

Book The Secrets of CEOs

150 Global Chief Executives Lift the Lid on Business, Life and Leadership

Steve Tappin and Andrew Cave
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Recommendation

Famous chief executive officers (CEOs) have an aura of invincibility. But scandals and failures have engulfed many infamous CEOs who ultimately lost their powerful jobs. And avoiding risk is no guarantee of top-job security. Many companies want their CEOs to serve as agents of change, not caretakers. How do successful CEOs stay on top? The answer depends on their style of leadership. Today, most chief executives are superb managers or bold entrepreneurs. Others are visionaries or astute diplomats. To find out what motivates CEOs and how they think about leadership, Steve Tappin and Andrew Cave conducted comprehensive interviews with 150 chief executives and compiled their findings in this book. *BooksInShort* recommends their work to anyone who wants to know how CEOs think and act.

Take-Aways

- Being a chief executive officer (CEO) is one of the toughest jobs in the world.
- Many CEOs have little time for themselves or their families.
- CEOs who cannot deal with pressure and stress should choose another line of work.
- The job of a CEO can be very rewarding. Unlike many other types of workers, CEOs get the opportunity to make a real difference.
- The five predominant CEO types are “commercial executors, financial value drivers, corporate entrepreneurs, corporate ambassadors” and “global missionaries.”
- Companies that are insensitive to environmental sustainability may face regulatory constraints on their operations.
- The recruitment of quality talent is sure to become a major challenge for CEOs.
- The old “command-and-control” model of dictatorial executive leadership is passé.
- Financially driven CEOs who make efficiency their top priority may react slowly to rapid changes in their industries or the economy.
- Corporate entrepreneurs thrive by conceiving profitable new ways to disrupt industries and defeat competitors.

Summary

So You Want to Be a CEO?

Being a chief executive officer (CEO) is more demanding than ever. As a CEO, you have little time for your family. Your organization and its stakeholders frequently put many demands upon you. Achieving a proper professional and personal balance may be impossible. Unless you can handle stress, you are headed for big trouble. The pressures that CEOs encounter could break those people who lack remarkable personal strength and character.

“Life at the top isn’t all it’s made out to be.”

A successful CEO is wise, determined, resilient and visionary, a capable leader who is passionate about his or her organization. The job of CEO also can be very rewarding because it allows the CEO to shake things up and truly make a difference. Few other positions offer this much opportunity for success – and this big a risk of failure.

“To be the final decision maker in a multibillion-dollar business with hundreds of thousands of employees and pensioners relying on you is an awesome responsibility.”

What advice can prominent CEOs offer young professionals who hope to reach the same dizzy heights? For a start, they should stay healthy. Being a CEO is a notable health risk. Individuals who are unable to cope with the demands of the job are unlikely to remain CEOs for long.

Going Global

As a CEO, you need to develop a plan for the rapid globalization of your business. CEOs who ignore this trend do so at their organizations’ absolute peril. Why? By

2025, India and China will represent a stunning 49% of the world's economic output.

“Just like being a top athlete, being a CEO requires that you are as close to your best as much of the time as possible.”

What does this mean for companies today? Simply this: You should get on the global business train quickly before it leaves the station. The time for “flag-planting” in disparate markets across the globe is past. Globalization means neither opening far-flung subsidiaries around the world nor selling undifferentiated products in multiple foreign markets. Operate in this ill-informed fashion and savvy international competitors will beat up your organization.

“Corporate entrepreneurs have something to prove. They disrupt industries because they believe in a better way of doing things.”

Prepare for worldwide competition by adopting a true “global mindset.” Change your product line to suit unique markets. What sells well in Des Moines may not work in Johannesburg or Reykjavik. To attain global marketing goals, cede substantial operational authority to local offices around the world. At the same time, maintain a system of sharing best practices among staff members in all your offices. These are just some of the requirements of a bona fide “global business model.” Your management team must fully reflect this mindset in its orientation and make-up.

The Environment and the Internet

Promoting a sustainable environment is a primary global issue confronting business leaders and other citizens of the world. Indeed, the issue of preserving an inhabitable planet no longer is a matter of dispute within most of the business world. Concerned consumers and shareholders will not let companies continue to take neutral stands on this vital threat.

