The CEO's route to the top: The South African experience

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Abstract

In this study we draw on a series of in-depth interviews with chief executives of some of South Africa's most prominent businesses, to investigate how their careers unfolded as they rose to the top of their organisations.

Twenty-seven CEOs of South Africa's top companies were interviewed. Eleven of these companies are listed among the top 50 South African companies.

We trace the evolution of leadership, from its embryonic beginnings in childhood and adolescence, through the different stages of a developing career to the crucial transformation of an operational mindset into a strategic one.

We examine the circumstances that led to these CEOs being appointed and describe the difficulties of transitioning from a senior management role into that of chief executive. We look at the competencies and experience necessary to be effective as the leader of an organisation, as well as the role played by motivation and self-belief. Finally, we identify the unique leadership challenges faced by chief executives in South Africa and pass on their advice to the country's next generation of leaders.

Key words: *leadership, careers, career capital, leadership development*

1 Introduction

Many studies have been conducted to determine what the key traits and skills of successful managers are. Qualities such as drive, honesty and integrity, optimism and self-confidence are often mentioned and competences such as communication skills, the ability to motivate others, develop talent, plan and organise, and lead change are always included in studies of this kind (Kotter 2001; Buckingham 2005; Bossidy 2007; Hill 2007; Snowden & Boone 2007). More recently, we have seen the emergence of concepts such as moral leadership, servant leadership and "Level 5" leadership, which reflect the changes and challenges taking place in the business environment (Collins 2001; Houglum 2012). Most of these studies have focused on middle management and in some cases senior management, while less attention has been paid to the people at the head of organisations.

Where chief executives have been the focus of attention, concepts such as visionary leadership and charismatic leadership are highlighted as important characteristics of

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successful executives. At the same time, we are aware that many chief executives are not "transformational" or "charismatic" but are nevertheless successful. An underlying theme of leadership research has been the notion of contingency – effective leadership requires the ability to be flexible so that one can adapt successfully to different situations. Goleman (2004) notes that the personal styles of successful leaders vary: some leaders are quiet and analytical, others are brash and outgoing. And different situations require different types of leadership. We set out to discover whether these observations about leadership would apply equally in South Africa. What could we learn about leadership in a local setting and how might this help others?

Research undertaken to date has provided a framework which has guided our thinking about management and leadership, but much of the research has come from the United States and relatively few studies have paid attention to the chief executive (Fulmer & Wagner 1999; Ulrich & Smallwood 2007).

2   Purpose of the study

This study set out to add to our understanding of chief executives in the South African environment. It did not focus on the traits and skills of these executives, although an examination of traits and skills has contributed to the findings. Rather, the study explored the way in which these captains of industry rose to the top of their organisations. What factors helped or hindered them on this journey; what formative experiences paved the way for them; what advice would they have for other executives who might aspire to the top job? The purpose of the research was not to develop a new theory of leadership, but rather to examine in a practical way what it is that chief executives do to reach the top and what we can learn from their experience that could assist others.

The CEOs who contributed to this study represent a truly diverse range of backgrounds and industry sectors. Their personal and professional experiences vary widely in many respects, but they nevertheless contain a number of common elements which go a long way towards explaining why it was that they, and not somebody else, rose to the level of chief executive.

Twenty-seven CEOs of South Africa's top companies were interviewed. Eleven of these companies are listed among the top 50 South African companies.

3   Research methodology

The study took place over a number of months as it took time to gain access to the chief executives and wait for them to find a slot in their diaries. Interviews lasted between an hour and an hour-and-a-half. CEOs were generous with their time and we gained the impression that they enjoyed the discussions as they reflected on the milestones in their careers and the opportunities and challenges they had faced on their way to the top.

A total of 43 CEOs were approached and 27 of them agreed to an interview. When we discussed this acceptance rate with our international colleagues, the consensus was that this response rate would probably not have been achieved in the United Kingdom or the United States, for example.

Interviews were semi-structured, being based on twelve core questions which we had developed. The discussions dealt with background questions regarding the CEO's formative experiences and career up to that point. The executives were asked what

triggers might put an individual on the path to the top job, at what point they decided that they wanted to become a CEO, what the main obstacles were, what the nature of their "journey" had been from the point where they started in business to the position they had reached today, and what skills and attributes they had needed to get to the top. Other topics included the extent to which their functional background had helped them to make the transition to the role of CEO, whether there were particular events or experiences which had enabled them to become credible candidates for the top job, how they had developed their strategic skills, what role formal leadership development had played in their success, and what specific attributes they thought were required by CEOs operating in South Africa.

Interviewees were allowed to elaborate on topics that they felt strongly about, and we guided the discussions and asked probing questions where necessary. CEOs gave their permission for the interviews to be recorded and these were transcribed and analysed by the authors and a collaborating colleague in the United Kingdom. The interviews produced a large number of transcriptions and considerable effort went into extracting the main themes and detailed findings.

