Too big a job for just one person?

BY MICHAEL SKAPINKER
FT.com site; Jun 22, 2001

Has the job of chief executive become impossible to do? The short period that many chief executives remain in the post - the average is now four years - suggests it is difficult to satisfy shareholders and directors for any length of time.

Jeffrey Garten, dean of the Yale school of management and a former member of the Clinton administration, spent two years interviewing the head of the world's leading companies, including General Electric, Intel, America Online, Dell Computer, Goldman Sachs, Federal Express, BP Amoco, Nokia, and Toyota.

His conclusions, laid out in his book, *The Mind of the CEO* and in Business Week, are that the job has become too large for most executives to handle. "I believe historians will conclude that the pressures of the era have proved much greater than anything most of these leaders could surmount. As a group, global CEOs will be seen as captains of small ships in turbulent seas - rarely able to chart a steady course and to maintain control of their own fate," he says.

While he was writing his book, three of the chief executives he had interviewed - Richard L. Huber of Aetna, G. Richard Thoman of Xerox, and Rebecca Mark of Azurix - were forced to resign because their companies had performed so poorly.

Why is the job so difficult? "There are three reasons for the almost intractable challenges global CEOs face: the sheer difficulty of running a multinational company during a time of tremendous technological change, the great uncertainties of the global environment, and the need for a CEO to be both a business leader and a global statesman concerned with everything from environmental protection to rules for cyberspace," Mr Garten writes.

But is the chief executive's role really so much more difficult than in previous decades? Take the first of Mr Garten's contentions - that running a multinational company has become so difficult. Today, if a chief executive of a multinational wants to know what is happening in one of his foreign subsidiaries, he can find out almost immediately.

He, or more likely his secretary, can raise the relevant managers on the telephone in a matter of seconds. He can rouse them from their sleep on their home telephone lines, or drag them out of restaurants or away from their children's birthday parties by dialling their mobile phones. He can set up conference calls, allowing him to talk to managers on several continents at the same time. And, if he wants to speak to them face-to-face, he can summon them to head office on a transcontinental flight.

Compare that with the chief executive of, say, a Victorian-era London-based mining company, with operations in South Africa and Australia, who could see his country managers only when they made the weeks-long journey home by ship.

As for the pace of technological change, the internet is a relatively insignificant advance compared with previous great technological and social revolutions, such as the spread of the motor car, domestic electricity, the telephone and international air travel.

Mr Garten quotes Andy Grove, chairman of Intel, who asks: "Are we in a true revolution? Has technology revolutionised the way we live in the United States or the rest of the world? I don't think so. I don't think this is a revolution in the sense that it represents a step function - a sea change - in the quality of what happens in our lives. How revolutionary was the creation of the supermarket compared to the general store, or the downloading of music from the Internet compared to going to Tower Records? Those are changes, yes, but evolutionary ones. The steam engine was a revolution. The railroad was a revolution. The equivalent today would be space travel."

And the global environment? Has that really become so much more difficult? It isn't easy, operating, for example, in countries such as China, or dealing with the human rights consequences of manufacturing in Thailand or Indonesia. But the truth is the international environment for business has never been as benign as it is today. More of the world's population live in democracies than ever before in human history. That means businesses are more likely to operate under the rule of law, free from the fear of expropriation or natiOnalisation. What is today's international environment compared with the perils of trying to survive in wartime occupied Europe or building a company on the ashes of defeated Japan?

For all that, however, Mr Garten is right. The chief executive's life is overwhelmingly difficult, far more than it has ever been in the past. The main reason is that chief executives today live under a blinding light of scrutiny and questioning. They suffer a level of personal intrusion by the media that few others could endure. Any personal lapse can result in humiliation by the tabloid press. Deference is dead, and nobody in positions of power or apparent power - from royalty to pop stars to chief executives - is immune from the popular desire to see the mighty brought low.

The chief executive's professional performance is subject to the same minute examination. Shareholders demand better performance, and over a shorter period. That is because they too - pension funds, insurance funds, fund managers - are under the same pressure to produce better returns. Financial newspapers and business television programmes provide running news and commentary on companies' performance, posing constant questions about the future of apparently under-performing chief executives.

Is there anything that might make chief executives' lives easier? Probably not. None of these forces looks likely to diminish. Does that mean fewer people will put themselves forward to become chief executives? There is some sign of this, with, for example, few people wanting to take the helm of troubled companies such as Marks and Spencer. But the financial rewards are still enormous.

The best-paid US chief executive last year was John Reed, who stepped down as chairman and co-chief executive of Citigroup. Mr Reed earned $293m in salary, exercised share options and other emoluments, followed by Sandy Weill, now Citigroup's sole chief executive, on $224.9m, according to a table compiled by Standard & Poor's and Business Week. Third place was held by Gerald Levin of AOL Time Warner on $163.8m, followed by John Chambers of Cisco with $157.3m. It is not an easy life, but, with rewards like that, someone is going to do it.