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SO YOU WANT TO BE A CEO? READ THIS FIRST

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INTRODUCTION

One does not often see help wanted ads for CEOs in the newspapers or on online job search sites. When companies go looking for a CEO, they turn to professional search firms or they develop their best candidates within the organization, because not everyone need apply. The company—often the board of directors and major shareholders—is looking for a very special individual who will not only have the capabilities to perform the responsibilities listed above, but also will fit the specific needs and culture of the organization the next CEO will be hired to run. While the CEO does not—or should not—act in a vacuum, the decisions made by the CEO can mean the difference between the success and failure of the organization.

The responsibilities of the CEO listed above apply to the CEO position in almost any industry or type of organization; however, our focus for this paper is on the CEO in construction organizations. In general, we find that many of the characteristics of the CEO are the same in any organization or industry, but there are some significant differences to consider for construction industry CEOs.

The Role of the CEO in the Construction Industry

This research paper was developed for the New Horizons Foundation as the first in a series of three articles: The role of the CEO, strategic planning and continuous improvement. The goal is to present these three topics for HVAC/sheet metal companies of all types and sizes that are most likely family-owned or closely held private businesses. While we focus more on CEO responsibilities for HVAC/sheet metal firms, we also look at other construction industry firms. Generally, we found few differences in the overall responsibilities or

Help Wanted-CEO: Must have the skills and characteristics required to carry out the following responsibilities:

- *Director: Set direction for the company*
- *Decision-maker: Make high-level, critical decisions about policy*
- *Leader: Provide vision for the future of the organization*
- *Motivator: Motivate employees and shareholders*
- *Driver of change within the organization*
- *Promoter and head salesperson for the company*
- *Manager and facilitator of operations: Presides over the organization's day-to-day, month-to-month and year-to-year operations*
- *Advisor to the board of directors*
- *Communicator: Within the company and with the rest of the outside world as needed*
- *Visionary: Lead strategic planning efforts and oversee the plan's execution*
- *Listener: Surround himself with the best people for advice*
- *Recruiter/mentor: Select and nurture his or her successor*
- *Fiduciary: "A CEO's legal responsibilities to his company's shareholders are broken down into three distinct fiduciary duties: the duty of care, the duty of loyalty and the duty of disclosure."*
- *Ethical leader for the organization*

skills of the CEO within the industry, but more differences in companies of different sizes and organizational structures.

In previous studies commissioned by the New Horizons Foundation, FMI and other organizations have studied topics such as exit strategies for companies in the HVAC/sheet metal industry, the future of the HVAC/sheet metal industry as well as topics on leadership, mentoring and coaching, training and productivity.

According to Hank Harris, president and CEO of FMI, “In the construction industry, 95% of all companies are privately held. The owner/CEO is often the founder or one of the founders of the company. In most cases in family businesses, the successor CEO is developed from within the company. The culture of the company makes a huge difference in its success. The best ownership/leadership transitions are gradual and take place over many years, while grooming the successor and passing on the culture and knowledge of the founder or previous CEO. Peter Drucker said, ‘The final test of greatness in a CEO is how well he chooses a successor and whether he can step aside and let his successor run the company.’”

The focus of this paper is not how to hire a CEO or how to pass the baton on to the next generation; we have covered much of that material elsewhere in material produced by the New Horizon Foundation and in FMI’s own publications like the *FMI Quarterly*. (See bibliography.) Although we touch on this topic, because it is an important role of the CEO, the goal here is to present an overview of the role of the CEO not so much from a day-to-day viewpoint, but over the tenure of the CEO and/or president holding that office. To get a firsthand view of what a CEO does, should do and even what he or she should not do, we spoke with three CEOs of top

construction industry firms, including one of the largest engineering and construction firms on the *Fortune* 500 list.

Executives interviewed for this study:

Industry Leaders:

- *Guy Gast*, President, Iowa Division, Waldinger Corporation and current Chairman of the New Horizons Foundation, Des Moines, Iowa
- *Anthony (Tony) J. Guzzi*, President and Chief Executive Officer, EMCOR, Norwalk, Conn.
- *Jack Mascaro*, Chairman and Founder, Mascaro Construction Company, L.P., Pittsburgh, Pa.

FMI Senior Executives and Consultants:

- *Hank Harris*, President and CEO, FMI Corporation
- *Lee Smither*, Managing Director for Consulting, FMI Corporation
- *Ron Magnus*, Director of FMI’s Center for Strategic Leadership

The group of industry executives and consultants was handpicked and therefore not intended to represent a statistical cross section of organizations in the construction industry. However, those we interviewed for this paper represent more than a hundred years of industry experience working their way up through the ranks or working with CEOs and other top management in companies across the construction industry.

