with external stakeholders. On one hand, that's good—it allows CEOs to get straight answers and honest feedback. On the other, this comes at the price of information overload and being pulled in twenty-five different directions.

In fact, perhaps the toughest thing about the CEO job itself is deciding how to spend your time. The best CEOs—and the ones that don't drive themselves crazy—have figured out how to invest their time in a way that aligns with the company's

The Responsible CEO

BY STEVER ROBBINS

We shouldn't let CEOs off too easily.

They did everything right; they paid attention to all the right things. Surely they can't be held responsible for the financial downturn, either in the global economy or their companies' fortunes. Yet critics have singled them out for blame.

Why is this happening? It's happening because even though, as a class, CEOs *haven't* been responsible, they've trained us to believe that they are.

For decades, highly publicized CEO pay raises have outpaced employee pay raises. From the outside, here's what we've seen: Times are good; the economy is booming; CEOs get huge salaries and raises. Why? "Our fabulous company performance is due to me," they explain. "I'm responsible. Yes, I have hard-working, smart, skillful employees. That's just a happy coincidence. I set the tone, so all their hard work is just an extension of me. Pay me. And if you want me to do my job at all, you have to align my incentives correctly, so pay me a *lot*."

In down years, CEOs receive huge salaries and raises. The logic? "I am a hero. I'm taking tough action. You have no idea how *hard* it is to lay off people while keeping my job and my salary. The guilt is *almost* unbearable. I deserve a bonus for taking on all this responsibility."

In short: CEOs have been paid lavishly and publicly, regardless of performance, always with the logic, "I'm responsible." Is it any wonder the world continues to believe, even in the midst of chaos, that they're responsible?

Here's what true responsibility looks like: I do my job well, and I get paid my normal salary. After all, doing my job is why I get paid *any* salary! If my job is exceptional, maybe I get a modest bonus. For non-CEOs, by the way, that bonus is never six times the salary—it's usually a *fraction* of the salary. When my results come from my team's efforts, we share the bonus. When I do my job poorly, I get no bonus and no raise. Maybe I get fired. These are the rules the rest of us live by. Indeed, as employers, CEOs *set* those rules.

If CEOs want to stop being blamed, they need to start living by the same rules. Have they done their job well? Part of the job is making good strategic and operational choices. They can't do that without anticipating the future of their company, industry, competition, and financial environment.

Is that hard? Oh, yeah. It's very hard. No reasonable CEO could be expected to have anticipated frozen credit markets and the meltdown of financial markets. So they levered up during good times. It seemed smart, assuming tomorrow would be much like today. That's an assumption that requires zero skill to make, by the way. Some would suggest it doesn't justify the salary, perks, and status that many CEOs enjoy. Especially since it turned out to be wrong.

Other CEOs kept a conservative balance sheet, even in good times. Everyone said they were crazy for not using more leverage. They made a conscious trade-off: to endure pressure in good times to improve the company's survival during bad times. They didn't know when or where the bad times might come, but they chose prudence. They chose well.

Unlike lower-level jobs, a CEO's job includes managing finances with a multi-year time horizon. "I didn't see it coming" is a lame excuse. If a CEO sees only the obvious and follows the herd, what are we paying her for? My first boss told me, "If you always agree with your boss, you aren't adding any value." True. And if a CEO always does what everyone else is doing, she isn't adding any value, either.

Putting up with the blame now is the price CEOs are paying for a culture that rewards many of them far beyond the quality of their performance. Cries of, "I'm not responsible" won't cut it when huge salaries and extensive perks have long been justified with cries of, "I *am* responsible." True responsibility will enter the picture when we hear a CEO say, during good times, "This year's outstanding performance was due to the market, my employees, and circumstances beyond my control. I don't deserve a bonus and will not take one." Until then, "responsibility" is nothing more than a pleasant fairy tale. May we all live happily ever after . . . and I'm not holding my breath.

STEVER ROBBINS is a veteran of nine start-ups and four IPOs. He is a management consultant currently working with Babson College, bringing entrepreneurial thinking and action to tackle situations in organizations of all sizes where the future is unknown and unknowable. He can be reached via www.SteverRobbins.com.

CEOs—An Early Look?

BY MIKI SAXON

I really dislike words that have no definition other than a different form of themselves.

Leader: a person or thing that leads.

Leadership: the position or function of a leader.

Talk about something with no real meaning—except when looking at the man-hours spent teaching and writing about it or the hundreds of millions of dollars spent on acquiring it.

And I find the practice of identifying "leaders" early in their careers particularly repugnant for two reasons.

First: The idea that you can identify future "leaders" from their actions on the playground or in high school or during their initial working years is inaccurate at best and stupid at worst.

Those identified as kids are the ones who excel at getting noticed, love the spotlight, have a good story to tell, and are typically attractive and mainstream. The nerds and misfits are rarely noticed as future "leaders"—think Steve Jobs.

THE "EARLY LEADER" APPROACH ELIMINATES ALL THOSE LATE BLOOMERS, GIVING THEM FAR FEWER OPPORTUNITIES TO EXCEL.

Picking them out for special training during their first five years of work eliminates all those who work for bad bosses or for companies where entry-level hires are grunts with no real responsibility.

Choosing them because they have an MBA is ridiculous—all the degree proves is that they could afford grad school (either had the money or went into debt) and that they made it through. That's it.

