

# learn or churn

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Required Reading for Growing Companies

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Churning is the forced turnover of CEOs. CEOs need to learn what to do and who to be to avoid becoming a statistic in this growing phenomenon.

## CHURNING

The figures on forced turnover of CEOs is staggering – one in four companies went through three or more CEOs in the 1990s. In 2005, a study, “The World’s Most Prominent Temp Workers,” by Lucier, Schuyt and Tse, found that CEO forced turnover was up 300 percent in 2004 over 1995. Furthermore, other studies indicate hyped expectations in a boom that lead to more turnovers than in recessionary times.

Scholarly literature has grown up around this topic. Bob Hamilton, Chief Operating Officer of James F. Knott Realty Group in Timonium, and also a Ph. D. candidate in Organizational Leadership at George Washington University, referred me to a paper by Mackey, McKelvey and Kioussis, “Can the CEO Churning Problem Be Fixed? Lessons from Complexity Science, Jack Welch and AIDS” (2006).

## WHAT TO DO

Rejecting hypotheses of failing top management and dysfunctional Boards, the authors focus on the struggle of firms to respond to the fundamental changes of increased competition, economic uncertainty and multitudinous strategic options. They argue that Boards and CEOs must abandon the charismatic leader and command and control models of leadership.

Instead, a la Jack Welch, there must be 1) sufficient freedom at lower levels for self-organization, backed up by 2) porous divisional walls and economic rewards that encourage sharing of best practices. Further, there must be 3) forced divestiture of underperforming “C” employees and underperforming business units (In 10 years, Welch divested 130,000 of 400,000 employees while acquiring 70,000 new employees).

As the authors point out, through all these methods and more, Welch created the requisite variety and complexity inside his company to match the variety and complexity of the external world it faced. He became an enabler of employee and divisional auton-

omy, a heterogeneous work force, connectivity links and emergent self-organization.

So, you ask, what does this have to do with me? I don’t happen to have 400,000 employees or 350 business units like Jack Welch. True, but you can look at the following in your company:

1. Do you have an atmosphere of novelty, innovation and learning emanating from your employees?
2. Is matching employee talents with position responsibilities carefully considered, and is training tailored to rapidly maximize employee performance?
3. Do you have events within your company where the structure and physical location encourages ideas to circulate freely without regard to hierarchical or other considerations?
4. Do you have professional facilitators at such events to minimize personal and task conflict and insure fruitful networking among employees?
5. Have you reduced or abolished hierarchical layers so your company can move faster?
6. Are you continually seeking and facing reality, whatever tension that may produce, and are you setting goals that use that tension to force company progress?
7. Can you organize and reorganize so your employees live in that fruitful land between bureaucracy and chaos?
8. Do you have a way to keep track of developments within your company to enable and steer the necessary variety and complexity?
9. Externally and internally, do you encourage breadth in contacts so that “wide-think” rather than “group-think” is the company norm?
10. Over time, do you embody and promote a culture where selfless sharing of good ideas and endless searching for new ideas are primary values?
11. Does your incentive system support positive answers to all the foregoing questions?



Wayne Caskey

## WHO TO BE

So you know what to do to minimize the chance of becoming a churn statistic. However, who you are speaks much louder to your employees than what you do. Employees are great at spotting phonies whose espoused ideas and programs don’t match the way they live day to day.

In *Conscious Business* (2006) Fred Kofman points toward those internalized attitudes you need to maximize your leadership influence.

First, personify unconditional responsibility rather than unconditional blame. You can always blame industry conditions, the condition of the economy, the foreign competition, the government, or the unreasonableness of the stockholders or the Board. But you are the responsible party here, and what are you doing about it? Then ask, “In your heart of hearts, do you hold essential selfishness or essential integrity?” As you chart a course, do you look first at the effect on your own compensation, short run corporate fortunes or long run corporate fortunes?

Also, are you moved by arrogance or humility? Must you control, or are you open to the proposition that you do not have sole or superior access to reality or truth? Do you

seriously believe that anyone in your organization may at any time have a better idea than you on any topic? Next, are you manipulative or authentic in your communication? Are you seeking to bring others around to your way of thinking, or are you truly seeking their ideas? Does your communication with employees spring from who you know yourself to be or from some other place?

Then you can subscribe to Clark Moustakas's model of constructive negotiation:

"In the creative dispute, the persons involved are aware of the others' full legitimacy. Neither loses sight of the fact that they are seeking...to express the truth as they see it...Such a confrontation, within a healthy atmosphere of love and genuine relatedness, enables each individual to maintain a unique sense of self, to grow authentically through real communication...and to realize the worth of simplicity and directness in relationships."

Also, do you keep your commitments impeccably? If you do, you foster "a sense of achievement, dignity and self-worth" in your culture. Also, do you praise kept commitments, or only ask "what have you done for me lately?" Finally, are you the master or servant of your emotions? Do you revert to conditioned behaviors in stressful situations? Or, while registering internally your emotions, are you at choice about your words and actions? Can you remain centered within yourself in the midst of a storm? Are true gratitude and forgiveness part of your emotional repertoire?

A tall order, you say. Yes. It involves self-acceptance of who and where you are, self-forgiveness when you falter and self-determination to press on. Even when you've followed the external and internal prescriptions, you merely minimize your chances of being churned. You do, however, guarantee that you will emerge from any churn intact and on your feet.

Wayne Caskey, a three-time CEO, is now an executive and team coach. His Web site is [www.waynecaskey.com](http://www.waynecaskey.com).