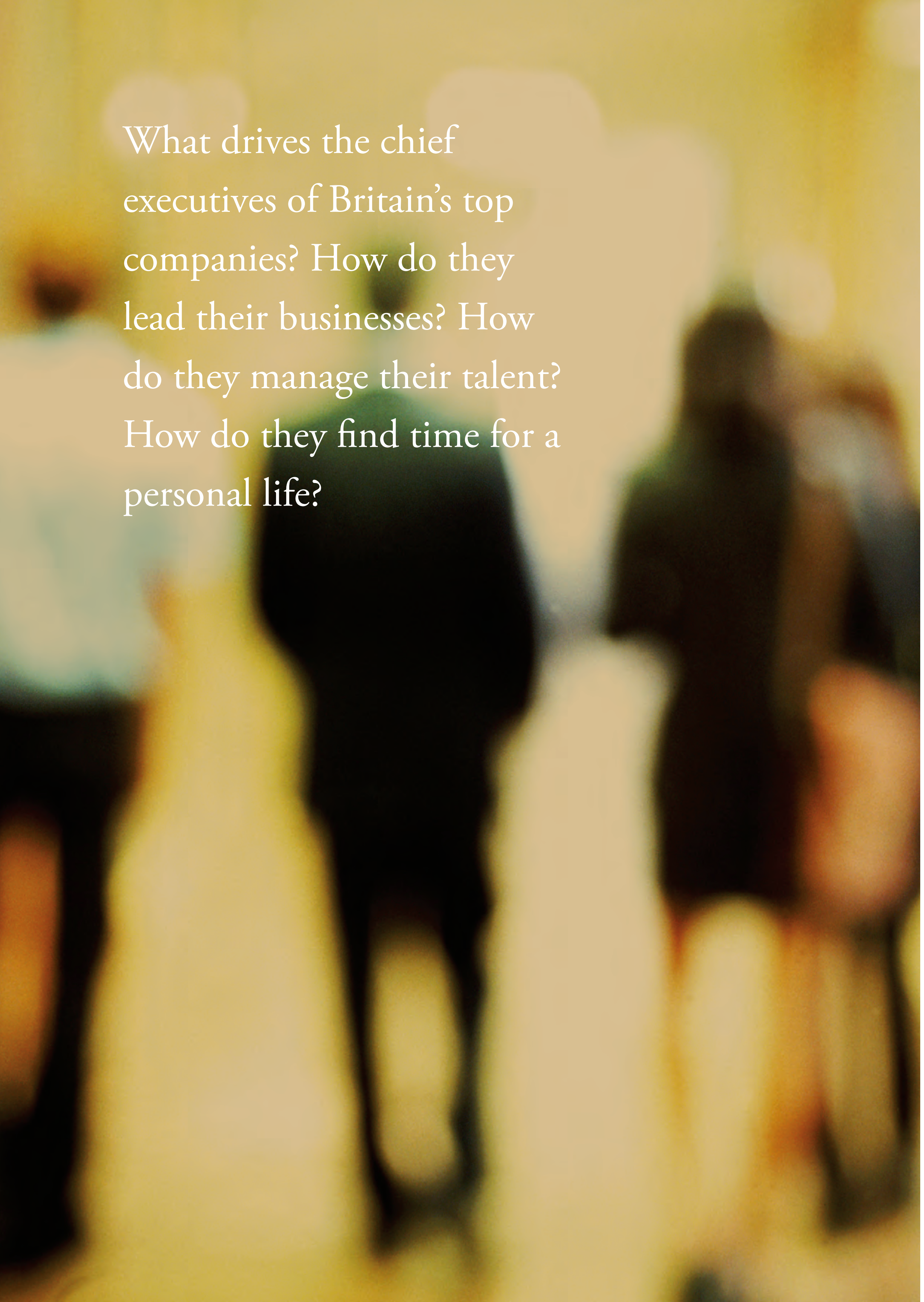
CHIEF EXECUTIVES UNCOVERED

HEIDRICK & STRUGGLES

Chief Executives Uncovered

They are the corporate top dogs who run British business, but how much is really known about the chief executives in charge of the nation's top 100 companies?

The Daily Telegraph



What drives the chief executives of Britain's top companies? How do they lead their businesses? How do they manage their talent? How do they find time for a personal life?

Chief Executives Uncovered

contents

The Daily Telegraph

Dear Reader,

I'm delighted that the Telegraph Media Group has been involved in the Chief Executives Uncovered series.

It has provided a rare insight into the thinking of those men and women running Britain's biggest companies covering a range of topics. But what has pleased me most is that the articles have cut through to some of the more difficult issues faced by top management, including such basics as trying to have a home life while running a large multinational.

Business coverage is central to the Telegraph Media Group's ambitions. Online, **telegraph.co.uk/business** provides up to the minute breaking news, comment and analysis on all the big stories of the day.

Telegraph TV produces the Business Show which airs daily on the Telegraph website at 12.30pm, providing a news update and punchy, hard hitting comment from Telegraph experts ahead of that all important lunchtime meeting. You will also be able to listen to audio commentary and interviews at the click of a mouse and receive email news alerts when you sign up to our regular, daily Blackberry updates. And, of course, there is Telegraph PM, our free afternoon newspaper that you can print off and carry with you covering all that day's main stories, including news and sport.

Our online Business coverage complements the group's famous stand alone newspaper section which leads the way for scoops, analysis and commentary. As Britain stands at the centre of the new, global economy, Telegraph Business stands at the centre of the UK business scene.

I hope you enjoy this series and don't hesitate to contact me if you'd like to discuss any of the issues raised or anything else affecting your company or industry.

Yours sincerely,

Damian Reece
City Editor
The Daily Telegraph

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preface

Despite the miles of column inches on executive pay and corporate responsibility, on ageing workforces and tightening margins, we had trouble finding out what it actually means to be a FTSE100 chief executive.

At the start of 2007 we set about filling the gap. We interviewed sixty-six chief executives, fifty-eight of whom lead FTSE100 companies, finding out their views on the most critical business issues of the day and their approach to the more day-to-day issues of leadership and life.

The interviews revealed broad consensus in some areas and fierce debate in others. The common theme was the frank and honest response we received: each CEO was eager to tell us how it really is, not how people imagine it to be.