4 Findings

4.1 *Laying the foundation for leadership*

The interviews started by exploring formative experiences that might have set the CEO on a path that led him or her to aspire to that role. What role did early socialisation, family encouragement, education and other factors play?

When asked about early influences, several CEOs described being given positions of responsibility at school, such as being made a prefect, head boy/girl, Boy Scout troop leader or captain of a sports team. They often went on to assume student leadership roles at university. In these roles they began to learn how to get others to work together, how to handle egos and achieve success through team effort.

Participation in other extracurricular activities had been just as valuable for some. One CEO recounts being chosen to sit on the junior city council which represented 48 high schools, and eventually being elected junior mayor. Another described how, as a student, she had worked as a tailor on Saturdays and spent her Sundays assisting a woman who treated autistic children. This gave her a broader perspective on life than anything her university course could offer.

Families figured strongly, too. Several CEOs acknowledged that a family member, usually a parent or grandparent, had instilled in them a clear set of principles that remain with them to this day. "My grandmother was the most important person in my formative years," said one CEO. "She didn't have a secondary education, but the reason she was so important to me was her values: being honest and fair to all people at all times and having a clear conscience."

   "Mostly what the teachers said was: 'whatever you do, go and get an education'."

Without exception, the CEOs said that education had been of paramount importance. "My grandfather insisted that the least qualified among his children should have a diploma," said the CEO of a large utility. "So when I grew up, I had role models. He would say, 'forget this liberation thing and focus on education. You come from a privileged family and you must remember never to turn a blind eye to those who are less privileged than you.' I spent much of my youth with elderly people, and all of them

were trying to instil in me an appreciation of the responsibility and the burden that comes with leadership."

Research undertaken in the United Sates corroborates this observation. Goffee and Jones (2005) refer to the importance of exposure to a wide range of experiences during a manager's formative years as a source of key developmental opportunities. Such experiences also help leaders to read and empathise with different people and situations, and help them to be "authentic". Over time, and through various life experiences, a leader develops an extensive repertoire of roles, which can make him or her more flexible and adaptable. Goffee and Jones also refer to the need for leaders to familiarise themselves with their identity anchors – the people, places and events that shaped them.

4.2 *Building a career*

The CEOs we interviewed had an assortment of academic backgrounds and started their careers in very different ways. They range from trained accountants and academics to professional soldiers and management consultants. What they had in common during the early part of their careers was their openness to new opportunities, their desire to excel at whatever tasks come their way and their passion for continual learning and self-improvement.

This finding is supported by Bossidy (2007), who refers to the need to "drive your own growth". He recommends accepting demanding assignments because these are the ones that one learns the most from, and accepting them demonstrates an interest in one's own development.

The CEO of a large retail company recalled that his employers saw "someone who doesn't give up and who is prepared to volunteer for anything. If someone said, 'drive my car from Durban to Johannesburg', I would drive the car from Durban to Johannesburg and try to do it well. I didn't ask what's in that for me, how much are you going to pay me and what are the growth opportunities?" This attitude can initiate a "cycle of success" which is self-reinforcing (Hill 1994). A track record and credibility flourish as a result and position the leader for more responsibility.

Throughout his early career, another of the CEOs interviewed made a conscious decision to grasp every opportunity going to extend himself in order to develop a rounded set of skills. "I think it's the one reason I got ahead. I put my hand up for the toughest things, even if it meant stepping back or sideways."

Another interviewee, who led the financial services practice at a leading consulting firm and became only the fourth female partner in the worldwide firm before moving to one of the big banks, commented that she had felt driven from early on to work in a place where she could make a difference and continue to grow. "I thought that if I just did my best and outperformed, things would naturally work out for me. My mindset from the outset was 'work hard, train hard, and let the best one win'. Gender bias spurred me on, but rather than fight the system I decided that I was simply going to prove myself. My approach was to focus on delivering excellence at all times and then fighting for proper assessment. Fortunately the assessments at the consulting firm were transparent."

"The more potential other people saw in me the more I saw in myself."

Not long after joining his company, one respondent was asked to go and run its African division, which at that time comprised 17 countries. "I was young and all of a sudden I

went from running a business that had 30 people in the team to one with an asset base of several billion Rand and thousands of people. I was thrown into the deep end. The first thing I had to do was to articulate the vision for the business and what direction it should take, making sure that it was consistent with the rest of the group. I had to create a three- to five-year plan and define the objectives that would need to be met to get us there. I had to figure out the best organisational formation. Since the way to implement this sort of change is through people, I had to identify very quickly who would buy into this plan and who wouldn't, and then communicate it in all the countries. I also had to spend a lot of time talking to regulators, ministries of finance and the leaders of the teams on the ground."

This account of a young executive being given general management and P&L responsibility for a tranche of the business early in his career was echoed by many other CEOs who were always prepared to take on tasks outside their experience and comfort zone. Not only did this boost their confidence, but it brought them all-important recognition from senior management and the board, a critical stepping stone for any prospective CEO. "If you ever get the opportunity to run a geographically remote location of a big company, you should seize it with both hands," said one CEO, "because what tends to happen is you get more exposure to the top management of the company than you do if you're immersed somewhere in head office."