Brief Backgrounds of CEOs Participating in This Research

In a recent FMI study of management succession, we found that 62% of the construction company executives responding considered their companies family businesses even if only in the first generation. Jack Mascaro, founder and now chairman of the Mascaro Construction Company, LP, started the company in his basement 25 years ago and has recently passed on the reins to his three sons, with his son John C. Mascaro Jr. as president and CEO and his other two sons, Jeffrey and Michael, running operations and finance. Mascaro had led the company from inception to a \$300 billion company in 25 years. With that breadth of experience, we can say that our interview with Mr. Mascaro covers the range of knowledge needed to run a small company and grow it into a large family business now entering the second generation.

Guy Gast's rise to president of the Iowa Division of Waldinger Corporation represents the most typical career path for construction executives. He came up through the project management ranks to become the president of a headquarters division of one of the largest full-service mechanical, electrical and sheet metal contractors operating in the country.

Tony Guzzi, president and CEO of EMCOR, also came up through the ranks, but from a somewhat different direction, beginning with his graduation from West Point with highest distinction and a Master of Business Administration from Harvard with distinction. Though his move from Carrier Corporation to EMCOR Group was not a move from an entirely different industry, his experience does add some perspective from outside the construction industry.

Rounding off the direct industry CEO experience, our conversations with FMI

executive consultants add both their executive experience within FMI over many years and a wider perspective on the industry that comes from a career of working with top executives across the construction industry.

CEO Responsibilities: A Closer Look

Of all those interviewed, we found more areas of agreement and no real disagreement on a range of topics concerning the role of the CEO. The differences, where there were differences, are more a matter of style, experience and opinion; however, all agreed that the list of responsibilities we presented at the beginning of this article is a thorough list of CEO responsibilities. On the other hand, Guy Gast noted that he would rather think of the "responsibilities of the CEO in terms of competencies." In part, this is because he thinks from the perspective of choosing a CEO and asks:

[W]hat competencies should he/she possess? This is not necessarily the same as just having responsibilities. For instance, in a job description, a CEO candidate must have, and be able to demonstrate, the competencies associated with the responsibilities. The question then becomes how to evaluate a candidate for those competencies. Selection must be based on a more objective analysis of skills. Notably, some of those skills are more ambiguous, but the attempt should be to demonstrate competencies that match responsibilities.

Ron Magnus and the team at FMI's Center for Strategic Leadership look at the list and present a more compact version that will accommodate the list of responsibilities as well as competencies required by top executive leaders:

We combine all of the things on the list presented at the outset of our discussion into four major buckets.

We focus on the four roles of a “VUCA”¹ leader:

- 1) Alliance builder*
- 2) Master strategist*
- 3) Talent developer*
- 4) Change leader*

The CEO’s role is to assure that the culture of the company doesn’t stop good ideas. The CEO must remove obstacles and encourage ideas that capitalize on and align with the company’s purpose. The CEO must be actively involved in this process. In my experience, 90% of construction company CEOs don’t do this very well.

While there may be a large percentage of CEOs in the industry who “don’t do this very well,” the short list of top executives interviewed for this article agrees that the CEO must “align new ideas and company strategy with the company’s purpose.” As we will elaborate on below, the CEO must carry the torch for the company’s culture, purpose, strategy and beliefs. All those interviewed agree that this is as important as making money, or, rather, it is an important part in the success of the company that includes being profitable and creating an organization that is “Built to Last” as Jim Collins described in his book by that title. (It is also notable that each of the executives we spoke with is a reader familiar with a wide range of business literature. Even though we did not ask about their reading

habits specifically, a number of quotes and references to leading business authors came up frequently in our conversations.)

Is It Lonely at the Top?

FMI debunked the myth that it is lonely at the top in a white paper titled “The Isolated Executive: from larger than life to real, engaging and inspiring.” (FMI 2010). In part, the paper discussed the irony of an executive who has to go undercover as in the popular television series, “Undercover Boss.” In that paper, the authors contend that the CEO should not need to go undercover in order to understand what is going on in his or her company:

*While ample research exists on what personality traits and characteristics make an effective leader, one area appears to be most closely related to the problem of executive isolation: social awareness and authenticity, and personal intelligence. Leaders who understand not only themselves, but also have a deeper and more perceptive understanding of others with whom they interact are less likely to be [shut up in] the executive bubble. **Such leaders often have a high level of self-awareness and humility, and are receptive to feedback.** Tantamount to personal receptivity is an organizational culture that promotes open and honest communication. Often we see that company culture reflects the personal style of the CEO, or vice versa. As such, each needs to be addressed.*

