

# The CEO Insomnia Factor

What keeps CEOs  
awake at night –  
and what to do about it.

The Monthly Essay from  
CEO **2** CEO

## The Chief Executive Challenge: Has It Always Been this Hard?

I'll be the first to admit that I thrive on challenge, like most CEOs. But challenges don't always come when we're ready for them, nor are they uniform in size. In my own experience, they come in clumps, which I never appreciated at the moment, but which I can now euphemistically call "professional growth periods."

I see a number of bright, effective, powerful CEOs going through "professional growth periods," and I have to ask myself if the job of being the CEO of a growing, mid-market company has grown harder.

I think it has. But in a recent on-line discussion I kicked off with seven other CEOs, a number of them asserted that while it might not be harder, it is most certainly different, requiring new skills and new approaches by today's CEO. Adding their comments to my own experience I came to the conclusion that there are four competencies that must be mastered today that weren't as important 10 or 20 years ago.

### New Challenges:

1. **Intensive Information Gathering and Interpretation.** The CEO and their team can access ever-more information about their own business and the global marketplace. They must process all this data and make informed, timely business decision as the landscape shifts, while still focusing on execution and delivery of value.

The most powerful component of my undergraduate business education was learning a formula that created a single number. It represented the historical inventory usage pattern of every inventory item that would be useful in forecasting timely reorders. This component was critical because my mini-computer could only store one historical value for each item—this despite the fact that I had invested in a powerful computer system with two terminals, spinning 20 megs of hard drive capacity. Flash forward to yesterday, where Craig Sardella of Comstock Mortgage showed me his iPad with real time dashboards and data on



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"normal" sized companies—2 billion in revenues or more.

Perspective is everything. The majority of businesses in the USA would LOVE to be 250M in revenues, and would think they had plenty of resources.

There is truth in both perspectives. The challenges of the middle market are different than Fortune 1000 companies, and different from small businesses. And CEOs running a 50M business have not yet fully understood what it takes to move the needle on a firm five times their size. Nonetheless, it is all hard work. This month's essay looks at some new challenges that face middle market CEOs as compared to five, ten or 20 years ago.

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every internal performance metric in his seven location firm.

This level of investment in gathering large amounts of information and making it accessible and easy to interpret is a sea change from years past that requires different talents and resources. Small companies have a lesser challenge, as they can “feel” the internal realities, and often find tiny niches of success within their marketplace where they can thrive without monitoring and reacting to the entire external environment. But as companies grow and become mid-sized, the challenges grow. Multiple locations, high volumes of transactions and bigger head counts require systems and processes which can monitor performance and highlight potential failures and areas for improvement.

Even more of a challenge than building systems for tracking internally generated information is the collection of marketplace intelligence and its rigorous interpretation. Inputs on overall market demand, trends, imbalances, shifting relationships between customers and the competition, technology changes and many more pieces of data help us tactically (i.e. who to sell and when to approach) as well as strategically (i.e. new markets, M&A). Whereas Fortune 1000 firms have long had the luxury of “strategy departments,” the pressure to collect and interpret marketplace changes has landed at the feet of the mid-market CEO, and demands both attention and resources.

Craig Saxton, CEO of Specialties Café and Bakery gave me a peek into an impressive self-built system they use to reconnoiter possible new

sites for their quickly expanding café chain. It was illuminating to hear the number of information sources as well as the organization of that data and the tracking of the process for making go/no-go decisions.

In my on-line discussion, the point was raised that today’s CEOs may have it easier, in that they can more easily make informed decisions. 20+ years ago there was more “decision making in the dark” than there is today. But I’d argue that it requires more effort to make a similar decision today, though I’ll concede that the results of the decisions today

“*The pressure to collect and interpret massive amounts of data has grown at the feet of the midmarket CEOs*”

probably have a better chance of success than they used to. Do we spend less time on bad-decision disaster recovery than in the past as a result? I’m not sure, but bad-decision recovery skills have been and will always be a core CEO skill.

## 2. Public perception management.

I remember well the Chicago Tylenol deaths in late 1982, when seven people died after taking tainted Tylenol. No-one at that moment knew whether it was a Johnson and Johnson caused tragedy, or something/someone else. I remember discussing this in business school, and how the CEO must effectively manage

negative PR. We now know it was murder: Some sick individual put cyanide in the capsules and put them back on the shelf. They have never been caught.

Today, courtesy of technology generally and social media specifically, the management of public perception is many scales of magnitude more difficult. It started with an internet and databases that never forget anything. So the more a negative incident spreads around the world, the more the permanent “stain” remains, recorded forever. With advent of e-mail, messaging and digital communication that is fast and free, many people could receive messages at once. (It used to take getting in the paper to really achieve this.) With the billions of people connected via social media, news spreads through common-interest communities like wildfire, unedited by any trained reporter. Much of the time that used to be spent watching television is now spent communicating worldwide, with groups of people talking about anything and everything.

In contrast, in the 1980’s and a few hundred years prior, the typical relationship between a consumer and a product company came via the shelf and the labeling. The consumer could write letters to the company or try to call them, but that was about it. If you were angry, you told your family and neighbors. For business to business, you might have talked to industry peers at the twice per year trade conference, or at worst, complained about a problem product to every sales representative that came through your door—and they might spread the news.

Communications technology has changed expectations among customers and their behavior. Within just the few years we've had internet technology, the customer has become outspoken. When my home's water main burst repeatedly after being replaced, I was eager to put a bad-rating of this terrible plumber on line. I had many options to do so. I had second thoughts about permanently affecting the reputation of my ex-plumber, but when it blew open underground for the third time, I posted my thoughts. Most of the billions of connected humans are outspoken without hesitation, and they believe it is their right (or even their duty) to expose the problems they discover.