These observations are supported by research undertaken by Kok-Yee, Dyne and Soon (2009) which points to a growing emphasis on experiential approaches to global leader development and in particular to the importance of international experience. A survey conducted by Gregersen, Morrison and Black (1988) found that 80 percent of respondents reported that living and working abroad was the most powerful experience in developing their global leadership capabilities.

> *"When someone decides you are worthy of consideration to be CEO, there's only one question, which is 'how have they performed in their other responsibilities?' "*

In this regard Kotter (2001) refers to "career broadening", which is usually the result of lateral career moves or early promotions to unusually broad job assignments. He notes that the breadth of knowledge developed in this way can be helpful in all aspects of leadership. His advice to companies is to create challenging opportunities for relatively young potential leaders.

One of the CEOs we interviewed had trained as an electrical engineer and worked as a consultant and case team leader for a mining company. He then joined a leading retail company as executive assistant to the CEO in a programme that took people with diverse experience outside the sector and turned them into retailers, something very few companies did at the time. His experience encapsulates the combination of fortuitous timing and willingness to take a substantial leap into the unknown that characterise the careers of many of the CEOs we interviewed.

"I started off in a development position, but when an emergency happened and someone left in the middle of a merger they felt it was too risky to bring someone in from the outside and I was the best internal candidate. I was spare, available and had earned some trust. You could argue it was an irresponsible decision. I'd never run anything, I'd not previously worked in retail and the largest number of people that had reported to me up to then would have been three. But my success in that job really built my career because when I got there the business was declining in profitability and when I left it was the fastest growing division in the company."

Another CEO spent four years as a professional musician before he joined the family business, at which point he realised that if he was ever going to run a big business he

had to work in one: "I kind of grew into being a CEO. I didn't see any obstacles. I just took on more and more responsibility and handled bigger and bigger assets. Every time I was presented with a career option, I chose the option that I would learn from rather than the option that gave me more money or more power."

If young aspiring executives take on challenges and work in an environment where the company is willing to take a chance on them, they will reap opportunities to learn and build confidence. McCall (2004) argues that the primary source of learning to lead is experience, and the role played by training and other formal programmes is relatively modest in comparison with other kinds of experience. In his research most of the experiences that the people he interviewed reported as developmental involved going into new or unknown environments, struggling with the unfamiliar, being involved with start-ups and turnarounds, as well as substantial increases in the scale and scope of responsibility.

4.3 *Becoming the CEO*

What are the triggers in an individual's career? What leads up to the point where someone is asked to become the CEO? Is there a clear pattern or path to the corner office? Not surprisingly, our interviews revealed that there are many different qualities and factors which play a part in the individual's journey to the top.

By their own admission, timing and good fortune often played a part in the CEOs' advancement, although it was never simply a question of being in the right place at the right time. Over the course of their careers these people had earned the respect of their bosses and their peers through a combination of outstanding execution, determination to overcome obstacles, strategic thinking and acting on the belief that the best results are achieved through other people as much as through one's own efforts. However, these qualities were not enough on their own; they needed to be accompanied by a mature temperament and a strong set of values established early in life. When a leadership position became vacant, these candidates were the obvious choice, even though few had set their sights on becoming a chief executive.

Some of the CEOs we spoke to acknowledged that they were probably identified early on in their careers as having high potential and were thus groomed for leadership positions (although no promises or guarantees were given). Others were thrust unexpectedly into the limelight before they were entirely ready for or comfortable in a leadership role, but they had the self-confidence (as distinct from hubris) to assume leadership of the organisation in the belief that their personal and professional growth would keep pace with the challenges that confronted them. This finding is supported in the literature. Collins (2001) has referred to the problems of egocentric leaders who are unlikely to change "good" into "great" companies. In his research he found that the leaders of the great companies displayed a paradoxical mixture of personal humility and professional will, and did not exhibit hubris.

4.4 *Transitioning into the CEO role*

Regardless of whether their appointment is the inevitable conclusion of their career trajectory or whether they take on the leadership of their company unexpectedly, all CEOs are bound to experience a few shocks in their early days in the post. However much they ready themselves for the role, there are some aspects of the job they can never fully prepare for in advance. It is therefore wise to allow a period of time, possibly a month or two, to allow the new CEO to take in the nature and extent of the challenge

ahead. "My advice would be to understand and digest how the business works before embarking on any significant change."

The fast pace of running a business in the information age requires stamina and takes plenty of getting used to. Juggling the expectations of the board, the management team and the organisation as a whole, to say nothing of investors and stakeholders, can be wearing. So can dealing with media scrutiny, especially if it turns hostile (the help of an experienced head of communications or corporate affairs is invaluable here).

The area of financial management will occupy a great deal of the new CEO's time as he or she gets to grips with the financial levers of the business. Most CEOs would agree that investing time in their relationship with the CFO is essential. It is probably the most critical of all the relationships within the executive team, and even if the CEO has a financial background, he or she will have much to learn from the CFO. Their alignment on financial, strategic and board issues is critical. This observation also applies in other parts of the world: the importance of the financial role is emphasised by Half (2008) who reports that 39 percent of CEOs in the UK have followed a financial career path.