The CEO should not feel lonely at the top, although several of those we spoke with noted that it is necessary to have one boss at the top

¹ Note: “Experiences over the last decade suggest that operating environments will become increasingly Volatile, Uncertain, Complex and Ambiguous in the years ahead — the future will be defined by VUCA.”

to make the final decisions, and not all those decisions will turn out right or be popular with everyone. Such decisions can include downsizing, moving the company headquarters and a wide variety of strategic decisions. For instance, when we asked executive panelists for the NRCI (“FMI Nonresidential Construction Index,” Q4 2010) whether their companies had benefited from the recession, one of the comments we received was particularly telling: “No. There is nothing redeeming about dismantling one’s company to survive after spending years of life force in trying to build it.” Many said that their companies had benefited from the recession by becoming leaner and making a number of changes to become more productive, but this is just one example of the many times when CEOs must make tough decisions.

The Self-Aware CEO

“Know thyself,” the ancient maxim from the Oracle at Delphi, does not appear on the list of CEO responsibilities. This knowledge falls under the area of competencies for the job. However, according to the literature from the philosophy of Socrates and Plato up to the modern-day thinking on leadership, it is an underlying kind of knowledge that supports many of the decisions and actions of a CEO or other leaders. The idea of self-knowledge came up repeatedly in our conversations for this paper. Most often, it was in the sense noted by Guzzi that, “The CEO must know his/her personal strengths, and then have good people around him/her that know what to do.” Jack Mascaro noted that, “A future CEO can be trained and rise through the company ranks through any field of endeavor if he is self-aware, knows his strengths and weaknesses. The new CEO must realize how his duties have changed and not get involved in the details of his previous job. He first has to worry about the financial strength of the company.”

To sum up, the CEO who feels isolated needs to get out more. Having a high degree of self-knowledge is not about excessive contemplation; it is a matter of knowing one’s strengths and weaknesses and then finding the right advisors to create a team that has all the strengths required to fulfill the responsibilities of the CEO. Self-awareness, or knowing one’s strengths and weaknesses, is the first step in the competency of delegation. Knowing thyself is a starting point to knowing the strengths and weaknesses of others on the team and using their strengths where needed and maybe getting mentoring or coaching to help build up areas of weakness. As Hank Harris points out:

There are probably many different views of what makes a good CEO. At the CEO level in a large company, it is more of a “social job.” This is different from other levels of the company where the focus is often on specific team performance. The CEO must focus on the whole company. There are many more things to juggle. The CEO needs to have good people skills, socialization and political savvy. The CEO needs to know how to get things done with many different people.

The CEO who feels lonely at the top is likely having difficulty fulfilling the responsibilities of the role and needs help with some social competencies. These skills or characteristics can be seen as prerequisites for the successful CEO. It is good to have them before one takes the position, but they are learnable for the CEO or CEO candidate who first understands what he needs to learn. However, there is much more to the role of the CEO. For instance, as Mascaro notes above, the CEO needs to be self-aware, but also must “worry about the financial strength of the company.” According to Mascaro:

The CEO's job can be broken down into three key areas:

1. *He has to make his numbers every year.*
2. *He has business development responsibilities.*
3. *He has at least some operational involvement and concerns.*

Most all of our resources would agree with this short list, but there are some differences and elaborations needed to better define the role and how these items are accomplished. As Guy Gast notes, the CEO and those who hire the CEO need to know the responsibilities, but, more importantly, they must know or be able to learn the competencies required to fulfill the responsibilities of the position.

Defining the Role of the CEO

So far, other than the list given at the top of this article, we haven't presented a concise definition of the role of the CEO. There are variations, but *Investopedia* offers a good overall description:

[The CEO is] the highest-ranking executive in a company whose main responsibilities include developing and implementing high-level strategies, making major corporate decisions, managing the overall operations and resources of a company, and acting as the main point of communication between the board of directors and the corporate operations. The CEO will often have a position on the board and in some cases is even the chair.

There are various other titles for the position of CEO, including president and executive or managing director. The role of the CEO will vary from one company

to another depending on its size and organization. In smaller companies, the CEO will often have a much more hands-on role in the company, making a lot of the business decisions, even lower-level ones such as the hiring of staff. However, in larger companies, the CEO will often deal with only the higher-level strategy of the company and directing its overall growth, with most other tasks delegated to managers and departments. (from "Chief Executive Officer (CEO) Definition," Investopedia <http://www.investopedia.com/terms/c/ceo.asp>)

Construction companies vary widely in size as determined by annual volume. For example, looking at the ENR Top 400 contractors list for 2011, the Top 400 represent 50% of the total nonresidential construction put in place, and the revenue for the companies at the bottom of the list is around \$112 million. The average revenue, as far as it represents the size of the company, falls off rapidly after the top companies.

