Who Advises the CEO?

By Andrew Sobel

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Today's corporate leaders face an unprecedented pace of change and a daily need to make difficult, complex choices. Sage, trusted advisors are needed more than ever. But whom do CEOs really turn to for advice and counsel? The answers will surprise you.

Behind every great leader you'll probably find at least one great advisor. Alexander the Great's tutor and counselor was Aristotle, ancient Greece's famed philosopher and scientist. France's King Louis XIII chose as his chief advisor Cardinal Richelieu, who became the architect of modern state government; and President Franklin D. Roosevelt had the services of the trustworthy Harry Hopkins as well as General George Marshall. References to famous advisors in history and literature are contained in words like *éminence grise, mentor*, and *Machiavellian*, which are now fixtures in our modern vocabulary.

As society has evolved, the sources of great advisors have also changed. In the ancient world, oracles were commonly consulted for important decisions; King Croesus and the Roman Emperor Nero were among the many leaders who made the pilgrimage to Delphi, Greece, to seek the advice of the oracle in the temple of Apollo. In the Middle Ages, clergy—for the simple reason that they could read and write—often served as advisors to kings and queens. During the Renaissance and into the industrial age, a mercantile class developed, and bankers, accountants and lawyers—individuals like Thomas More, the Rothschilds, and J. Pierpont Morgan—gained preeminence as counselors to political and business leaders.

Today, a whole new cast of top management advisors has emerged. Many professionals, for example—management consultants, investment bankers, lawyers, publicists, university professors, executive coaches, and even pollsters—now style themselves as “counselors to management,” presuming to take on the mantle once worn by Catholic Priests and Florentine bankers hundreds of years ago. A US president is as likely to be found calling on the motivational guru Tony Robbins for sage advice as he is lunching with the Reverend Billy Graham.

At the root of this enormous advice industry is a simple fact: the job of leading and managing a complex organization really is harder than ever. The half-life of information is getting shorter and shorter, and the strategic choices available to a CEO have multiplied. It’s also a lonely job. Charles de Gaulle once wrote about the loneliness of the leader the produces “that vague sense of melancholy which hangs about the skirts of majesty”; and the emperor Charles I complained that “there was never man so alone as I.” Professor C. K. Prahalad, a renowned strategist and CEO advisor who has consulted to the heads of well-know companies like Citigroup and Phillips, tells us that “In large companies, there is a great deal of loneliness at the top. You cannot really confide in your top team, and there is limited interchange with other CEOs. Yet the rate of change is accelerating, and the strategic choices are more varied and complex.”

So who advises the CEO today? Does the board of directors, often consisting of other experienced, battle-hardened company heads, fulfill on this role? Do CEOs find sage confidants among their subordinates? Are the senior partners from Booz Allen or Goldman Sachs really the top-management advisors they aspire to be? What about other, more traditional sources of advice such as religious figures, friends and family?

During five years of research into the ingredients of great client relationships, I spoke with dozens of leading CEOs, and an equal number of top managers, about their closest, most trusted advisors. The results were surprising. Most of us would assume that CEOs have access to the best advisors in the world, and regularly profit from their wise counsel—yet many corporate leaders professed great difficulty and frustration in finding truly objective individuals to help them resolve their most important issues.

Let's look at who chief executives do and don't turn to for advice as they struggle with their most important decisions. I've quoted many of the CEOs by name, although a few, because of the sensitive, personal nature of the subject matter, asked not to be identified.

The Board of Directors

Beginning in the late nineteenth-century, John Pierpont Morgan pioneered the use of board directors as agents of advice and influence. At the height of his power, Morgan and his banking associates controlled 72 directorships in 112 companies. Today, boards are a key element of effective corporate governance, and, in theory, a source of wise advice for the CEO. Behind all the feel-good language about a trusted partnership between the CEO and his directors, however, lies a very different reality. While some CEOs said that they had one or two directors in whom they regularly confided, most expressed grave reservations about using board members as trusted advisors.