Key themes emerged, including:

Talent: 41% of the CEOs asserted that the selection and organisation of a strong management team is the single most critical aspect of leadership.

Private Equity: there was a unanimous view that this is a force for good. The CEOs celebrated its ability to shake up poorly-performing public companies and predicted a convergence in returns as public companies take on private equity style approaches.

Sustainability: it was agreed that this hot topic is here to stay, but what exactly does it mean? The definitions varied enormously.

Who are CEOs running their companies for? This questions set up fascinating contrasts. The majority of the CEOs pointed to a variety of stakeholders but 38% said shareholders are their most important audience.

Work-Life Balance: the eternal question elicited interesting responses as CEOs wondered whether it is possible to have a healthy family and private life whilst leading a FTSE100 company.

This booklet contains six articles commissioned by the Daily Telegraph on the basis of our research; these first appeared in the newspaper's business section from 25 June to 2 July 2007. We are grateful to *The Daily Telegraph* for permission to reprint these articles and to Damian Reece, City Editor, for his encouragement and guidance in helping us gain unique access to such a distinguished group of individuals.

Over the next six months we will be conducting more research to contrast the ways different CEOs tackle stakeholders, global leadership and talent management and which approaches build sustainable value in both public and private equity environments. This additional research will be included in a forthcoming Heidrick & Struggles report and then fully incorporated into a book called *The Secret Lives of Chief Executives* which will be published next year.

We hope you find this booklet informative and it sparks some debate: we welcome further contributions from other CEOs and look forward to sharing more of our findings in the autumn.

Steve Tappin
Managing Partner
CEO and Board Practice

Andrew Cave
The Daily Telegraph

August 2007

a history

Founded in 1953 Heidrick & Struggles is recognised as one of the world's leading executive search firms.

With offices in the principal cities in the world, we help our clients to address strategic issues that have human capital solutions in times of growth, turnaround, acquisition, integration, expansion into new markets, and when responding to economic flux.

We work with a broad spectrum of clients: from start-ups to multinational corporations, from privately held to listed companies, from family owned businesses to private equity backed ventures, as well as not-for-profit and government sectors.

We have existing relationships with, and immediate access to, some of the world's most talented people.

With our executive search, leadership consulting and interim management capabilities we can seamlessly integrate a bespoke programme to meet the diverse leadership challenges facing our clients' organisations.

Our firm is organised in a matrix structure by geography, function and practice, to enable us to better understand our clients' operations, business strategies and competitive landscape.

Our practice specialisation allows focused attention on both key industry segments and functional expertise. This level of industry and functional specialisation provides us access to a variety of uniquely qualified executives.

We help our clients build the most powerful leadership teams in the world

Private equity

nearly two-thirds of FTSE 100 chief executives. In a series of in-depth articles running across this week, The Daily Telegraph will attempt to uncover how they lead their businesses, how they manage their people and what they really think about the key issues of the day. Today, we look at private equity.

CHIEF EXECUTIVES UNCOVERED

Footsie bosses' verdict on private equity

‘The brain drain is an issue – but while it is as financially rewarding as people expect, is it as satisfying intellectually?’

‘I don't buy, in the main, that it's about asset stripping. They've created quite an exciting market with a sharper focus on value’

‘It's part of the capitalist world, but it needs to get back to providing remedies for corporate failure, not challenges to corporate success’

‘It's pretty much a force for good, but it would not do any harm to be more open. We *should* ask what's wrong with public equity’

this article was first published in
The Daily Telegraph 25 June 2007

Private equity has been portrayed as a hungry predator of Britain's biggest companies, a rival capitalist system and a playground for highly-paid, short-term financiers but that's not how FTSE100 chief executives see it.

An exclusive series of interviews with 66 chief executives, including 58 who head FTSE100 companies, reveals that more than half are planning to join the rush into private equity, either as operating partners, advisers or through building their own portfolios.

All strongly support private equity but there are fears ranging from short-termism to the level of debt and the risk of losing key staff to private equity.

"It is part of the capitalist world, promoting efficient markets and helping ensure that assets are deployed and capital allocated to promote returns," says Prudential chief executive Mark Tucker.

"However that does not mean that every action of every private equity group or activist asset manager is equally beneficial.

"There has been a significant increase in instances in which such firms have bought small stakes and then sought to destabilise highly successful groups, promoting break-up of businesses that are successfully managed.

"They are decisive, fast and live in an environment with objective drivers. Very often, they need to be chucked out or moved on after making a deal because they are rarely team-building and rarely good at growth."

"If private equity is to continue to play a valuable role it needs to get back to providing remedies for corporate failure, not challenges to corporate success stories."

Some CEOs are concerned about private equity's short-term outlook. Centrica chief executive Sam Laidlaw says: "The question is that it slightly depends on the scale of the operation and the life cycle of the business. When you look to secure 10 to 20-year contracts, I am not sure private equity is long-term enough.

"I do think the brain drain to private equity is an issue. My own experience is that it is as financially rewarding as people expect but is it as intellectually satisfying?"

Mike Turner, chief executive of defence giant BAE Systems, adds: "It's good and bad. Private equity works but it works for the short-term. I don't think it works in this sort of business."

Paul Walker, chief executive of software group Sage, says: "I don't like the vilification of private equity. I don't buy, in the main, that private equity is about asset stripping. They have created quite an exciting market with a sharper focus on value. This brings a new intensity."

However, he adds: "Some of the equity firms have taken corporate governance out of the boardroom. Corporate governance can stifle a company if you are not very careful.

"There is a growing concern that talent could be seduced by some of the private equity players due to the potential earnings from private equity companies. If they want us to retain talent, we can't be bound by corporate governance."

"It's almost irrelevant whether private equity is good or bad because it's part of life," states Philip Green, chief executive of United Utilities.

"There are plenty of examples of where the model has been successful but there are examples of where the model has been abused too. Private equity is an issue for us in terms of talent."

EasyJet chief executive Andy Harrison adds: "Public companies need to understand that they are competing for talent with private equity and the facts are that they are losing."

"It's a bit galling when you see private equity people getting materially more than public company chief executives," adds Friends Provident chief executive Philip Moore.

However, others are more irritated by the ability of private equity companies to hold much more debt in their investments than would be tolerated at public companies.

