



Spencer Stuart Switzerland

POINT OF VIEW

SUMMER 2009

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Introduction

Sailing in troubled waters

This edition of *Point of View* focuses on leadership and the qualities that distinguish exceptional leaders. We examine the impact and immediate consequences of the current downturn as well as the ability of leaders based in Switzerland to respond to new challenges and opportunities and deal with risk.

J. Maurice Zufferey explores how leaders in economic, business and political spheres were responsible for the present crisis, and what they can do to lead business and society back to sustainable success.

Markus Koch discusses the impact of the crisis on management issues such as decision-making processes and style, and the way CEOs and boards collaborate.

Antonio Maturo describes the outcome of his conversations with a select group of key leaders in the Swiss market to gather their views on leading in difficult times and find out how they approach the current challenges and make decisions.

Andreas Huerlimann considers the human aspects that arise when a change of CEO takes place or a succession process gets underway.

In the Chinese language, the word “crisis” is composed of two words — danger and opportunity. Phil Le Goff explores how great leaders have this selective capability to pick up the right opportunity in difficult times.

We hope that these short articles will bring you different interesting perspectives on the current turbulent times.

We wish you an enjoyable read and would welcome your comments.

The Spencer Stuart Switzerland Team

Is our generation of leaders about to fail?

The current crisis is the second of its kind in the era of globalization. The impact of the financial crisis has quickly transferred directly into the performance of the economy at large.

It is not an exaggeration to state that hardly anyone saw the crisis coming. Until late 2007 at least, very few voices were raised forecasting, let alone describing, the nature, scope and violence of the crisis which broke out in early 2008.

Central bankers had been pumping enormous amounts of liquidity into the markets for years. They were not aware of the dramatic consequences that their actions might have on the financial sector and, in its wake, on the economy at large. Obviously, bankers' risk management systems have proven completely inadequate, in spite of their high degree of sophistication (and cost). The vast compliance and regulatory constraints which regulators had built up over years ended up failing miserably in both scope and impact. Economic researchers were still predicting moderate economic growth at the end of the first quarter of 2008. Rating agencies allocated AAA ratings to securities and structured products which became worthless within weeks. Mathematicians and other scientific specialists continued to produce forecasting methodologies, risk management tools and other quantitative models at a time when they had already become irrelevant.

For their part, board members and executives were no better, still betting on positive market developments at a time when the value of underlying financial and other material assets was plummeting. As for politicians of all colours, they were content to reap the benefits of irrationally exuberant growth, for themselves and their electoral interests, focusing on spending instead of saving taxpayers' money. The media were fighting for larger audience shares and higher sales, glorifying those leaders and executives whose reputations they would destroy only a few months later.

Only few realised the systemic nature of the risks arising from global financial imbalances, cheap credit, complex securitization and excessive gearing. Even fewer realised that a number of basic rules and insights about the economic, political and social life were being blatantly violated and disregarded. Since 2003, and probably since the latter part of the 1990s, the world was caught in an unquestioning belief that there was no limit to growth. Joining the party could only result in winning. No-one was asking any longer whether a thing was right, provided that it was legal and compliant. Making money as fast as possible was what counted.

Does this mean that our generation of leaders has failed? What were the deep causes of the disruption which has had such a brutal impact on the entire world economically, financially, socially and politically?

Some basic observations

Looking at the recent period of globalization, we now realise that there have been major shortcomings inherent in the maelstrom of ever-increasing profits, easy money, asset price inflation and the hedonistic lifestyle of many. The most salient shortcomings have been:

- > The loss of a long-term orientation at a time when, paradoxically, the notion of sustainability has filled the speeches and publications of many a politician, journalist, idealist and business leader.
- > The lack of a sense of proportion in almost all facets of life at both public and private levels.
- > The absence of an holistic perspective on leadership as a broadly defined responsibility, rather than the obsessive focus on quarterly results.
- > The widespread shortage of self-restraint, modesty and sobriety in the personal attitude and lifestyle of far too many, regardless of their social milieu or professional position.

It would be reasonable to characterize the recent period as profoundly marked by populism (in political circles and among average citizens), sensationalism (in the media), the cult of personality (among leaders and so-called “celebrities”), and outrageous consumerism (practiced by everyone). Mention should also be made of the huge expectations of short-term success, widespread envy, and a culture of transparency at times leading to paranoia or exhibitionism.

All this has developed against the backdrop of an exponential growth in information that is increasingly divorced from context, significance and meaning. At a time when progress in technology, information management and communication have allowed unprecedented access to knowledge and know-how, millions of people have lost the ability or the will to broaden, deepen or ripen the content of their own life and business experience.

The bill to settle

Since mid-2008, we have entered a period of recession with all of its negative short-term consequences on employment and the financial health of our social security systems, among other things. In business, there is a considerable waste of talent, with people made redundant or temporarily sidelined by restructuring, downsizing and other transformation activities. In addition, the widespread rise of a mercenary mentality in business has led to a genuine difficulty in motivating employees at all levels.

The time has come to remedy the abuses of power committed by some leaders, be they executives, politicians, media stars and others. These have taken the form of blatant lies, breaches of promises, inflated remuneration packages, fraudulent activities and compromised morality. Our society must refocus on the values and virtues that have served as cornerstones in the development of our Western business and political culture. In addition, we will have to close the widening gap between the middle class and those who have, up until now, constituted the elite. We will have to resist the centrifugal forces of a society increasingly accustomed to polemics, polarization and infighting. Last but not least, we will have to reverse the trend of piling up mountains of private and public debt, which future generations will have to pay for.