The CEO of a major telecommunications company put it bluntly: “You have to be very careful about using directors as advisors. The role of the board has changed dramatically over the last ten years, from advisory body to shareholder watchdog. Part of their job today is to pressure management. They may have some specific, subject-matter advice to give, but you cannot open yourself up to them.” Another CEO echoed these words, even citing the case of another company head who had made the mistake of confiding in a director: “One CEO I know sought advice from an individual boardmember about a very sensitive issue. This put the CEO’s competence into doubt in the director’s mind, and he shared his concern with the rest of the board. It was a very damaging incident.” The chairman of a Fortune 50 company was equally forthright about the limitations of his board: “Our board is very valuable as a sign of public trusteeship. We have one of the finest boards in the country, but frankly, they have never given me particularly noteworthy or valuable advice.”

James Robinson, the former chairman and CEO of American Express and a director of several major companies, reflected on his experiences on both sides of the fence, commenting that, “as a board member, sometimes it’s hard to be a real advisor to the CEO. There is a We-They mentality on some boards. I personally am more helpful as an independent, outside advisor than as a director. When I’m independent, I can be a true sounding board for the CEO. That’s difficult when you’ve got certain fiduciary duties and are encumbered with official schedules, etc.” Win Bischoff, former CEO of Schroders merchant bank and now head of Citigroup Europe, has also personally played all three roles—advisor, CEO, and board member. He added that “if there is any real advising done by board members it is conducted entirely outside the board—typically over a discreet, private dinner."

The bottom line: a trusted advisor is someone you can expose your innermost doubts and thoughts to, and most CEOs aren't ready to undress for their boards.

Members of Management

Leadership best practice has it that CEO's should not be aloof, authoritarian figures but rather "team leaders" who set vision and goals for the corporation and then roll up their sleeves and dig in with the rest of the top management team. Implicit in this approach is the idea that the CEO can also draw on the advice and counsel of his most trusted senior managers.

Again, the reality is different than what theory might suggest. Ultimately, CEOs want to be perceived as having ironclad faith and confidence in their decisions—after all, if the leader has serious doubts, who is going to follow him? While most of the CEOs I spoke to said that their employees and managers were a terrific source of specific ideas and insights about how to run the business, they also conceded that they did not and would not draw their most trusted advisors from the ranks of their management team.

Jim Robbins, president and CEO of Cox Communications, summed it up when he told us, "The advisor has to come from outside your organization. It is not a good practice to let your skirt down to a guy who reports to you. You sacrifice an important element of your leadership. It's not helpful to lay it all out for someone who is an insider." Ray Smith, former chairman and CEO of Bell Atlantic, echoed Robbin's words: "It's really very difficult to completely open up to your lieutenants." Another company head added a different perspective: "As CEO you need someone who integrates issues and brings a fresh, untainted perspective. Most of your senior managers come from a specific function or area of responsibility, and that automatically biases their thinking."

The verdict: most of the CEOs I have spoken to just don't feel comfortable drawing on their subordinates as trusted advisors.

Other Chief Executives

Increasingly, there are many forums and events for CEOs to share experiences and generally hob-knob together, and in fact a few of the executives I interviewed indicated that other CEOs were important sources of advice and counsel. Most, however, find it impractical to have this kind of close relationship with another company head. First of all, a trusted advisor has to be *available*—and if there is one thing today's CEOs lack, it's spare time. Second, the vast majority of CEOs are men, and let's face it, many men are still uncomfortable completely opening up to other men—especially in the high-stakes, pressured world that CEOs inhabit. Talking about your problems exposes you and makes you vulnerable, and many men just aren't comfortable doing this with their peers. The need for confidentiality and potential conflicts of interest can also impede these types of CEO-to-CEO discussions.

Outside Professionals: Consultants, Investment Bankers, and Others

In 1926, University of Chicago accounting professor James O. McKinsey set up shop in Chicago as a management consultant, then a novel vocation. Today, consulting is a $100 billion global industry which employs many of our brightest graduates, and the modern McKinsey has been compared to the Jesuits, who were powerful advisors to business and political leaders wherever they went in the world.

Although a handful of CEOs said they had developed trusted, advisory relationships with partners at the major management consulting firms, many others cited an inherent tension between the needs of the client and a consultant's need to represent the economic interests of a professional service firm that may be larger than the client's own organization. Many executives perceive that the consultants they hire are persistently selling on the job, and they don't like it. Says George Fisher, chairman of Kodak, "There is always a dilemma with consultants. Some are very good, but many are building the next agreement as they complete their current project."