Further, the "early leader" approach eliminates all those late bloomers, giving them far fewer opportunities to excel.

The second reason is much worse: Those "chosen" start getting extra attention and mentoring from day one of being identified, so the traits that got them noticed get stronger. Stronger isn't always better.

They are anointed, singled out for greatness—*they are special*.

Being special sets you apart; suddenly you're better than the others, and that means that there must be different rules for you because you're special, better—and entitled. It's an attitude best summed up by Richard Nixon when he said, "When the president does it, that means that it is not illegal."

And that sense of being anointed a "leader" is partly responsible for the current debacle.

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agreed-upon strategy and have built a capable management team across all the critical functional roles and business areas.

CEOs spend much of their time on talent management. Some say 90 percent; some say 50 percent; no one says lower than 40 percent. And they all spend most of their time—whether it's on talent or other issues—making decisions. Which new business initiative do you choose? How do you resolve a client situation? Whom do you appoint to what role? Do you authorize this expenditure or investment? When do you ask your board for permission versus giving them a heads-up? The rapidity of decisions has increased—and the great CEOs are great decision-makers.

But the most important thing to remember is that the CEO role is a job just like any other. Some today may have developed the preconception that it's awful, but it doesn't have to be. Others view it as being all luxury and fun, and if you're this far into this article you know that it's not that, either. The ones who get in trouble are the ones who begin to think that being CEO is their coronation and that they've achieved something permanent. The fact is that they are in a role and would be better off to think of it like a term of office.

In fact, many companies searching for a CEO stress that they want someone who's a normal, well-adjusted person. As research in the 2007 Wharton book *Firms of Endearment* confirms, companies led by CEOs known for inspiring respect, loyalty, and affection—rather than fear—have significantly outperformed the S&P 500 in recent years.

SO WHO *SHOULD* BE A CEO?

In today's environment, those who will have a chance to be successful in—and truly enjoy—the CEO role must possess certain basic qualities. They need to like working with people, they must like—and excel at—making decisions, and they need to be people who need no affirmation about their value as a person based on their role. They also require several competencies to thrive in today's challenging environment, including:

Operational capability. CEOs must have the hands-on capabilities and understanding to drive the business and instill a culture of operational excellence. They need to be able to break down organizational silos and take all factors into account when making decisions and structuring the work of their teams.

Talent-management expertise. Given the scale of organizations today, one person cannot do it all. Boards increasingly judge CEOs on their ability to create, motivate, and retain talent across all the senior-executive positions.

Flexibility. Competitors and customers alike have changed along with the economy. Customer preferences are changing more rapidly than ever before, and technology and business models continue to evolve, rapidly threatening widely held assumptions. The CEO needs intellectual agility and creativity to respond to these changing demands with new solutions.

Financial acumen and risk management. CEOs today must be also be able to cut budgets effectively, while still investing in the most critical capabilities the company needs to be ready for future growth. They must be superior capital managers to keep the organization afloat in a tight credit market. And contingency planning and risk management are more critical than ever, as better- and worse-than-expected scenarios must be anticipated in a world where nothing can be taken for granted.

Just as in the military, where it's long been understood that "there are peacetime generals and wartime generals," some executives are better suited to perform in today's atmosphere. Recently, one of the CEOs we had as a candidate said to the board, "I am absolutely not intimidated by this challenge. In fact, I thrive on it." And he meant it. On the other hand, many other CEOs are saying—only in private, of course—"Oh, God, can't we just get back to the way it was a couple of years ago?"

This economy will in fact continue to generate its share of stars who will perform in this environment. It may be a different subset of CEOs than those who thrive in a growth environment. For people with talent and drive, being a CEO is still a fascinating and rewarding experience.

In fact, times like these are when CEOs can have the biggest impact. As White House chief of staff Rahm Emanuel said recently, "You never want a serious crisis to go to waste." The external environment gives CEOs the opportunity to make difficult, yet necessary, organizational changes that wouldn't be politically acceptable during more robust times. The downturn has also fostered a genuine desire among employees to help.

Today, if you're in the C-suite of a $20 billion company, you can move the dial by finding a way to generate even $25 million of cash flow for the company. Members of the senior-management team have a tremendous opportunity right now to add value—and to get noticed by the CEO and board for actions that would have made little impact in a growth period. While this can create some extra jockeying for the chief executive's attention, it mostly has resulted in engaged teams that are communicating better and working together more cohesively than ever. And the pride that comes from building a team like this can be the most rewarding part of a CEO's job.

A CEO I know who just stepped down from a multibillion-dollar public company he founded said that he had personally recruited three-quarters of the firm's top two hundred people over the last decade. What he loved about the job was having a group of ten or so top colleagues who worked well together. Everyone was an expert in his field and knew what he was responsible for. If you set up a culture like that with open, nonpolitical communication and have the right people, it can be more than just a job. It can be incredibly satisfying—and a lot of fun.

And while it's entirely possible that the perks and compensation of CEOs will shrink in the months to come as anti-business sentiment runs high, these aren't the key motivators for the best CEOs, anyway. They're in it not for the money but for the challenge. And CEOs who want a challenge are sure to find what they're looking for in the role right now.

Perhaps the past vision of the CEO as hero was an exaggeration that deserved to fade away. But no leader has more of an ability to affect a company's fortunes through his decisions. And as long as that's the case, the CEO role will still represent the ultimate goal for corporate America's best and brightest. ■