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CEOS of the future get formal training to take giant leap

One lesson: Rules change after you take charge

By Del Jones
USA TODAY

MONTCHANIN, Del. - Six corporate chief executives of the future sip brandy by a fire at the Inn at Montchanin on a rainy October night.

They've paid \$27,500 each, more than a year's tuition at most colleges, to attend a five-day program called Top Talent put on by management consultant RHR International. It's for executives earmarked for the top.

This is what they learn: The promotion to corporate chief executive is nothing like their other many promotions. One student has had 12 promotions in 17 years, but being a CEO is complex, lonely and laden with land mines that could blow up if he leans on the very skills that took him so high.

Cover story "It isn't an award, it's the beginning," says Ram Charan, a management consultant and CEO trainer. "Anyone who says 'I've arrived,' had better watch their ego."

The consequences of promoting CEOs who are ill-equipped for the job are severe. The number of CEOs replaced for poor performance has more than doubled since 1995. Michael Seitchik, managing director of RHR International, says CEO preparation can intercept missteps that lead to bankruptcies, lost jobs and lost stock market fortunes.

Here in Delaware at a fireside chat are six likely CEOs of tomorrow trying to learn from Bill White, the 65-year-old retired CEO of Bell & Howell. White answers several questions, but in the end, he seems like a frog telling tadpoles what it's like to hop. White asks the final question, more to himself than anyone, when he wonders aloud if he's said anything of value.

Some current CEOs question whether any training can prepare a new chief executive for the special challenges and demands of the job. Reached at headquarters in Grand Rapids, Mich., Steelcase CEO James Hackett says executives need to identify their ethical standards in calm times so as to have "great peace" when it comes time to respond to dilemmas. But Hackett and Fannie Mae CEO Franklin Raines are among many who wonder if CEO training is worthwhile. Xerox CEO Anne Mulcahy is another. She pauses to think about it. "A can-do attitude was more important than deep CEO training," she decides, not to mention 27 years with the company. "Baptism by fire works pretty well."



Photo Illustration by Tim Dillon



Talking points: Executives such as Jim Parm of Stratos Global in Bethesda, MD., left, and Bill White, former chairman and CEO of Bell & Howell, participate in a ‘fireside chat.’

By Eileen Blass, USA TODAY

No formal training for CEOs

Most CEOs never get such formal training. Only about 60 have attended Top Talent since it began in 1999, and another 60 have attended CEO Academy, a one-day, \$10,000 camp in New York, where newly hired CEOs have been listening to former General Electric CEO Jack Welch and other legends of business since 2001.

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-Anne Mulcahy,
Xerox CEO

“Man, I never went to one of those,” Mulcahy says. She says she was surprised by her promotion, which came in 2001 after Xerox

had tried to save the company with Richard Thoman from IBM. He lasted 13 months as the company fell into heavy debt. Becoming CEO was never on her radar screen, Mulcahy says. Mulcahy and other CEOs interviewed agree on one thing: There is no cliché truer than: “It’s lonely at the top.”

When CEOs are promoted, they become radioactive to close workplace friends they’ve acquired over the years. The network they’ve nourished to be a source of unfiltered feedback and information dries up.

That network is replaced by a friendly swarm who come with agendas, ambitions and things to sell. CEOs can assume that just about any information that reaches them has been “massaged and distorted,” says Charan, a regular instructor at Top Talent and CEO Academy.

It’s not that the old network turns dishonest, Mulcahy says. “It’s a candidness thing. You have to treasure and groom the right kind of critics.

People have a desire to please and tell you what you want to hear instead of what you need to hear.”

“You don’t really have peers anymore,” says Top Talent student Kevin McAlea, 44, senior vice president of worldwide revenue generation for 3D Systems in Valencia, Calif., a company that creates 3D ideas for everything from toys to jet parts. “People who get promoted in the military tell me the same thing.”

Others in the class come from diverse industries and parts of the country and world. Steven Zerkowitz, 54, comes from energy company KeySpan in Brooklyn; Australian Mark Finlay, 44, of mining equipment company Joy Global, which a few years ago acquired his 100-employee company based in Sydney. They ask that it be made clear that they have yet to be chosen CEO. That will one day be up to the boards of directors.

