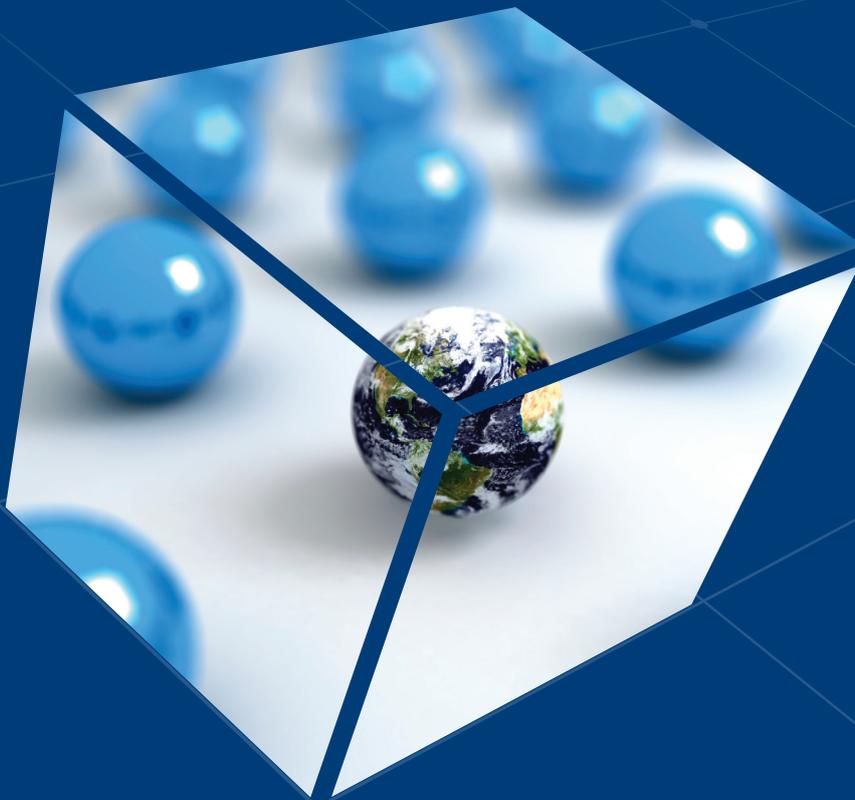




Less Lonely at the Top

Counsel and support for
today's CEO



ODGERS BERNDTSON
Search Intelligence



■ The Board Group



■ Kit Bingham

Head of the Chair & NED Practice

Kit is Head of the Chair & Non-Executive Director Practice. He joined after a career in financial journalism and financial public relations. He specialises in board level non-executive appointments for Chairs, Senior Independent Directors, and Chairs of Audit, Remuneration and Nomination Committees.



■ Baroness Virginia Bottomley

Chair of the Board Group

Virginia is Chair of the Board Group. She is a Non-Executive Director of FTSE 100 listed Smith & Nephew and an Advisory Board member of Chugai Pharmaceutical. She previously served on the boards of AkzoNobel and Bupa. She joined Odgers Berndtson in 2000.



■ Julian Fox

Head of the CEO Practice

Julian is Head of the CEO Practice. He joined after a career in the Royal Navy and as a rough diamond broker. He specialises in board level executive appointments for Chief Executives, Executive Directors and senior roles in general, commercial and operational management.



■ Simon Hayes

Head of the Financial Services Board Practice

Simon Hayes has spent 11 years in search, after two decades in investment banking and capital markets. He has lived in the US, Japan and Hong Kong and specialises in complex multi-stakeholder appointments.



■ Kester Scrope

CEO of Odgers Berndtson

Kester is CEO of Odgers Berndtson's UK and Asian Offices. He joined after a career in senior management with Mondi, and previously served as an Executive Director of Pursuit Dynamics plc, an Aim-listed technology business. He joined Odgers Berndtson in 2007.



■ Susanne Thorning-Lund

Partner in the Chair & NED Practice

Susanne is a Partner in the Chair and NED Practice. She joined after a career as a strategy consultant, running multi-country acquisition research projects. She specialises in senior cross border mandates, working extensively with our international partnership.



■ Introduction

It is a well-worn cliché of leadership that it's lonely at the top.

Prime ministers, presidents, generals and the stars of sport, stage and screen – not to mention chief executives – have all observed that the higher they climb, the more isolated they become.