Total CIP 2011 (Non- residential) (\$ millions)	Top 400 Percent of Total CIP	20% of Top 400 as % of Total CIP
\$ 561,250	50%	35%

Our focus on the role of the CEO is primarily on the mid to large-sized industry companies; however, the responsibilities of the CEO in smaller companies is much the same, just scaled down with the added responsibilities of being more hands-on in the day-to-day operations of the company.

Is the Role of the CEO Different for Construction Companies Compared to Other Industries?

The role of the CEO, is not essentially different for construction companies than that of other companies; however, there are several factors that qualify that observation. The first is that the construction industry is different from other industries. Lee Smither notes:

For the CEO's responsibilities, there is no difference in the construction industry from any other company; however, the environment is very different. Due to the high rate of failure in the construction industry, the role of the CEO is probably more difficult. It is a tough industry to make it in. It is a tough environment. There is always a high amount of risk, and the markets are known for high volatility.

A critical talent of the CEO in a construction company is to be able to be opportunistic enough to take advantage of circumstances as they arise but be able to balance that against the risks. In the construction industry, a CEO can risk the company's entire net worth with every job. This is particularly the case with smaller companies. Small to midsize firms can be one job away from bankruptcy.

Risk and market volatility are two areas that differentiate construction from many other industries. Risk includes a wide variety of situations, poor estimates, labor issues, on-the-job safety, market changes, site changes, scope changes, poor quality and so on. No industry is without risk, but the construction industry is fraught with potential risk. The CEO who isn't aware of these risks won't fare well at the head of a construction company of any size. According to Guy Gast:

Risk is always a factor in construction, and managing it takes courage. A good

leader needs the courage to make difficult decisions. Tenacity is also a critical quality. I mean that in the better sense of the word, not as a matter of being demanding or pushy, but as sticking to the goal and making decisions work.

Tony Guzzi adds risk management to his list of CEO qualifications too:

The CEO:

- *Must be a talent evaluator.*
- *Must be a risk manager.*
- *Must have the ability to make good judgments. So much depends on your judgment.*
- *Must be sure he doesn't outrun the capabilities of the company.*
- *Must be able to say no. Sometimes you don't have the capacity for a certain project at a given time, or you may not have the right personnel at that time.*

To my way of thinking, the results speak for themselves. I don't do any self-promotion. My focus is on managing the company. Perform well first, and then good results will follow. For a large public company, it may be different, but it shouldn't be.

While many aspects of the CEO's roles may be the same in the construction industry as in other industries, even within the construction industry, there are other variations in companies such as large to small companies, private/public businesses, family-owned businesses and union/nonunion organizations. While Jack Mascaro would agree with the list given above, as the former CEO and current chairman of a family-owned business, he sees some significant differences for some large public companies and closely held private

business when compared with a family-owned business:

There is a big difference between public and private companies. A private company's fate doesn't rise and fall on the results of quarterly reports and all the other information that a public company is obligated to report each quarter. It is hard for a contractor to be a public company, because we take the longer view looking at years rather than quarter-to-quarter results.

There is also a big difference between a family business and a closely held private business with outside shareholders. The family business doesn't have to be as concerned about what profit distributions to make to shareholders.

Mascaro's concerns for public companies in general are shared by many industry analysts who want to see quarterly results but also know that the company has to have a long-range focus. For instance, Mascaro comments on both company organization types and the risk inherent in growing too fast for the wrong reason. (This is one of the highest contributing factors described in FMI's study of contractor failure, "Why Contractors Fail," Hugh Rice, FMI, 2007.) According to Mascaro, "We have had years where we reached \$300 million in revenue, but also years where we intentionally took on less work, because it was the right thing to do in that economic situation and still come out with a profitable year." When it comes to managing risk, Mascaro breaks it down: "I look at two main areas of risk that can bring a company down: 1) bad estimates and 2) owners who don't pay. These are key areas of risk for all contractors."

While the role of the CEO is much the same in different types of companies, the concerns differ as Ron Magnus explains:

The complexity of running the company scales up along with the size of the company. The CEO in a smaller company is more likely to have everything within the span of his or her control. CEOs in larger companies must work through systems and layers. They work on tweaking the systems for effective operation. There is much more detail to be aware of, more teams and committees. That means they also have a greater support structure in place, and they have the ability to leverage the various systems. Larger companies have a greater ability to attract and hire the best people.