4.5   *The skills and attributes of the CEO*

Despite the wide range of academic backgrounds, professional training and career tracks that can be found among members of the CEO community, their experiences converge to the extent that they will have achieved recognition for outstanding performance and developed a set of skills and attributes that set them apart from their peers. By the time they have reached the point of being considered for the role of chief executive, they will have demonstrated operational excellence, an ability to think and act strategically, the capacity to relate to and work with a diverse spectrum of people, and a character that combines inner strength, resilience and conviction with humility, integrity and emotional intelligence.

These are essential building blocks, not guarantees of success; the real learning takes place on the job, once the initial shock of adjusting to the pressure, pace and the accountability of being CEO wears off. In this section we examine the core skills and attributes that CEOs need to possess. Further on we look at the specific challenges facing chief executives in South Africa.

4.5.1   *Strategy*

The abilities to think strategically, set a strategic course, plan and then execute the strategy are fundamental skills for any CEO. Formulating strategy requires good research, an honest appraisal of the business's strengths, weaknesses and competitive positioning, and a deep understanding of the wider industry and where the exploitable opportunities lie.

> "If you are not clear on strategy, all you are doing is running the company on a day-to-day basis. And that's not being a CEO."

The CEOs we interviewed developed their strategic antennae in different ways and at different stages in their careers. For some, their first real exposure to strategy came when studying for an MBA. Others spent time in consulting firms and benefited from the structured training in commercial and strategic disciplines on offer, which gave them a theoretical and modelling platform for use throughout their career. According to one, "this provided a set of templates for business analysis and strategic thinking and taught

me the discipline of assembling lots of data into useful information for the purposes of both strategy and persuasion".

Another CEO stressed that a critical prerequisite for formulating appropriate strategy is a thorough understanding of the business and a strong grasp of operations. "The only way you figure out that security is a strategic issue in your bank is if you understand how the computer systems work and what breaches can happen. You can't really speak with conviction on strategic issues unless you fully grasp how rating agencies work, how debt gets measured, the role of debt versus deposits and so forth."

Research undertaken internationally to identify the work experiences which produce the best opportunities to think and act strategically (McCall, Lombardo & Morrison, 1988) suggests the following: job rotations, scope expansions, special projects or challenging assignments, leads in start-ups or turnarounds, work with outside experts and line-staff switches. In addition, being mentored, being challenged by a key colleague, participating in strategic planning, and dealing with a threat to organisational survival are key exposures which grow the ability to think strategically (Goldman, Cahill & Filho, 2009).

If strategy and operations are flip sides of the same coin, then the future strategist needs to avoid getting siloed and make every effort to gain the broadest possible exposure to the business, incorporating the knowledge and experience of the organisation into the strategic process – what one CEO refers to as "formalising the aggregation of learning". CEOs also need to develop the ability to detach themselves from operational matters and to think clearly and objectively about the business and its environment – to learn to "distil essence out of noise".

4.5.2 *Linking execution to strategy*

Several chief executives were quick to point out that strategy has little value without strong operational follow-through. "It's one thing having all these great plans," said a CEO in the advertising industry, "but can you make it happen, can you convert vision, great ideas and position papers into reality?" Another went as far as to say that you only have to get strategy eighty per cent right, but execution must be one hundred per cent, on the basis that "if you're executing well, you will outperform any strategic goal."

> *"My role as CEO is the motivation and alignment of others and providing the right environment for them to succeed."*

Kaplan and Norton (2005) argue strongly that most companies have ambitious strategies for growth, but relatively few achieve them in the way intended. They see a disconnect between strategy formulation and strategy execution, an important reason being the finding that most employees are unaware of, or do not understand, the company's strategy. This points to the all-important role of the CEO in translating strategy into action. CEOs also need to surround themselves with people who can assist with execution, and they must be willing to delegate responsibility.

The importance of stepping back and enabling others to put the strategy into action was a theme that CEOs returned to frequently during our conversations. They described their leadership responsibility in terms of creating a healthy environment in which others can flourish, building and empowering the right team to bring the strategy to life and ensuring that everyone has ownership of it. Learning to disengage from the detail and let go can be extremely difficult, but as one CEO put it, "a leader's job is ninety per cent people. Your job is to get results through others. You are a team builder, so show them confidence and let them shine."

Empowering direct reports and their teams to concentrate on execution releases the CEO from being over-immersed in the details of the operation. The CEO of an FMCG group believes that there is an important balance to be struck between "deep diving into every area of the business and integrating a whole host of elements, issues, and processes that give you both the micro and the macro view".

4.5.3 *Listening and information gathering*

Information gathering is an essential part of the CEO's job. It is perfectly normal for CEOs appointed from inside the business to find that many of their usual sources of intelligence about the organisation begin to dry up and that the information flow from managers is heavily filtered. Actively seeking out alternative sources of information and listening with an open mind become vitally important. "You have to have the correct monitoring points," commented the CEO of a large mobile communications company.