What to do?

As with the many crises affecting our civilization in the past, change for the better will have to come from the elites. By definition, leaders are capable of influencing opinions and making an impact intellectually, socially, politically and economically. With all due consideration for the mass culture of our times, organized human activity will continue to be steered by leaders, who will in turn have a great influence on the future.

Leaders will have to embark on a journey of introspection, with humility and candidness, in order to learn from the mistakes and abuses committed in recent times. The virtues of responsibility, a compassionate mindset towards the less privileged, hard work for the purpose of earning rather than making money, and a greater sense of shared rather than individual success — these should all rank among the top priorities if the basis for trust and confidence is to be rebuilt.

In all likelihood, business elites will have to abandon their prejudices against other types of leader, for example those in the political and social arena, which they have sometimes viewed as ignorant and disconnected from reality. They will need to find ways to give meaning to their business activities in the eyes of the public.

A focus on relevance and efficiency in business activities will have to go hand in hand with a genuine endeavour to do what is right, not just what is legal. Avoiding short-termism and rediscovering the benefits of contextual thinking will also be important if leaders are to provide perspective and lasting motivation.

Conclusion

As of today, leaders and business elites are confronting a challenge of historic proportions. Globalization, which took hold in the early 1990s, is a phenomenon whose nature and consequences are just beginning to be apprehended. Years, even decades, will pass before we gain a comprehensive and accurate understanding of what globalization really means.

There are similarities between what is happening today and the period between 1450–1500. At that time, the invention of printing led to a rapid circulation of ideas. Renaissance man slowly but surely took the place of God at the centre of the universe. Before the turn of the century, a new continent was discovered. It then took persistence, creativity, a taste for discovery, a willingness to learn, a self-critical mindset, a considerable degree of positive thinking and, above all, a genuine belief in man's capacity to create a better world, to see mankind genuinely progress.

Will the leadership talent of our time be up to that task? We observe that the market for leadership talent is coming back to life. An increasing number of leaders, old and young, have started to steer their business into new, more sustainable directions. After a period of mental paralysis and exhaustion, there appears to be a new momentum towards learning and transformation. A new generation of seasoned as well as upcoming leaders is emerging who have a unique opportunity to change expectations and help build a better world. This bodes well for the future.

J. Maurice Zufferey

Sailing into troubled waters

Die Krise ist Realität. Krisenmanagement heisst forcierte Steuerung von Liquidität, Kosten, Margen, aber auch von Business Development und Sales. Der Druck auf die rasche Umsetzung unpopulärer Massnahmen wird bewusst erhöht, der CEO muss die einzuschlagende Richtung klar vorgeben und kommunizieren. Vom VR werden rasche Entscheide und trotzdem Gelassenheit und Weitblick gefordert. Er soll kompetenter Sparringpartner des CEO's sein.

Spencer Stuart hat mit CEO's in mittleren und grossen Schweizer Unternehmen die Bedeutung und Auswirkungen der aktuellen und zu erwartenden Wirtschaftslage diskutiert. Besonderes Augenmerk gilt der Frage, welche speziellen Kompetenzen in VR und Management einer Unternehmung zur Bewältigung der Krise notwendig sind.

Auswirkungen der Krise

In Abhängigkeit von Branche und Region sind die bisher spürbaren und erwarteten Auswirkungen bezüglich Umsatz, Marge und Marktanteil sehr unterschiedlich. Im Detailhandel war bis vor kurzem von einer ungebrochenen Konsumstimmung bei Artikeln des täglichen Bedarfs die Rede. Selbst bei Artikeln des so genannten Wahlbedarfs im oberen Preissegment war in der Schweiz noch wenig von einem Rückgang zu spüren. Firmen mit einem

bedeutenden Exportanteil spüren allerdings die Auswirkungen deutlicher, in Europa, Asien und den USA wird mit Einbussen von bis 30% gerechnet.

Auch in der produzierenden Industrie gibt es den Sonderfall Schweiz. Während je nach Branche der Absatz in Märkten wie Russland, Grossbritannien, Spanien oder USA um bis zu 40% eingebrochen ist, zeigen sich andere Länder ähnlich resistent wie die Schweiz. Die grosse und leider von den Befragten unbeantwortete Frage ist, mit welcher Verzögerung und Härte hier ein Einbruch erfolgen wird. Ein Urteil, wie sich der Rückgang in den nächsten Wochen und Monaten akzentuieren und wie lange die Krise dauern wird, wagt keiner der CEO's abzugeben. Mit Hilfe von Frühindikatoren wird versucht, frühzeitig Gefährdungen, jedoch auch Chancen, zu erkennen.

Krisenmanagement

„Das Management einer möglichen Krise ist eine permanente Aufgabe der strategischen Unternehmensführung“, lässt sich ein CEO zitieren. Nur wer in Zeiten des Wachstums und der Prosperität seine unternehmerischen Entscheide an den möglichen Auswirkungen einer Krise misst, ist auf eine solche auch vorbereitet. Die folgenden Bereiche stehen dabei im Vordergrund und bilden den Kernbereich der Massnahmen aller Contingency Plans

- > **LIQUIDITÄTSSTEUERUNG:** Schuldenfreie Firmen oder solche mit einem sehr kleinen Anteil Fremdkapital sind verständlicherweise in einer guten Ausgangslage zur Krisenbewältigung. Allerdings müssen auch diese die Zahlungsfristen von Kreditoren und Debitoren enger führen, Investitionen staffeln und Lagerbestände konsequent bewirtschaften.

