

CEOs under fire

By John Hall

Prior to the formation of Duet, we undertook many fact finding discussions with CEOs of early stage businesses. These ranged from young entrepreneurs running start ups to serial CEOs managing their fourth business in less than 10 years.

In addition we spoke to SME business investors including Angels, specialist private funds, Venture Capital firms and Private Equity houses. In a majority of cases these investors held board seats within their investee companies.

Our objective was to determine to what degree boards were cognisant of the real challenges being faced by their CEOs and, more importantly, to what degree CEOs were being properly supported by their boards in finding solutions to these problems.

Our overall aim was to identify ways in which CEOs of early stage businesses could better leverage their boards - and other resources – to enhance their prospects of success, particularly in an immensely challenging economic climate.

In summary, our discussions revealed that many CEOs felt that asking their board for help on matters of 'professional capability' would be seen as a sign of weakness. We found that, instead, increasing numbers are seeking out some form of peer level 'self help' group to act as a sounding board for problems. Companies such as Vistage, Excell and others tapping into the needs of anxious CEOs that are searching for answers to real business problems, whilst most of the time their Boards are unaware this is happening.

So, do boards really understand the needs of their CEOs or are they allowing them to become disenfranchised from the very businesses that they are actually supposed to be running?

The CEO's perspective

In any early stage business it is accepted that in nearly all executive roles, multiple hats are worn. The CEO role often typifies this kind of multitasking and can encompass that of founder,/evangelist, lead technologist, head of marketing and product management, head of sales, or a combination of these.

In early stage businesses there is also a 'founding objective', a mission behind which the organization and its stakeholders are galvanized. The business strategy will have been determined with the sole purpose of enabling the company to deliver its founding objective. However, it may not have been envisaged that at some relatively early stage in the company's development a re-appraisal of the strategy would be required. For many young businesses, battling with a global recession and almost certainly some form of financial restructuring, strategy re-appraisal is under almost constant review.

CEOs of today's SME businesses are therefore tasked with an unprecedented array of responsibilities and daily challenges from operational to strategic. The reality is that the effectiveness of the CEO and executive team is being hit, sometimes severely. According to these CEOs, boards often do not appreciate the stress and anxiety that they are working under.

CEOs of early stage businesses are therefore searching for help, often on core business issues – but they are not necessarily turning to their boards for guidance. Instead many are quietly participating in self help groups or joining business networking forums, often paying significant membership fees out of their own pockets.

In large companies, leveraging external expertise to support the CEO is simply accepted and there is an entire management consultancy and executive coaching industry built up around this. In addition, larger businesses have the capacity to assemble dedicated change management teams to facilitate the process of strategic review. Boards are fully involved and support this – it is considered the norm.

Within most SME businesses the creation of such a team from existing resources would simply not be practical or affordable, but the desire to supplement existing skills and capacity during times of strategic change – perhaps just for short bursts of time – is highly evident.

The Board's perspective

The convention has been to think that if the CEO was asking for any kind of meaningful help from outside the company, he or she simply wasn't up to the job. Then, if the answer wasn't to replace the CEO, it might be to draft in an NED with the appropriate skills to 'help'. But for many CEOs this is simply missing the point. This can make them feel even more distant from the Board.

In many early stage businesses the Board is often small, perhaps the two founders (CEO, CTO), plus the investor director(s) and in some cases, an independent NED. In some of the companies we spoke to, the founders had relatively limited business experience, the independent NED was there really as an 'industry guru', and the investor director certainly did not see their role as an executive coach or operational advisor.

Little hope then for the inexperienced CEO when the going gets tough! And right now, almost without exception, the going is tougher than anyone expected.

Sources of advice

There are an increasing number of sources that CEOs are now considering when searching for help with strategic business issues:

- 'Self help groups', where for a membership fee, CEOs meet to help *each other* solve problems, often monthly.
- Accountants, law firms, corporate finance houses, and recruitment consultants that have diversified into business advisory work to develop new streams of revenue.



- Executive networking groups such as Knowledge Peers and The Chairman's Network, offer an informal variation on the self help theme.
- Specialist SME business advisory firms, such as Duet.
- CEO's own informal networks.

Specialist SME advisory firms

Firms such as Duet are defining a new type of flexible, short term support for early stage businesses, the key aspects of which are:

- A broad range of business expertise is available from one team where each member has significant first hand operational SME business experience at senior level.
- The support model offers a choice of either a traditional advisory approach or a 1/1 executive coaching approach, backed by the same pool of expertise.
- Support can be tailored to provide everything from expert operational guidance to strategic advice, including M&A.
- The advice is independent and impartial and provides the CEO with additional bandwidth to research and assess options, minimizing executive distraction.

Bringing the CEO back on board

Progressive boards are realizing that whilst their CEOs may have great entrepreneurial credentials, they are not superhuman creatures. Whilst it has always been accepted that certain specialist functions (e.g. lawyers, accountants) would be brought in to support the business as needed, it is only recent times that SME boards have begun to accept that their CEOs could truly benefit from having access to independent, peer level advice.

Boards must therefore enter into a dialog with their CEOs about the kind of support they need to be effective. If the result is that the CEO is better able to manage risk and develop better strategic options for the Board's consideration, then everyone wins.

As businesses grapple with the economic turmoil around us, Boards are gradually accepting that they need to review the kind of professional support their Chief Executives are able to access. They want to be seen as the ones actively supporting their most critical employee. By 'investing' in their CEOs, they believe will better placed to motivate and spur them on to greater success.

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