

TANK COMMANDERS: A NEW ERA IN CEO'S

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Like effective tank commanders, Chief Executive Officers today better be in full control of their armor, if they plan to survive the ever-increasing battery of demands from the markets they serve, their Board of Directors and, increasingly, their investors.

Many seemingly-secure executives have lost their jobs in recent years, taken down by fierce competition and the bar of performance reaching an all time high. The patience of investor-stockholders and Boards of Directors has run out in many cases. More than ever, CEO's today are measured by profit margins, not style of management or long term strategy which is difficult to measure.

Executives in many of the Western world's leading corporations continue to lose their jobs in record numbers. To a large extent, this high rate of "no fault divorce" has come about because CEO's have misjudged the demands on their companies created by increasingly complex global business environment, further influenced by an accelerating rate of economic change. Let's admit it, some corporations, large and small, haven't been able to carry out the elaborate business strategies that CEO's have approved.

In our view, look for many more CEO's to be overthrown throughout the 90's as most companies face a future more unpredictable than ever seen before.

There are many CEO's today who would readily visit Sloan Kettering, Dana Farber Institute or Mayo Clinic if they could get a check-up and therapy which would give them the stamina to effectively direct their businesses for the balance of this century. If such a visit provided appropriate therapy, many would be less discouraged by the prospect of job insecurity.

CEO's today face business ventures whose focus has shifted from domestic to international and multinational and now to a more complicated transnational approach in order to operate effectively in world markets. Barriers are coming down rapidly. It began in Europe with the EEC and has continued to flourish with the free-trade pact (NAFTA) established among Canada, Mexico and the United States. It's highly likely we will continue to see similar arrangements proliferating in the Far East and Eastern Bloc, and those that have been loosely in place in Central and Latin America will no doubt be strengthened further. Hence, the CEO who has been operating either domestically or in multiple world markets now will be facing the added complexity of operating transnationally with complications and pressures of language and cultural differences that are not yet fully visible.

In view of ever-changing economic conditions, Boards of Directors/Stockholders in many industries continue to forgive CEO's if they aren't able to grow the business as effectively as they have in the past. But there's no question, they must grow profits. The CEO who can keep the ink from turning red will keep his job - and that may well be the standard for the rest of this century and the next.

What enhanced qualities will it take to be an effective CEO during the remaining years of this century? In the past, performance was measured by somewhat the same criteria, regardless of industry: that is, increasing sales, market share and profits.

Since the 1950's, many executive credentials have been stylistic. After World War II, the growth of new technologies, such as computers, semiconductors, medical instruments and avionics, spurred many corporations to seek leadership from engineering and technology specialists. This trend was further influenced by advanced defense and space programs initiated by the United States and its NATO allies.

Understanding technology is still an asset, but, in recent years, we've seen a potpourri of CEO's with various pedigree. For a period, the financial wizard was sought by a number of companies. Others reached into preeminent management consulting organizations to get their CEO's for their multi-function and multi-industry experience.

During the post-Korean war, generals and admirals were considered CEO material because of their command and leadership qualities. Lack of experience in particular businesses was not considered vital.

During the acquisition mania of the 1980's and early 1990's, the investment banker played a significant role in corporate leadership and often took on CEO responsibilities or strongly influenced the person in that position. We even

saw many takeover artists become corporate leaders, not because of their business experience, but because of their role in "leverage buyout" of existing companies. An MBA degree from Harvard, too, was a ticket to the penthouse suite for many, but there's no guarantee this trend will continue.

What we see emerging now as a most valuable asset in CEO candidates is experience in major business restructuring. Like a strong military leader, he/she must survey the landscape, scale down operations and orchestrate an effective counterattack. As executive search consultants, we have been retained by a number of clients who seek individuals who have participated in major business turnarounds and restructuring. This type of experience will continue to be an asset for the balance of this century as more companies continue to rightsize.

The remainder of the 1990's unquestionably will provide continuing pressure on CEO's to maintain competitive costs, while improving technology, productivity, market share and profits. To survive today and be competitive, CEO's must initiate multiple approaches to cost cutting. Reducing capital expenditures, capping outlays and laying off employees are traditional forms of "quick fix," but may not be anything more than a "band-aid" for many corporations.

Operating styles of chief executives have gone through appreciable variation and change, substantially influenced by one of the longest and deepest recessions we've seen in the Western world. The benevolent dictator in one organization may well be poison to another. Operating style once helped CEO's retain their positions. Today, style is secondary to performance. We continue to see a number of preeminent corporations who previously groomed CEO's to their liking from within, now looking outside both their own company and industry for successors. This is further proof that traditional management succession planning no longer is the "proof-positive" for being a successful CEO.

What experience or operating style will emerge as premier for the successful CEO of the future remains obscure. What we do know is that an effective corporate leader will be the person who can effectively demonstrate the following attributes:

- . To be more hardnosed and prepared to make more gut wrenching decisions, quickly
- . To move with decisiveness and be able to put his key executives on notice that performance is the sole measurement of success or failure
- . To refine and redirect short term vs. longer term business opportunities
- . To effect critical changes in management and corporate structure
- . To implement wide-ranging cost reduction programs
- . To distill and analyze increasing amounts of data quickly
- . To never lose sight of the bottom line. If he/she fails in this, the security of his/her position will always be in jeopardy.

Yes, the old bromide "HIGH RISK-HIGH REWARD" continues to apply to the CEO today. But, the balance has changed markedly. A CEO's rewards are being questioned openly by various publics interested in his/her performance. Their financial investments are at stake and they have become appreciably more vocal in recent years. The business risks taken by a CEO, in many companies, are proving near fatal.

For those who believe the "changing of the guard" will diminish as our economy gets stronger, the proof is not evident. My opinion is that tenures of CEO's will continue to be short-lived for the balance of this century. Critiquing of CEO's performance may well increase rather than decrease as various constituencies become much more vocal.

Yes, being a CEO of a public or private company has its prestige, perquisites and "bucks." However, along with the job comes the "pain in the tummy," which, for most CEO's won't go away any time soon.

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This writing is an update of a paper released in mid-1993. The writer believes it remains relevant.