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THE CEO SURVIVAL FORECAST

Forecast #1 CEOs Are Exiting U.S. Firms at Record Rates, Which Will Accelerate

Forecast #2: Replacement CEOs Have Shorter, More Intense Tenure

Forecast #3 Higher Profile, Shorter Careers Require Even More Strategic Personal Communication and Operations Counsel

Forecast #4: The First 100 Days of the New CEO's Tenure Appear to Be Among the Most Critical to Success

Forecast #5: Prosecution of Top and Senior Executives Will Continue to Increase

FORECAST #1: EXITING FASTER

It's probably time for another reality check on the business of being a CEO. The position of the CEO is less and less like it used to be. CEOs are being battered, blackballed, and booted practically from the first day they step into their new offices.

- The average tenure of U.S. and Canadian CEOs is now 48 months and declining, according to a February 2009 report in *The Conference Board Review*. If strategic planning efforts are based in five-year increments, this approach needs to be revisited since the CEO who began the process is unlikely to be there at the conclusion or next phase of the process.

- Money is still the score keeper. Huge compensation packages allow good or bad CEOs to drop out before they are fired or forced out. This will continue in a variety of ways, because Boards of Directors love to throw money towards anyone with the magic three letters ("CEO") after their name. This will continue to happen despite extraordinary levels of public and employee anger, and growing gut-level revulsion (in the public's guts) towards Wall Street. Business leaders and Boards just can't stop paying and paying top people and their friends, as well.

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- Non-business, non-operational issues, e.g., globalization, adverse legislation, anti-corporate activism, anti-CEO and top management activism, corporate social responsibility, and even new media are intruding into the quiet spaces where bosses reside. These interruptions are soft and distractive, often requiring moral rather than monetary or business judgment. Some of these issues seem soft, e.g., compensation and bonuses, but we have learned how much like quicksand these issues can be and how quickly they can affect a leader's career. Management has yet to truly assess and prioritize the threats these soft intrusions present to the CEO's time and ability to execute strategy.
- The continuing spate of scandals with, surely, more to come, keeps pressing CEOs to accept more measurement and evaluation based on morality or belief systems, as well as input from outsiders. Thus far, CEOs have pretty successfully resisted these efforts. From the public's perspective, the morality/integrity impact scale for top management remains very low. Little change is likely, absent additional economic or managerial catastrophes.
- This amoral environment means that more punitive measures will be taken against CEOs as companies are forced to restate or otherwise characterize their financial situations as a result of their management problems, scandals, and the devastation caused by the economic collapse of 2008, or the belief that there may be additional economic catastrophes to come.
- In both the U.S. and in Europe, owner/shareholder problems and career-defining risks for CEOs are increasing, largely due to CEO related mistakes or non-performance.

FORECAST #2: SHORTER TENURE

The temporary tenure of today's new chief executives further emphasizes the unique strategic nature of this position. Consider:

- The CEO arrives at an organization with a big countdown clock nailed to his or her back. The countdown reflects 208 weeks, 1,456 days, 34,944 hours in which the CEO has to have a significant impact on the organization.
- There is only one CEO per organization. There is very little time for this individual to take hold of the senior management organization, get it focused, and move it forward before his or her time is up. Top-level communication strategy is a crucial ingredient in making the urgent progress today's CEO survival requires.
- The CEO is the only individual within the organization with a total view of its environment. No one else has the perspective and insight to truly understand where things must head. Only the chief executive's personal communications power can penetrate the entire organization to make his or her view and vision the goal.
- There is no school for CEOs. Even if he or she comes to the job with extensive prior experience, each organization has its unique, culturally specific attributes, barriers, and

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problems to overcome. Therefore, all CEOs get their training on the job from the very beginning.

- Boards of Directors, inside and outside, are often the CEO's most regular source of access to peers. Sixty percent of all American Boards are made up of CEOs. Effective interpersonal communication with CEOs is a critical skill set today's trusted strategic advisor must develop.
- The CEO is the organization's chief strategist. The chief executive position by function is the most strategic position in any organization. Strategists like to work with other strategists. Poor leaders generally surround themselves with poor advisors.

Helping CEOs achieve their business objectives through strategic communication depends on an understanding of their strategic goals and goal priorities.