Kevin Whiteman, chief executive of Yorkshire Water operator Kelda Group, believes private equity houses are the new conglomerates.

"There is a difference between them and something like the Hanson of old but it's at best a difference of ownership structure," he says. "The only risk involved is the level of leverage they put in."

"There are some things going on that are very hard to explain at the moment," adds National Grid chief executive Steven Holliday.

"The gap between the perceived value of assets held by private equity companies versus that of publicly quoted companies has perhaps reached an all-time high.

"I suspect that one of the key explanations for this is a mis-allocation of risk, with increasingly higher levels of debt being applied.

"The challenge for us is to ask 'could we put more debt into our businesses and create real value?'"

Paul Pindar, chief executive of Capita Group, says: "It's pretty much a force for good but it probably would not do them any harm to be more open about what they do and how they do it.

"It needs to become more user-friendly and present itself better but when people talk about what's wrong with private equity they should ask what's wrong with public equity.

"You have a reward culture that's abstract from the performance of businesses. I think you have to look very hard at how you are structuring these companies because some of the management teams of public companies are lazy and average."

"The question is not about private equity," agrees the head of one company in the top third of the FTSE 100. "It's about what you think of UK institutional shareholders and my answer is not much.

"The vast majority of them have lost out on every great opportunity for value in this market over the past ten years. US investors buy risk. It's where they create value. UK investors sell risk. They don't like to create value but try to avoid value destruction."

Others are privately pleased with the effect of private equity on their shares. One admitted "our share price is probably £1.50 higher than it should be because of it".

Jon Moulton, managing partner of private equity group Alchemy Partners, comments: "Private equity chief executives are less tolerant of process and regulatory committees than those in the public sector and more decisive and more authoritarian.

"They are decisive, fast and live in an environment with objective drivers. Very often, they need to be chucked out or moved on after making a deal because they are rarely team-building and rarely good at growth."

"Over time, private equity will make management of public companies more focused and tougher," says Richard Baker, chief executive of Alliance Boots, the first FTSE100 company to be bought by private equity.

"It will put management under more pressure. Over time, it will converge. Public companies will manage more like private equity–owned companies and private equity-owned companies will manage more like public companies."

Steve Tappin, leader of the CEO and Board Practice of Heidrick & Struggles, says: "The findings reinforce the view that as the traditional barrier between private equity and the public company model erode, executives will increasingly flit in and out of each sector, developing skills to cope with the demands of each.

"In addition, as standard private equity strategies, such as increasing leverage, restructuring property portfolios and tightening the focus on operations, are adopted by public companies, private equity may have to become even more adventurous.

"Public company CEOs may end up shaping the next generation of private equity thinking."

"Over time, private equity will make management of public companies more focused and tougher"

Sustainability


CHIEF EXECUTIVES UNCOVERED

‘If you want to build a business for the long term, you’ll take into account the interests of all your stakeholders’

‘This should be about economic and social sustainability as well as the environmental agenda’

‘My perception is that there is an increasing rift growing between corporations and communities’

‘If you run a public company you have to show you care about it and in certain industries it can be a real driver’

Making sense of sustainability

this article was first published in
The Daily Telegraph 26 June 2007

At six syllables, ‘sustainability’ is hardly the sexiest word on the planet yet somehow this ungainly term has come to be the year’s favourite business buzzword.

Sustainability has become an all-embracing term covering efforts to solve the world’s social, environmental and economic problems but does anyone know what it means, not least of all the chief executives whose companies proudly espouse it?

Our exclusive series of interviews with 66 chief executives, including 58 who head FTSE100 companies, reveals that CEOs disagree about this over-hyped term just as much as the rest of us.

James Murdoch, chief executive of BSkyB, falls firmly into the environmental camp, but stresses that this is for solid business reasons.

“Sustainability for our business is first and foremost about being customer-driven,” he says.

“It’s about understanding their needs and caring about what they care about and not being caught out.

“Climate change will be the single biggest business issue of the next decade. You have got to be on the right side of that.”

However, he adds: “You have to take it seriously and think through what you do though. It doesn’t mean wearing a hairshirt and it doesn’t mean you have to stop people flying.

“Climate change will be the single biggest business issue of the next decade. You have got to be on the right side of that.”

“A lot of people look at Corporate and Social Responsibility as a department that asks the company for money as a penance for it making profits. I think that’s completely wrong. It’s part of our business.

“We do this stuff because our role in society is something that’s multi-faceted and very important. I just think that businesses can be better.

“Too often they feel they are doing something bad and that they have to give something back but if they feel they are doing something bad they should look at what they’re doing.”

Sir Martin Sorrell, chief executive of advertising group WPP, has a similar definition.

“We’re the only company in our industry that produces a corporate responsibility report,” he says.

“If you want to build a business for the long-term, you’ll take into account the interests of all your stakeholders, so you’re not going to foul up the environment, you’re not going to annoy governments, non-governmental organisations or employees.

“If you’re interested in making a quick buck, you’re probably not going to do it. But if you are interested in building a business for the long-term, it’s a no-brainer.”

Ben Verwaayen, chief executive, BT Group, adds: “Why do you do it? Because you think it is very good for your customers.”

Yet, sustainability is increasingly also applied to wider political and social dangers.

One prominent chairman of a top FTSE100 company says: “I worry about the sustainability of the model I grew up with. I think there’s a real threat to capitalism. Only about a billion people in the world participate in free markets. The other six billion are excluded from them. “Capitalism has to prove that it’s the best way to run an economy. People think the battle was won when communism fell in the eastern bloc but I think the jury is still out.”

Brad Mills, chief executive of platinum miner Lonmin, is concerned about the sustainability of communities.

“My perception is that there is an increasing rift growing between corporations and communities,” he says.

“If you become divorced from your communities, it’s potentially quite dangerous and threatening because corporations have no sense of loyalty any more and communities have become increasingly hostile to business.

“It’s a fundamental threat to what has otherwise been a pretty sustainable market economy. “There’s an increasing backlash between this thing called capitalism and this thing called community.

“We don’t understand the environmental effects and long-range problems that communities face; they don’t understand business pressures of cost pressures and competition. This is not a good thing and could be very damaging.”

John Richards, chief executive of property group Hammerson, argues that the term should not be monopolised by environmentalists.

