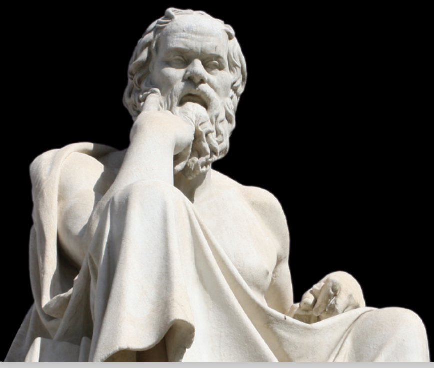

Alexander Proudfoot
Global Advisory Board

An article from the board that merits your attention

CEO Mortality:

Same Song—Second Verse

Our recently published article, **Surviving CEO turnover: Delivering solid results to shareholders**, addressed this same topic, and since it is the number one *existential* question facing each occupant of the Chief Executive's office, we thought it worthwhile to address it again in a little more depth.

At best, CEOs have as little as 12-18 months to demonstrate their capabilities to transform the corporate landscape and the fortunes of the organization they head. In 2013, one executive out of every seven left his or her company. It is a fact that 70% of top executives stay less than two years in the same role; meaning they have increasingly less time to conduct a game-changing strategy to deliver the results their stakeholders demand. CEOs are required to quickly master a broader range of skills if they are to survive, and must combine this with the ability to significantly accelerate company results.

Mike Critelli (United States), former Chairman and CEO of Pitney Bowes: "Since CEOs have an increasingly limited amount of time to prove their ability to devise and execute transformational strategies, and are doing so with organizations that are often resistant to change, they must entrust execution to a firm and to individuals that not only are completely aligned with them, but can immediately give them feedback about execution gaps. In reality, this type of execution management and monitoring will require outside resources accountable only to the CEO with a proven track record in delivering successful executions."

Wilson Brumer (Brazil), former CEO and Chairman of the Board of Directors of USIMINAS: "In spite of impressive growth in the BRIC (Brazil, Russia, India and China) countries, competition is becoming more fierce. It is not enough to have a good plan. Successful companies often win on the basis of superior execution. Inspired strategies only go so far, and are not enough in of themselves to win against agile, nimble competitors."

CEO turnover reaches new heights

In 2012, executive turnover was highest across the banking, advertising and mining and metals industries. In 2013 by contrast, it was CEOs leading businesses within the airlines, automotive and media sectors whose fate was sealed as they were either terminated or moved to another position. According to Bloomberg, US corporations are now switching CEOs at the fastest pace in the last five years. Some turnover admittedly stems from well-orchestrated, carefully organized succession plans. Regardless of the situation, driving business performance is an urgent CEO imperative–one that is largely ignored.

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Jean Peyrelevade (France), former CEO of Crédit Lyonnais: "CEOs must quickly identify areas of weakness, such as strategy, marketing, production efficiency or cost. The key is to focus on one or two items at a time. However, good judgment alone is not sufficient—execution is critical. Finally, management is a very simple art, so it must be simple, focused and strong."

Greater sense of CEO optimism emerging

As CEOs grapple frantically to identify a sustainable path to growth, the macro-economic outlook remains steadfastly uncertain; growth in China has slowed considerably, a situation mirrored across other emerging markets; growth in the EU is patchy, although predictions for Germany and the UK look more promising; the state of the Japanese economy appears somewhat unpredictable; certain markets in Latin America are showing signs of becoming more sluggish; and the future of the US is marked by continued uncertainty over fiscal and monetary policy.

Warren Holmes (Canada), former CEO of Hudbay Minerals: "CEO's responsibilities are so broad, it takes a unique individual to create success. Success is often achieved by an aggressively implemented vision, but enduring success comes from disciplined execution of all elements of the current operation, as well as those aspects required to achieve the vision of the CEO and the corporation. Enduring success requires excellent performance by every member of the organization as it changes, improves and adapts to ever-changing market conditions. Difficult to achieve–certainly, but absolutely critical in today's high performance world."

Manfred Maus (Germany), founder and CEO of OBI Group: "What is the reason for high CEO turnover? I think the main issue is not a question of knowing how to run an organization, but the inability to facilitate change. How can you change behavior in an organization? A complete transformation of company culture doesn't necessarily require a resume full of management and leadership experience. What it does require is an enormous amount of character from your top-level executives."

In spite of these challenges, there appears to be a growing sense of optimism emerging. Over the past 12 months, the number of CEOs who believe that the global economy will improve has doubled to 44%. This figure, published in a recent survey[1], indicates more of a sense of the glass half full, rather than the glass half empty. The report was conducted from September to December 2013 when 1,344 CEOs across 68 countries were interviewed. Clearly, the outlook remains stubbornly mixed globally, and the economic environment remains persistently fragile, but this same report concludes that 39% of CEOs are also feeling more positive about their own company's prospects for revenue growth in the next 12 months.

Leadership and engagement come to the fore

So against a backdrop of greater optimism, it appears that smart companies are increasingly focusing on their own operating performance in a bid to outclass their competitors and steal an edge across their markets. The leadership role of the CEO is pivotal as companies look to define a more stable path towards growth and establish a business culture that strives for excellence in every aspect of its operations. Alongside strong leadership, CEOs are recognizing the value of an experienced senior leadership team, as well as an engaged and motivated workforce. Greater accountability is also critical as CEOs seek to drive performance levels upwards and increase productivity. In their bid to prepare their organization for the future, CEOs are increasingly focusing their attention inwards and examining the way they operate as a means to improve operational excellence and drive greater organizational agility and flexibility.