It is interesting to understand the various leadership functions CEOs exercise daily. What do these people do all day? Keep in mind, leadership is primarily a verbal skill, as opposed to managing, which is predominantly an objective achieving, or goal meeting or exceedence process. The CEO's voice is his or her most powerful tool.

Here is my empirical analysis—based on years of daily CEO observation—of the various CEO leadership functions and the extent to which they are executed daily:

Function	%
Decision making:	5%
Articulating (past directives, strategies):	40%
Coaching/teaching/motivating:	40%
Forecasting (guessing):	5%
Admiration building (they like me):	6%
Reputation repair (they trust me):	1%
Restating, reemphasizing, reinterpreting:	20%
	117% *

* Yes these functions add up to more than 100%. The math is accurate, however, because the job of a leader is generally 24/7. Anyone who does anything on a 24/7 basis, is, by definition, doing substantially more than any peer in a non-leadership position. Are you a 24/7 person? Are you available and willing to help on a 24/7 basis?

FORECAST #3: HIGHER PROFILE / SHORTER CAREER

There are obvious questions as you look at these realities of being a CEO. First, who would want to be a CEO? Second, and perhaps even more important, why would someone not want to be a CEO? In 2008, Burson-Marsteller (BM) released a study called "Understanding CEO Capital," which, among other things, responds to these two questions.

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Here are some of the reasons (from the BM study) given for wanting to be a CEO, in rank order:

- Enjoy complex problem solving
- Directly affect the business
- Implement personal ideas
- Help company go from good to great
- Build a company to last
- Make a difference in the world

All of these certainly seem logical, reasonable, and perhaps even sensible. But let's take a look at the other side of the coin (from the BM study). Here are some of the reasons why a person would not want to be a CEO and would turn the position down if offered (also in rank order):

- Too little work-life balance
- Too much focus on quarterly earnings
- Too much stress
- Too much public scrutiny
- Sarbanes-Oxley and other regulations
- Too much pressure to reduce costs
- Difficulty in attracting and retaining talent
- Too many stakeholder demands
- Excessive media scrutiny

FORECAST #4: THE FIRST 100 DAYS ARE CRITICAL

Not so long ago, the incoming CEO's top-level life was divided into four fairly specific phases. Phase One was introduction and orientation. This was often done in a leisurely way with the predecessor sticking around and offering help and advice. Phase Two was accomplishing something. The time for this phase varied from almost no time to, sometimes, many, many years. Phase Three was the legacy phase where, even after a few years, there was a great internal instinct to begin organizing the stories and accomplishments so they can teach lessons from the past to those who come in the future. Phase Four was immortality. As departure day approached, the desire to leave virtually evaporates and is replaced by even stronger efforts to make certain that those things put in place by the incumbent cannot be rend apart by the new executive coming in the door. One of the most frequent ways we see this done is for the existing CEO to sell the company, or at least try to do so. The departing CEO's strategy is, if you can't lock up all of your progress in one place, destroy the organization so the next person can't change what you did and take credit for it. But those were the good old days. Things are different now, except that the legacy and immortality phases remain pretty much the same.

It is pretty much agreed that the early days, the first 2,400 hours, are crucial in setting the tone, direction, destinations, and momentum required to make it to the 48th month and beyond.

Burson-Marsteller has an intriguing approach, one that merits serious attention, especially by senior staff advisors. Burson's approach views the CEO's world in stages of leadership,

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dividing those stages into the first 100 days, the first year, the third year (being designated as a turning point year), and then moving on into the fourth year. Here is how Burson's approach describes these four stages:

- First 100 Days: Taking hold quickly and credibly, setting the agenda, employees first
- First Year: Digging deep into the business and the brand, establishing or validating values
- Second Year +: Setting strategic vision, leading through thought, and delivering and validating results
- Month 23 and Beyond: Mainly devoted to revision and re-invention, tightening structures, executing and re-inventing

THE REMAINING 1,356 DAYS

Another view, one which I prefer, is to think of a new CEO as the chief organizational re-inventor. In order to be successful over a 48-month period, and perhaps better parallel the life of the organization, think of this same relentless countdown clock. The major time ingredients are 100-day increments with specific strategic (and other appropriate) goals and targets, established and modified on an ongoing basis, approximately 100 days at a time.