> *"Be accessible, open and don't put people down. Simply listen and act on what you've heard."*

For many CEOs, getting to the truth about what is happening inside the organisation means being accessible and developing a rapport with staff at all levels. It means creating an environment where people will tell the CEO what is going on, not what they think the CEO wants to hear. "I go and sit in the canteen wherever there's a space and ask what's going on," said one. "The conversation at table used to change when I arrived. Now, it doesn't. It blows away all of these artificial barriers. You want people to be open with you. These are the same people I have to talk to when we're hitting tough times, when we don't make those numbers. So if I run into somebody and ask 'How come sales to this particular channel are falling apart?' it becomes a discussion, not an interrogation."

Another CEO dedicates every Friday to operations. "Your understanding of operations reinforces your strategy. You cannot sit there, smoke cigars and forget about your people. So I put on my operational clothes and talk to people on the ground to find out what obstacles they face every day, in their lives and at work."

The importance of communication and listening is emphasised in the literature. Sharer (2012) reflects on the fact that as a CEO he has found that communication is a lot less about convincing people and more about benefiting from complex information and getting the best out of the people one works with, and listening for comprehension helps to get that information. It is also the greatest sign of respect one can give a person. He also points out that the company's cultural environment will drive all aspects of communication. If the environment is fear-driven and toxic, listening will be almost impossible.

Another aspect of listening is being open to criticism. One of the interviewees commented that the practice of 'second partner review' that she got used to in her consulting career made her willing to have others critique her work. "As CEO you have only got one pair of glasses and you can develop a very narrow view of the world. If you have a CEO who doesn't like to have his or her work looked at from different perspectives and changed for the better, you've got a problem."

4.5.4 *Personality traits*

The list of traits that one might expect to find in a CEO is a long one. Rather than attempt a comprehensive summary, we have selected a few highlighted by CEOs during our conversations.

Sensitivity, emotional intelligence and understanding the impact of one's behaviours are all necessary for operating in the current socio-economic environment which is

dominated by sustainability issues and multiple stakeholder interests. Allied to these qualities is the ability to hold difficult conversations in a way that is constructive and not demoralising.

> *"You've got to build credibility with people and there will be some you've got to convince more than others. They may accept an idea, but they don't necessarily embrace it."*

The pressure of being a CEO at a time of relentless change and complexity ("one is on edge all the time") calls for a great deal of resilience. Knowing that you cannot please everyone and learning to deal with criticism (which will inevitably come from outside if not from within) are both useful traits.

In our conversations, many CEOs spoke of the danger of an inflated ego and the need for humility. "If you keep on telling yourself that you walk on water, you have a problem." Confidence is a necessary trait in a leader, but as a seasoned CEO pointed out, success over an extended period of time can lead to a dangerous loss of perspective (and potentially a loss of reputation)."Confidence is just a hair's breadth away from complacency, which is just a hair's breadth away from arrogance – which leads to failure or downfall."

> *"The long term impact of autocratic leadership is an enormous weakening of the gene pool of talent."*

Without an attitude of humility it is easy for the CEO to forget that business success relies on interdependence and the efforts of many. An overly forceful personality can easily alienate rather than motivate. As the CEO of an insurance company put it, "the new generation coming through doesn't respond well to the controlling, egotistic, bombastic, leadership style. They just don't buy into it."

Goleman (2004) describes many of the positive traits needed by executives as "emotional intelligence". In particular, the components of self-regulation (the ability to control or redirect disruptive impulses and moods), empathy (the ability to understand the emotional makeup of other people) and social skills (proficiency in managing relationships and building networks) are central traits of the effective leader. Our interviews with the CEOs strongly endorsed this view.

4.5.5 *Getting the best out of people*

The CEOs we interviewed were unequivocal about placing the recruitment, development and retention of top-quality senior management high on their list of priorities. "Attaining competitive advantage and attracting international capital requires that we continue to select and retain the right people, and create a framework which enables us to make the most of their skills and keep them at a high performance level." CEOs who surround themselves with first-rate people are demonstrating a combination of humility and confidence. They do not mind being challenged by people who are at least as smart and gifted as they are, neither do they feel threatened by them.

> *"The thing that I would judge leaders on more than anything else is the calibre of the people they appoint as their direct reports."*

Several CEOs stated that human capital issues occupy at least half of their time. Ensuring the leadership team shares the same values and creating an environment in which people can improve continuously are both important aspects of the CEO's role. As executives grow professionally, they add value to the organisation and are motivated to stay. In her early days as CEO of a large project management firm, one interviewee invested a lot of her time in building relationships, not just at management

level but throughout the organisation. "Building trust is vital, but once it is there loyalty becomes self-sustaining." As another CEO put it: "Inspiration isn't some big evangelical speech. It's about what happens when you spend time with people."