“We must not forget this should be about economic and social sustainability as well as the environmental agenda,” he says.

“I do get worried by the kind of eco-warrior mindset that says that if anyone does not have a zealot-style enthusiasm for it, or dares question the science of the environmental lobby, they have to be shouted down.

“There are some people who believe that climate change is nothing to do with CO_2 and that we have all been conned by the Al Gore film and the media's unwillingness to report alternative views.

"I don't believe that's correct but I do believe in free speech. I say to those people: 'what you can do today, to make a difference is not directly worry about saving polar bears, but you can turn the lights off and turn your computers off at night. If it all turns out to be wrong you still have a smaller electricity bill'.

Indeed, enlightened self-interest is what drives many CEOs to embrace sustainability as well.

Andy Harrison, chief executive of EasyJet, says: "It means growing your profits. The shelf life of chief executives who are not growing profits tends to be a lot shorter than that of those that do. In my mind, sustainability is simply about doing what's in the interests of your customers and employees. Over time this will translate into making more money."

Kevin Whiteman, of Kelda Group, agrees. "Everyone is talking about it but sustainability has to be about making profits as well," he says.

"People forget that. They only think about the green bit. We have got a long way to go to get behind what it means for business and the Government has a decision about how to manage it."

Paul Pindar, chief executive of Capita Group, says: "Clearly we have an obligation to society to be socially responsible but do I wake up in the morning and think that the first thing I have to do is to be socially responsible?

"No I do not and if there are CEOs who do then I think they should go and get a new job. Do we recycle? Yes. Do we support charities? Yes. It enthuses and energises staff, there is value for the community and it helps the company operate."

Stephen Hester, chief executive of property group British Land, says: "Most people use the word to mean conservation of and renewal of resources and communities, though it often extends to charity as well.

"If you run a public company you have to show you care about it and in certain industries, like my own, it can be a real driver.

"If one was running a private company however, with narrower stakeholder universe and a purer shareholder profit motive, I would spend less time on it. You have to be very clear on shareholder/stakeholder priorities."

Steve Tappin, leader of the CEO and Board Practice of Heidrick & Struggles, says: "There is a wide division on sustainability down sectoral lines from most important business discontinuity to a perception that it is purely a passing PR fad.

"CEOs most actively responding to this include retailers battling for the green pound and property and energy companies."

"If you run a public company you have to show you care about it and in certain industries, like my own, it can be a real driver."

People

Talk to chief executives and they invariably say the most important factor in business success is investing in people, or talent management, the latest buzz phrase for selecting and nurturing excellent staff.

But how many really live it through the way they personally manage their businesses?

Our exclusive series of interviews with 66 chief executives, including 58 heading FTSE100 companies, reveals that CEOs who say they care about their people fall into a number of categories.

Steve Tappin, leader of the CEO and Board Practice at Heidrick & Struggles, says: "There are professional leaders who build teams through inspiration and personal example and professional managers who are good at delegating and organising people.

"Then there is a class of entrepreneurial and innovative leaders who are markedly different from those chief executives who lead their companies with strong discipline and demarcation lines. There's a divergence between conventional and unconventional approaches."

John Richards, chief executive of property group Hammerson, believes organisations and leaders have to be prepared to tolerate brilliant mavericks and characters that don't really fit into strict corporate cultures but still have lots to contribute.


Today, in the third in our series of articles, we look at management style

CHIEF EXECUTIVES UNCOVERED

People: that crucial resource

By Andrew Cave

"I said to everyone: It's over, it's done. We're going to do things totally differently"
Ben Verwaayen, BT

"I spend as much time as I can with our customers. Even when I am in a board meeting, if a customer calls I will try to break out and take it"
Tom Glocer, Reuters

"It's important to grasp the handful of things that are going to make a difference. In my experience there are usually about 10 across the businesses"
Keith Butler-Wheelhouse, Smiths Group

this article was first published in
The Daily Telegraph 27 June 2007

"Recruiting people who are cleverer than you is a sure fire way to success, focusing on getting the best people for the job."

"Recruiting people who are cleverer than you is a sure fire way to success, focusing on getting the best people for the job," he says.

"Businesses are all about balance between control and innovation. If you want to lead rather than follow, you have to make space for and tolerate the odd maverick.

"These characters don't always file their expenses on time. They can be easily coaxed into compliance but they are inevitably going to re-offend. I am prepared to tolerate that because we want this person's contribution to the success of our business."

Some chief executives say they give their managers as much freedom to do things their own way as is possible in a large corporation.

Sandy Crombie, chief executive at Standard Life, says:" I don't major on telling people how to get on. In fact I am quite frustrating.

"A lot of people want to be told how you want them to do things and they will then go and do them.

"I will say what I want achieved and leave people to deliver what outcomes I want rather than tell people how to do it. I want a big spike of talent to do things with. I am always searching for talent. It is easy to fire people but it is really hard to find better people."

The difficulties in sacking people are an ever-present theme in the interviews. Ben Verwaayen, chief executive of BT Group, says "We had a 'John' who could never go on holiday because he was indispensable."

"The first thing I did was fire John because he was on top of his mount and pushed everyone else down.

"You have to have a very strong values agenda and you have to have the guts to pursue them.

"I said to everyone: 'It's over, it's done. We're going to do things totally differently'."

Richard Pym, chief executive at Alliance & Leicester, says: "If you look at a senior team of say 50 people, you normally only have to change two or three of them to make a difference.

"You don't see what the effect is if you change too many things at the same time. You have to make sure you sack the people who everyone knows are clots and should be fired.

"I encourage people to stand up to me. If you honestly believe that one person is always right, you are headed for big trouble."

Another strong driver is the need for people with the ability to get things done. Andy Haste, chief executive of insurer Royal & Sun Alliance, says: "If you want outstanding results, you have to have outstanding people. My ideal people have Ivy League brains and blue-collar brawn. Intellectual firepower needs to be there but you have got to be able to actually execute things because everyone can do the thinking."

Keith Butler-Wheelhouse, chief executive of Smiths Group believes that one of the key abilities a FTSE100 CEO needs when managing people is the ability to absorb a huge amount of information reasonably quickly and to quickly select priorities.

"As a leader it is very easy to get buried by the details, especially when team members are unsure of what the next move should be, the volume of data multiplies," he says. "I believe good leaders can cut through that clutter.

