

The changing life and times of today's CEO

A long time ago in the last millennium the role of the CEO (or Managing Director) was a coveted position, which for many was the ultimate career goal. It still is for many, but the attributes now required to succeed have changed.

Uncertainty over the global economic situation, less than satisfactory government finances, decreasing business confidence and a very uncertain outlook, calls for a different focus by CEO's.

While the life span on the CEO in this country has not decreased dramatically in recent times, the pressures to perform will increase as markets and boards become less forgiving of poor performance.

This article highlights 10 areas of immediate focus for the successful CEO (or surviving!) of the next few testing years.

Make sure the numbers are real

Nobody will forgive the CEO for relying on information which is out of date, inaccurate or indeed false. Review all the management information that appears on your desk for relevance, timeliness and accuracy. In light of changing circumstances, ensure that the accounting practices are appropriate, e.g. share option values, restructuring charges, R & D costs / write offs, special purpose entities etc.

Focus on leading indicators of performance

Given that markets are more difficult to anticipate, ask this question of your colleagues. Do we have the appropriate leading indicators to warn us in enough time that we have a problem? For example, business enquiry pipeline by market segment, deterioration in payment patterns by key customers groupings, cash flow, etc. Many businesses place too much emphasis on historic financial information (lagging indicators) which can highlight problems too late in the day. There should be a balance between the leading and lagging indicators.

Make sure your management team are all pointed the right way

Spend time understanding the individual and collective motivations of your direct reports in the context of your business strategy. If you don't have an agreed strategy, then develop one, before you dissipate too much energy focussing on leading the company in the wrong direction. Use the strategy development process to get to know your management team, their individual ambitions and collective ambitions. The strategy development process may pose the question, do I have the right team to deliver the strategy. If so, it's better to know of the issue now, rather than later.

Incentivise for the longer term

Review incentive plans particularly at senior management level to make sure they focus on rewarding performance, which contributes to the development of longer-term sustainable shareholder value. Incentive plans should also encourage innovation, investment in R & D and longer term sustainable profitability. If costs need to be reduced, make sure that it is done in such a manner, that the core skills and competencies are maintained. This will enable the company to respond faster to any upturn.

Make corporate governance a value adding activity

Good corporate governance will enhance your company's competitiveness. Given recent failures, close attention should be paid to ensuring that the right processes are in place to ensure your organisation is run in a professional manner at both board and management team level. Corporate governance is all about establishing good business practices. Lapses in this area in the future will not be tolerated to the extent they were in the past by staff, customers, shareholders etc.

What risks are we exposed to?

Uncertainty, fast moving markets, pressure on budgets (e.g. - insurance), inexperienced management, poor systems security, the desire to produce good news, can leave the company exposed to risks which can have early and negative impacts on the operational and financial health of the business. Once a year ensure that a risk review is carried out, and that the findings and recommendations are reported to the board.

Build a good team around you

Given the speed at which markets are changing at present, it is imperative that every member of your management team is tuned into the market the company competes in. A good CEO will not know everything, so he/she must build a team that understands what is going on, so that it can respond accordingly. Consider hiring experienced executives (on an interim basis) who have helped organisations get through difficult times in the 1970's and the 1980's. Many of today's managers will lack this, and will benefit from working with the "grey hairs". Stay close to key staff that may consider moving to safer environments, if there is a degree of uncertainty.

Review your leadership style

Leading an organisation in good times is a less of a test of good leadership than having to do it in tougher times. Leadership style should be appropriate to the environment the firm competes in. Today's competitive environment is so full of market uncertainty, that it would be foolish of any CEO to be saying anything other than there is uncertainty out there, and we will have to get used to living with the consequences. CEO's are not paid to be nice (even if they are!), but they must be seen to be fair, particularly where tough decisions are required.

New attributes are required in difficult times

Given the issues that have arisen over the last twelve months, CEO's will need to meet higher ethical standards, be more responsive to shareholder requirements and have an ability to manage companies successfully through roller coaster markets. CEO's will have to rely less on detailed market information and more on instinct to make decisions. Intuition, a competitive nature, a sense of humour, backed by a candid and forthright approach will be key attributes over the next few years.

Finally, keep even closer to the customer

Spend more time with your own customers, not only to confirm what you are hearing from your own staff, but also to get those little vignettes which often don't flow up to you through formal feedback channels. Knowing first hand what customers think and want will give you much greater moral authority with your own staff, provide insights into the behaviour of your customers and the strengths and weaknesses of your own staff.

David W Duffy is the Managing Director of Prospectus Strategy Consultants based in Dublin, Ireland