- > **KOSTENMANAGEMENT:** Entscheidend ist, bereits zu Beginn des Abschwungs über flexible Kostenstrukturen zu verfügen! Zusätzliche, möglicherweise unpopuläre Massnahmen sind nötig und in Krisenzeiten einfacher durchzusetzen, verschiedene Firmen frieren die Saläre ein, auch die des Managements. Zudem werden Drittkosten reduziert, die Strukturen vereinfacht und die Prozesse überprüft. Der möglicherweise schon länger diskutierte Ausstieg aus einzelnen Märkten wird plötzlich kurzfristig realisierbar. Verschiedene Industrieunternehmen beschleunigen auch die Produktionsverlagerung in Niedriglohnländer (Asien).
- > **MARGENSICHERUNG:** Dazu trägt sicher ein konsequentes Kostenmanagement bei. Zusätzlich gilt es, im Verkauf die bisherigen Margen- und Rabattsysteme unerbittlich durchzusetzen. Wo immer möglich wird versucht dem Preisdruck durch Konkurrenten standzuhalten, Aspekte wie Qualität, Zusatz- und Dienstleistungen sind in den Verhandlungen von grösster Bedeutung. Die Betreuung der Kunden wird in der Regel auf bisherigem Niveau beibehalten, in Einzelfällen sogar intensiviert.
- > **UEBERWACHUNG DES AUFTRAGSEINGANGS:** Frühwarnsysteme zur Überwachung der Auftragslage sind zwingend, die Kapazitäten müssen flexibel der aktuellen Lage angepasst werden. Nicht nur produktionsseitig, auch marktseitig sind Initiativen nötig um den Auftragsbestand zu sichern und möglichst Marktanteile zu gewinnen.

„Unsere target list bezüglich Akquisitionen ist unverändert, nur werden die targets fast wöchentlich billiger!“ Gezielte Zukäufe sollen beschleunigt werden, sofern die nötigen Mittel vorhanden sind,

um Marktanteile zu steigern und um gestärkt am kommenden Aufschwung teilzuhaben. Verschiedene Branchen erwarten eine weitere Konzentration, „Starke werden stärker, Schwache werden übernommen oder verschwinden“.

Besondere Qualifikationen im Krisenmanagement

Das Bewältigen der aktuellen Krise stellt keine neuen, aber dafür akzentuierte Anforderungen an die Mitglieder des Management Teams. Insbesondere werden die folgenden Eigenschaften verlangt:

- > **LEADERSHIP SKILLS:** Die Verunsicherung insbesondere durch die Medien ist bei den Mitarbeitenden gross. „Der CEO muss die Richtung vorgeben und konsistent kommunizieren“, nur so ist es möglich, dass das Unternehmen einen geraden Kurs steuert. Dabei kommt der Zusammenarbeit zwischen CEO und VRP herausragende Bedeutung zu. Abweichende oder gar gegenläufige Aussagen von verschiedenen Exponenten eines Unternehmens sind unter allen Umständen zu vermeiden.
- > **UMSETZUNGSGESCHWINDIGKEIT:** Einmal beschlossene Massnahmen müssen zeitnah und konsequent umgesetzt werden. „Ich von meiner Seite erhöhe ganz bewusst den Druck!“, dies gilt sowohl bei kostenseitigen Massnahmen aber insbesondere auch bei der Intensivierung der Marktbearbeitung. Agiles Reagieren auf Veränderungen im Markt, auf Bedrohungen und Chancen gewinnt an Bedeutung. Entsprechend müssen auch die Entscheidungswege verkürzt oder die Kompetenzen neu geregelt werden. Neben dem bedingungslosen Kundenfokus gewinnen Flexibilität, Zuverlässigkeit in der Umsetzung beschlossener Massnahmen und Umsetzungsgeschwindigkeit im Management an Bedeutung.

- > **FUNKTIONALES KNOW HOW:** „Wir müssen sicherstellen, dass wir den rechtlichen und finanziellen Spielraum bestmöglich ausnützen“, sagt ein CEO, dessen Unternehmen gegen die drohende Insolvenz kämpft. Dem muss beigefügt werden, dass insbesondere die finanziellen Risiken und Chancen sehr genau überwacht werden müssen. Ein besonderes Augenmerk muss der Minimierung der persönlichen Haftungsrisiken von Management und Verwaltungsrat gewidmet werden, dies haben der Fall Swissair und andere prominente Beispiele in der jüngeren Vergangenheit deutlich aufgezeigt.

Verschiedene der befragten Unternehmen haben angedeutet, dass sie glauben mit der bestehenden, oftmals in den letzten Jahren stark erneuerten Crew den Versuch der Krisenbewältigung zu wagen. Gleichzeitig wird klar signalisiert, dass bei ungenügender Leistung rasch agiert werden soll und entsprechend auch die Geschwindigkeit bei einer Neubesetzung eine grosse Rolle spielt.