“Tomorrow's CEO will abandon the outmoded command-and-control model that is too inflexible for the modern business environment.”

When it comes to sustainability, smart CEOs and their firms now “swim with the tide.” They understand that “going green” has become the way of the world. They are redirecting their commercial efforts so they can profit from environmental practices. How does all this translate on a day-to-day basis for CEOs and the companies they lead? With shareholders urging them on, CEOs are developing a wider understanding of what it means to be a responsible business. In the process, CEOs are creating imaginative business models that reflect the new sustainability imperative and, at the same time, they are securing their regulatory licenses to operate into the future. Businesses must be sure they're “doing the right thing.” Savvy CEOs fully understand and support this rapidly evolving, remarkably high-profile paradigm.

“Relying too heavily on customers telling you what they need is always risky: no one asked for an iPod, remember.”

Another transformative trend is the proliferation of online business. Smart CEOs increasingly scout for opportunity on the Internet. Do you know how to differentiate truly unique, promising new Internet business opportunities from the false starts, also-rans and dumb ideas? If not, add young hires to your management team who understand “connected consumers.” After all, the Internet is growing up. In the Web 1.0 era (“late 1990s to 2001”) commercial opportunities online were few. The Web 2.0 era (“from around 2004” to the present) is a consumer-driven age of proliferating social networks. Are you ready for Web 3.0? The next era of Internet development could be astounding. Microsoft's Bill Gates says, “You're going to look at what we have today and think it's a kind of a joke.”

Sustaining Liquidity

In a challenging economic environment, CEOs must ensure that their businesses generate sufficient cash to cover all their obligations. Additionally, they must trim expenses wherever they can, while making sure to budget their most vital operations adequately. In 2007, the subprime mortgage fiasco in the United States helped prompt a huge liquidity crisis. With funding sources dried up, companies suddenly had to scramble to secure needed capital.

“Chief executives agree that in the next decade the global economy and business world will change on a scale not seen in 200 years.”

“Capital markets are like the tide,” says Andy Hornby, CEO of HBOS. “You have got to catch the tide. Once it has gone out, you are left high and dry.” In addition to the capital crunch, other factors that can roil the global economy include “high food and commodity prices, a price correction in the stock markets and a weak dollar.”

Recruiting Talent

Few CEOs succeed alone. CEOs who assemble strong teams of employees find it relatively easy to overcome major challenges like a credit crunch and to hold onto their jobs. Winning CEOs spend 25% of their time on new talent development. In a recent survey of companies whose stocks comprise the FTSE 100 index, 68% of the CEOs said the “human capital agenda” was their primary priority, ahead of strategy and execution.

“Poor rural consumers who have access to mass media are just as keen to get consumer products as...their urban counterparts.”

No wonder. As experienced people from the huge baby boom generation retire, how will companies find the talent to replace them? This is a major problem. Hiring can be hellishly hard. In a *Forbes* magazine survey, 74% of CEOs said staffing represents a “very significant challenge.” But Sir Martin Sorrell, chief executive of Wire Plastic Products (WPP), says the rewards of effective recruitment can be spellbinding: “If you have the right people running the business units, it works magically.”

The Five Types of CEOs

CEOs tend to have one of these five types of personalities:

1. “Commercial executors” are detail-oriented individuals who drive their companies to achieve maximum performance.
2. “Financial value drivers” concentrate mainly on valuing assets and liabilities. They focus intently on shareholder value.
3. “Corporate entrepreneurs” develop the ability, skills and staff to turn interesting ideas into viable marketing realities.
4. “Corporate ambassadors” focus on their firms' impact in a global context.

5. “Global missionaries” seek to make notable contributions to the world’s betterment through their firms.

“Share price growth depends on increasing profits year on year, and it’s difficult to see better opportunities for sustained growth than in Asia.”

Action-oriented commercial executors insist that their companies excel and won’t settle for second best. They place a premium on business plan implementation. “Our business is 99% execution and 1% strategy,” says Phil Cox, CEO of International Power. Achieving superior results requires monitoring not just day-to-day performance but also progress toward strategic, long-term goals. “The critical requirement is to balance and achieve simultaneous success at short-term results and longer-term strategic change when the two can often pull in different directions,” says Mark Tucker, CEO of Prudential.