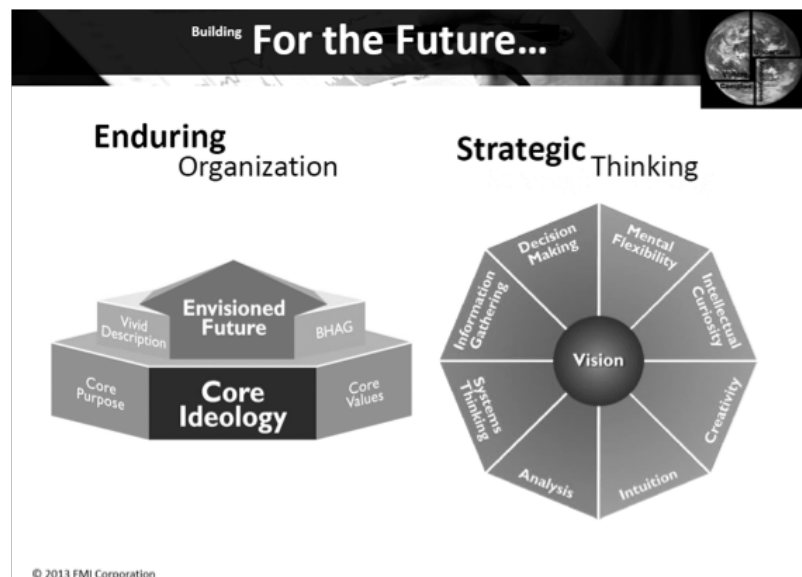
It can be a challenge to get and keep the right support structure in place as the company grows, but it is a great advantage to the CEOs of larger companies who are able to master that responsibility. One approach to structure is to look at the various offices, divisions and branches as largely independent. For EMCOR, one of the most successful rollups in the construction industry, consisting of many smaller companies has its challenges and advantages. One of those advantages is the ability to find CEOs within the company as they work their way up from one branch or company to another. Being the president and chief executive officer over the entire organization of EMCOR puts Tony Guzzi in a unique position of not only being a CEO but also hiring CEOs. Guzzi admits that managing a large public company is "definitely different" but has developed a comprehensive list of competencies his company looks for in a CEO:

- *Must have good business acumen.*
- *Must know individuals and be able to build a great team.*
- *Must be able to make the tough decisions. "That's what we get paid to do."*

- *The CEO sets the right tone for the organization and knows how he wants the company to be run.*
- *Sets the tone for the ethical culture of the company.*
- *Is the leader for compliance.*
- *Promotes the company culture internally as well as externally.*
- *Has to determine what kind of leader he or she wants to be. "I learned when I was in the service that I needed to be a servant leader. I work for the good of the people I lead. It's not about me; it is about the team succeeding."*
- *Must be willing to take accountability when things aren't working very well, but when things are going well, the CEO must spread the credit to those on his team.*
- *It is not about winning a popularity contest.*

- *Must know his personal strengths and then have good people around him that know what to do.*
- *Needs to know what the risks are when making decisions.*
- *Looks at the whole company and makes decisions where to budget money in areas that will create the most success.*

"Our people are our most important assets." While this saying is so often repeated that it has become trite, it is very important to the construction industry to have people with many different skills. Our focus in this paper is on the skills and competencies needed to fulfill the role of the CEO, but construction employs a wide variety of professionals and tradespeople who all must know their jobs and responsibilities well. It is one of the key jobs of the CEO and his team to see that those people have the knowledge and resources needed to perform at the top of their game. That task begins with the CEO's role as being a primary source for creating, changing, shaping and transferring the culture of the company.



CEO Role in the Company Culture

Whether a large public business or a small, family-owned startup, successful construction companies have strong, positive cultures. Usually it starts with the founder who has a vision of the type of company he wants to build. Jack Mascaro talks about working for another company and seeing that his growth path was limited, so he left that company and started his own business:

I knew the kind of company I wanted to become and took out a second mortgage on the house to start the business in the basement. I wanted to create a company with a reputation for great customer satisfaction. One that does what it says it is going to do the first time, then delivers. Construction is a big industry in the U.S., but it is widely reported that there is 30% waste in nonresidential construction. The industry spends less on R&D than does any other industry in the country. There's lots of room for improvement.