Bedeutung des Verwaltungsrates

Die Rolle des Verwaltungsrates wurde nicht aus rechtlicher, sondern aus Sicht des Zusammenspiels mit dem CEO diskutiert. „Ich wünsche mir, dass ich adäquaten Input erhalten könnte und mehr Kompetenz bezüglich Marktsegmente, Diversifikationen und Produkte vorhanden ist“. Der VR — und vor allem der VRP — soll ein herausfordernder Sparingpartner für den CEO sein. Generell wird mehr Gelassenheit und Vertrauen gegenüber dem CEO gefordert. Als ideal wird beurteilt, wenn ein oder mehrere VR in anderen, vergleichbaren Unternehmen als CEO aktiv sind und so die aktuellen Herausforderungen aus eigener operativer Tätigkeit besser kennt.

Je kritischer die Situation eines Unternehmens ist, umso wichtiger ist es, dass die Verwaltungsräte über genügend Zeit verfügen, auch kurzfristig, manchmal innert Tagen, zusammenzutreten und Entscheide zu treffen.

Keinesfalls zugelassen werden darf, dass Verwaltungsräte direkt auf Mitarbeitende oder Kader einwirken. Die ausschliessliche Kommunikation durch den CEO gegenüber den Mitarbeitenden ist immer sicherzustellen.

Markus Koch and Andreas Hürlimann, Zürich

Taking action in turbulent times: Conversations with Leaders in French-speaking Switzerland

In light of the current economic crisis and the challenges it presents for all industries, Spencer Stuart decided to examine how today's CEOs reflect on the initial impact of the crisis and how they see their priorities evolving.

We met some of the top CEOs in "Suisse Romande" and exchanged views on three main topics:

- > The changing landscape and the leadership challenge for CEOs
- > The immediate measures taken during the economic downturn
- > The key objectives for the future and changes in leadership and talent

Making the right business decisions is not always simple in the most stable or growing business environment; it becomes even more difficult during periods of uncertainty.

How should CEOs respond to new challenges and risks, take tough operational decisions and at the same time make strategic investments in developing people? What to do with your human capital?

What are the key challenges, concerns and priorities in the current climate?

All the CEOs we spoke to were surprised by the impact and speed of the downturn, their businesses have suffered, and the scale of the degradation has been felt globally and is spreading quickly. These leaders have had to be especially responsive and react immediately. There was no time to lose, no finger-pointing, just getting the leadership team together and aligned, reviewing the reality of the market, making business assumptions and preparing plans for multiple scenarios.

The main difficulty is the unpredictability of the situation and the lack of visibility about what the business economy will do in the near term. Companies based in the US were directly hit and the economic problems have now escalated to their regional HQs located in Switzerland.

The appropriate but difficult response is to find new indicators which will help CEOs understand the current economic downturn, define new assumptions and perform scenario modelling based on multiple strategies. Those scenarios need to be permanently revisited as the crisis develops. What a task!

Depending on the nature of their business, some have seen demand decreasing by 20–30 per cent almost overnight. Global economies and labour markets remain under severe pressure, not to mention the simultaneous impact of local political and geopolitical influences on the economy.

It should be noted that some economies had already started their downturn a year ago (e.g. Spain and the UK). In some industries, we have observed not only a decrease in business of more than

30 per cent, but also a drop in prices of 50–60 per cent (e.g. metals and mining). Consequently, this has created an instant over-capacity in the market, which is still growing. Some of it is absorbed by specific market mechanisms, but following the delayed effect production everywhere has been reduced.

The major concerns for CEOs are the unknown time span of this crisis and the sudden decrease of turnover for certain businesses. All are agreed that these are unique circumstances which will certainly last longer than most people think.

However, all of the CEOs we interviewed are feeling confident about the strength of their companies — their unmatched range of services, geographical presence, solid business model, strong balance sheet and good cash reserves. All of them took immediate and significant actions such as right sizing and re-focusing business objectives. Very few have not stopped working on others projects, using their time instead to launch a crisis management plan.

What CEOs need most right now is a strong and experienced executive leadership team and board of directors who have agreed a clear set of priorities and actions in response to the current climate.

One common characteristic among CEOs is speed at which they reacted to the crisis, generating agility and swiftness in the system. The challenge has been sustaining adequate speed to keep business objectives aligned with organisational change, and keeping those people who remain with the business together and aligned with objectives.

Almost everyone we spoke to has taken action to reduce headcount, rarely by less than 15–20 per cent. Other examples of actions include:

- > A strong focus on R&D
- > No new products launched (and many delayed)
- > Portfolio reviews, to select and limit number of products
- > New market penetration growth frozen
- > Reduction of investment plan
- > Reduction of workforces by 15–20 per cent

What measures have been taken in the short term and for the mid/long term?

The most common step for CEOs was to take rapid action reducing workforces (at regional HQ level or in individual markets). Drastic measures include:

- > Closing or consolidating subsidiaries
- > Reducing a percentage of FTE at HQ level
- > Disposing of specific businesses or accelerated shut-down of non-performing businesses
- > Suspending salary increases, cash and stock incentive award
- > Voluntary reduction of compensation at board level

- > Re-focusing on delivering services and products to customers, and eliminating any non-core business

All these measures had one major purpose, namely to maintain or increase cash and liquidity of assets. The biggest risk is on the liquidity side; especially those businesses where sales are made at a negative margin.

