Endangered!

Unless CEOs perform very well and very fast, they're history.
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Surprising as it may seem, manufacturing's CEOs have something in common with the threatened Barton Springs salamander and the Virginia big-eared bat. Chief executives, too, are on an endangered species list.

Jacques A. Nasser, the recently dismissed CEO of Ford Motor Co., knows first-hand the ultimate downside of being a CEO. So do Michael Bonsignore, formerly of Honeywell International Inc.; Jill Barad, formerly of Mattel Inc.; Richard McGinn, formerly of Lucent Technologies Inc.; G. Richard Thoman, formerly of Xerox Corp.; and Göran Lindahl, formerly of ABB Ltd. They're five more of the high-profile chief executives in manufacturing companies who have been jettisoned during the past few years.

It's not just your imagination. Companies are bidding good-bye to their CEOs at a faster pace than they did only five years ago, confirm executive recruiters Russell S. Reynolds Jr., chairman and CEO of The Directorship Search Group, Greenwich, Conn., and Nat Stoddard, chairman and CEO of Crenshaw Associates LLC, New York. More than 1,000 CEOs have departed their corner offices since August 1999, according to one recent estimate. And just last month, as Hewlett-Packard Co.'s acquisition of Compaq Computer Corp. seemed headed for trouble, there was widespread speculation that Carleton S. (Carly) Fiorina, H-P's chairman and CEO, might soon be shown the door.

Short-term underperformance, failure to meet earnings targets, poor employee morale and defections by senior managers are some of the reasons that boards of directors are moving rapidly to remove CEOs at major companies, says executive recruiter Reynolds. For example, contributing to Nasser's downfall at Ford, says Reynolds, was cutting the company's dividend, which "infuriated" the family. Apparently working against Nasser, too, was his campaign for diversity within senior management. That caused angst among people whose "assured" promotions seemed threatened, says Reynolds. An ill-fated acquisition that costs shareholders millions of dollars -- such as Barad's $3.5 billion purchase of the Learning Co. -- similarly can figure in a CEO's downfall, adds Reynolds.

CEOs have only five earnings quarters, on average, to prove themselves, asserts a brand-new study from Burson-Marsteller, an international public relations and communications consulting firm. The study data don't show big differences between manufacturing and service companies in the time they give their CEOs to succeed, says Leslie Gaines-Ross, chief knowledge and research officer at Burson-Marsteller.

New CEOs, on average, have eight months to develop a strategic vision, 19 months to increase the company's share price and 21 months to execute a turnaround, reports the study, which was conducted with the RoperASW unit of United Business Media PLC and drew on the opinions of 1,155 U.S. chief executives, senior managers, financial analysts, institutional investors, business media and government officials.

The management bottom line in the U.S., and increasingly elsewhere in the world, is that despite their other skills and achievements, CEOs who don't make their numbers will be history. If CEO's don't have creating value for shareholders as their No. 1 priority, "they're really not going to have" the chance to get to priorities No. 2, No. 3 and No. 4 -- the employees, communities, suppliers and others that have huge stakes in seeing a company succeed, emphasizes Crenshaw Associates' Stoddard.

To be fair to CEOs, however, the pressures on them to perform are tremendous and complex. They're expected to have better than 20/20 strategic vision, to execute strategies flawlessly, to satisfy the sometimes conflicting needs of company stakeholders, and to be teachers, motivators and ethicists.

What's more, CEOs sometimes walk into companies still wedded to old strategies, in which executives or boards of directors say they are for change but don't fully buy into the new person's plan, points out Chicago-based Birgit R. (Bee) Westphal, managing director of the industrial/manufacturing practice at Christian & Timbers, an executive search firm. "Jac Nasser was an incredible CEO," she asserts. "Was the company ready for all his changes? I don't think so."

Indeed, when a CEO lasts less than two years, the board also needs to take some responsibility, asking what went wrong, stresses Stoddard. Was there something wrong with the screening process? Were the board's expectations unrealistic? Was there a succession plan worthy of its name? Was there something wrong with the company's strategic direction? "You can't lay [all the blame] on the doorstep of the CEO that [the board] brought in," insists Stoddard.

"Personally, I think that all CEOs should be judged on a three- to five-year rolling time frame and not short, short term," says Reynolds.

"But the world is not uniformly going in that direction," he acknowledges.

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