But need it be so?

Today's chief executive should be well supported by executive and non-executive colleagues from whom advice and counsel can be sought.

Externally, there is no shortage of professional mentors or coaches who can ease the loneliness of command.

Based on conversations with numerous chief executives, chairmen and others, this paper examines the various constituencies to which a chief executive can turn and examines how those relationships can support the individual in the top job.

Equally, we test why each of these relationships may be compromised in ways that impede true candour.

Finally, we conclude that leadership is by definition isolating, and chief executives better get used to it.

As they say on Wall Street: if you want a friend, get a dog.



■ Tough, and getting tougher

The chief executive's role is tough, and getting tougher.

Today's business environment, characterised by globalisation, universal information technology, and the watchful presence of investors, the media, regulators and government, ensures that scrutiny, accountability and responsibility are ever-present companions.

The decisions get bigger; the consequences of failure become more profound. As one chief executive says: *"You know a lot of things that are secret and the number of people you can confide in is very few. Not to be lonely in the role is almost impossible."*

Worryingly for businesses, however, there is increasing evidence that loneliness has a negative impact on executive performance.

According to a survey of 83 US chief executives conducted by consulting firm RHR International, feelings of isolation can hinder a chief executives ability to do their job, with first-time chief executives particularly at risk of underperformance.

For many chief executives, the isolation inherent in the top job can come as a shock.

In the words of one chairman: *"The people who make it to the top are typically hugely talented, highly motivated and incredibly hard working. They are used to having most, if not all the answers. It can be difficult therefore to admit they need a helping hand."*

■ Who can chief executives turn to?

This paper reviews the various places where a chief executive may seek support.

The first port of call is likely to be the chairman, a role where providing counsel and mentoring to the chief executive is enshrined in the job description. Other non-executive directors on the board may also be a useful channel of advice, particularly those who have current or recent executive responsibilities elsewhere.

Many chief executives will have developed a strong and trusting relationship with their finance director so that tough business issues can be tackled and worked through.

Other executive colleagues can serve a similar purpose. In particular, the HR Director, not usually a candidate for chief executive succession, can be a source of tough, constructive advice, free from any other agenda.

Historically, many chief executives may have opened their hearts and souls to a senior denizen of the City – perhaps a banker, broker or lawyer who has seen multiple corporate successes and failures and can offer high-level, independent advice based on wide experience.

We found, however, that sensitivities over sharing non-public information means that this channel of communication is often viewed as highly constrained.

If seeking an external view, most chief executives will instead turn to a mentor or coach.

The first port of call is likely to be the chairman, a role where providing counsel and mentoring to the chief executive is enshrined in the job description.



Chief executives typically seek out individual non-executive directors for specific rather than general advice.

■ Together at the top – talking to the Chairman

Few relationships at the top of a company are as important as that between the chief executive and the chairman.

As well as holding the chief executive to account, inherent in the chairman's role is a requirement to be a counsellor, confidant and coach, and to provide an additional channel of support and guidance as appropriate.

One chairman says: *"It's the chair's job to facilitate discussion and show leadership, but they also have to listen and sometimes advise the chief executive."* A second chairman added: *"A chair's reputation is linked, at least in part, to how the chief executive performs. The greater the level of support, the greater chance the chief executive has to succeed."*

But the partnership is inevitably constrained. At the heart of the chairman's role is to keep the chief executive's performance under review and make a change if necessary. Another chair adds: *"My role is to support the chief executive absolutely to the hilt ... until the day comes when I have to take him outside and shoot him!"*

The chief executives we spoke to for the most part enjoyed a close working relationship with their boss. Equally, no chief executive will open up to their chairman in a way that could make them seem indecisive, out of touch or lacking strategic and operational grip. Chief executives are careful about what they say, and how they say it.

"If I bring a particular problem or concern to my chair, I have to be confident he is invested in helping me to solve the problem, rather than apportion blame." says one chief executive.

Another adds: *"It's essential that chairs do not seek to say 'I told you so' or use candid discussion as an excuse to score points or be critical."*

■ Non-Executive Directors

Chief executives typically seek out individual non-executive directors for specific rather than general advice.

One said: *"If I'm looking for specialist advice on a business issue I'm not an expert in – be it M&A or some other niche area – I'll try to lean on a non-executive who can provide that."*

Beyond that, the relationship with non-executive directors can suffer from the same constraints that apply to the relationship between the chair and chief executive, namely that one has the authority to hire and fire the other.

