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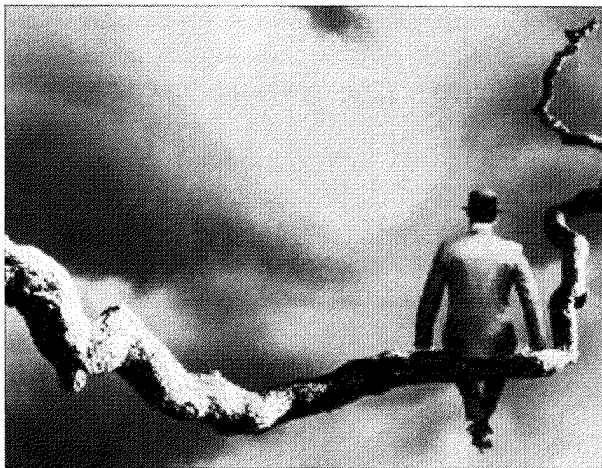
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Lonely AT THE Top

Who can CEOs turn to for support in trying times?

BY THOMAS WAJNERT



In some TV game shows, contestants are provided with lifelines to use if stress, indecision, unfamiliar circumstances or outside pressures inhibit their ability to answer questions correctly or perform well. Unfortunately, CEOs today are often metaphorically at sea—at risk—and without a lifeline.

In the past few years, the failure rate of CEOs has increased significantly even as average tenure has dropped sharply. Performance issues, incompatibility with increasingly active boards of directors, worldwide recession pressures, government intervention and shareowner activism have combined to threaten the future of longstanding and previously successful executives. The resulting turnover has placed CEOs in difficult environments without much support.

The Heat is On The first decade of the 21st century has been filled with events that have reshaped and redefined the role, functions and responsibilities of corporate boards of directors—from the Enron debacle, MCI bankruptcy and resulting reforms of Sarbanes-Oxley to calls for greater transparency and shareowner activism. Corporate boards, board committees and their members have also been under great pressure to respond to an increased emphasis on compensation disclosures, “say on pay,” enterprise risk management and succession planning. There has been a sea change in governance, with the creation of lead directors, presiding directors and nonexecutive chairmen. The global economic crisis (and frauds) of 2008–2009 have raised, even more intensively, questions about the board’s role—or lack thereof. The question often asked is: “Who was watching the store?” Whether the corporation is publicly owned or privately held, everyone seems to be working more hours on more priorities, while being advised by literally hundreds of consultants, advisors, specialty publications, peer exchanges and RiskMetrics Group (formerly known as Institutional Shareholder Services) accredited conferences.

Stakes are High At the same time, the role of the corporate CEO continues to evolve from its once emperor-like status to that of employee—albeit the highest paid. Expected to run the business, create a strategic vision and long-range plan, steer through unexpected crises, build a strong team and enhance shareowner value, CEOs are also the recipient of the board’s heightened attention to its own portfolio of responsibilities. CEOs are expected to work with chairs (or lead/presiding directors) to create meaningful board agendas, be responsive to the governance committee’s request for a quality succession plan, attend committee meetings and deal with multiple personal relationships and communications requirements. In privately owned companies, the CEO faces the additional dynamics of direct representation by the owners (often private equity firms) and their often more-challenging styles and information needs.

Many CEOs just aren't prepared for the task of leading the company and working closely with the board of directors. They often come to their positions as operating or financial experts with little governance experience and, in today's world, having had little time to serve on other boards to get the feel of board-level dynamics. As a result, CEOs face the vagaries of on-the-job training and, more often than in prior periods, run the risk of disappointing their boards and facing shorter tenures. In some fortunate cases, the CEO may have an ally on the board. Perhaps the chairman or a senior director can provide perspective and advice. More often, he or she stands alone and is expected to deal with all of it—without the benefit of the army of helpers working at the board level.

In other cases, a new CEO or a CEO with changing circumstances (including new directors) may be working with a coach retained by the board or the company to support the CEO. Most often this person comes from a human resources background and is well-equipped to work on style issues, team development and personal interaction. But the coach is often limited to encouraging self-discovery and cannot serve as a mentor, trusted advisor or supporter for board-related activities because he or she has not "been there, done that." The Senior Advisor Another approach to bringing experienced executives in to provide guidance on strategy, regulatory, scientific, and other issues to the governing board and management is emerging. Consideration is being given to retaining highly qualified teams to serve as leadership advisors—similar to the function fulfilled by the advisory board of a privately owned company. Providing the necessary support to the board and CEO for leadership development and succession, these teams include a highly experienced senior advisor to the CEO.

A trusted and dedicated lifeline, this person advises the CEO, and only the CEO, on board relationships, communication and effectiveness, as well as strategy and personal development. Key qualifications of the senior advisor include stints as a successful CEO in public and private companies, extensive experience on the other side as a director of large, small, public or private companies, and a mature, personal style that is focused on mentoring rather than controlling. Here are two real-world examples of how a senior advisor helped a CEO and company board:

Succession planning: When the longstanding chairman and CEO of a NYSE-listed, mid-cap manufacturing company announced his retirement, board members realized that they had no succession plan. After developing a plan and retaining an experienced board search firm, the board had to deal with mentoring an outside successor in his new role and a senior advisor was retained. The successor, who had solid, high-level experience in finance and operations, was less familiar with areas key to success in his new role, including public company communications and governance, board relations, strategy development and leadership development. For the first six months with his new company, before assuming the CEO role, he served as chief operating officer (COO). Then, as CEO, he was coached for 12 months in these critical business areas. The outcome was solid performance for the new CEO and substantial increases in shareowner value after he assumed leadership.

Conflict management: A privately owned financial services company sought an outside advisor to mentor the CEO in a difficult situation. The company was owned by multiple large shareholders with a host of different perspectives, creating a stressful business environment. The CEO, part of the original acquisition team, ran afoul of some of the shareowners, who themselves were not getting along. The CEO was caught in a maelstrom. Bad relationships were beginning to have a negative effect on business, which was already compromised due to the global financial crisis. While advising on how to keep the company afloat, the senior advisor helped navigate interpersonal relationships and governance matters, and mentored the CEO in personal style and communications with shareowners. He also coached the company in starting a leadership development program to identify internal successors if a change in leadership were needed. When problems with the CEO are not resolvable, as was the case here, a senior advisor can help keep business on an even keel while the company transitions to new leadership.

It's often said that hiring and firing the CEO is the principal role of the board of directors. In today's world there seems to be a bit too much of both activities. More emphasis should be placed on developing leaders and supporting the company's highest-paid employee to create a high-performance organization and succeed in these difficult times. Throwing the CEO a lifeline in the form of an experienced senior advisor is an important step for boards to consider in ensuring success for the CEO and the company.

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