Other immediate actions that CEOs have taken include:

- > Renegotiating large credit facilities and issuing new shares
- > Reviewing product portfolios and cost optimization, resulting in adequate cost reduction / savings and selective reduction of workforces
- > Scenario planning with multiple unknown elements in the equations (including exchange rate fluctuations)

In the long term, the CEOs we spoke to strongly believe in their companies, products and people. They know that the sun will follow the storm and yet long term, lasting change will have been brought about by today's challenges (for example, in climate change, population density, urbanisation, energy, transportation, etc.

What are the personal objectives of CEOs and what are the implications for talent?

The CEOs we spoke to express a common set of goals, although in rather different ways:

- > Stay close to customers and continue to deliver best services or products in each relevant market segment

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- > Make sure employees understand why decisions have been made and what has been done to restructure the business and secure long-term sustainability
 - > Continue to develop strong leaders and ensure human capital issues are top of mind, at board and executive levels

In our ever-changing world of globalisation and easy access to information, one of the key activities of a CEO is communication. It is impossible to communicate too much at a time like this.

The logic behind raising new objectives is to use this crisis to create momentum around change in order to become stronger than in the past. The objectives of the CEOs we spoke to include:

- > Getting closer to customers and increasing their loyalty (new sales model — i.e. change from a sell-in to sell-out model).
- > Generating new ideas for their online presence and improve the online shopping experience for customers.
- > Preparing for new product launches.
- > Preparing, coaching and training people within the company for new positions

Companies who have experienced a reduction in their workforce may find that a further 10 per cent of employees leave the business unable to adjust or simply taking on a new opportunity. We strongly believe that now is a good time to attract talent in line with new strategies being introduced. However, talent retention is

vital — keeping your best assets is even more critical in a period like this one.

When it comes to talent acquisition, most of the executives we interviewed are in hiring freeze mode, but all agreed that this is a selective freeze which will not last.

Now is the time for creating new ideas and driving new strategies, now that drastic reductions have been made to the workforce. The executives we spoke to were positive about the future and are taking adequate steps to navigate the storm, to emerge stronger at the end of this journey.

Antonio Maturo, Geneva

Wann soll der CEO entlassen werden?

Es gibt einen Unterschied zwischen guten CEOs, die Fehler gemacht haben und solchen, die nicht führen können.

Der wachsende Trend, CEOs schnell zu entlassen, wirft einige Fragen auf, so zum Beispiel die des Zeitpunktes. Sollte ein CEO beim ersten Anzeichen einer Schwierigkeit ausgetauscht werden? Oder wäre es klüger, der Verwaltungsrat würde sich hinter die Führungskraft stellen, selbst nach einer groben Fehlentscheidung oder einer eklatanten Fehlbeurteilung?

Wir unterscheiden zwischen führungsstarken CEOs, die Fehler gemacht haben und CEOs, die keine Führungspersönlichkeiten sind, welche nachhaltig profitables Wachstum und Mehrwerte schaffen. Fehler macht jeder, auch ein CEO. Hinzu kommt, dass man im Nachhinein immer klüger ist. Wenn die Investoren auf Grund eines gemachten Fehlers den Rücktritt des CEOs fordern, muss der Verwaltungsrat zuerst die Frage stellen, ob der CEO den Fehler korrigieren kann. Druck auf den VR auszuüben, um den CEO sofort zu entlassen, ist nicht immer im Interesse des Unternehmens.

CEOs führen verschiedenste Aufgaben aus. Sie erarbeiten Prioritäten für Investitionen, legen Strategien fest, welche unter anderem auch den Kauf und Verkauf von Firmen beinhalten und sie ändern die Richtung angesichts neuer und starker Mitbewerber. Dies alles geschieht in Anbetracht der Marktsituation, der

Wirtschaftlichkeit und mit der Ungewissheit, ob der neu eingeschlagene Weg tatsächlich erfolgreicher sein wird als der vorher eingeschlagene.

Ein breites Aufgabenspektrum für die CEOs

Geschäftsführer müssen die Chancen und Risiken einer Firma kennen, ohne jedoch bis ins letzte Detail über alle Aspekte des Tagesgeschäfts Bescheid zu wissen. Sie tragen die Verantwortung für die Beziehung zu Mitarbeitenden, wichtigen Kunden, Aktionären, Analysten, Politikern, Aufsichtsbehörden, Gewerkschaften, und, nicht zuletzt, zu den Medien. All diese Verpflichtungen nehmen ihnen Zeit weg das eigentliche Geschäft zu führen.

Führungskräfte prägen die moralischen und ethischen Grundsätze der Firma und sollten eine Kultur der Performance fördern und fordern. Dennoch sind sie nie frei von der Sorge, dass einige Mitarbeitende sich dem widersetzen und die Reputation der Firma gefährden und somit enorme Verluste generieren, wie viele Beispiele in jüngster Zeit anschaulich illustrieren. Auf der anderen Seite des Spektrums der Anspruchsgruppen ist der Verwaltungsrat. Er muss informiert und in wichtige Entwicklungen involviert werden, um seine Aufsicht so effizient wie möglich zu gestalten. Dies vor allem im Wissen, dass der Verwaltungsrat heutzutage eher dazu neigt, die Entscheidungen des CEO anzuzweifeln und zu kritisieren.

Neben all diesen Verpflichtungen müssen CEO's die Unternehmensstrategie den Marktgegebenheiten anpassen, das Wachstum weiter vorantreiben, die operationale Effektivität steigern und die Profitabilität erhöhen, während sie gleichzeitig neue

Talente anwerben und trainieren müssen um ihre Unternehmung weiter zu entwickeln.