"It's important to grasp the handful of things that are going to make the difference. In my experience there are usually about ten across all the businesses.

"At the next level of management that becomes 50 and then quickly, at the next level, several hundred.

"The key to leadership is not trying to control the hundreds, but keeping the focus on the ten and also understanding the details of the fifty."

Many chief executives speak of the importance of leading from the front and touring operations regularly to keep people engaged and motivated.

Steven Holliday, chief executive of National Grid, says he allots a specific proportion of his time to prioritising people development.

"As a minimum I will personally focus three layers down into the organisation," he says.

"It never fails to surprise me the real difference that quality people can make.

"When I took over this role I made a commitment that I should allocate approaching 20pc of my own time to focusing on the longer-term development of talent in our organisation.

"If I summarised the past year, that has indeed been the case and I know we still have much work to do."

Tom Glocer, chief executive of Reuters, says: "You need to have high levels of people skills and emotional intelligence. It's about how you motivate people and get them aligned absolutely around a set of results."

"I spend as much time as I can with our customers. No matter what I am doing, even when I am in a board meeting, if a customer calls I will try to break out and take it.

"We are a service company with 17,000 people and doing this is vital for two reasons. Most customers I speak to like that are happy that they have called but far more important is the example you give to your employees.

"It is about answering the phone and not letting it go on to voicemail and not letting an opportunity go to waste."

Richard Baker, chief executive of Alliance Boots, believes business leaders have to exude personal integrity and a sense of honesty and decency.

People sometimes want me to move quickly on human resources matters," he says, "but I'm not going to be party to a drive-by shooting because if you are going to be a leader, you have to have followers.

"There are two types of leaders. There's the leader who is chief executive but is all about status and ego and there's the leader who looks around and says: 'I'm going to lead 60,000 people'.

"People will not follow a dishonest person because there's just too much spin. You have to be able to engage with people."

"You need to have high levels of people skills and emotional intelligence. It's about how you motivate people and get them aligned absolutely around a set of results"

Work-life balance


UNCOVERED

Bosses who work hard to get a life

‘I take a lot of interest in the CEO's marital status. One divorce is slightly better than none’

Jon Moulton, Alchemy

‘My wife and I have lived in 19 houses since we married. It does not help your golf handicap.’

Leigh Clifford, Rio Tinto

this article was first published in
The Daily Telegraph 28 June 2007

Many chief executives proclaim they can lead completely separate business and private lives but Jon Moulton, managing partner of private equity group Alchemy Partners, has a strict investment criteria connecting the two.

"I take a lot of interest in the chief executive's marital status," he confides. "One divorce is slightly better than none because managers are motivated and challenged and sometimes they need to rebuild their wealth.

"Two is more worrying and three is a catastrophe. I don't generally make private investments when I see three divorces."

It's the thorny subject of work-life balance and whether it really is possible to have one as a FTSE100 chief executive.

During our exclusive series of interviews with 66 chief executives, including 58 heading FTSE100 companies, this subject provoked laughter and surprising frankness.

"You have to have a life. My kids advise me: 'Dad. Get a life,'" reveals Standard Life chief executive Sandy Crombie.

"I have a life. It is not the same life as everyone else's but it is my life. There are only 24 hours in a day and I sleep seven of them. I have been married for 36 years. I don't tell myself to get a life because I have got one. It comes with the job."

> "One divorce is slightly better than none because managers are motivated and challenged and sometimes they need to rebuild their wealth."

Mr Crombie's lengthy marriage is not unusual. Only a handful of the 66 CEOs have been divorced, with the overwhelming majority of the rest married for more than 20 years.

The work-life balance issue, however, resonates deeply with the vast majority.

"I have a contract with my wife," reveals Ed Story, chief executive of FTSE250 oil exploration group SOCO International. "It's an evolving deal. She said: 'When are you going to sell this business? You always sell. What are you going to do when you sell? Are you going to stay here?' We're still negotiating it."

Another CEO discloses: "My wife knew what she was letting herself in for. When we were going out, I was a junior in corporate finance and we were going out to dinner one Friday night and I said I had to go to the printers to get a document and if she came too we could go on from there.

"She was still there at 5am the next morning and we ended up getting a pizza but she still married me. I think she saw the sort of deal she was going to get."

One FTSE100 company boss recalls: "Did I have a deal with my wife? Well she said she did not want me to do this job and I kind of ignored it.

"She said: 'you've gone ahead' and I said 'I didn't think you were serious, darling'. But she was half serious.

She asked had I thought through all the consequences? Was I going to make sure I keep my family promises? How could I fulfil the promises I had made to my shareholders and not fulfil those I had made to her?'

"It's a good question and I can't answer it. It's very difficult. Try going on holiday without your mobile phone. My wife says: 'your BlackBerry is not coming' but there's no way I'm leaving it behind."

Leigh Clifford, the recently-retired former chief executive of mining giant Rio Tinto, says sacrifices are made.

"It does not help your golf handicap," he says. "My wife and I have lived in 19 houses since we married.

"I think people try to kid themselves about how much time they have to spend on peripheral stuff.

"You have to be discerning with your time. You only get one dig at the crease. Your personal affairs can get into a bit of a mess. You don't tend to give your personal investments the time and attention they need."

Richard Baker, chief executive of Alliance Boots agrees. "You have to be quite disciplined and focused at a personal level with your family life," he says, "because if you're not careful, you'll arrive at a time where you're working non-stop.

"My wife says I'm terrible at dinner parties because I just recede. I spend my life talking and I like going to dinner where I can just sit and listen to someone else's conversation. One of the biggest issues is having time on your own."

Paul Adams, chief executive of British American Tobacco, adds: "My family see me a lot now compared to how they used to but they are used to not seeing me during the week. It's the life they've grown up with."

Mervyn Davies, the chairman and former chief executive of emerging markets bank Standard Chartered, says it is particularly difficult for CEOs of multinational companies.

"The one thing that's very important in differentiating good chief executives from bad ones is sleep," he says.

"If you're a bad traveller and run an international business, it's a nightmare. You're not sleeping and you're coming home wrecked. It's a job, for Christ's sake. When they put you in the box and it is over, you're not going to be judged on how much profit you made."

The loneliness of the job is something that divides chief executives, which is maybe why 39pc of the 66 have used a professional coach.