"They can help advise on strategy, but they are also there to assess and investigate whether I'm adopting the right strategy. This tension prevents a close professional relationship from ever developing," says one chief executive.

Another adds: *"It is very easy for non-executives to come across as threatening when they are probing the executive team. If it's not done right, it can create a wall between the chief executive and the non-executives."*

In order to strengthen the relationship and build trust, many chief executives make a point of meeting each of the non-executives individually and informally throughout the year.

Non-executives are not a monolithic bunch, of course, and chief executives will develop a clear idea about whose advice they prefer to seek first.



In particular, chief executives may be drawn to a non-executive on their board who happens to be a chief executive elsewhere, and so brings current market insights. It's a further powerful argument in favour of ensuring there is always a serving executive among the cadre of non-executive directors.

As one chief executive makes clear: *"A fellow serving chief executive has a perspective that is unique and understand some of the complexities and the balancing act that we are constantly treading that non-executives who have never done the role cannot."*

■ Executive Directors

The first person most of us turn to for help with a work-related problem is a trusted colleague. And why should chief executives be any different?

A self-confident chief executive who is open to debate and challenge will seek the input of their senior team, most notably the finance director. One chief executive pointed to a strong relationship with his finance director, adding: *"I can reconcile that with sacking him if I have to."*

A second says: *"My most significant and closest working relationship is with my finance director. Only he knows what it's like at the coalface and understands the intricacies of the challenges we are facing."*

But as with the relationship between the chair and chief executive, the dynamic between the chief executive and the finance director can be circumscribed by the simple fact that one is the subordinate of the other.

"It's highly unlikely someone who you can and may have to fire will provide you with open, candid criticism of your actions" says one chief executive. *"They are certainly not in a position to hold you accountable, or most times, even question the wisdom of your strategy."*

The fact that finance directors are regularly viewed as a potential successor to the chief executive only adds to the tension.

"There comes a point when many finance directors want the top job," says one chair. *"This can be mitigated by open communication, but it can also create tension if the chief executive is not quite ready to go."*

The HR director can be a useful sounding-board. As one chair told us: *"They are probably the only person on the executive committee who doesn't want the CEO's job – they can sit there, be observant and give the chief executive the lie of the land and tell them when they're being obnoxious."*

One FTSE 100 HR Director described his role as being: *"The CEO's confidant and the conscience of the company."* This individual adds: *"The HRD must have the skill of listening – the more senior people become, the more they feel the need to speak."*

■ Outside the company

External advisers not only provide a safe outlet for a chief executive to express concerns, but are capable of providing unvarnished feedback in a way fellow directors cannot.

"Only a certain level of honesty is possible with people who work with and for you," says one chief executive. *"With someone from outside the business, there are fewer barriers to disclosure and openness. It's a much more secure environment in which you can reveal your thoughts."*

But while the benefits of external advice are plentiful, it is not always apparent to chief executives that formal avenues of support exist outside the business.

One chair says: *"The modern CEO is under enormous pressure. It is important they don't feel the board is the only place they*

External advisers not only provide a safe outlet for a chief executive to express concerns, but are capable of providing unvarnished feedback in a way fellow directors cannot.



Chief executives we interviewed spoke positively of having a range of informal mentors throughout their career.

can go for help. There are situations when it is absolutely necessary, but there are alternative support networks out there and this needs to be communicated."

In years gone by, a senior banker, broker or other so-called 'grey panther' of the City could serve as an outlet for a frustrated or anxious executive. Sensitivities over sharing non-public information have put a chokehold on this line of communication, however, so that conversation is often limited to generalities.

"The fact they are far removed from the business means they can truly bring a fresh perspective. It also means you are restricted to talking about scenarios, behaviours and concepts as opposed to specific business challenges," says one chief executive.

The vast majority highlighted the benefit of two specific external relationships: mentors and executive coaches.

■ Mentors and coaches

For some business leaders, being mentored has become a critical part of their executive development.

Chief executives we interviewed spoke positively of having a range of informal mentors and promoters throughout their career – typically a senior figure in the business who spotted their potential and encouraged their development and promotion.

Several admitted to remaining in touch with mentors who had sponsored them in their early career, while others highlighted the benefits of seeking out a more formal mentoring arrangement upon taking the top job.