Most of the people we interviewed had been appointed to their first CEO role from inside the organisation, although by no means all had been part of a formal succession planning process. One CEO who believes that it is preferable to make internal appointments wherever possible is surprised at how often good internal people are overlooked because of how familiar their colleagues are with them (and with their weaknesses). "People appoint someone from the outside who is great at interview but if they really knew them, they might decide that the internal person was a better choice."

According to one interviewee, the most difficult decisions for a CEO tend to be about people, and this is the area where some of the most fundamental mistakes are made, such as "either recruiting and promoting the wrong people or not providing space and protection for the right people". Holding managers accountable and being good at removing non-performers are also seen as necessary for the health of the business. "You make sure that people have the space to do what they're supposed to do," said another, "and if you've given them time and they don't do it, you must deal with them."

> "Mastering the ability to have power at your disposal without coming across as a threat is important."

Being able to recruit the best people is a key skill, but being able to manage them effectively is quite another. "Soft skills" are as important a part of the CEO's armoury as technical or financial skills. "I wish I'd known then what I know now about EQ as opposed to IQ," said another CEO from the financial services sector. "It is one of the areas that leaders will increasingly focus on, because putting a bunch of really bright people together doesn't mean they are going to work well as a team. Having some emotional intelligence and a deeper understanding of the impact our behaviour as CEO has on those around us can really make a difference." One way the CEO can build the team ethos is by sharing the credit when things go well. "Success has many fathers. You should allow people to stand up and say 'we did it', rather than proclaim the success as your own."

Collins (2001) came to a similar conclusion when he researched CEOs who lead the truly great companies; his so-called "level 5 leaders". These leaders, "inherently humble, look out the window to apportion credit … (and) look in the mirror to assign responsibility".

Being a CEO also requires constant vigilance and attentiveness. "The difference between you and the rest of the team is that you have to add value in every situation. Everyone who walks in has got to get something out of the discussion. That's the difference. That's the pressure."

Unsurprisingly, the importance of outstanding people management was a theme throughout the interviews, and it is reinforced in the literature. Vandebroek (2013) states this simply by calling her article "It's all about people". She emphasises the fact that ability to do amazing work all starts with people and creating an environment where people can be themselves and bring both their intellect and their passion to work is "a ticket to the game".

4.5.6 *Working with the board*
Developing a close working relationship with the board, and in particular with the chairman, requires considerable effort on the part of a CEO. Building directors' trust

through accountability, openness and frequent communication makes it easier for the CEO to deal with any disagreements that may arise. One of the CEOs commented that "I make sure I meet the chairman at least twice a month and have one-to-one meetings with the other board members at least every six to nine months. This creates an equilibrium which enables views to be aired in a constructive manner. If you try and fight a board, you're always going to lose."

This equilibrium can only be achieved, however, if the board is clear about its role and if the chairman is skilful in managing the board's agenda and the debates that arise. The board will get the best out of the CEO and the senior management team if the prevailing atmosphere is constructive and a proper balance is struck between challenge, support and supervision.

The CEO does not have to leave it entirely to the chairman to create the right board dynamic. One way in which the CEO of a consumer goods company builds trust and openness with his board is by arranging for the directors to meet all his direct reports over lunch at least twice a year. "I encourage the directors to discuss with my senior team where they are and how they work with me. It creates a culture in which people are able to unburden themselves and raise sometimes minor, sometimes major issues. It doesn't mean I don't get irritated – I think why didn't he come and tell me about that? Why did he have to go and raise it with the board first? – But I have to have the humility to digest the information and find the right way to deal with it."

The importance of board relationships is emphasised repeatedly in the literature (Warshaw 2009; Dierickx 2003; Lorsch 1995). Warshaw (2009) observes that CEOs are often under considerable pressure and need the support of the board. An overly critical or micro-managing board can make life very difficult for the CEO, bearing in mind that the board cannot lose sight of its governance responsibility. A balance must be struck between supporting the CEO and being sure that the correct checks and balances are in place. The CEO and the board need to agree on how they will work together. The CEOs in our interviews identified the relationship with the board as crucial and provided examples of how to build strong relationships.

5   The challenge for CEOs in South Africa

The Political Risk Yearbook (2012) suggests that efforts to address capacity constraints will support economic activity between 2013 and 2017, but high levels of crime, inadequate skills, a cumbersome bureaucracy, onerous regulations as well as threats of labour unrest are likely to combine to hold investment levels below potential. The yearbook predicts that GDP growth will average a mere 3.8 percent per year, which is far below the estimated minimum 6 percent average growth required to achieve the job-creation target set in the New Growth Path (NGP) programme unveiled in late 2010. This is the environment in which South African CEOs operate and it presents many challenges.

The socio-economic backdrop for businesses operating in South Africa adds a layer of complexity that is unique to the country and with which chief executives must engage fully. Business is more highly regulated here than in other comparable markets. Social investment, black economic empowerment and the broader transformation imperative all demand close attention and play out in countless ways that would be bewildering – and deeply frustrating – for chief executives in other settings. South African business leaders have to contend with a set of issues that their peers in other markets do not and they must possess a number of additional attributes to match. As

one CEO put it, corporates have "a disproportionate role to play in the repositioning of the country, compared with other countries."