Abwägen von Stärken und Schwächen

Die aktuelle Wirtschaftssituation unterstreicht deutlich, dass es immer wieder Marktsituationen geben wird, welche selbst erfahrene und vorausschauende CEO's nicht antizipieren und somit verhindern können. Dass eine Firma in unruhige Wasser gerät, ist schnell passiert. Die Frage für den Verwaltungsrat sollte deshalb sein, wie geschickt der CEO das Schiff manövriert, wenn Wellen anfangen über den Bug zu brechen und nicht ob das Schiff „Firma“ volle Fahrt voraus macht.

Jeder Chief Executive Officer hat Stärken und Schwächen. Der Verwaltungsrat sollte sich dieser bewusst werden beim Beobachten und Bewerten der Leistung des CEO's. Das Gremium muss die Frage stellen, was der CEO macht, um den Einfluss der Schwächen zu minimieren und um seine Stärken zu fördern und zum Tragen zu bringen. Ein gesundes Vertrauensverhältnis zwischen dem Verwaltungsrat und dem CEO erlaubt dem Verwaltungsrat auf ein Defizit hinzuweisen und dem CEO, dies als Chance zu sehen und daran zu arbeiten, statt es zu ignorieren. Vertrauen alleine kann trotzdem nicht der Grund sein, einen CEO zu behalten. Jedoch sollte der Verwaltungsrat das bestehende Vertrauen nicht leichtsinnig opfern, denn mit einem neuen CEO muss dieses wieder neu aufgebaut werden. Eine gut funktionierende Arbeitsbeziehung aufzubauen ist nicht eine Frage weniger Tage, sondern es braucht Monate und Jahre der Zusammenarbeit.

Halten Sie dem CEO die Stange

Es gibt noch andere Gründe, den CEO in einer Krise zu unterstützen. Geschäftsführer sind kompetitive Menschen, die nicht gerne verlieren. Oft zahlt es sich für einen Verwaltungsrat aus, einen führungsstarken CEO einen Fehler korrigieren zu lassen, anstatt ihn zu entlassen. Die meisten lernen aus ihren Fehlern und arbeiten hart um sie zu korrigieren. Weiter müssen Verwaltungsräte realisieren, dass jeder CEO ein einzigartiges Set von Fähigkeiten und Erfahrungen mitbringt und es nicht damit zu vergleichen ist, ein Ersatzteil zu finden, welches immer gleich gut passt und den gleichen Grad an Funktionalität hat. Ausserdem gilt es zu beachten, dass führungsstarke CEO's nicht frei und sofort verfügbar sind.

Auch in Krisenzeiten herrscht ein Kampf um Talente, welche Firmen zurück zur Profitabilität oder auf die nächste Ebene von profitablen Wachstum bringen. Viele Kandidaten empfinden die CEO Tätigkeit heutzutage als nicht mehr sehr attraktiv. Entgegen der zum Teil verbreiteten Annahme, gibt es keinen unbegrenzten Vorrat an Führungspersonen. Es ist wie mit Coaching im Sport: jedem Trainer, der sein Team konsistent zum Sieg führt, stehen mehrere Trainer gegenüber, welche unbedeutende Erfolgsausweise oder nur kurze Phasen des Erfolgs aufzeigen können.

Legen wir es offen dar, viele Firmen waren nicht erfolgreich in der Entwicklung der Führungsmannschaft, genau so wenig wie in der Nachfolgeregelung. Daraus resultiert, dass die Unternehmen zu wenige Führungskräfte haben, die gewillt sind, eine CEO Rolle zu übernehmen, oft noch sehr kurzfristig. Dies ist ein weiterer guter Grund für den Verwaltungsrat, den CEO zu unterstützen.

Die Suche nach einem neuen CEO ist zeitaufwändig, teuer und in den meisten Fällen mit viel Unruhe verbunden. Vorschnelles Ersetzen des CEO's kann zur Folge haben, dass Entscheidungen in der Schwebelage bleiben, die Moral zurückgeht und die Führungsmannschaft nervös wird und sich Zukunftsorgen macht. Zudem besteht das Risiko, dass der neue CEO nicht besser ist und Zeit verloren geht während er das Business und die Zahlen kennen lernt und beginnt, sich zurecht zu finden. Deshalb ist es sehr wichtig, dass der Verwaltungsrat die Risiken einer Neubesetzung gegen den möglichen Nutzen seriös abwägt.

Die Freiheit zu Führen

In jedem Fall ist jedoch klar, dass die Führung eine zentrale Rolle spielt, der Charakter massgebend zählt und ein Urteil Konsequenzen hat, sowohl positive wie auch negative. Der Verwaltungsrat sollte bestimmt handeln und einen CEO entlassen, welcher ungenügend führt, schlechte Urteilsfähigkeit und/oder einen fragwürdigen Charakter hat. Wenn ein CEO in illegale Handlungen verwickelt ist, unethisches Verhalten oder fehlende Integrität zeigt, sollte der Verwaltungsrat ihn umgehend von seinem Amt entheben.