Mentoring has emerged as a successful industry in its own right, with the best mentors providing a resource for chief executives and other senior managers.

Several chief executives we interviewed spoke highly of having the opportunity to solicit a confidential second opinion from someone who has succeeded in the role they are currently doing.

"It's incredibly reassuring to be able to tap the thoughts of someone you hugely admire and who has been through many of the same challenges you have faced and come out the other side," says one chief executive.

A chair adds: *"When you've had a long career at the top and have experienced all the highs and lows that come with it, you've got plenty of cautionary advice you can give."*

One former chief executive and current mentor said: *"There is a whole new generation that treats mentoring in a completely different way. It used to be seen as a sign of weakness, while now it's a sign of strength. As mentors, we have sat in the chief executive's seat, and we know there are big gaps in their knowledge, just like there was in ours. You've got there because you're good at something, now you're expected to be good at everything."*

There is a fine line between the roles of a mentor and executive coach. Typically, a mentor will be a proven leader in the role that the mentee currently holds – in other words, a successful former chief executive. Mentoring also tends to be a longer-term and more informal relationship.

A coach may not have direct commercial management experience to bring to bear, but will focus on a few specific performance or development issues, often from the



perspective of a business psychologist or organisational specialist.

One chief executive told us: *“With a coach, you know you are getting someone who is truly non-judgemental.”*

Another adds: *“Although they are there primarily to provide behavioural feedback, they’ve seen first-hand the stress that can come with the job and are good at helping you focus your thoughts.”*

In the final analysis, using a mentor or coach is a personal choice. We spoke to chief executives who swore by the value that this kind of relationship can add; others who saw it as an unnecessary addition to an already crowded schedule.

Mentoring can never be a substitute for the chief executive’s own business judgement and the requirement to develop their own authentic leadership style. *“Mentoring can be valuable, but it’s not a life support system.”*

■ Friends and family

Chief executives are divided about bringing work home with them.

One says: *“So long as they are not commercially sensitive, doubts or concerns about the business are best ironed out with trusted friends. They are the only ones who will give you the truth.”*

Others highlighted the fact that few people know you better than your friends: *“They have an unfiltered insight into your personality, your behaviour, and your worldview. This makes their advice all the more meaningful as a result.”*

It’s not for everyone, however. *“I couldn’t think of anything worse than talking business with my mates,”* says one chief executive.

“I spend all week debating tough decisions – the last thing I want to do is dig them up again at the weekend with my friends.”

Mentoring can never be a substitute for the chief executive’s own business judgement and the requirement to develop their own authentic leadership style.



■ Get used to it

This paper sets out a number of relationships which chief executives may draw on for counsel, comfort or advice.

The crucial point is that chief executives need to develop the relationships that works best for them. A chair says: *“The chief executive needs to be big enough to work out what support they need and go and get it. They should find their own sounding board.”*

Ultimately, however, the central message from most chief executives was: grin and bear it.

One says: *“Leadership is lonely. It’s impossible to be responsible for so many important decisions and not feel a sense of isolation. The buck stops with you and to a certain extent you just have to deal with it.”*

Others argue that loneliness comes with the territory. *“When I got the top job I knew my days of going out drinking with my colleagues on a Friday night were over. I knew what I was getting into when I signed up.”*

For most, the isolation that comes with the top job was simply a fact of life.

As one chief executive says: *“Is the CEO role a lonely one? Yes. Do I care? Not in the slightest. If you do, you’re in the wrong job.”*



■ About the Board Group

Our Board Group comprises all the practices that serve the Board: the CEO Practice, the Chair and NED Practice, the CFO Practice, the HR Practice and the Legal and General Counsel Practice.

Our Board Group works for a diverse group of select clients – including Fortune 500, FTSE 100 and AIM-listed companies, major national corporations, international groups, private equity-backed businesses, family-owned and managed organisations, the world's largest charities and a range of public sector and small and medium sized enterprises – to find Chief Executives, Finance Directors and other Executive Directors.

