



Self-help for CEOs

Is it really lonely at the top? **Alexander Gutzmer** reports on a survey of CEOs that shows why leaders become insulated – and how they combat destructive isolation.

Things became disconcertingly quiet around Rudolf Schulten when he took over the helm at the Mannheim-based power company MVV Energie. “As the CEO,” he says, “I suddenly discovered I was leading quite a solitary existence within my own organization, because no one was on the same hierarchical level as myself.” Schulten attempted to counteract the situation by placing key allies as direct reports. Now, two years later, the situation has improved.

Despite Schulten’s scenario, the solitary existence of CEOs, however, is not simply a function of a concrete and destructive corporate culture surrounding some of them. Many CEOs and executive directors of large companies have similar stories to tell. There seems to be a system behind it. The air at the top, it seems, is not only thin but cold as well. Employees, when interacting with their bosses, keep their distance. And although this might be a response to the common perception that senior executives have a kind of “tunnel vision”, this dysfunctional insularity (or a lack of connection) not only emanates from CEOs but also from the employees themselves. The amount of power a CEO has creates a certain distrust among those some steps further down the corporate ladder.

Consequently, CEOs tend to spend more time talking to their peers in other companies. The people in charge, one could say, set up their own little decision maker’s self-help groups.

Pertinent issues

Bastian Fassin, head of the candy company Katjes, says, “CEOs need to discuss issues pertinent to them in the same way that physicians at a conference might discuss issues particular to their work. So, informal organizations and small discussion groups offer good forums for the discussion of key issues. Furthermore, entrepreneurs and a trusting environment are essential as the means to make these kinds of exchanges effective.”

A personal network is vital not only (as is common knowledge) for young professionals, but also for those at the top. It is becoming a critical success factor for today’s crop of CEOs. Says Torsten Oltmanns, Global Marketing Director for Roland Berger Strategy Consultants, “A personal network gives them an opportunity to discuss ideas, economic and political issues, as well as new management models.” It is a well-considered assessment, since Oltmanns, together with his team at the Technical University of Munich (TUM), has carried out two studies that focus on the biggest players in the German economy.

It is unique research: the consultants managed to deeply explore an intrinsically shy species. Though CEOs are often the centre of heated debate, often fuelled by envy and mistrust, they seldom discuss

what they do or argue their own value to their companies. Add their public “shyness” to their million-dollar salaries and seemingly misanthropic decisions relating to where businesses operate and whom they employ, and it’s easy to understand the backlash against the CEOs of large companies. As a type of leader, they are becoming more and more unpopular. Also, wrongdoings by individual managers (as we have seen during the sub-prime crisis) are influencing badly the image of business executives as a whole.

In turn, many CEOs are increasingly reluctant to have their motivations and sentiments revealed. Few of us know who they are, what makes them tick, how they obtain information or how they make decisions. These are the types of questions to which Oltmanns and his assisting consultants sought to find answers. Their interviews gave them insights into the inner workings of today’s corporate CEO.

Whom do you trust?

One finding is that CEOs are barely trustful of many of the main social opinion leaders. In fact, CEOs trust, for instance, research institutes and academics less than their own employees and colleagues in other companies. The higher one goes in the company chain of command, the more readily discernible the disparity becomes. Using the orchestra as an analogy, the Roland Berger consultants identified three types of leaders: conductors, soloists and orchestral musicians. They all function as decision makers, but only the “conductors” set the tone. CEOs and core members of executive boards differ in terms of where they seek out their information, which reflects the mixed experiences many CEOs have had in dealing with those who provide input from an external perspective.

Bad news for the other big group of key decision makers, politicians: executives at higher levels place almost no trust in politicians at all. In fact, 10 per cent find them completely untrustworthy and 70 per cent consider them only marginally so. Apparently, ignorance of necessary economic policies and a tendency toward short-lived populism, as can be evidenced in many European countries, cause trust to erode.

Accordingly, the alphas of the business world are very reluctant to approach the elected policy makers. Says Alexander Rittweger, head of the Munich-based Loyalty Partners (known for its “Payback” bonus programme), “I believe that managing directors would do well to keep their distance from the political realm.” Otherwise, they will tend to find themselves back on the slippery slope “that could be more damaging than beneficial to themselves and their companies”. Moreover, it does little to improve the perceived incompetence of government officials in regard to economic policies.

Regardless, Rittweger does not believe CEOs need to completely withdraw. “Politics relies on two-way communications with decision makers in the business world,” he explains. “So, in that respect I think it makes absolute sense to have informal discussions without any distractions.”

Just the facts

Just as their relationship with politics is marked by suspicion, a basic distrust can be noted among CEOs in the context of gathering facts. Apparently, all kinds of people try to manipulate them with one-sided information. One should also consider the fact that a CEO's power is based on the quality of the information received. “Information is the key to power,” Oltmanns says. That is how the quest for information – particularly the kind to which others are not privy – becomes “one of the most fundamental and critical tasks of any decision maker.” According to the Roland Berger study, all decision makers spend 18 hours per week gathering reliable information, while the elite “conductor-type” CEOs spend 14 hours per week on that task.

CEOs, in evaluating their information sources, place considerable emphasis on reliability. To them, finding absolutely trustworthy sources is even more important than in-depth analysis and the breadth of content. If the CEO has a creed, it is this: “I don't need all the details, just tell me the truth.”

But what about internal data? Can't leaders manage appropriately if they have good numbers – and, are the numbers prepared by their own employees reliable? The answer is *perhaps*, but “not necessarily”. Efforts to manipulate can come from within, too. All of this portends a problem for strategy development: the CEO who completely fails to direct his or her senses outward becomes blind to the company's wider issues, to new markets and social threats or opportunities. Nevertheless, the Roland Berger researchers were able to show that the inflow of information from outside decreases at the highest echelons of corporate privilege. And sticking only to number crunching is neither a good thing nor a safeguard.

Interestingly, many CEOs have conceded all this as a potential problem. “CEOs who only use internal sources run the risk of walking with blinders on and suppressing constructive criticism,” says Rittweger. Agrees Fassin, the Katjes CEO: “It's true, the risk is there.” His solution is to “get out of the office and meet the customers”. To CEOs in his industry, Fassin recommends, “Check on stores on a regular basis, and meet with customers. Marketing starts with customers, not with one's colleagues.”

Confidentially speaking

However, not all is mistrust around the CEO. There is one person whom top managers rely on 100 per cent, someone who has neither a big office nor a spot on the executive staff. That person is the spouse, the individual most trusted by the CEO.

Even in times of critical decision making, the spouse's opinion is taken into account. Spouses are particularly valued for their input by the “conductor-type” executives, according to the Roland Berger study. This finding is confirmed by Thomas Blunck, a member of the executive board at Munich Re. He doesn't involve his wife in all business matters, but he does turn to her on subjects pertaining to “leadership, conflict management and emotional issues”. Moreover, Fassin will sometimes even call on other family members. “For me, a family is the most trustworthy and honest network,” he says. “Whether I want it or not, as the head of a family-owned business, my family will always be a sounding board.”

Ultimately, CEOs who allow themselves to become isolated and out of touch have no one to blame but themselves. According to the recent surveys of CEOs, the best leaders create their own self-help strategies by reaching out to other business leaders, to real customers in the marketplace and to families who will provide unvarnished opinions. ■

Resources

Torsten Oltmanns et al., *Elite Marketing, How to Get Through to Executives (Eliten-Marketing: Wie Sie Entscheider erreichen)*, Campus Verlag, 2008.

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