Using this strategy, the CEO looks at the business as renewing itself every hundred days, because it takes about that long for new initiatives and ideas to begin to percolate into the organization. As the organization gets more used to the CEO's injections, it becomes more successful at resisting them, modifying them, or simply putting them away somewhere in a dark corner. For the first several years, the mentality of every hundred days is crucial if the leadership is to keep its energy up, its expectations high, and its willingness to keep pushing forward despite the increasing voices urging slowdowns, taking a break, pausing for a while, or allowing more absorption time.

Think of it this way:

1. The number one goal of any organization having to accept new leadership is to begin understanding how to keep that leadership from changing anything from the way it is today, or keeping those same barriers in place that forced the last top person out.

2. There is a constant sense of stress and tension between the new vision of the organization—the forces of tomorrow, and those who like things just the way they are and would like to keep those things in place—the forces of yesterday.

3. As the months progress, each new initiative, idea, or incremental improvement gets tougher and tougher to accomplish, achieve, or even install, because the organization develops its defenses on a continuous basis throughout that same time, in an ever broadening array of mostly non-operating kinds of circumstances.

For the trusted strategic advisor, as well as the CEO, these are extraordinary challenges. As the time clock ticks away the remaining minutes of tenure, the role of the leader (as well as

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those who support this individual) needs to become more intensive, more creative, more positive, and more preemptive.

FORECAST #5: PROSECUTION OF TOP AND SENIOR EXECUTIVES WILL CONTINUE TO INCREASE

Not only do we continue to criminalize mistakes that senior managers make—the giant leap in this area being passage of the Sarbanes-Oxley law and its subsequent amendments, now state attorneys general have joined the fray as national figures, taking on whole industries in other states as well as their own. New York State's Eliot Spitzer and Andrew Cuomo are prime examples. This is, in fact, a collaborative association of State Attorneys General, which is continually on the hunt for additional ways to both persecute and prosecute business leaders and leading corporations.

It doesn't work all of the time. In the recent economic debacle, the attorney general of Connecticut, in collusion with state legislators and the governor, attempted to subpoena executives of the AIG Corporation who were Connecticut residents and who received bonuses as a part of the bailout sequence of events. But someone got smart (or weak) and, after a few days, the attorney general backed down and is leaving the matter to the White House and those in Washington.

However, the attorney general's behavior reflects the public mood, which is that when there are problems in corporations, someone should be hung and, generally speaking, it may as well be the CEO. As this document is being written, in the sixth month of the economic disaster, it appears unlikely that we will see any signs of humility, sincerity, or acknowledgement by corporate executives or Wall Street that they did anything wrong or that they caused such enormous U.S. and global damage.

The result of this arrogance and lack of integrity is continued public frustration with business leaders and the ever-growing chant to prosecute more and more of these people for smaller and smaller infractions.

As it happens, the actions truly responsible for unethical or criminal behavior in corporations are well known. They were first elaborated and widely disseminated, and entered the business lexicon in the Federal Sentencing Guidelines of 1991. These behavior indicators have remained fairly constant since that time. They are referred to as predicate behaviors. These behaviors, if present in a corporation or organization, indicate both ethical problems, likely operational difficulties, and if occurring in sufficient magnitude, may actually indicate the presence of criminal behavior.

Here is my checklist of the most destructive behaviors, attitudes, and approaches. If any of these are included in your communication or the behaviors of management, you are already in trouble. If you are even thinking about using them, recognize the damage they could cause and STOP NOW.

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Besides the more obvious mistakes that lead to unethical behaviors, there are other, less apparent, more insidious kinds of unethical behaviors that can lead to problems. Sometimes these less obvious behaviors are the precursors to illegal behavior. When you can identify these behaviors in your vicinity, trouble is ahead. Act promptly to correctly these situations.