He also knew his own strengths and weaknesses, and one of the first people he hired was a CFO to manage the money they expected to be bringing in. Now, as company chairman, he still works to transfer the company's core values to the next generation. His sons, who now own all the stock, were raised in the business, so that is one way to be sure the company culture is transferred to the next generation. But the senior Mascaro goes a few steps further to see that everyone feels like an owner in a family company:

We have our core values, and that has made us successful into what is now our 25th year. In order to pass on that culture, one must live it every day. I teach an ethics class every year. We have even won a national award for being

an ethical company. I tell stories, for instance, of how I have been tempted over the years to bend my ethics and how I overcame those situations.

He also acts as a mentor to a few chosen leaders each year, helping to prepare them for new roles as they grow within the company. One of the many benefits for the Mascaro Construction Company is maintaining a very high retention rate of 98.5%. Mascaro explains that this is also due to a sophisticated hiring process to, as Collins wrote in "Good to Great," "Get the right people on the bus and the wrong people off the bus"

The importance of culture runs deep in well-run companies, and sometimes the CEO must act as a cheerleader, or change leader, especially in difficult times. Gast explains how, in the depths of the Great Recession, he told his team that he would "own woe is me" so they could stop worrying about the vicissitudes of the markets and focus on their own important tasks. Gast explains:

It is a role, or a competency, of the CEO to be able to get the group 'pumped up.' That can take a lot of energy, but it should be on every CEO's 'actionable agenda.'

One of the competencies of the CEO is to be able to positively influence the culture of the organization. Often the culture in a construction company can become a losing one, especially in tough times. Inspiring higher levels of execution, celebrating individual and team successes - this is how a CEO raises the aspirations of the people in the organization. The benefits of the CEO understanding, practicing, shaping and being the leader of the company culture help to raise the company above the mediocre and bring many different people and talents together. This can be quite a challenge anytime but even more important

when the company grows to a multibillion-dollar organization, like EMCOR, as Tony Guzzi described when asked how he manages all the companies that make up EMCOR:

The companies are first focused locally. Then we work together at corporate to see where we can help each other. We look for areas where we can work together. We are all united in wanting to do things the right way. We are big on entrepreneurial leaders. We are a company of leaders.

According to Ron Magnus, the CEO is the main caretaker and leader of the culture of the company. He presents the cultural model and “shines bright lights on it.” A culture that involves everyone in the company is at the core of the business. “Success=Purpose*^{Talent culture}.” The CEO’s role is to assure the company is organized around its core ideology. The CEO makes it clear why the organization exists. “The success of the organization is impacted exponentially by its culture. The ‘tweaks’ the CEO makes need to be such that they enhance

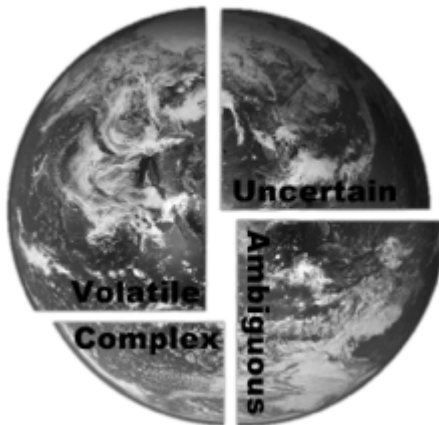
the culture and empower the people in the company to do great things. That’s magical!”

Is There Any One Characteristic That Makes a Successful CEO?

When we asked those we interviewed if there was a single or just a few characteristics that make a successful CEO, as expected, it was difficult to pick just one, considering the CEO’s long list of responsibilities. However, we did get a short list that most CEOs would agree with.

The CEO should be able to recognize his strengths and weaknesses, and that awareness comes up again on the short list. It also tends to have some relationship to several other characteristics on the list. The following list is not in any specific order of importance; all are important characteristics of the successful CEO:

- Having integrity, trustworthiness, transparency



$$\text{Success} = P(\text{urpose}) * T(\text{alent}) \text{ Culture}$$

- Exhibiting competency in all of the responsibilities already noted above (or have a team that completes all those competencies)
- Possessing strategic agility, adaptability
- Being the head salesperson for the company (as in selling the brand of the company and sometimes the services as well)
- Being a servant leader
- Being responsible to “make the numbers”
- Being able to ask the right questions in order to get the needed information for decisions and to stay informed on all aspects of the business

If we were going to shorten the list even further, we might stop at the third bullet point, incorporating most of the others under competency; but that would lessen the importance of characteristics like being a “servant leader.”

Integrity, trustworthiness and transparency, especially as these terms relate to ethical concerns, were all mentioned several times in our interviews.