“In 2007 PetroChina became the world’s most valuable company...after its partial listing in Shanghai nominally valued its shares at \$1 trillion.”

Financial value drivers share professional traits with investors, bankers and stock analysts. Nothing matters more to this type of CEO than developing optimum returns for shareholders. To achieve this goal, financial value drivers trim their operations to remove all excess costs. They pride themselves on running truly streamlined companies. Such CEOs are not “sociopathic accountants,” but they are excellent at identifying and championing initiatives that truly add to the bottom line over the long term. But because they concentrate so much on the financials, their narrow focus may prevent them from quickly identifying and reacting to sudden “industry shifts or economic downturns.”

“We are at the outset of the first world war for talent, driven principally by unfavorable demographics in the West, skills scarcity in the East, a worldwide shortage of global leaders and the frequency with which employees are now shifting jobs.”

Corporate entrepreneurs love to shake things up. They are expert at spotting new business opportunities that others miss. They are supremely confident that they can operate better within an industry than their competitors. Martin Sorrell, CEO of WPP, is a prime example of a corporate entrepreneur. Formerly with Saatchi & Saatchi, Sorrell bought Wire Plastic Products, a trolley manufacturer, in 1986. He used the firm as a holding company to purchase a variety of advertising and marketing companies. This included his hostile takeover of J. Walter Thompson, a firm 13 times the size of WPP. Sorrell then bought Ogilvy & Mather, another huge firm. It was twice as big as WPP. By 2000, he had acquired another 35 advertising and marketing firms. Today, WPP is among the top firms operating in the advertising and marketing industry worldwide.

“Today, most companies fill vacancies reactively, a resignation putting them on the back foot, scrambling to locate good enough candidates.”

Corporate ambassadors tend to lead well-known organizations with operations around the world. Most CEOs of this type head firms that sell international financial services or such commodities as oil and natural gas. They have finely tuned diplomatic skills, and know how to work well with governments and regulatory agencies. But if they spend too much time with public agencies and other external entities, they may respond too slowly to emergencies within their companies.

“Most CEOs do not even know their top 100 people in detail.”

Global missionaries are inspirational CEOs who put an inordinately high premium on values. They believe that doing good and being profitable should go hand in hand. They work hard to serve their customers, while believing fervently that their companies can achieve great things and become great corporate citizens in the process. They often operate in emerging industries and markets. And in many cases, they radically transform the companies they run. Ben Verwaayen is a typical global missionary.

When he became CEO of British Telecom, the company was in deep trouble and its leadership was suspect. Five years later, BT had regained consistent profitable growth and its share price was up 35%. In the process, Verwaayen and the company have championed environmental sustainability. He tries to ensure that BT pursues noble goals: “Leadership for me is to set the agenda; set the tone...It’s about hearts and minds.”

Managing Oneself

CEOs must make time for activities outside of work. Create an agenda that you control. Don’t let your firm’s activities control you. You are in charge at your company, so take charge of your life outside the office, too. Avoid the regret of the CEO at an FTSE 100 corporation who lamented that he had worked too much when he was younger to enjoy fatherhood fully: “I can’t remember the first two boys growing up when I was with my first wife.” CEOs with rewarding private lives almost always have “active support networks” of friends, family members and even the leaders of their companies’ boards, who can serve as a valuable “sounding boards.” Executive coaches also can be helpful; four out of ten CEOs of FTSE 100 companies use coaches. Many CEOs find that “executive coaches are just like sports coaches: They help you with your technique.”

On the job, team play is becoming a more common approach to management. The “command-and-control” model of top-down leadership is no longer operative. Today, a fellowship approach makes far more sense. “Cell-like businesses” will be the new norm. With this approach, “a chief executive provides business leadership at the nucleus of the cell by giving greater freedom to act to much more decentralized operations, while still policing performance.”

Aspiring CEOs must develop strong career foundations but take risks when necessary. They need to gain a wide diversity of experience: “multifunctional, multigeographic, multibusiness, multi-industry.” Learning to reflect someone else’s brilliance is advisable, too. At some point in their careers, CEOs who aspire to greatness should “work for a great leader.”

About the Authors

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