Mit der Verschärfung der Regulierungen und der Rechnungslegungsvorschriften tragen CEOs die Verantwortung für engere Accounting Standards und unterliegen der genauen Beobachtung des Verwaltungsrates, institutionellen Investoren, Anwälten von Aktionären sowie den Medien. Erhöhte Verantwortlichkeit, globale Risiken und zunehmende Komplexität machen die CEO Rolle schwieriger und erhöhen das Risiko, Fehler zu begehen.

Der Verwaltungsrat muss verstehen, auch wenn die Politik, die Behörden und Aktivisten eine andere Ansicht haben, dass CEO's nicht derart eingeschränkt werden dürfen, dass die Erfüllung ihre Arbeit unmöglich oder unattraktiv wird. Rückblickend ist es immer einfach zu sagen, was ein CEO hätte tun sollen. Schwieriger ist es, im Gewühl von konkurrierenden Risiken, Chancen, Alternativen und erhöhter Kontrolle eine Firma in die richtige Richtung zu lenken. CEOs werden Fehler machen, sie sind auch nur Menschen. „Mensch sein“ ist keine Entschuldigung für einen verheerenden Fehlentscheid, jedoch ist dieser auch nicht immer ein ausreichender Grund, eine Person zu entlassen.

Andreas Hürlimann, Zurich

The science and art of picking great leaders: Assessing executive intelligence

What is Executive Intelligence?

Executive Intelligence is related to, but not the same as, academic intelligence. Academic aptitude in language, math and spatial reasoning, which is measured through standard IQ tests, has little relevance to many of the demands of business. While an elite education serves as a good foundation for the ability to think critically, successful business leaders not only must generate ideas but also be able to translate ideas into results.

Specifically, business leaders must excel in three areas: thinking critically about business issues, working with and through people, and evaluating their own attitudes and behaviours and making adjustments when necessary.

Thinking critically about business issues

Leaders with a high degree of Executive Intelligence are able to better assess complex economic environments and identify appropriate responses to the key business issues. They anticipate likely obstacles to achieving objectives and identify sensible ways to circumvent them. These leaders critically examine the accuracy of the underlying assumptions that are being relied upon, and recognize what is known about an issue, what more needs to be known and how best to obtain the relevant and accurate information needed. They are able to examine issues from multiple perspectives to identify possible unintended consequences of various plans.

For instance in Pharmaceutical and Medical Devices, several distinguished leaders observed that product development often

was guided by the “novelty” of the technology enhancement, rather than market need. By questioning the underlying assumptions of their general managers as they introduced new products, the best leaders helped their team build discipline into the process.

Working with people

Leaders with Executive Intelligence also excel at working with other people. They are able to recognize the agendas and motivations of individuals and groups who are involved in a particular situation. They anticipate the possible emotional reactions people may have to actions or communications. They accurately identify the core issues and perspectives that are central to a conflict and balance the different needs of relevant stakeholders. This skill set is independent from personality and style of the executive. It may be found — or be lacking — in highly empathetic leaders as well as those with a tougher style.

Adjusting your approach

Skilled leaders also are able to look objectively at themselves. They pursue and encourage feedback that may reveal errors in their own judgment. They are able to recognize their own personal biases or limitations in perspective and use this understanding to improve their thinking and plans for action. They recognize when it is important to acknowledge their own flaws or mistakes and make a change, and when it is appropriate to resist the objections of others and remain committed to a certain course of action.

In practice, great leaders not only conceptualize and formulate strategy, but also see initiatives through to completion. This requires them to make adjustments based on new information or early results, understand challenges and potential consequences, ask thoughtful questions and probe the assumptions of others. Leaders without these skills fail to question conventional wisdom

or underlying assumptions or anticipate unintended consequences. They do not recognize the motivations or agendas of others and how these might impact the way decisions are made or applied. Finally, they are unable to look critically at their own biases or limitations in perspective and make adjustments.

Understanding the intellectual horsepower of the team

The history of business is rife with examples of leaders who have lacked the capabilities associated with Executive Intelligence, sometimes with disastrous consequences for their companies and their shareholders:

- > Leaders who have failed to recognize or ignored changing market or competitive conditions that made the company's business model unsustainable.
- > Executives skilled in technology and operations, but unaware of the internal politics and cultural issues that threaten the company's future.
- > Executives who — intentionally or not — isolate themselves from contrary points of view that could improve their decisions.

In today's volatile and highly competitive business environment, the risks of poor decision making are greater than ever. CEOs and their top leaders must make the right judgments about market direction, the competitive landscape and investments in products and technologies. When decisions are made without a proper understanding of the risks, potential complications and underlying assumptions, companies risk damaging their reputation with customers, misdirecting scarce financial or human resources, or missing important opportunities.

By contrast, strong leaders not only make better decisions themselves, but also help attract other exceptional leaders. Together, these executives demand the best from each other and push each other to make better decisions. As one executive put it: “Even the sharpest thinkers need teams of sharp people around them. And these high-performing teams develop over time. It is one of the basic laws of attracting talent: the more talented people you have, the more talented people you can attract.”

In addition, today’s flatter and more dispersed organizational models require that people throughout the business be able to operate at a higher level. Decision-making in today’s business environment is decentralized — at the local, functional or operating levels. As a result, companies need great thinkers at every level. Certain high-stakes periods in the life of an organization require even more attention to talent decisions. At one time or another, all companies will face a critical strategic event that raises questions about the strength of its leadership team.

These events and transitions — ranging from mergers and acquisitions or a CEO transition to a new strategy implementation or reorganization — provide opportunities to step back and evaluate whether the right individuals are in each role.