> *"We have this dual role of trying to run a business and preserve the stability of the social fabric."*

Human capital development is a vital issue for South African business, just as it is for South African society as a whole. Managing change within a company carries significant risks and chief executives must be seen to address the many nuanced transformation and diversity issues with patience, sensitivity and understanding. Given the economic divide in the country, they need to bring motivation and hope, while possessing high levels of empathy and insisting on unquestionable ethics and integrity in all their company's dealings.

> *"The only way a business can survive is by satisfying the reasonable needs of all stakeholders."*

One CEO who took a course at Harvard Business School was struck not only by how much younger he and other South Africans in similar positions are than their counterparts in more mature markets (due in part to talent shortages and less specialisation), but also by the fact that he was concerned about a range of issues that others on the course had never had to think about.

Operating under a set of constraints that would be foreign to CEOs in other markets, South African CEOs have to balance shareholder interests against wider stakeholder concerns that have the potential to derail the business unless they are fully integrated into the CEO's thinking. "Things are getting tougher. Whenever you have to make a decision there are always three other levels of measurement or screening that you've got to go through before you can make that decision. Elsewhere, things are less complicated." Business decisions, especially those that carry a human capital dimension, can have longer-term social consequences in South Africa, which makes them difficult to reverse at a later stage.

> *"Most CEOs are not paying enough attention to the external environment."*

Among the difficulties that South African chief executives wrestle with is the continuing skills shortage. While this means more opportunities for some, the potential wider economic consequences of these shortages have resulted in companies having to assume responsibility for educating and training people from a broad demographic. The accelerated progress made by many young executives in this environment can introduce a positive dynamic, although several chief executives warned that businesses should be careful not to lose institutional memory during the course of this generational change.

As one chief executive pointed out, the perception in some quarters is that business in South Africa has not yet entirely shaken off the legacy of its past. Therefore it is incumbent upon any business to define its role in society clearly and take the necessary actions to fulfil that role. "If certain issues affecting the majority don't get addressed, there may be serious repercussions for the business community, whether it be higher taxes or levies; and business will be blamed for the lack of jobs."

> *"There are big issues at play. As a CEO you have a responsibility to society, you have a responsibility to South Africa."*

Chief executives of South African businesses come under considerable pressure to play a public role, to be seen to be driving the transformation agenda. Not every chief executive is comfortable about sticking his or her head above the parapet on social issues, and may choose instead to let the results speak for themselves. So much is

expected of business as the harbinger of progress and change that some CEOs believe it is essential for leaders to take the initiative in communicating the extent (and also the limits) of business's contribution to the country's social, economic and political fortunes. "Sitting defending our position," as one CEO put it, is not enough. Another regrets not having played a more prominent role in Business Leadership South Africa, citing the words of a friend who said: "You must put in the effort to get your views heard, otherwise you cannot complain when things go against you."

Despite the socio-economic pressures on businesses, South Africa remains a land of opportunity. There is significant potential for expansion and growth both inside and outside the country and, as one CEO remarked, competitive pressures are probably less acute in South Africa than in the UK and parts of Europe. One CEO remarked that in his world, "change is an expectation". The transformation that has taken place in the country over the past two decades has meant that adjusting to change has become second nature and many CEOs see this level of adaptability as a distinct advantage for businesses in the country.

6 The chief executive of the future – advice from the front line

Asked what advice they would give to aspiring executives, our interviewees were clear: don't aspire to become a chief executive.

6.1 *Don't aspire to become the CEO*

"Aspire to be as good and as successful as you can be at what you are doing right now."

It is one thing to believe in a vision for a business and to have the desire to lead people to achieve that vision. It is another to want to be a CEO to gratify one's ego or a desire for power. Rather than thinking about becoming a CEO, aspiring executives need to concentrate on their current role, making sure they are functioning to the best of their ability. "Push the boundaries," said one, "don't just deliver what's expected, deliver the unexpected. Go the extra mile." Another interviewee had a similar message: "Whatever you're doing, it doesn't matter what it is, try to be the best. If I give you something to do, I want you to deliver it to me finished and with some other things that I hadn't thought to ask you." On career management, one CEO remarked that "if you're going to do any career planning, just write down the ten experiences you need and make sure you have them".

6.2 *Develop exposure to different functions*

Experience gained by working in different functions is a well-established approach to senior leadership development. Geletkanycz and Black (2001), for example, undertook research which showed that experience in the career tracks of finance, marketing, law, and general management is positively related to senior executive success. This finding was confirmed by our research.

The CEO needs to be knowledgeable about the work done by different functions in the organisation and understand how they relate to each other. That knowledge can be picked up in different ways. Having first-hand experience of several functions during the course of a career is the best way to gain an understanding of the challenges they face and the contributions they can make; direct experience is also a good way to build

empathy for those working in functional teams. Another way to build this understanding is by taking the opportunity to work in cross-functional teams. There are also plenty of additional opportunities for a curious executive to seek out peers in other functions and learn from them. Given the importance attached to motivating and empowering executives, a stint in a progressive, talent management-oriented human resources department would also benefit any prospective chief executive.