One uses an actress to give him lessons in body language, presentation style and public speaking. Another has a singing coach to help him convey more emotion in presentations.

However, there's also a great deal of scepticism. "If loneliness bothers you, you're not up to doing the job if you cannot deal with it," says Centrica chief executive Sam Laidlaw. "It is lonely but that comes with the turf."

Coaches provoke strong opinions. Richard Pym, chief executive of Alliance & Leicester, states: "Some of these coach people are just weird.

"If you have an open team they do it for you. You need people around you who can say: "you are being silly now, don't be stupid".

Others insist that having a healthy work-life balance and a good support network is perfectly possible as a FTSE100 CEO.

"It's something you really have to be careful about so that it does not become lonely," says Whitbread chief executive Alan Parker

"It depends on getting good people around you; people you have a strong relationship with and who you can discuss things with."

Gareth Davis, chief executive of Imperial Tobacco, says: "I have worked with the same people for thirty years."

"We are almost like brothers. There is an enormous amount of telepathy. I know what people around me will do."

The last word on this issue, however, goes to Sir Martin Sorrell, chief executive of advertising giant WPP.

"If you look at coaches and mentors, they are generally people who have not actually run big businesses themselves so how can they tell you how to do it?" he says. "They're shrinks."

"It's the intersection of work, family and society that defines people. There are very few people who can get the intersection of those three circles perfectly balanced and I have not managed to do it.

"Getting the balance right is very, very difficult. All the stuff I do outside the business is related to business."

"It depends on getting good people around you; people you have a strong relationship with and who you can discuss things with."

Managing day-to-day


CHIEF EXECUTIVES UNCOVERED

How bosses keep the wheels turning

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He who pays the piper calls the tune, states the proverb. That's not always the case when you're running a FTSE100 company, however.

During our exclusive series of interviews with 66 chief executives, including 58 heading FTSE100 companies, the question of who they run their businesses for provoked fierce disagreements.

Some 38pc of the CEOs say shareholders are their most important stakeholders. Gareth Davis, chief executive of Imperial Tobacco, is typical.

"Everything revolves around the shareholder," he says. "We live for the shareholder."

However 24pc of the CEOs say customers are more important.

"It starts and ends with the customers," says one. "It's the customer, stupid. Legally, you have to say the shareholders but to deliver for them you have to put delighting customers at the core of all you do."

Some 13pc value their staff above all others. The remaining 25pc say that all stakeholders are ranked equally.

"Employees are very important," says Alan Murray, chief executive of building materials group Hanson, Mr Murray. "We have 1,800 sites worldwide. We cannot supervise all the people all the time so we need people to understand the culture and what

"It starts and ends with the customers."

"You have to put delighting customers at the core of all you do."

they can do and cannot do. We have to make sure that everyone understands the message in the same way."

Steve Tappin, leader of the CEO and Board Practice at Heidrick & Struggles, says: "This conflict between stakeholders is one of the things that nominations committees worry about when they are appointing CEOs.

"It is often difficult for them to discern at that stage in whose interests a prospective CEO will run the business and it can cause great problems later on."

On the subject of their own pay, there is a quietly bubbling resentment with controversies over so-called "fat cats".

"The debate about corporate pay is total rubbish and the sooner we stop it the better," says Mervyn Davies, chairman and former chief executive of emerging markets bank Standard Chartered.

Gareth Davis, of Imperial Tobacco, adds "People mess up when they start meddling with market forces.

"There is real anger about City bonuses and £10m sounds outrageous but people don't seem to care that footballers get paid more than that for kicking a football around. If the market didn't want it, the market wouldn't pay it."

Philip Green, chief executive of United Utilities, is more sanguine. "It goes with the turf," he says. "It's outrageous and so unfair that people have such short memories but you cannot think like that."

There's more disagreement on the subject of what area chief executives focus on most. Some 41pc say that selecting and organising the management team is the most important.

John Varley, chief executive of Barclays, says: "A bank's differentiation is often not in strategy as it competes for a particular piece of business; its differentiation is in execution, which is all about people.

"People see a supertanker which they think is very difficult to turn around. It's just not true. It's all about getting the right people to make a difference."

Eric Daniels, chief executive of Lloyds TSB, agrees. "Hiring in general is a pretty random walk," he says, "but a person who is a bad fit has a profoundly negative effect on the company.

"I spend a lot of time researching and trying to figure out how people are going to add value. I think my hiring success rate is a little over 70pc. I am very conscious of the cost of a miss."

Mike Turner, chief executive of BAE Systems, adds: "You have to get the team right, make sure you have people telling you what they really think, make sure your objectives are clear and then delegate.

"It's about delegating to people and then holding their feet to the fire. Don't feel guilty about making people do things that are difficult. Don't do it for them.

"You need to have a very clear strategy. When people say they don't understand the strategy it's often because they don't like it."

However, Brad Mills, chief executive of mining group Lonmin, is one of the 27pc of CEOs who say they focus most on their organisations' purpose and values.

"You need values that are owned by the organisation," he says. "As a chief executive, the people who are very tempting to use are people you can point at a problem and they will get it solved but they are going to do collateral damage to the organisation.

"While they are tempting to use, they are like a nuclear weapon and there are enormous implications of using them so you tend not to use them."

Of the remainder, 9pc say they focus most on strategy and 9pc on reputation. Only 5pc focus on growth and 4pc on execution.

Lord Browne, the recently-departed chief executive of BP, says: "I found that effective business leadership required a tight focus on the plot.

"Set a clear strategy and organise your resources behind it. Strong values and careful delegation are essential but, above all, keep clear where you're driving for. Reputation is a business output. It is not something you manage directly."

However, Diageo chief executive Paul Walsh states: "The thing that would be low down my list is execution, because if we get the management right, I am not going to be doing the executing."

"I am not going to be going around all our distributors making sure we have got everything right but someone in the organisation had better be doing it."

When asked to define themselves as a particular type of CEO, 21pc cited their leadership skills and 20pc classed themselves as business turnaround experts.

Mick Davis, chief executive of mining group Xstrata, says: "There's no formula. The reality is that the success of an executive and their company is more dependent on the capacity and flexibility he or she has to identify and manage risks.

"You wake up every day believing that yesterday was not good enough and that today we have to do better.