- Lax control: A manager's careless enforcement, education about, and monitoring of ethical standards.
- Lack of tough, appropriate centralized compliance within each area of the company.
- No one charged with the responsibility for teaching, enforcing, and disciplining in cases where ethical breaches occur.
- Leadership that allows supervisors to overlook bad behavior.
- Leadership that allows employees to experiment with methods and tactics outside established guidelines.
- Emphasis on "doing whatever it takes" to achieve appropriate business and financial goals.
- Managers and supervisors who minimize the importance of oversight and compliance processes.
- Structuring incentives in such a way that they can compromise the ethical behavior of people, the quality of the products and services we deliver, and allow shortcuts to be taken for a variety of obviously questionable reasons.
- Avoiding confrontation with managers who chronically misbehave or chronically overlook misbehavior.
- The tendency to operate "on the edge," always pushing for more than is appropriate.
- Management that ignores the signs of and doesn't question rogue behavior.
- Management that tolerates inappropriate behavior or management by individuals who are "critical to the organization's mission." These are the folks who are the super sales people, the high achievers who are allowed to break the rules to maintain the altitude of their performance.
- Belittling or humiliating those who suggest or seek ethical standards.
- Dismissing or destroying the careers of employees who report bad or outright wrong behavior.
- Demeaning the internal or external credibility of those who blow the whistle, those who report or bring management's attention to lapses in ethics.

Until there is a movement within management and the leadership of organizations—corporate, public, and non-profit—to seriously embrace the notion of integrity as a way of life and a way of management, this fifth forecast will sadly but relentlessly come true.

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SURVIVAL STRATEGIES

What is the communication leadership response to shrinking CEO and top management tenure?

First, make sure the key plans and programs really are in the interest and timeframe of current top management. Test your recommendations against these strategic measures:

- Programs help the boss achieve his or her objectives and goals, now.
- Ideas and suggestions help the organization achieve its overall goal.
- Ideas and suggestions are truly necessary and important, even if they seem helpful.
- Not acting on your recommendations or programs will cause some aspect of the business to fail or fail to progress.

Second, be sure there are links between the shorter-term goals and programs, and enduring goals and programs.

- What are the continuity factors between previous employee communication approaches and those that will help this new executive promptly achieve goals and objectives?
- What key relationships need to be maintained regardless of the current CEO's tenure and communication intentions?

Third, be prepared to help new leaders (who won't have the time to become old leaders) navigate effectively through the organization during their tenure:

- Operate and communicate in real time.
- Allocate 40 percent of top executive time to face-to-face contact with management and employees at levels below senior management.
- Always test the real time value of any non-verbal communication technique. In this environment, news is what is happening now. Very few non-verbal communication techniques have real time value because it takes so long to get them produced, distributed, and absorbed. That is why people hardly miss them when they are withheld or ended, and why it is the primary test for the value of any non-verbal communication technique. When it is withdrawn, how strongly does anyone ask for its return?

FAILURE PREVENTION: HOW YOU EVALUATE YOUR CEO'S STATUS?

Focus on Where CEOs Fail and Where Your CEO Fits in the Acknowledged Pathways to the Exit or to Success

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There are a variety of sources who continuously examine how and what drives CEOs to risk corporate or organizational reputation. Burson-Marsteller, in its corporate reputation study, provides two interesting checklists. I will share portions of each with you here.

The first checklist is the "Biggest Threats to Corporate Reputation." Here are the first five items out of a list of 10:

- Corporate financial irregularity/restatements
- Executive/employee misconduct
- Negative media coverage
- Domestic/international regulatory investigations
- Customer service problems

Burson's study also categorizes early warning signs, much as we talked about earlier in the predicate behaviors that indicate the presence of corporate crime. Here, in rank order, are five from Burson's list of 10 early warning signs that a company is failing:

- When there is low morale among employees
- When internal politics are more important than doing your job well
- When top executives depart suddenly
- When CEO celebrity displaces CEO reality
- When employees speak of customers as nuisances

I have often thought that *Fortune* magazine should publish a new list among its many lists each year. This list would be called the *Fortune* Felons List and would contain five different listings—probably in order of the size of the infraction, sentence, or fine—and the names of those perpetrators lower down in the organization:

1. Company names and a description of their industry by category of crime
2. CEOs' names and a short biography
3. Top managers (including COO, CFO, and general counsel)
4. Significant lower level players convicted, sanctioned, or debarred
5. The business school, university, or educational institution from which the perpetrator matriculated

In mid February 2009, FOX News ran a special program called, "Cream of the Crop Gone Sour: America's Troubled CEOs." In this piece, FOX identified the organizations in the most trouble at the time beginning with J.P. Morgan Chase, then Citigroup, then Bank of America, then Morgan Stanley . . . you get the idea. The program listed 20 organizations, including Bernard Madoff, but then broke down the list of perpetrators by alma mater—Harvard, 11; Columbia, 6; University of Chicago, 4; Duke, 4; Stanford, 4; American University, 2; MIT, 2; NYU, 2; Tuffs, 2; University of Iowa, 2.