Integrity and transparency were at the top of Gast’s list, as he emphasized the need to build trust within the organization:

The CEO, or president and other high-ranking executives, must have integrity and be able to build trust with the people in the organization. Without mutual trust, things or plans just won’t work out very well. That would be my No. 1 characteristic of a CEO. People in the organization must trust the leadership. Along with that, one must add ethical behavior and good communication

skills. The leader sets the tone for the organization on these issues.

Terms that describe the successful CEO include trustworthy, strategic agility, adaptability, speed/reaction time—needs to get all the information in a timely fashion and understand problems so they can be solved quickly.

For Guzzi of EMCOR, being ethical is considered a highly important responsibility of the CEO:

This is very important to us and to the culture of our company. I know the industry hasn’t always had a stellar track record here, but it is improving. At EMCOR, we do training on these issues, talk about them and invest in it. We want to be known as an ethical company. It is not only a good thing to do; we see it as a business advantage.

We hold training sessions in leadership at West Point, and ethics is a part of this training. I always attend these sessions.

Guzzi is also one who noted the importance of being a servant leader and working for the good of those he leads. That item was No. 1 on Hank Harris’ short list:

1) Be a real servant leader.

2) Be the head salesperson. If the CEO has the right personality, extrovert rather than introvert, to work with customers, usually they do have, but if not, he or she needs to delegate that role to others.

Lee Smither puts “head salesman” at the top of his short list:

Probably the most important role for the successful CEO is to be the head

salesperson. The CEO must spend time with customers to keep in touch with the market. One of the toughest jobs in the construction industry is to be the salesperson.

If I were to make a short list, head salesperson would be No. 1. If the CEO isn't very good at that, it will be difficult to be successful. The CEO must be able to sell the company's services. He must also sell the company to other stakeholders like the banks. The No. 2 characteristic would be the ability to ask the right questions. That goes for most every role from sales to getting the right information internally.

Although we try to make it easier to study the role of the CEO by breaking down different characteristics and responsibilities, it is apparent that all of the characteristics are interactive and present simultaneously, or nearly so. There are no compartments for these characteristics.

What Should CEOs Not be Doing?

Now that we have a good list of those items a CEO should do, or the best characteristics of a CEO, we thought it would be a good idea to shine a bit of light on some things a CEO should not do. Of course, sometimes the light shines very brightly in the news headlines when a CEO does something he really should not be doing. Everyone can probably name a few recent major ethical and legal meltdowns, both inside the construction industry and in other industries. The CEOs we spoke with all mentioned the importance of ethical behavior, but there are other things a CEO should not be doing, mostly actions that fall outside of the list of responsibilities. Mascaro offers some sound management advice to CEOs:

Don't step on the toes of the people around you. Let people make mistakes themselves,

so they can learn from them. If you always followed them around and made sure they never made mistakes, they would never learn. The CEO must be a good delegator and learn to live with his decisions.

Gast agrees and adds a few other items to the list:

- *Don't engage in unethical behavior*
- *Don't undermine the work of others*
- *Don't micromanage*
- *Don't be a "derailer"*

Gast noted that CEOs shouldn't get caught up in the day-to-day work, but must remain invested in the daily, weekly, monthly processes that support the work or define the company's method for executing it:

Complacency about process may happen when things are going well. In the book, "Good to Great," Jim Collins noted, "Good is the enemy of great." So it is the CEO's job to drive out complacency, lead a culture of successful execution, and promote change and forward movement, even when others might feel we're doing well enough. Sustaining a competitive advantage or looking for the next one is not everyone's work; but it is a core responsibility of the CEO to encourage others to seek it and to lead that agenda.

FMI's Harris and Smither both agree that the CEO shouldn't get too involved in everyday issues. This can be a particular problem for newly promoted CEOs, making the transition from positions where it was their role to take care of the details of everyday problems. It may also affect the CEO in a growing company that must now avoid micromanaging and spend more time on the larger issues. Smither notes, "It is hard to get out of the weeds. The CEO

needs to foster new abilities that are different from what got him there. The CEO needs to focus on the longer view and trust others to do what he or she used to do.”

Harris adds, “The CEO must get things done through others. He must have his finger on the pulse of what’s going on. That means he must go out and listen to other people, but not circumvent the authority of his reports. Many CEOs have the tendency to want to fix the problems themselves.

CEOs will make mistakes, but need to learn from them. They need to have the characteristics of being honest and transparent when dealing with problems. They always have the company’s interest at heart, even if sometimes they are wrong. When it comes to ethics, the CEO sets the organization’s position.”

Who Should NOT Be a CEO?

