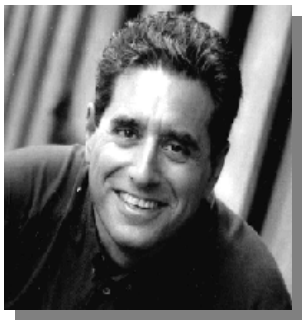

BY DAVID COHEN
For Workplace News

How to measure your CEO's value-add

It seems like only yesterday that the scandals broke and our faith in the high and mighty CEO was shaken. But now that the former top leaders at Enron, WorldCom, OmniMedia, and more are finally getting their day in court, the notion that a CEO can be a toxic force within a company feels like old news. Indeed, watching these events unfold in the media feels less like justice than a pathetic end to a long, drawn-out circus spectacle.

So what lessons did we learn? When CEOs transcend the role of company steward and become self-important and bigger than the company, it's only a matter of time before their blazing ego-fueled rockets fall back to Earth. Perhaps that gravitational certainty can provide us with some insight and comfort, but I'm not sure it's very helpful to the employees who accompanied their CEOs on the way down. They gave their best efforts for a bold vision and a set of values that turned our to be a great big lie from the corner office.

Although these high profile tragi-comedies are now drawing to a close, my fear is that we will soon fail into the same trap because we never really understood what went wrong in the first place. This suspicion of mine came to the fore-front recently when I read a report by Mercer Delta Consulting on CEO Evaluation.

CEOs have come under heightened scrutiny by the public, the capital markets and their boards, and Mercer suggested some new measures. The problem as I see it, however, is that all the scrutiny in the world won't make a difference if we're not looking for the right signs. As management writer Peter Drucker once put it, what gets measured gets done. Since CEOs are still being evaluated primarily by quarterly and annual financial numbers, there is no doubt in my mind that we will continue to produce leaders who strive for quick turnarounds and short-term wins at the expense of longer-term growth and sustainable competitiveness.

Let's think about using some different parameters to measure success. Imagine if a compensation expert, advising a board on how to evaluate their CEO, had a stake in how well-off the employees of that company would be in five, ten or twenty years time. Where would the focus be then? I suggest that the following six measures would very quickly become part of the CEOs pay for performance contract:

Values: Given that the CEO understands the company's values perfectly, what percentage of employees demonstrate these values in their on-the-job behaviours? It's the CEO's primary job to be an effective messenger of the organization's values.

Recruitment: Every organization has to constantly replenish its ranks. What percentage of new hires to the company come from leads provided by current employees without remuneration? If a company really is a great place to work, employees will recommend it to family and friends. If the company is just a pay-cheque, employees won't care enough to bother.

Viruses; Companies that are focused on short-term finances practice ruthless performance evaluations. Many, like Enron, have rank-and-yank policies that get rid of the bottom five or ten percent without question. As a result, employees with this "competitive virus" do whatever it takes to win. Sustainable, long-term success comes from job behaviours that are in accordance with organizational values. Positive performance reviews should support those who succeed with the right behaviours, not hotshots who violate those values. Viruses need to go, not be promoted. Employees know the difference.

Successors: An organization isn't going to thrive if its top leadership ranks aren't stocked with up-and-coming talent. Has the CEO and top team built a pool of potential successors who can move into those

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senior roles in the coming three to five years? If not, the company isn't going to have the right leaders at the helm for long-term success.

Finances: Real financial success should be measured on three-year cycles, not quarterly or annually. Of course, we need to track our progress along the way, but while many turnaround artists can look good for a year and a half a leader is someone who makes a difference in the long run.

Strategy: A winning competitive vision doesn't come pre-packaged and ready to implement. CEOs who copy what is working for a competitor may be meeting the expectations of backseat drivers, bur are they really putting their company in a place to succeed five to seven years from now? A successful strategic plan is unique to each company because it arises from that company's unique values and purpose.

If we incorporate such measures into our evaluation of CEOs, our organizations will be better off in the long run because CEOs will be forced to avoid quick fixes. I hold the same view about our society, when it comes to the issue of education. There is a parallel between measuring the CEO's quarterly results and measuring a student's understanding through the use of standardized testing.

While standardized testing has become the rage in school districts across North America in recent years, it's really just another quick fix. The unintended consequence is that it focuses students' learning and growth on the regurgitation of facts, not the absorption of knowledge.

Instead of turning out independent thinkers with sharp analytical skills, we turn out people who learn how to beat a test.

What kind of student do you want running your company or country some day?

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