

A Predicament of Today's CEOs

by Jon Craighead

In the 2014 June issue of the Harvard Business Review there is an article by Clayton Christensen, the creator of Disruptive Innovation, and his colleague Derek van Bever. Both are professors at Harvard Business School. The article is titled "The Capitalist's Dilemma" and is organized as follows: *Problem:* What is the connection between slow growth in the U.S. Economy and corporate reluctance to invest in market creation? *Analysis:* Investors and executives have been trained to think of capital as their scarcest resource – and this has led to unhelpful ways of assessing investment opportunities. *Solution:* We need new ways to measure and define success. The article points out that in the last 60 months since the 2008 recession the economy is still sputtering and producing uninspired growth and hiring numbers, while CEOs are sitting on large amounts of cash. The question then is, why are today's CEOs afraid and hesitant to venture into a market place that is crying out for creative applications and new solutions?

Many CEO's are protecting cash assets as their ultimate objective, as if they are unaware that the effect of this is that businesses are stymied and multiple scenarios are not being realized. One conceivable explanation is the fact that there is so much uncertainty in the marketplace; however, historically, great leaders have thrived on uncertainty. Such leaders have a vision that goes beyond what's immediately obvious. This is the domain where competitive advantages transpire and market leadership is born.

Why are these leaders so thwarted? One answer is that CEOs in today's business environment are deathly afraid of making mistakes for which they risk being vilified or even fired. Shareholders who focus solely on profits have business executives handcuffed, perplexed, and tentative. They are expected to produce new and innovative products that create demands and result in sales – i.e. profits that ultimately lead to greater shareholder value. Conversely, these leaders need to be supported, confident, and free to creatively explore their markets.

To further illustrate this point, Roger Martin, dean of the Rotman School of Management at the University of Toronto, in his new book [Fixing The Game](#), proposes that in today's paradoxical world of maximizing shareholder value, which Jack Welch himself has called "the dumbest idea in the world," the situation is the reverse. CEOs and their top managers have massive incentives to focus most of their attentions on the

“expectations market” rather than on the real job of running the company and producing needed products and services. Martin’s view of today’s mode of operation echoes the concerns of many as to how such behavior affects future competitiveness.

Today’s media blitzes can take a single idea and create hours-long conversations that condemn or promote a particular viewpoint. This results in business leaders constantly looking over their shoulders as they manage their organizations. It’s no wonder so many are using uncertainty as an explanation for inaction. The unsustainable focus by CEOs on the stock market is turning our organizational leaders into timid decision makers who are avoiding making mistakes, instead of blazing new trails as creators and innovators of new products and services.

How do we meet this conundrum head on? A suggestion is to shift the focus away from the shareholder concerns toward the customers’ needs. After all it is the customer that controls the revenue, not the shareholder. In reality who knows better what is needed or missing than the customer? Developing a keen ear for the pulse of the marketplace is a consequential starting place. Building positive partnerships with prospective buyers is a crucially important activity. It’s also worthwhile to remember that while statistics are very helpful they cannot replace the human component. The best approach is a candid and reciprocal respect between sincere people that produces the maximum benefits for each. A successful enterprise benefits all. Ultimately, success is not in the numbers; it’s in the relationships that make all things possible. Bear in mind it is seldom the fast and furious that endure but those who can endure to the end. Success is rarely an immediate result and more often than not is a process realized over time.