HR PROFESSIONAL

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Fewer Executives Want to Be CEOs

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Doctor, lawyer, Indian chief—maybe. But new research shows that fewer executives want to be CEOs.

The number of executives who don't want to be CEO has more than doubled since 2001, according to global communications consultancy Burson-Marsteller. Sixty percent of executives polled say they don't want to be CEO, as opposed to 27 percent in 2001.

Why is the once coveted corner office losing its luster? And what does the lack of interest mean to the future of organizational leadership?

The Climate

The past few years have been particularly turbulent for corporate America. Business has weathered the impact of the terrorist attacks, a recession, and scandals that have rocked several companies to their very foundations, if not their demise.

Although it can be argued that such times strengthen leaders, even stalwart sea captains can grow weary of constant storms. But the problems with steering the corporate ship go beyond navigating through difficult times.

Some of the reluctance to assume the role of CEO has to do with the change in the way corporations are managed, says Leslie Gaines-Ross, chief knowledge and research officer for Burson-Marsteller.

"You have a very, very active board today. You essentially have 12 new bosses," she tells *HRWire*. "You are not really the ultimate power."

Gaines-Ross also cites Sarbanes-Oxley as a factor, pointing out how a CEO now has to sign his or her name to a company's financial statement. And if these demands weren't enough, there's another issue: the Internet.

"Your life is an open book," Gaines-Ross says. "On the Internet everyone is talking about your compensation." The availability of online information and the subsequent lack of privacy can add to the pressure, she says. In fact, Gaines-Ross tells *HRWire* the Internet is a major factor.

Current Trend

The pressures of the top job have resulted in a shortened tenure among CEOs. The average tenure is now five to six years, Gaines-Ross says.

She points out that although CEO salaries are generally perceived as inflated, in view of the average stint, the salaries may not seem so high. "In a way you're buying yourself an insurance policy," she says.

What's more, exiting CEOs often exit permanently; that is, many don't assume other top roles.

All these facts are likely to have management in a quandary: Where will future corporate leaders be found?

Looking Within

"Most CEOs are still insiders." says Gaines-Ross, indicating that 66 percent of all top leaders come from inside the corporation.

As a result, it turns out the best place to look for future CEOs is within. From a human resources perspective, Gaines-Ross says the question becomes, "Are you grooming them?"

She tells *HRWire* this means making sure that leadership training exists. And she indicates that a variety of training opportunities are required-both across the company or companies, and across countries.

People with global exposure understand different cultures, Gaines-Ross explains, noting that this understanding has become almost essential in today's marketplace. "It's increasingly difficult to be a CEO without global experience," she says.

What's more, it's not only financial skills that are required in order to take on the top job. Gaines-Ross points out that marketing, HR, and other experience where so-called softer skills can be developed also contribute to the growth of a leader. "The financial underpinnings are critical, but we're starting to see some CEOs with marketing, communications, and HR backgrounds," she says.

Today's Challenges

This is due in part to the way today's CEOs must interact both internally and externally. A corporate leader must have excellent communication and PR skills, Gaines-Ross says. "There's so much required," she tells *HRWire*.

Accordingly, leadership training must focus on developing all the necessary skills. "It's not just sending them to Wharton to read balance sheets," Gaines-Ross says.

In addition to training and development, however, there is another issue: retention. "I think one of the challenges for HR is a catch-22. It's understanding that younger people come in, and leave and move on. You need to build a loyal cadre of people," Gaines-Ross says.

To do this, companies must focus on being employers of choice. As a result, here's a greater sense of rewards, including psychic rewards, Gaines-Ross tells *HRWire*. People are interested in corporate citizenship, and those companies that are doing things that are right, she explains.

She notes that the younger generation has also created a greater demand for work-life balance and how, in terms of values, this is a concern all the way up the ladder. This focus is a driving force behind what a corporate culture should be about, she says.

It's all about acquiring and retaining talent, and the companies that treat their employees right have an advantage, Gaines-Ross says. "The Fortune best places to work list is extraordinarily popular and important, and has a huge impact," she says.

Time Will Tell

Reversing a trend, however, takes time, and it might be a few years before executives are once again striving to be CEOs. Yet Gaines-Ross tells *HRWire* she believes it is likely to happen. "I think the pendulum will swing back and people will want to be CEOs again. And there will be new role models," she says, indicating that a few CEOs are emerging as the kind of leaders the next generation will look to emulate.

Burson-Marsteller research shows that even though few executives currently aspire to climb the corporate ladder all the way to the top, a majority (87 percent) have confidence in today's CEOs. This is an increase of 10 percent over 2003, when 77 percent of executives expressed confidence in corporate leadership. Improvement in this area is likely to encourage would-be leaders, and should also help stem the tide of departures.

Indeed, global outplacement firm Challenger, Gray & Christmas indicates that overall CEO departures appear to be declining. In 2004, 663 top executives departed, compared with 929 in 2001.

When looking at the 663 who left in 2004, however, it's worth noting the reasons they departed. Of those who left top jobs in 2004, Challenger, Gray & Christmas indicates 246 retired and nine died. But the firm also reports that 213 resigned, 145 left without giving a reason, five were fired, four were ousted, and two were imprisoned.

Despite the negativity associated with this aspect of the findings, John Challenger, chief executive officer of Challenger, Gray & Christmas says the environment for CEOs definitely improved last year. He also anticipates a better climate going forward. "Earnings are improving for many companies, a fact which should give top executives more job security. Additionally, salaries are trending upward, which may mean fewer CEOs will depart voluntarily to 'pursue other interests' or go to a competitor," he says.

Challenger exercises caution with regard to a complete turnaround. "It's not entirely clear sailing for chief executives," he says. Like Gaines-Ross, he cites changes in corporate governance rules and increased scrutiny from directors as factors, and he points out these could lead to more CEOs being forced from office.

Experts seem to agree that steering the corporate ship is likely to continue to require riding more than an occasional wave. It's a lesson for future leaders-and for those who hire and train them-about the skills required to take the helm.

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Online: Burson-Marsteller site with CEO research and information, CEOGO, **http://www.ceogo.com.**

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