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October 2006
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10/17 — **Hartford** — Howard S. Bader

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Insider Insight

Avoiding the 40 Percent Executive Failure Rate

By Scott Eblin

As an executive coach and former Fortune 500 vice president of human resources, I've watched hundreds of professionals make their way up the organizational ladder to the next level of leadership. But in many cases, unfortunately, the higher they climbed, the harder they fell.

What is the common denominator among these failed executives? To a person, they did not realize that what got them there, wouldn't keep them there.

Organizational studies suggest this lack of leadership preparedness is more the rule than the exception. My own research concurs. I interviewed some thirty successful executives from a variety of industries and sectors, including organizations such as Avon, Northrop Grumman, Capital One, the U.S. Army, Sallie Mae and America Online.

These leaders revealed to me that what got them to the top — the knowledge and skills that made them successful on the way up — wasn't enough to enable them to succeed in their executive-level positions. To thrive at the top tier of leadership, they needed to pick up some new beliefs and behaviors while they let go of some others — or risk failing as executives.

40 Percent Fail

Workplace surveys reveal that 40 percent of new executive leaders don't last 18 months. The reason? Moving successfully to the senior level requires you to do three things that aren't instinctive or commonly taught in executive development programs:

First, confidently step into your executive role. It's common for new leaders to feel like imposters during their first few months on the job. To succeed, you must project a strong

executive presence in spite of how you may feel inside.

Second, clarify and confront your own leadership weaknesses, through self-assessment and by soliciting feedback from trusted peers, bosses and subordinates.

And third, choose to change by picking up the new skills and behaviors you need to become an effective leader, and letting go of unhelpful habits that get in your way.

Let Go of Self-Doubt

As a new leader, your first challenge is to show up with confidence. It's normal to feel uncomfortable in your new role — if you don't, you're probably underestimating what's ahead of you. The key is to not let it show, but rather to show up confidently at the executive level:

- **View yourself as a peer from the beginning.** Remember, you were promoted to the next level because those who are already there deemed you capable of the role.
- **Be aware of your inner critic.** We all have an inner voice that questions our ability to overcome obstacles and succeed. Tap into your competence and don't let the inner critic take over.
- **Be ready for executive meetings.** Learn all you can about what's to be discussed, prepare your position and key points, and actively participate.

Let Go of Running Flat-Out Until You Crash

When faced with a challenge or crisis, many leaders believe they'll pull through as they have in the past — by driving themselves relentlessly until the problem is solved.

The trouble with this approach at the executive level is that beyond every challenge, there's another one waiting to

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take its place. If you keep it up, you'll eventually drive yourself into the ground. Instead, develop a routine of recovery and renewal that refreshes you:

- **Get physical.** Regular physical activity strengthens your body and mind — and relieves stress.
- **Make time for spiritual revival.** A walk in the woods, meditation or prayer, and time devoted to just being still or quiet can be rejuvenating.
- **Repeat: “I am not my job.”** You are an executive because of what you do — and who you are. Realize your potential at work, at home and in your community.

Let Go of Self-Reliance

Leadership means turning work over to your team and supporting their efforts even if — today — they aren't able to do the work as well as you can. Turn self-reliance into team-reliance:

- **Don't compete with your team.** Direct your competitive drive to the external world and collaborate internally.
- **Get the right people in the right roles.** Hire people who are as smart and capable as you and contribute to successful outcomes.
- **Redefine how you add value.** What you do and how you do it is less tangible when you're a leader. Ask yourself, “Given my role and the experience I bring to the table, what is it that only I can do?” The list of answers

Scott Eblin is a former Fortune 500 executive and author of *The Next Level: What Insiders Know About Executive Success* (Davies-Black, 2006, \$26.95). A professional speaker and executive coach, he advises senior-level leaders in organizations from America Online to The World Bank. Contact him through eblingroup.com

to this question should be short — but high in organizational value.

Let Go of Only Looking Up and Down

Four-out-of-five new executives neglect to build partnerships with Peers — and wind up failing in their jobs as a result, according to research conducted by the Corporate Leadership Council. These executives are plagued with what I call “vertical tunnel vision”: A tendency to look up to the boss and down to subordinates — and to virtually ignore their peers.

I made this mistake myself when I was recruited to Columbia Gas Transmission as vice president of human resources. I thought the best way to get started was to travel to the field and get a feel for the company and my staff — not a bad thing, but I overdid it. Within a few weeks, I started to get feedback that my new executive peers were wondering where I was.

I had quickly developed an acute case of vertical tunnel vision. I was looking up to what my boss — the CEO — wanted, and looking down to learn more about my functional team, but I was totally disconnected from my peers on the senior-leadership team.

Broadening your field of vision

by looking left and right offers a 360-degree picture of the organization and your role in it. To build relationships with peers:

- **Learn *their* business.** Ask peers about their work and how you can support them.
- **Share *your* business.** Be open and honest about your objectives, challenges and perspective. Solicit feedback.
- **Show up as an equal.** Find give-and-take opportunities to streamline operations, overcome obstacles, and back one another's efforts.

Let Go of a Low-Profile Vision of Your Role

As an executive, you're always on stage — whether you like it or not. Everything you say and do has a ripple effect.

This was another lesson I learned the hard way. Early in my career, I was a director in the West Virginia governor's economic development office. One day, I was scheduled to deliver a speech at one of the state universities.