So the knowledge that people can talk about your company and that they are pre-disposed to do so represents a new challenge for today's business leadership. Specifically, we must:

1. *Hold ourselves to a higher standard for quality, behavior and values—indeed all aspects of our actions. Simply put, one way to have a great reputation is to be great.*
2. *We must look at everything we do from the outside in order to understand how it will appear, and to make sure it appears as it really is.*
3. *We must monitor all the channels of communication (Twitter, Facebook, Google, the newspaper (still), etc.) so we know what and when is happening.*
4. *We must respond when a response is important, and be adept at communicating in this new way, mindful that people will communicate about the way we communicate. Netflix's recent communication*

*from the CEO about why it was increasing pricing and changing its organization is a case in point. It didn't go well.*

5. *We must be pro-active in social media by becoming a known and strong voice. We can provide interesting and useful content and be part of the discussion. We can facilitate and support community super-users as well. Savvy companies are using social media to their advantage.*

Today's CEOs must, in real-time, influence and manage an ever-more empowered, connected and outspoken set of globally dispersed stakeholders. This is without doubt more challenging than the PR management of old. And the shift over time isn't the only difference. Where before having any focus on PR was a big company tactic, today, mid-market and small businesses alike have access to social media tools at low cost and can see the discussion in the cloud and can attempt to shape it.

**3. Global fluency.** Thomas Friedman's *The World is Flat* wonderfully articulated that the boundaries of our country no longer are the boundaries for our business—or other nation's businesses. Of course, there were always giant multi-national companies, and there have always been importers and exporters. But today mid-market business leaders must be able to work globally, understanding and leveraging opportunities abroad, and understanding and defending against threats from abroad.

One of the reasons we must be global is that they are: Our competition from Europe, BRIC and everywhere have been coming after the global market, including the US. If we want to survive and scale, we must do the

same. I have one client that is a \$70 million USD French manufacturer with eight locations around the globe and their website is in six languages.

Another reason is that price pressure is the norm, and we must look everywhere to optimize sourcing, regardless of the country of origin. Most US companies have accepted this, with China being the biggest beneficiary. This also applies to sourcing talent, and often that talent doesn't want to leave their home country. For example, many mid-market companies have a software engineering group abroad.

“*The boundaries of our country no longer are the boundaries for mid-market or even small businesses. We all play globally.*

A third reason is that for mid-market businesses to achieve economies of scale, they need to access the demand of multiple countries. That means effective sales in many countries.

I suspect that most of the chief executives reading this already know the complexities that being a multi-national mid-market company brings. They include having staff and leadership with different cultures and different languages. Teams situated globally are working in significantly different time zones making communication more difficult, and traveling takes time and has cost. Working in different currencies adds complexity

and risk, and many geographies have country-specific political risk. Add to that the number of regulations in each country, plus the regulations that one country may place on doing business with other countries and you have quite a cocktail of complexity.

For example, take Data Physics, a silicon valley based mid-market firm with sales in the mid-8 figures that makes sound and vibration test equipment. They have operations in two California locations, France, UK, China, Germany and India. At headquarters, the CEO was born in Sri-Lanka, and their COO was born in France. Being global is normal for them, but complex nonetheless.

While there are firms that specialize in helping small and mid-market firms with expanding their global reach, the job of running a mid-market company has gotten harder because of the need for global fluency.

**4. Leadership team agility.** The CEO must attract, lead and retain a leadership team with extraordinary agility. Only part of the story is speed. The business world moves fast and is getting faster. My 13 year old daughter was aghast to learn that faxes once took 4 minutes to send, not that it matters for her—she's never faxed, and probably never will. For her, e-mail is slow!

But something is changing in the way we work as well. We used to gather information, then analyze it. The gathering could take weeks or months, often longer than the analysis. But now, most of us blend information gathering with analysis in our decision making. Because we are in an environment where data is gener-

ally accessible, we grab what we need to get our analysis started. Each early hypothesis leads us to desire more data. Clearly this process powers better decisions and so we rely on it. Yet any delay in access to information or team members stops our progress in its tracks, so we demand more speed, more accessibility.

Our customers are no different. They demand that we work faster and deliver faster. If we don't, they turn to our competitors. So we have to be able to address key problems, release products and innovate successfully, in much less time than we used to. This reminds me of the fast paced, scramble-for-results environment of a startup.

Entrepreneurs tend to be people with great business agility. Agility is defined as, "the power of moving quickly and easily; nimbleness; the ability to think and draw conclusions quickly." Entrepreneurs are able to innovate and deliver quickly, to "turn on a dime" when needed. They must have broad skill sets since they can't afford to hire top talent in each functional area. While many small businesses can be led by an archetypical entrepreneur who can learn quickly, innovate, adjust and adapt, in contrast mid-market businesses need a CEO that can act like an entrepreneur, but who can and will, at the right time, focus and execute well to scale the results.

Yet mid-market businesses cannot thrive on the CEO's competencies alone. They need an entire C level team that has the blend of entrepreneurial skills and executive skills, and it's the CEO's job to find and retain that team.

Today's pace is such that it requires businesses in the mid-market to be led by a set of agile leaders. I'm reminded of a discussion with Dave Dutton, CEO of Mattson (MTSN) who, during a time of great challenge, had built a top team capable of "behind the back passes," where each of them were able to innovate and move the company forward in their own domain, while moving in sync with each other.

With four new challenges for the middle market CEO, one would hope that a few old challenges have disappeared. Perhaps so, perhaps not. But these new challenges require competencies that are in addition to many, many core CEO competencies like leadership, strategy, planning, finance and many others. We may debate whether the job is hard or harder than before, but easy it is not. Of course, that is what I like about the CEO job: Never boring, always challenging, always needing to learn. ■

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