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Nancy Dunne: The calculating world of the CEO

By Nancy Dunne
 FT.com site; Oct 24, 2003

Once they were merely vice-presidents. Now more and more executives have keys to the "C suite". Aside from CEOs, CFOs and COOs, there are chiefs of practically everything - from chief information officer and chief people officer to chiefs of ethics, science, learning, quality, compliance, governance, risk and technology.

The "interesting times" in which we live have produced many changes in the corporate hierarchy as companies struggle to rationalise, align and manage expanding empires.

"The professional life of a large company chief executive increasingly resembles that of the Hobbesian man," says Booz Allen Hamilton in its 2002 succession report. "It is nasty, brutish and short."

The management and technology consulting firm said the forced turnover of chief executives reached a new high last year, accounting for 39 per cent of all successions worldwide. The "safest" industry for CEOs was financial services; the most risky was telecommunications, which had the largest number of involuntary departures.

Peter Crist, a veteran headhunter and founder of Chicago-based Crist Associates, has studied 659 of the country's largest corporations to understand the restructuring under way among the "Cs". He concludes that increasingly CEOs promoted from the ranks of chief operating officers are leaving vacant the COO position. This was the case for CEOs at Wal-Mart, General Motors, IBM, Home Depot, McKesson and Proctor & Gamble.

He says: "There is a proclivity for this new generation of leaders to stay closer to the operating side of the business. Boards expect CEOs to be operators."

While the COO role is fading, he has found growing numbers of chief financial officers are being promoted to the chief executive slot. The requirements of Sarbanes-Oxley, passed in the wake of the Enron scandal, and the scrutiny of company results has expanded the role of CFOs and made them more visible.

But is this a passing phase or an enduring change? David Nadler, chief executive of Mercer Delta, a consulting firm that specialises in change, believes it is the former.

"There is a life cycle to the tenure of CEOs," he says. "Early on, they do not want that layer [of COOs] to stand between themselves and the operations side. Later, they think 'been there, done that'. They have created a team, their interests change, their job evolves.

"CEOs carry a crushing burden. It grows heavier the longer they are on the job," he says. Eventually, they need a COO to take over operations while they focus on external matters.

Is the CFO job a good training ground for the top slot? Many long-standing executives say the CFO and CEO positions require very different skills, and the COO is generally a better fit in the top job.

Gene Morrissy, of RHR International, a management consulting firm of psychologists, says it would be "a real challenge" for the typical CFO to rise to the top. "The CFO focuses on the here and now. He is very analytical and data driven. He likes to work in an office alone."

The CEO personality is more intuitive, he maintains. The company's leader must focus on the financial and business communities outside and shape a compelling message for employees. He often performs a more general management function.

But a successful transition from CFO to CEO is not impossible, says Mr Morrissy, if the CFO is given enough time and training to learn the senior job. Usually, though, a COO is a better fit.

So what do former CFOs who became CEOs think? Harry Kraemer, chief executive of Baxter International, worked for the global healthcare company for 21 years in various positions and served as CFO for five. He was "shocked" to be promoted to CEO, a first-time event in the company's history.

He acknowledges that there are similarities in the CEO and CFO roles. "Both jobs require the ability to motivate, execute, implement and make it happen. Both require an unbelievable balance of self confidence and humility."

In spite of his own experience, Mr Kraemer believes most CFOs would not make good CEOs because the chief executive role requires more leadership skills.

He is an extrovert and "a relatively flexible guy". He says of his own climb to the top that he has always looked at new jobs for their learning potential (and their potential for "fun"). He has a background in economics and finance, having earned an MBA and qualified as a public accountant. He gained valuable experience as CFO when he played a key, but junior partner, role in running the company. He was as well prepared as any chief executive.

John Challenger, of Christmas, Gray & Challenger, the international outplacement firm, argues that the background of the CEO has always depended on the nature of the times. "Over the years, CEOs are chosen from the area that is in ascendance at the time, whether sales and marketing, finance, operations or the legal department."

Many former CFOs are running companies now but it is a risky position, he says. "If companies are having real difficulty then they can be the scapegoats, accused of not managing the bottom line better."

As Mr Crist sees it, there is now more external hiring of CFOs and more CEOs rising through the ranks. Mr Nadler says many of the "star searches" to bring in well-known outsiders failed because "they were searching for saviours. Less than 30 per cent of outsiders are meeting corporate expectations. Many companies have concluded that they are better off developing their own talent."

Hiring former CEOs for CEO jobs is "yesterday's fashion", Booz Allen has found. "Serial CEOs underperform first-timers." Chief executives from the outside are more likely than insiders to be fired if things go badly.

The current emphasis on teamwork means there could be many internal candidates for the top job. "I do everything as a team," says Mr Kraemer. "It's not a democracy, and I don't need a consensus, but I consult all nine [senior executives] in every major decision."

It is the kind of experience that could position many of the "Cs" as internal candidates for the top job.

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