"The Achilles heel of all executives is that they eventually start believing the myth that is created about the reasons for their success; that they are omniscient and we never are."

Finally, there's the subject of how long CEOs are lasting in the job – the current average is five years.

"When I became CEO I was told that FTSE100 CEOs lasted an average 2.2 years so when I reached two years and three months, my wife and I got out the champagne," recalls Tony Froggatt, chief executive of brewers Scottish & Newcastle. You need to know when it's time for you to go and I am very clear on that."

Standard Chartered's Mervyn Davies rounds off the debate with a timely comparison. "The challenge for chief executives is that you get so wedded to the job you don't want to give it up," he says.

"It's just like what happened to Tony Blair. Part of the job is knowing when to pass on the baton."

"There's no formula. The reality is that the success of an executive and their company is more dependent on the capacity and flexibility he or she has to identify and manage risks."

View from the top


CHIEF EXECUTIVES UNCOVERED

Making the most of the very best talent

this article was first published in
The Daily Telegraph 2 July 2007

By common consent, Ben Verwaayen has transformed BT. He became chief executive in early 2002 when the telecoms group was struggling for purpose after a botched transatlantic venture, a forced sale of its fastest-growing business and an abject failure to embrace the internet.

Five years later BT is so confident of its future that it doesn't even call itself a telephone company.

As technologies converge, it is positioning itself as a player in media, in broadband internet and in a vast range of network services businesses that help companies manage their telecommunications needs.

Yet Dutchman Verwaayen, 54, says it's been far from easy. In fact, he's the only leader CEO in our exclusive series of interviews with 66 chief executives, including 58 heading FTSE100 companies, who admits that he was told early on in his time as chief executive that he was the company's biggest problem.

"Once I talked to 800 of our people," he recalls, "and I said that I wanted them to be change agents. I offered to remove the biggest hurdle they had.

"There was dead silence in the room. Then a guy at the back stood up and said: 'Actually the biggest hurdle is you.'"

> "I offered to remove the biggest hurdle they had. There was dead silence in the room. Then a guy at the back stood up and said: 'Actually the biggest hurdle is you.'"

Verwaayen was taken aback but steadied himself and asked his questioner to give his reasons. What on earth had he done to upset the young man?

"I asked why," Verwaayen continues, "and the guy said: 'In most organisations people want to do what the boss wants so everything is done how he wants it. But how is a guy in his 50s going to know what's in the head of a 25-year-old?'

Far from tick off his outspoken critic, Verwaayen says he was delighted. "He was absolutely right," he beams.

"We have to leave behind this kind of hierarchical control behaviour or our success will be limited by the ability of the CEO.

"The biggest disease at companies is that it is more important to please your boss than to please yourself.

"It is very hard to get rid of because it is in people's DNA. People want to please their boss so if he wants nonsense, they will serve it hot or cold or however he wants it.

"Entrepreneurial people get lost in the mindset of an organisation. In a corporation there is lots of external noise.

"Sarbanes-Oxley (the tough anti-fraud regulations introduced in the US after the Enron and WorldCom collapses) was not drafted with the entrepreneurial spirit in mind."

Verwaayen says one of the first things he focused on was overturning BT's public sector ethos, which dated back to its time as a nationalised company and meant that any kind of conflict within the company, even disagreements in meetings, was frowned upon.

"I believe in constructive conflict," he says. "The first meeting I went to had 17 people around the table and the discussion was scripted because the social regime was that there was not allowed to be conflict.

"Everything was socialised. There was no issue that anybody knew where the outcome was not already decided.

"One guy made a presentation and half of what he said was a bunch of nonsense. I told him so but his response was to turn and say to me: 'do you really think I agree with this?'

Verwaayen waas stunned and immediately asked the presenter why he was espousing something he was fundamentally opposed to.

"The answer was that he felt he had to say something he knew was wrong," Verwaayen remembers, "because it was what everyone wanted to hear."

"I said to everyone: 'It's over, it's done', he says. "'We're going to do things totally differently'.

"The first time someone pounded the table, I stopped the meeting and said: 'Can we please celebrate this moment. This is passion. This is fantastic.'

"We need to have people who are confident enough to be wrong and to be called wrong and to change their opinion when they see they are wrong.

"And my role as a CEO is to be unreasonable. If you start off being compassionate with everyone, nothing ever happens.

"I need to be unreasonable with targets but I also need to be passionate about people. I also believe very strongly that you always have to see the other side. You have to look at the little guy."

Verwaayen characterises himself as a business transformer and says that what he focuses on most within the company is people management.

He sees himself as the owner of the company's need to recruit and develop the very best people, believing that there's no more important moments in peoples' lives as CEOs than when you appoint someone. He typically gets involved in management appointments several layers down.

"You fly like an eagle very high but you also need to dive very deep into the ocean," he says.

"You need the ability to inspect the detail. I am a deep diver. If you fly over, you get fed what people want you to hear."

He is also famously a workaholic, proud of the fact that he receives hundreds of emails a week and answers them all himself. He also has his own blog that all the company's 95,000 workers can read.

And the father of two who lives his Surrey with his wife Helena, is also one of the few CEOs in our interviews who says he does not find it difficult to balance his work and other commitments and have a life for himself.

"I am blessed with an almost photographic memory; I never speak to the papers. I don't play golf and I don't go to receptions so I have time to do other things," he says, laughing.

"Oh and I love public debate. Do I have an agreement about this with my wife? No. If you were to say that to her it would make her laugh. I don't see this as a burden. I love what I do."

Neither does Verwaayen agree with the majority of the chief executives we spoke to who cited the inherent loneliness of the job as a problem.

"I don't think it is lonely at all," muses Verwaayen. "I have a team. Of course my team gossip about me and they will complain that I am moody or whatever. It is always untrue but they say it anyway.

"I don't live my life by my business card title. I once worked for a company where people would change their friends when they changed their jobs.

"That's not me at all. My real life is about family fun and sharing with friends. That's what drives me. It's not ego. This is activity; it's not me."

Steve Tappin, leader of the CEO and Board Practice at Heidrick & Struggles and former CEO of growth consultancy Edengene, worked extensively with BT in the development of new media, internet and broadband services,

"Despite his telecoms and technology focus Ben Verwaayen is probably in a small group of transformational FTSE100 CEOs who could lead significant international businesses across a broad range of sectors." he says.