That morning, the *Wall Street Journal* ran a front-page article criticizing West Virginia. The article contained dozens of factual errors and seemed to me like an unjustified, cheap shot.

I began my speech by sharing my anger and opinions about the article. The next morning, I was horrified to read in the local newspaper that an official from the governor's office (me!) had openly criticized the *Wall Street Journal* in a speech the day before.

I hadn't realized there were reporters in the room when I gave my speech. Fortunately, my boss was understanding. I got off with a reprimand — and a valuable lesson.

Keep the potential liabilities of your higher profile in mind by practicing these strategies to protect yourself:

- **Act like an ambassador of your**

A New ExecuNet Event!

The Next Level: What Insiders Know About Executive Success

Attend this 90-minute, web-based program to discover the keys to success in your new position. You'll benefit from Scott Eblin's 20 years of experience as an executive coach, author, speaker and researcher. Among the topics Scott will discuss are the:

- New behaviors and beliefs you must pick up, or let go of, in order to succeed
- Nine sets of opposing behaviors that can make or break executive leaders, and how to handle them
- Types of support you need and where to find it

Special Bonus: When you attend this webinar, you'll also receive a FREE copy of *The Next Level: What Insiders Know About Executive Success* by Scott Eblin (a \$26.95 value). This FastTrack program will be presented on Wednesday, October 18 at 4:00 pm ET. Registration information can be found at www.execunet.com/fasttrack

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Compensation

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pensation package is to ensure that shareholder value increases while executives gain increased returns. “The key is not to create pernicious incentives, [such as] too great a focus on short-term profitability to maintain share price at the expense of sustainable increases in value,” says Watkins. “This is usually done through progressive vesting and other mechanisms that regulate the timing of things like option grants. And few executives really pay the price of poor performance, because they negotiate great exit packages.”

Winning the War

Cherry says that, in general, executive compensation has increased from year-to-year in certain industries because of that war for talent — there aren’t enough qualified candidates and companies have to do all they can to secure the best talent to lead their efforts. He notes how Sarbanes-Oxley created an environment in which individuals with compliance regulation knowledge were sought after by many companies.

“Right now, there is still a limited pool of individuals who have enough experience and knowledge to fill the executive level for that function,” says Cherry. “The higher demand [coupled] with the small pool [of candidates] means companies have to offer considerably higher pay packages each time they need to go out and hire a chief accounting officer or top SEC compliance officer. This will continue until the talent pool is filled with enough qualified individuals to fill the open positions.”

To effectively use compensation

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organization. Think before you speak and practice diplomacy.

- **Listen to what others have to say.** Beware of pushing your own views too hard. You have two ears and one mouth for a reason.
- **Choose effectiveness over being**

Executive Compensation Checklist

There are so many variables to consider when organizations build compensation packages to offer to their new executive hires, from ensuring shareholder value to executive satisfaction as well as addressing federal regulations (such as FAS 123R, Sarbanes-Oxley and the new SEC proxy disclosure rules). Presidio Pay Advisors created the following checklist to guide organizations as they plan their compensation packages for 2007.

- **Draft a compensation philosophy and objectives for the company’s executive compensation programs.** Discuss the elements of executive compensation. Outline how these elements link to company performance. Discuss why these elements were chosen and how they related to one another. **Responsibility: Compensation Committee and corporate human resources.**
- **Conduct a competitive analysis of all components of executive compensation.** A detailed analysis covering your peer group and published compensation survey data will provide a comprehensive understanding of competitive levels of pay and the balance of each pay element across the total compensation package. **Responsibility: Compensation Committee.**
- **Review the current stock option and equity compensation usage and strategy against the competitive market and the remaining pool of options available for grant.** Recommended analysis includes: current overhang/dilution analysis; historical annual grant rate/run-rate analysis; future annual grant rate/run-rate analysis and modeling; exploring the benefits of alternative equity-based compensation vehicles. **Responsibility: Compensation Committee, corporate executive management and corporate human resources.**
- **Evaluate the performance measures and payouts of the annual bonus plan for executives.** Determine if bonus plan performance measures align with shareholder and company success. Define the company’s threshold, target and maximum payment levels in accordance with competitive practices. **Responsibility: Compensation Committee and corporate human resources.**

packages as tools in the fight to win the war for talent, Davis stresses their contents must first suit the needs of company owners. They must then be competitive to draw great talent. “But linking pay to performance is a critical requirement,” he says.

Compensation Compliance

While companies continue to sweeten their compensation deals to attract the best talent available, they are also keeping a strong focus on complying with new regulations. Cherry says many

companies are reviewing their executive compensation packages as they prepare for the new SEC proxy disclosure rules. “We are seeing the Compensation Committee reduce the subjective component of bonus plans by setting clear and measurable performance measures in those plans,” he says. “We are also seeing a move to restricted stock plans in exchange for stock options to limit the impact of the FAS 123 expense and reduce shareholder dilution.” The goal of FAS 123 is to establish financial accounting and reporting standards for

right. Marc Effron of Avon says, “The right solution is the one that actually solves the problem with all members of the group being relatively happy they are moving in that direction.”

Leading at the Next Level

Success at the next level of leadership depends on your ability to step up with confidence that you can do the job you

were promoted to do, clarify and confront your leadership weaknesses, and choose to change what isn’t working.

Insanity has been defined as doing things the way you’ve always done them and expecting different results. Don’t be among the 40 percent who fail at the executive level. Pick up the skills and behaviors you need to succeed — and let go of those that are holding you back. ■