These business schools are among America's most elite. Looks like these schools often prepare very smart individuals for very big failures. I always like to remind my audiences and readers that it wasn't the janitors on Wall Street that caused the place to crash; it was the folks on

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the highest floors, the smartest people, that took Wall Street down. It is time that we began tying these executives back to the institutions that trained them. Clearly, these business schools need to do some heavy duty soul searching and, perhaps, they should stand on the dock with some of their graduates.

Despite the grimness of Forecast # Five, the core reasons why most CEOs fail and are replaced are well known. They are either operational, personal, or some combination of the two. Here is my compilation, from many business sources and my own observation, of the current list of top reasons CEOs lose their jobs:

1. ***Failure to Perform:*** This makes a great deal of sense; CEOs are hired to get things done, move things forward, and get the organization over the horizon. Non-performance is the greatest threat to CEO success and longevity.

2. ***Overoptimism:*** In reality, CEOs and the top managers that surround them are the best PR people in any organization. They can make any situation look good, because it is a ticket to their survival and continued authority over an organization. When evaluating the Tylenol situation, which happened so many years ago, I have thought that, because only seven people died in Chicago that day in 1982, someone from marketing must have said, "What's the big deal? It's only in Chicago and only seven are dead. What's all the fuss about?" Modern day business school education sends bosses back into the world with unbounded optimism, complete anticipation of success, and sophisticated ways to blame others for their lack of accomplishment.

3. ***People Problems:*** The number one job for any CEO, as the organization's chief strategist, is to pick future destinations and move the organization in those directions. Doing this well provides both the strategy necessary to reach new and important destinations, and the organization gains through having purpose and direction. The second principal job of the CEO is to put people in place who are capable of achieving the vision. Of all of the things CEOs do, putting the right people in the right places at the right times is the most challenging. If those people fail to work out, the CEO and his or her other program processes will fail or fail to succeed as forecast or expected.

4. ***AWOL:*** This is the CEO who is out on the rubber chicken circuit, on television, being a celebrity, and doing almost everything but being in his or her office running the business on a daily basis. Now it is true that these CEOs do have time available to provide leadership to various other places and forums, but the visibility that goes along with these opportunities is sometimes more of a narcotic than a stimulant. It is easy to become addicted to standing in front of large audiences, and receiving laudatory questions and comments and appreciative standing ovations. It is also distractive. It is expending enormous energy and resources for outside audiences rather than inside associates. When times are challenging, the boss' butt needs to be in the chair running the company.

5. ***Stuck in the Mud:*** The metric force for success in CEO succession is fairly stark. The insider's chance of success is 60%—that is, making it for 48 months. The outsider's success rate is 40% for making the first four years. These numbers make sense empirically since the insider is likely to have a higher level of support and a

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better ability to either submerge their mistakes or get a longer recovery hang time. They know more people and there is more tolerance. Ultimately, whether inside or outside, it is leadership that pulls, pushes, drags, or inspires organizations forward.

What is the point of all of these explanations? These are important areas to monitor and observe. They provide significant opportunities to provide advice on the spot for any trusted strategic advisor.

It's a different world for senior communicators, and it is getting more challenging and more exciting by the day. The question you have to ask yourself is, do you have a desire to assume a much more aggressive and helpful management perspective on the business? Can you be an adapter to these new, more urgent, and time sensitive executive management demands? Those who can, and those who do, will have interesting, important, powerful, and personally rewarding careers that last longer than their current CEO and, probably, their successors.

(For more information on this subject, contact the author by e-mail at tlg@*e*911.com or explore his Web site at www.*e*911.com.)

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