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What not to do

Avoid the most common traits of a failing CEO

BY HARRY S. DENNIS III, for SBT

My thanks this month to fellow TEC (The Executive Committee) chairman and resource Glen Waring of Columbus, Ohio, who, after more than 3,000 individual chief executive officer conferences and 400 all-day meetings with them, has identified nine distinctive CEO failure patterns:

1. An inability to see the bigger picture.

It's surprising how many well-meaning chief executives have not done strategic planning. This is one tool that by definition forces the CEO and his or her key executive group to look at the big picture and plan to take advantage of it.

2. Unwillingness to use solid financial practices.

In this day of instant data and information recall, it is appalling to learn that some chief executives do not understand the interdependent relationship of their balance sheet, and income and cash flow statements. For instance, if your gross margin declines by one-half of 1 percent, what will happen to your operating profit, your working capital requirements and your operational cash (before interest and taxes)?

3. A lack of clear vision.

Visualizing where a business is going and what it can become is uniquely a chief executive responsibility. The easiest way to accomplish this difficult task is to march forward five years, say to 2010, and work backwards. Constructing the vision is an important first step, but even more important is getting everyone in the company on the same page. This is where CEOs fail to follow through, and as a result, the vision never progresses beyond the status of an interesting academic exercise.

4. Lack of passion.

I like the way Glen Waring puts it: "Most organizations no longer need arms and legs (command and control); instead they need hearts and minds (sell and enroll)." People need to be led more than they need to be managed. However, a leader must be passionate to lead. There's the rub for the failing CEO. He or she tries to solve the same problem over and over and eventually burns

out. It is impossible to effectively and passionately lead in a state of burnout. Only a revisit of one's core beliefs and value systems can lead to a recovery from this deadly tailspin.

5. Lack of clarity on reasons for success.

Failing CEOs get this one reversed. They spend a lot of time on the "how" and very little on the "what." How do we fix this or that, rather than what should be fixed and who should fix it. The CEO's job, in short, is to plan what should be acted upon and why, leaving the how up to associates who are capable of getting it done.

6. Too many distractions.

Focusing on pet peeves, taking on dead-end activities, investigating unlikely acquisitions, playing too much golf, practicing anxiety management all fit the bill of a chief executive heading in the wrong direction. Successful CEOs stay highly focused and redundant around a few corporate pursuits. By so doing, their companies stay in touch with reality and don't become confused about, "what's happening here?"

7. Disconnecting from customers.

The most effective CEOs I know are their firm's "Chief Sales Officer." They spend about one-third of their time in the field visiting their top accounts. They assume a primary role developing strategy to reach large prospective customers (a corollary is that they spend time with large unhappy or difficult-to-win-over prospective customers). Finally, they don't hesitate to step in and make the deal if necessary to achieve a quicker and more successful sale. Failing CEOs do none of the above.

8. Disconnecting from employees.

Failing CEOs are notorious for creating major psychological and physical disconnects from employees. It's easy to do. Avoid direct eye contact, show no interest in employees outside their work, keep your door closed, park in a reserved parking place, criticize and withhold compliments or recognition and so on. All of this is guaranteed to produce a sick organization.

9. Integrity outages.



Failing chief executives lack integrity beneath their armor. They say one thing, but do another. For example, treating customers or suppliers differently. Promising to improve upon a company system or program and then procrastinating indefinitely with no explanation. Successful CEOs, in contrast, use every public opportunity they can to talk about behavior consistency, honesty in business relationships and fairness in business dealings.

The other day, I overheard a chief executive from England lament the fact that his industry is catering to too many so-called humanistic needs of its customers at the expense of its business needs. I told him that I didn't understand what he meant.

He said his industry spends too much of its time and resources making people "feel" good and not enough time on the financial capital objectives of the businesses. I asked him how well his company performed in 2004. He said it performed miserably by UK standards, and this preoccupation with humaneness was one of the reasons why it had done so.

I wonder how many of his U.S. counterpart chief executives share this point of view? Successful CEOs recognize that a key to successful leadership is balancing human capital and financial capital needs, and that in the long run, human capital needs are far more critical to the overall success of the enterprise.

This is why we say in TEC that our mission is, "to increase the effectiveness and enhance the personal lives of CEOs." Only in this way can the human capital component of his or her leadership capability be fully maximized.

Until next month, here's to unfailing chief executives.

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