"He has some natural advantages in that he has photographic recall and relentless energy and enthusiasm"

"He has brought together some of the best talent around him at BT but has also created a more corporate entrepreneurial environment for them to thrive in. It suits his style to do it unconventionally.

"Indeed, the biggest problem the company may have to figure out is how to maintain this and who should succeed him when he moves on."

"He has brought together some of the best talent around him at BT but has also created a more corporate entrepreneurial environment for them to thrive in."

Biographies

Steve Tappin

Steve Tappin is Managing Partner of the UK CEO and Board Practice and member of the Global CEO Practice. He specializes in chairman/CEO searches for FTSE100 and other leading international businesses, including private equity houses. Other areas of expertise include building boards for IPO, super-growth companies, and setting up advisory boards.

His business transformation experience was gained as a Partner at PA Consulting and prior to that at KPMG. During that time, he worked closely with a number of Boards to successfully deliver strategic repositioning, mergers and acquisitions, integration and corporate turnarounds.

Steve was founding CEO of Edengene in 2000, which soon became the market leader in growth and innovation for major corporates and SMEs. Under his leadership Edengene was awarded 'Best Small Firm' and the 'Gold Medal' Award for client work by the Management Consulting Association.

Steve started at ICI where he held positions in commercial management and strategic planning. He has an MBA from Cranfield University and is a qualified Accountant.

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Andrew Cave has been reporting on business for seventeen years, including nine years in the City office of *The Daily Telegraph*, which he joined in 1996. He worked as Business Correspondent in London before a three-year stint in New York as US Business Correspondent, covering Wall Street and the dotcom boom.

On his return to the UK in 2001, he became Associate City Editor, in charge of all coverage of insurers and banks. He has been a freelance financial writer since 2005, writing regular columns and business interviews for *The Daily Telegraph* as well as for a wide range of magazines and other publications.

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What drives the chief executives of Britain's top companies?

How do they lead their businesses?

How do they manage their talent?

How do they find time for a personal life?

If you would like to make a contribution to the forthcoming report and book in the areas of stakeholders, leadership and talent management or have alternative views on what is important as a CEO then we would very much like to hear from you.

We are interested in hearing not just from the CEOs of public companies, but also private equity investors and CEOs; this will enable us to more fully evaluate leadership and value creation in an alternative equity environment.

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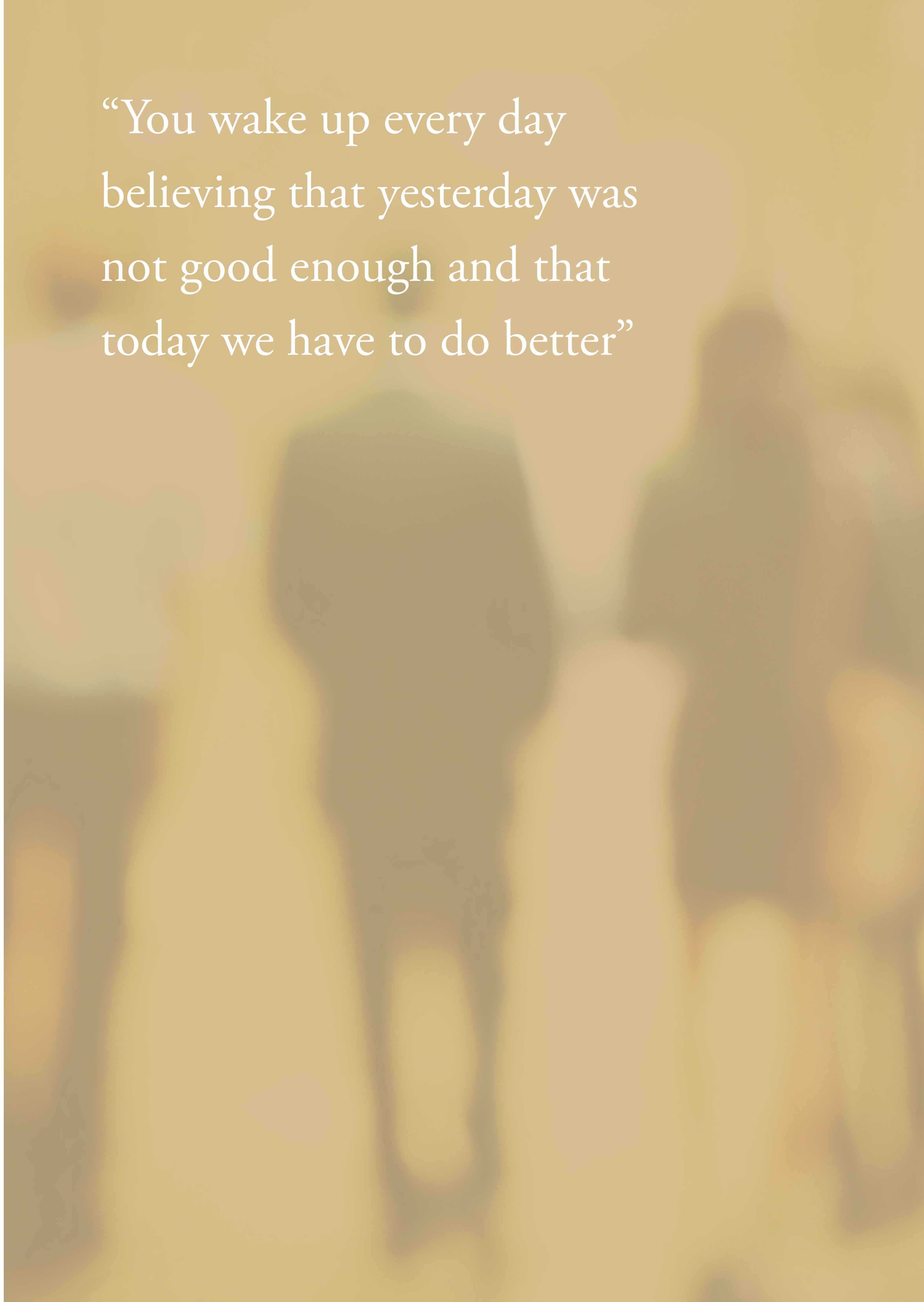

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