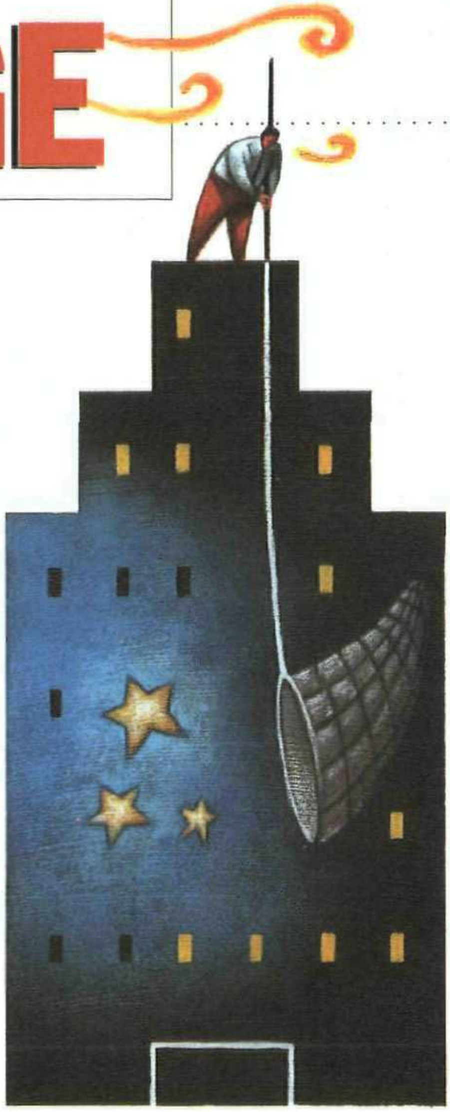
Executive EDGE



HOLDING ON TO CORPORATE STARS

Talented executives of the late 1990s, finding themselves in a seller's market, increasingly feel free to leave their firms for better jobs elsewhere. Although good for execs, this can make things difficult for their employers. High-level turnover is almost always disruptive and expensive. What can employers do to avoid such situations and retain their bright stars?

To begin with, they should locate them. Dennis C. Carey, vice chairman of the international consulting firm Spencer Stuart U.S., says employers ought to conduct regular internal audits to identify talent. The board, not the CEO, should do these audits, adds Carey, because CEOs sometimes feel threatened by bright subordinates and try to sidetrack them.

Once stars have been identified, their employers may decide to pay them more money. In 1997 the leaders of newly merged Bell Atlantic Corporation and Nynex, fearful of losing talented managers, gave special retention bonuses to their top five executives. These five were to receive more than $1 million apiece if they remained with the company at least three years. All five have stayed.

Some execs would rather have power than more money, however. When in 1997 DuPont Company named the relatively youthful Charles O. Holliday Jr. its next CEO, some industry watchers wondered if Kurt M. Landgraf, DuPont's gifted executive vice president and chief financial officer, might not leave for greener pastures. He did not, possibly because Holliday soon made Landgraf the head of the new life-science unit, the centerpiece of DuPont's growth strategy.

But some rising stars refuse to settle for any job but the top one. To keep the services of Kenneth I. Chenault, American Express president and chief operating officer, CEO Harvey Golub agreed this spring to turn the reins over to him three years earlier than Golub had originally planned.

From Amy Barrett, "How to Keep Rising Stars from Straying, Business Week, *June 7, 1999, p. 80.*

WHY FAILED CEOS DON'T MAKE THE GRADE

Failed CEOs are neither dumb nor evil. They are intelligent, articulate, and dedicated. They work hard and perform terrifically for years. So why did they receive their pink slips?

Some lost their jobs because they refused to confront market realities, antagonized their boards, or adopted a flawed strategy. But usually the fatal flaw is bad execution. They simply did not get things done, were indecisive, or did not deliver on commitments.

A common area of weak execution for many failed CEOs is an inability to put the right people in the right positions and then delaying action to remedy the problem. Effective CEOs know when to prune and when to nurture, take quick action to solve problems with the top team, and never hesitate to fire when they must.

Another downfall for CEOs, particularly those who have been successfully leading a company for most of their careers, is an unwillingness to change the status quo. They lose their big-picture focus, often relying only on one or two executives or a sole consulting firm for advice. They may become distracted—perhaps by serving on too many boards or becoming seduced by politics—and lose sight of the company's day-to-day operations.

Winning CEOs, on the other hand, have a drive to be competitive all the time and are willing to push to make change happen. They hunger to learn about what's happening in their markets, analyzing details that their floundering contemporaries would find boring. Eight qualities characterize these leaders: integrity, maturity, and energy; business acumen; people acumen; organizational acumen; curiosity, intellectual capacity, and a global mindset; superior judgment; an insatiable appetite for accomplishment and results; and powerful motivation to grow and convert learning into practice.

As businesses become increasingly competitive, CEOs are expected to deliver the goods sooner. One academic study has concluded that poorly performing CEOs are three times more likely to lose their jobs than their counterparts a generation ago. Executive search firm Spencer Stuart discovered that 41 percent of CEOs in 1980 had been on the job for six to 10 years, while only 23 percent of company chiefs could make that tenure boast in 1998.

From Ram Charan and Geoffrey Colvin, "Why CEOs Fail," Fortune, *June 21, 1999, pp. 69-72, 74, 76, 78.*

Illustration by Chris McAllister