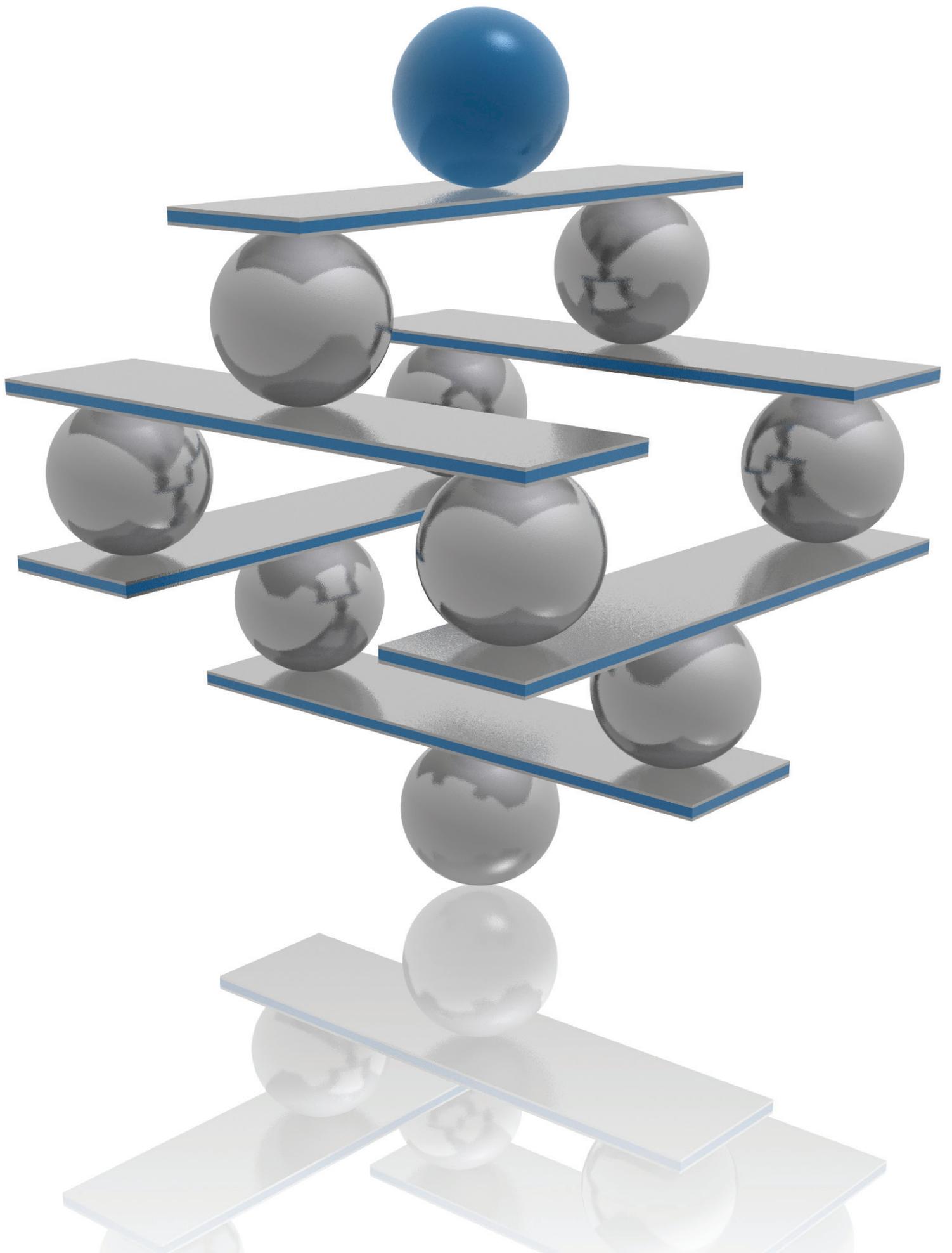
We also have a dedicated Chair & Non-Executive Director Practice which specialises in the recruitment of Chairs, Senior Independent Directors, Chairs of Audit, Remuneration and Nomination Committees as well as independent Non-Executive Directors and Supervisory Directors.

Our Board Group is made up of highly-experienced professional executive search consultants operating in over 30 countries and people who bring expertise from other walks of life, including business, politics and the media.

We are closely engaged with the initiative to promote more women onto the boards of public companies. We are signatories of the UK search industry Voluntary Code of Conduct and have been recognised by the Department of Business, Innovation and Skills for our work in placing women on the boards of FTSE 350 companies.

We deploy teams with a mix of talents, with contacts at the highest levels of all sectors, drawing on both a UK and international talent pool.

Above all, our commitment to quality and delivering client satisfaction governs everything we do.





International Executive Search and Assessment in 27 countries across the world