Walter Wriston, the former chairman of Citicorp, has fifty years of experience in using outside professionals for advice, and he still sits on a number of major boards. He recounted his early experience with a major strategy consulting firm: "They were very bright and affable. My only dispute with them was their big black book that they brought in to guide "implementation" of a major reorganization at Citibank. "You can't do this by yourselves," the partner told me. "Yes, we can," I replied, and we did.

Bill Dahlberg, CEO of utility giant The Southern Company, made similar comments, saying "I prefer a discussion with someone independent, who advances our thinking. Many consultants produce detailed work products, and on the last page it always says, 'next steps,' which identify a new revenue stream for them. With that attitude it's hard to develop the trust you need in order to open up."

Investment bankers, another group of professional advisors who have gained currency in the last decade, elicit similarly ambivalent reactions from CEOs. "Many investment bankers are extremely deal-driven," Charles Lillis, CEO of MediaOne told us, "and you can't really use them as advisors. They are too focused on doing the deal and not sufficiently concerned with *your* interests and needs." Several CEOs also cited a lack of discretion. One commented that, "I bring the bankers and lawyers into a deal as late as possible—there are just too many leaks these days."

Other professional figures—lawyers, publicists, advertising executives, and so on—also find themselves providing advice to top management. What often limits their utility as broad-based advisors, however, is their inherent narrowness. CEOs are typically trying to resolve broad, company-wide issues, and the solutions and suggestions that emerge from a specialist orientation are often not very helpful. Reginald Jones, the former chairman of General Electric, commented that "Narrow specialists or experts are rarely able to fulfill this role of broad-gauge advisor. That's why we found Peter Drucker so effective. He gives you a very broad picture—by God he makes you think!"

Given that the "advice" business employs millions of professionals in a variety of fields, surprisingly few are able to develop the advisory relationships that top executives value. Part of the problem is the high degree of specialization of these professionals, and part relates to their inability to set aside economic considerations in their approach to clients. Steve Kerr, head of Corporate Leadership and Development for General Electric and a key advisor to CEO Jack Welch, said that, "Most professionals simply cannot think about what is outside their own best interests." MediaOne's Lillis summed it up very nicely: "In the ideal, a professional advisor should be *independently wealthy*. He would then be objective, independent, and less likely to be pushing his own agenda."

Are paid professionals the new class of trusted advisors for corporate leaders? Some are, but many, unfortunately, are trapped in their specialist mindset and unable to set aside thoughts of that year-end bonus.

The CEO's Trusted Advisor

What I discovered, during hundreds of hours of discussions with business leaders, is that CEOs reach out to individuals from a startlingly wide range of backgrounds and professions. The advisors they find, however—whether they are a church minister, Lazard Freres partner, or Wall Street lawyer—all share the same special qualities. As Paul Baszucki, CEO of Norstan put it, "In the end it's not the category but the qualities of the particular person." Here are four of the most important characteristics to look for:

1. **Selfless Independence.** The really great client advisors, CEOs tell us, are completely focused on the client's agenda rather than their own interests, which could range from the desire to sell a large piece of business to a psychological need to associate with powerful figures. Duane Ackerman, CEO of telecommunications leader BellSouth, put it this way: "The higher up you go in an organization, the more everyone is working an agenda with you. The people you can really trust and draw become fewer and fewer."

   How little things have changed. Sixty years ago, Wendell Wilkie asked President Franklin Roosevelt why he relied so much on Harry Hopkins, his most trusted advisor. Roosevelt replied, ""Someday you may well be sitting here where I am now as president of the United States. And when you are, you'll be looking at that door over there and knowing that practically everybody who walks through it wants something out of you. You'll learn what a lonely job this is and discover the need for somebody like Harry Hopkins who asks for nothing except to serve you."

An advisor's independence, as noted by MediaOne's Charles Lillis, is the other critical part of the equation. Eileen Friars, the former CEO of BankAmerica's credit card business, told us that "I divide the professionals I use into two camps: those who will do anything I say, and those who are truly independent. These latter are the ones I really value." CEOs want advisors who are completely dedicated to their cause but also willing to stand up to and speak the truth.