6.3 *Know your industry inside out*

Since most first-time CEOs come from within the same industry, if not the same company, by the time they are appointed they should have developed a thorough understanding of every aspect of the industry. "Understand what is happening in the business, where the influence is, what your competitors are doing," said one. "Understand how investment analysts are looking at your business and what ratios they are interested in." Another CEO worked hard to become a member of as many professional associations as possible, which helped her gain exposure to different kinds of organisations and institutions. "This was all part of becoming a CEO and then being successful once in the post."

> *"Be prepared for the fact that being CEO is not easy – however well you think you know the company or the role."*

6.4 *Broaden your thinking outside the business*

With the country's socio-economic pressures having such a significant impact on a South African company's domestic operation, it is essential for CEOs to have a clear appreciation of the role that their businesses play in society. Getting involved in activities that lie beyond the company's immediate interests – including not-for-profit work – puts the aspiring executive in touch with communities and issues that they may not otherwise encounter. The perspective that can be gained from exposure to community issues will serve the future leader well.

6.5 *Gain international experience*

As South African businesses increase their global footprint, so the requirement for international experience among the senior management teams grows. Even if a business remains focused primarily on the domestic market, insights gained from working overseas can provide a useful benchmark and broaden a chief executive's access to new ideas and strategies that might be applied in the domestic context. As one CEO remarked, "It's important – imperative, in fact – for aspiring executives to try and work abroad, to get a feel for different countries and different challenges and to understand what's going on in the global marketplace." These observations are confirmed by research. Carpenter, Sanders and Gregersen (2001) undertook a study in which they showed that CEOs with international assignment experience create value for their firms. Similarly, US multinationals which had CEOs with international experience performed better than companies where this is not the case.

6.6 *Demonstrate leadership at all times*

CEOs have to be conscious of their leadership impact, be prepared to lead by example, and be capable of inspiring and motivating others, especially during tough times. "Develop a thick skin and prepare yourself for criticism – unrelenting, profound,

pervasive and long-lasting criticism," said the CEO of a large bank. Remaining calm and resilient under pressure is also essential, according to a CEO who had many years of experience in the hot seat: "How you handle yourself as a leader in adversity is far more important than how you handle yourself in times of success. It's easy to have integrity when you can afford it and things are going well. It is only when you are under duress that you really get tested."

Strong communication skills are expected of any leader and it is never too early in a career to start honing them. Learning to listen to people inside and outside the organisation with a sympathetic ear is a good starting point, taking pains to understand their environment and the pressures they are under. "When formulating any communication," said the CEO of an advertising agency, "be sure to convey the message concisely and to the point."

A last piece of advice comes from a seasoned CEO in the IT industry, whose advice to the aspiring CEO is: "Build great teams and execute well. It's all about the people, it's not about you."

Ten experiences that aspiring chief executive should seek out
• Having P&L responsibility for all or part of a business
• Gaining international experience
• Hiring a team and leading it towards a goal
• Moving into a different function or joining a cross-functional team
• Becoming active in an industry association
• Mentoring at least one high-potential executive
• Contributing to an industry-wide initiative
• Gaining exposure to social investment or not-for-profit community initiatives
• Taking on a challenge requiring a "leap into the unknown"
• Acquiring strong operational experience before taking on a strategic role

7 Conclusions: a final word

Would we expect similar findings in other environments, in other countries? Do the traditional theories of leadership apply in a South African setting?

Many of the observations made by the chief executives would be similar if the research had been undertaken in the US or Europe. Themes such as formative experiences while at school or university, the influence of role models, the need to be open to new experiences and challenges, striving towards excellence, understanding the P&L and the business model, the need for relevant experience as one moves up the organisation, for example, are probably universal. The underlying theme of the research, namely that "it's all about people" would also be found consistently elsewhere. South Africa is not so different that a completely new kind of leader makes it to the top. Similarly, the leadership theories which cite visionary and transformational leadership, or the need for strong management alongside effective leadership, can be applied locally. Of particular relevance is the notion of a contingency mindset: successful leadership occurs when the style and approach of the leader are flexible and are suited to the demands of a particular situation. Old-style "command and control" leadership, applied in all circumstances, will not work in South Africa, just as it has been found to have limitations in other parts of the world.

Forum Section

The study does, however, draw attention to some of the specific local challenges: the need to balance shareholder interests against wider stakeholder concerns, severe skills shortages, the complicated socio-economic environment in which business operates, the pressure to "transform", the often adversarial relationship between government and the private sector, and particularly high levels of regulation. What this tough environment has done is to produce senior managers and chief executives who reach the top at a relatively young age, who have to balance many conflicting demands, and whose skills and qualities are honed in a pressure-cooker business environment. Their "route to the top" has been demanding, but it equips them to take their place alongside the best CEOs in the world.

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