Assessing Executive Intelligence

Given the importance of making sure the most skilled executives are in key roles, particularly in times of transition, how can companies evaluate the capabilities of individual leaders and ensure that they identify the most promising executives for the future?

Unlike standard intelligence tests that are written in multiple choice format and have only one right answer, the best way to

measure Executive Intelligence is through a live interview that takes the individual through a series of situations that he or she must analyze and make judgments about. The situations must be unfamiliar to the executive, so he or she cannot draw on past experience or knowledge of similar situations.

The interview format exposes the executive's problem solving approach and the cognitive skills used to reach an answer. This is crucial because a candidate's final answer to a question is not an adequate indicator of his or her level of Executive Intelligence. Rather, it is the thinking process that leads to the conclusion that exposes the person's strengths and weaknesses.

In an Executive Intelligence evaluation, the interviewer provides realistic business scenarios and poses questions that call for the use of certain cognitive skills in order to solve the problems. For each scenario, the individual must analyze the situation, draw a conclusion and justify his or her reasoning. The interview in many ways imitates the job itself; questions and problems are posed on the fly and the individual is required to provide skilled guidance to others in the moment.

The interview questions should not cue the person to which aptitudes are needed to analyze the situation. For instance, a question meant to reveal a person's ability to identify the flaws in other people's suggestions would not prompt the person to do so. Instead, the executive would be asked to analyze a situation; someone with this capability would identify the essential flaw in another's suggestion as part of the response. In follow-up questions, executives would be asked to explain why they would take a certain course of action, revealing the quality of their thinking.

The Executive Intelligence evaluation represents an important breakthrough in executive assessment because of its effectiveness at measuring an individual's fundamental business aptitude. However, it is just one piece of the assessment puzzle. Research has shown that the most accurate approach to executive assessment combines an evaluation of intelligence — in this case Executive Intelligence — with a competency-based interview, which measures an executive's proven skills in relation to a specific role, and third-party referencing to verify the individual's statements and interviewer's observations. Because of the predictive power of combining these methods, Spencer Stuart's assessment approach includes all three.

Looking to the future

Facing a far more complex set of challenges than in the past, companies require leaders with a broad set of experience and competencies; international experience, a strategic mindset and exceptional communication and interpersonal skills all are leadership characteristics that have grown in importance in recent years. In addition to these requirements, the best leaders also have the ability to evaluate opportunities and risks accurately, work effectively with and through internal and external stakeholders, and assess and adapt their own behaviour when necessary — the set of skills we call Executive Intelligence.

Companies looking to improve the quality of their talent increasingly will evaluate executives not just on their past performance, but also on their level of Executive Intelligence to understand their ability to take on new challenges and perform over the long term.

Phil Le Goff, Zurich

Spencer Stuart publications

The Global 50: The new finance leader: Lessons from and advice for today's CFO

CEOs and boards look to their CFOs to take a leading role in shaping strategy, improving operations and driving bottom-line results. In the current economic environment, they must understand and evaluate the changing drivers of the business to help guide the organization past today's challenges and contribute to the strategic decisions necessary for long-term growth and value creation as economic conditions improve. Spencer Stuart surveyed nearly 150 CFOs around the world and spoke with dozens more in one-on-one interviews to gain additional insight into the challenges CFOs face, the quantitative and qualitative benchmarks that define success and the business and finance experience that is required to be effective given the new expectations.



From CMO to CEO: route to the top

There is plenty of advice available to marketing executives on how to develop their careers and navigate the route to the top of the marketing profession. By contrast, little is written about the options available to CMOs to progress beyond their role as marketers and take on senior leadership roles. This study looks at the skills, characteristics and experiences that a CMO must possess in order to progress into the CEO slot. We spoke to CEOs of leading companies from around the world, each of whom has a marketing background, to find out what CMOs should be doing to make themselves credible contenders for the CEO berth.





The changing role of the country general manager in CPG multinationals

How attractive is a stint as a country general manager to the ambitious CPG professional? We asked executives at major multinationals in the consumer packaged goods sector about the role, its influence and the skills needed for success in today's environment. Our survey underlined the change in emphasis — but not in importance — of the general manager role. While there are those who maintain that general managers are no more than “glorified salesmen” the survey results contradict this. For most, the general manager role remains an attractive — and essential — career stepping stone for the ambitious CPG executive — and the primary testing ground for future CEOs.



The Four Myths of Talent Management in Challenging Times

Attracting, retaining and developing leaders of the future should be a top priority in today's challenging economy. This article challenges the most common myths about talent management in a downturn and offers strategic alternatives that can help build an organization that's engineered for short- and long-term success.

To read these and other Spencer Stuart publications, visit www.spencerstuart.com/research.

About Spencer Stuart

Our Golden Jubilee: 50 years in Switzerland

In April 1956, Spencer Stuart opened an executive search consulting firm in Chicago, Illinois. By 1958, business was booming and Stuart, the founder, was spending more time on international assignments than he was in the United States. That year he took 35 flights to Europe and South America and the demand for his consulting services was growing so rapidly that in 1959 Stuart established an office in Zurich, Switzerland.

Zurich was the first Spencer Stuart office opened outside the US and became the platform from which the firm launched its European business 50 years ago. In 1980 it opened an office in Geneva and our business in Switzerland is still run from these two offices.

Our organisation and team

Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements.

Our consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

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