[1] PwC: 17th Annual Global CEO Survey

Roy Andersen (Africa), former CEO of the Johannesburg Stock Exchange and Chairman of Sanlam: "There is no doubt that the environment in which Chief Executives are required to lead and manage is becoming increasingly complex. This complexity, coupled with an information overload and ever increasing demands of shareholders and other stakeholders can easily combine into a lethal cocktail. This means that Chief Executives must be precise in setting their priorities and communicating clearly what they expect to deliver. Their focus and strategy implementation must be disciplined and unwavering. Now is the time to be ready to rapidly benefit from improved economic conditions and to demonstrate to the market that your company is well positioned and executes better than the competition."

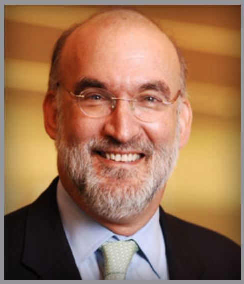
Improving sales effectiveness to exploit growth opportunities

In their bid to prepare their organization for the future and exploit opportunities for growth, one obvious area for CEO attention is the sales function. Many sales organizations are capable of higher performance levels–in many instances around 25 to 30% and in some instances perhaps as high as 50%. This level of improvement is often available, just through better execution and without any new sales strategy, etc. But achieving this is only possible once the people in the sales function are equipped with the right skills, are properly organized and are motivated to use the full gamut of their capabilities. In reviewing how well they are currently performing, CEO attention should focus on every aspect of their sales function in an effort to uncover where considerable opportunity for improvements exist.

Gordon Peeling (Canada), Former CEO of the Mining Association of Canada: "After the 'clean out' of CEOs in 2012 within the mining sector, it is no surprise to see that plaudits are going to companies that have instituted cost control programs and addressed the need for excellence in execution of the business plan. It is not surprising that CEOs were held to account for capital losses as acquisitions at the top of the market lost their luster after 2008-09 and the new generation of CEOs have focused on getting the house in order before growth strategies can be considered in the next market upswing. What is surprising is that the Boards that were complicit in the acquisition and merger mania of the last upswing have not equally been held accountable. The only way that this generation of CEO can be successful in the current weak market is by controlling costs, improving executional excellence and committing to investment in innovation both in business practices and technology."

Customer service excellence

Savvy CEOs are realizing that to outpace slow growth, they must enhance the ability to reconnect with customers. The importance of delivering customer excellence continues to grow in importance, particularly across the European economy where customers are considered an integral part of any company's ambition for growth. Improving customer service requires the company to excel in its execution. Customer service excellence is a powerful differentiator and reviewing the current status quo can act as the first important step in a company's effort to improve.



Frank Feder (Brazil), current CEO of Alcoa Latin America: "Optimism may be returning to the CEOs in the U.S., but particularly in the BRICs where slow growth and other challenges are prevalent, CEO mortality in the coming months may be on the rise."

Allen Morgan (Africa), former CEO of Eskom: "Successful CEOs without the luxury of time on their side, set strategic objectives in reach of the internal resources at their disposal and their ability to augment these by partnering with suppliers with proven ability. They deliver on their promises because they understand the 'Art of the Possible'. CEOs who spend time at the coal-face and experience firsthand what resources they have at their disposal are better equipped to deliver than those who avoid doing it."

Importance of innovation

Pivotal to the success of securing growth is a company's ability to innovate. In the same PwC survey referred to previously, 35% of the CEOs polled globally are looking to new products and services to fuel future growth. An overwhelming 86% want to improve their company's ability to innovate. Meanwhile, many CEOs are admitting that there is a significant gap between their ambitions and their actions, with a degree of inertia taking root and risking a derailment of well-considered plans. Only 27% of CEOs have started or completed the changes to make their companies more innovative. Innovation is a priority for companies across the developed and the developing markets. Critical to success is the company's ability to accelerate the pace of change and to combine it with effective execution to speed time to market.

José Pablo Arellano (Chile), former Chief Executive of Codelco: "Having a vision for the future and mobilizing resources to ensure the successful execution of that vision are the two primary prerequisites for succeeding in today's hyper-competitive global business environment. Most CEOs and their C-suite counterparts do a good job at formulating a strategy and developing the business plan, but often fall short on the execution part. This can be a fatal error."

David Turnbull (Asia), former Chairman and CEO of Cathay Pacific Airways: "As the CEO of a major global airline, with a strong reputation for customer service and overall operational excellence, one of my greatest challenges was ensuring that our efforts at the point of execution were continually focused on the key metrics that we knew had to be performed each day, each time. In a highly service-driven industry that comes down to training, training and more training, combined with experienced, on-the-job team leaders."

Conclusion

There are two fundamental streams to business success: strategy and execution. The challenge facing today's CEO is to perform both tasks, to the satisfaction of the board and stakeholders across a business landscape that is tougher and more unforgiving, in an economic environment that is stubbornly fragile, and in a fast-paced digital world that is reshaping the way companies operate. With the renewed sense of optimism returning, executives that ride the wave of growth now and focus internal efforts accordingly are the ones who will ultimately succeed.

Roger Kenny (United States), Founding Partner of Kenny Boardroom Consulting: "CEOs are like teenagers, they believe they are invincible. Almost all the failures during this last Great Recession had no backup CEOs on board. Why does a CEO resist having a successor ready to take his or her place? No matter how strong the CEO, the Board of Directors must take charge of the process and make the final decision. No CEO should be allowed to single-handedly crown the next Prince and no board should be left scrambling in haste to find the right leader."

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