Most CEOs fine-tuned their leadership skills during the

adolescence of their careers. It has worked so well, brought them so far, that changing for the final job seems counterintuitive. But they must change, because qualities such as a never-say-die attitude can backfire when a company is marching down the wrong path.

This is only one conundrum CEOs face from the final promotion. Others include:

► CEOs lose their friends and honest feedback, yet the difference between the successful and unsuccessful CEO is the ability to build relationships, says Michael Capellas, CEO of MCI and the former CEO of Compaq.

That means CEOs must get past the isolation. "When you move into the CEO role, you're aware of the importance of followership in ways that are scary," says David Berg, a leadership expert on the faculty of the Yale School of Medicine and a Top Talent trainer.

► Strong relationships determine success or failure, yet the No. 1 regret new CEOs have is not firing bad apples soon enough, Seitchik says.

CEOs must quickly decide what to do with talented executives who were passed over for the job. Will they recover from their wounds to be valuable team members? Will they turn to sabotage?

To get the most out of top executives, CEOs must show vulnerability, Berg says, then warns that "showing vulnerability in such a situation is suicide." These are the puzzles that make the job difficult.

► CEOs make fewer decisions than most outsiders imagine. But the ones that bubble up are paradoxical. They are the kind of decisions for which good arguments can be made for either side and constituencies are aligned against each other.

Hackett says an example of such a paradox would be when the president has to decide whether to shoot down an airliner boarded by terror-

ists. CEO decisions are not so life-and-death, but the correct answer is often yes in one instance, no the next.

If the jet is shot down, it might never be known if that was correct. "It isn't paint by numbers," Hackett says.

CEOs must be informed, yet realize that they might not be the most informed, Raines says. "The job is not to be smarter than anybody else."

But the job does require more perspective, a look at the whole company rather than its individual parts, Raines says.

► Executives on their way up learn not to make waves, at least not often. Those who take an opposing stance wind up getting ignored. But CEOs don't run much risk of being ignored, so they can voice a counter opinion an unlimited number of times, White says.

► Executives on their way up like to brainstorm, talk over ideas before a decision is made. CEOs have to worry about "amplification," off-the-cuff comments that get blown out of proportion because they come down from the mountain.

"You can't express anything, because it becomes a position," Hackett says.

On their way up, executives work primarily on company matters with "their sleeves rolled up," says Bob Schjerven, CEO of Lennox International. CEOs delegate that part of the job so that they can spend time with outside constituencies: big shareholders, Wall Street analysts, the business press and the board of directors.

The rules of the game

These are all situations new to rookie CEOs who want to be optimistic leaders. But they must learn to underpromise to analysts, then overdeliver. It's the rule of the corporate game, and stock prices take a beating if quarterly earnings aren't a pleasant surprise, says Dennis Carey, founder of CEO Academy.

Schjerven is among the CEOs who found pre-CEO training helpful. He attended the Top Talent camp just before he made the final step in 2001 to CEO of Lennox, a Fortune 500 company with 18,000 employees.

He remembers an exercise where the executives were told to pretend they were in a raging grass fire. They were given a list of 10 survival tools. Some seemed important, such as a cell phone, while others seemed insignificant, such as a snorkel and fins. The CEOs were told to rank the tools in order of importance.

They were then divided into groups and told to order them again. The group, by pooling its expertise, was expected to come up with a better list. But when the exercise was over, Schjerven's individual score was higher than the group's.

Schjerven says he already knew that he had a talent for spotting group members who are full of hot air. But the exercise alerted him to his own "foible" of yielding to those people while reveling quietly in the glow of being right.

He discovered that the CEO is not always the ultimate authority, but it's up to him or her to step up to the plate when it counts.

When *The Economist* magazine published a Top 10 list of leadership qualities in October, a sound, ethical compass was No. 1. Character is very difficult to teach, so little could have been done to interrupt the string of corporate scandals, says Seitchik, an expert on CEO training.

But in these post-Enron days, it is even more important that CEOs shape a value system when the seas are smooth, Hackett says. "You don't want to wait for a crisis to be deciding what's right and wrong."

Mulcahy worries about those who early map out a goal to one day be CEO. Those striving to get to the top don't always make good chief executives, she says. "I often tell people that the ambition can get in the way," she says.



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