2. **Depth *and* Breadth.** Warren Bennis, who is both a best-selling leadership authority and an advisor to many CEOs, says that "the really effective client advisors are deep generalists. They combine specialist knowledge with a broad understanding of the client and the business environment he works in." CEOs gravitate towards individuals who understand the specifics of their business and who can also bring to bear broad knowledge that helps integrate and frame the issues. That's why Peter Drucker—the ultimate deep generalist—has always been sought after for advice and counsel by so many business and government leaders.

3. **Big-picture thinking.** In 1992, Bell Atlantic and TCI decided to merge—a cataclysmic event in the telecommunications world—but immediately after the announcement Bell Atlantic discovered the technology to run telephony and data over TCI's cable plant was still immature. Ray Smith, then CEO of Bell Atlantic,

consulted with a number of individuals about the merits of proceeding—the stakes, after all, were enormous. Who was the most useful advisor in this instance? According to Smith, it was Steve Jobs, visionary founder and former CEO of Apple Computer. "I drew Steve in because he was someone who only had my interests at heart, yet he was entirely objective. Most important, he had a uniquely broad view of business and technology and the ability to conceptualize a technology that hadn't been invented yet. He helped me synthesize, to see the big picture, and this made him a great advisor."

Other CEOs used similar language to describe their most valued advisors: "He gives me a global view"; "She provides additional perspective and helps me to reconceptualize the problem"; "He brings big picture thinking to the discussion."; and, "They help me consistently focus on the important, strategic issues."

For CEOs, good analysis is a commodity—something you can call on any number of experts to perform. Great big-picture thinking, however, is invaluable.

4. **Trust**. Experts establish *professional* trust with clients, but advisors develop *personal* trust as well. As Cox's Jim Robbins says, "Nobody can just call you up on the telephone and say, 'Hey, I'm your advisor.' No way! You have to build trust and establish that there are shared values." Duane Ackerman of BellSouth echoes Robbin's comment, saying, "There can never be an advisory relationship without deep trust."

   Wes Cantrell, chairman and CEO of Atlanta-based Lanier Worldwide, described his trust in one of his most important advisors, and the enormous impact this person's counsel had had: "This particular individual is a minister who provides very sage business advice that is rooted in the Scriptures. We share many of the same values and beliefs, and I know he is completely focused on my interests. He once advised us to handle a delicate business situation in a certain way, and his advice saved my company tens of millions of dollars."

What creates trust between a CEO and his advisor? Shared values and personal chemistry are good starting points. Then, CEOs look for repeated demonstrations of integrity, including impeccable discretion, consistency, reliability, and, of course, a sincere focus on the CEO's interests and needs. They also have to trust that someone is competent to do the job. As Bob Galvin, chairman of Motorola says, "In matters of trust I focus on three Cs: competence, congruency, and consistency."

Bell Atlantic former CEO Ray Smith summarized many of these qualities very eloquently: "The great advisor helps you eliminate issues that are not a problem, and then he focuses you in on the really critical dimensions of the situation. You are permitted to be a bit confused and general. And at the right moment, the good ones ask the right questions. It's an iterative process; you don't want someone peddling a solution, who comes with an agenda—which many do. The effective advisor excels at the integration process, but he doesn't necessarily arrive at the solution for you. He knows my industry, but is broader than that. Finally, he can bring you comfort as well. Empathy, not sympathy." Former Eli Lilly chief Randall Tobias adds, "I look more for a *perspective* than a prescription."

So where do CEOs find their most trusted advisors? The answer is: *everywhere*. But they look for a set of very special qualities: client devotion tempered by staunch independence; intellectual breadth as well as depth; the ability to listen and ask great questions rather than just provide answers; big-picture thinking that helps prioritize issues, frame problems, and draw new connections; unshakable integrity; and, ultimately, the kind of priceless good judgment that emerges from this combination of attributes.

If you're an executive looking for counsel on important issues, be sure your advisor fits this bill. If you're a consultant, banker, lawyer, board director, or anyone else who wants to apply for the job, make sure you can really offer these qualities—mere experts-for-hire need not apply.

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