As we noted at the beginning of this paper, not everyone need apply to a help wanted ad for a CEO. Tony Guzzi sums up most of the comments we heard from others on this topic:

- *First, I’d say the kind of person who should not be a CEO is someone who is just focused on making a lot of money. That means he is not likely to focus on all of the responsibilities we have been talking about.*
- *Second, a CEO candidate should not be an insular person. As I said earlier, the CEO needs to be a people person who gets out and talks to people.*
- *Anyone who is tone-deaf or unaware of the environment around him in the company and in the market will not make a good CEO.*

- *Anyone who is afraid of making tough decisions won’t make a good CEO. That’s what the CEO gets paid for; being decisive is a big part of the job. Some decisions just aren’t popular, but they have to be made.*
- *The CEO must be optimistic, but also be a steely-eyed realist; but he cannot be too negative.*
- *It is tougher to be a CEO in today’s world than it used to be. The CEO must be great at fulfilling his fiduciary duties to the company. It changes as a company grows from say a \$20 million to a \$100 million company. The focus becomes broader. The CEO of the larger company needs to have an external board of directors to advise him and oversee what he does. Everybody needs a boss.*
- *When becoming a CEO of a larger firm, most people don’t make the cut. They can’t make the transition to take on new and different responsibilities.*

There were several mentions that CEOs rarely rise from certain positions that historically don’t make good CEOs. The list includes accountants, lawyers, and entrepreneurs. In addition, even some family members may not be good candidates, no matter their current position or degree of ownership, if they are not prepared for the job of CEO. Mostly, it is typical that people in those positions are either too risk-averse—something their current jobs require—or too detail-oriented, and not strategically oriented. However, all of these comments were qualified, since there are many good examples of CEOs in the industry who have come up through various positions. They realized their shortcomings and overcame them or found others on their team to help fill in where needed.

Are Most CEOs Now Holding That Position the Right Person for the Job?

Let's face it, the Peter Principle applies for those at the top as well as those making their way to the top. However, we got a range of answers to this question, from "only about 50% are in the right job" to "generally, most CEOs are the right person for the job, maybe about 80/20." Harris notes that, "If the organization is high-functioning, it will naturally have processes to take care that the CEO is the right person for the position. By a high-functioning organization, I mean that all things are clicking like a well-oiled machine, and the company is doing great things." Along those lines, Smither takes something of a "survival-of-the-fittest approach" where the Great Recession acted as a test for CEOs:

If the current CEO has made it up through the ranks and the company has survived the recent tough times, he or she is by default likely the right person for the job. Sometimes, if the CEO is CEO just by virtue of having the right last name without the necessary experience and drive, then he might not be the right person for the job. There are some very good examples of family businesses that have thrived through several generations, but also quite a few that have not survived when led by the next generation. That points out another important role of the CEO, which is to wisely choose and train his or her successor. Many CEOs wait too long to start that process and are surprised to find out how difficult it can be.

For family-owned businesses, there is some danger that the next generation takes over the position even if that person is not ready or doesn't even want the job but takes it because it is expected or other circumstances such as the

current owner/CEO is unable to continue his duties. As Magnus notes:

Sometimes there are problems in family companies. However, we think that is less now than it used to be. The family member who finds himself in the role of CEO by virtue of being family eventually realizes that he may be in over his head. The new CEO isn't enjoying the position he is in. When this happens, he or she will seek out someone else to be CEO then step aside.

How Does One Become a CEO in the Construction Industry?

With the large number of family-owned and closely held private businesses in the construction industry, often having "the right last name" is the key to becoming the next CEO. That doesn't always work out, as noted above, and sometimes drives away otherwise good people with the right competencies and skills to do the job. Some of those people leave the company, start new companies and become competitors. Of course, that is not a rule. There are many companies in the construction industry that are multi-generational family businesses. Like the Mascaro company, the next generation has often been brought up in the company and shares the values of its parents. Even though the next generation has preference when being promoted, the next CEO should go through the same process of learning the skills of various positions plus the added leadership skills needed to be promoted. The next generation must earn the trust and respect of its peers. Mascaro's three sons were raised in the business, as he comments:

We are now entering the second generation with my sons in control for the last six years. But one thing will never change; they will always be my sons. We're family. You can't change that, but you must be

able to get by that in the business. It is important that we all trust each other, even though we might have some tougher battles with each other than other companies would; we work through it and still respect each other.

The transition has been going very well. That is in large part because of the trust my sons have for each other. Still, it takes time to prepare for the transition, and ultimately there must only be one boss who makes the final decisions. You must realize that there is a family side and business side of life.

Whether family or not, Mascaro notes, “A future CEO can be trained and rise through the company ranks through any field of endeavor if he is self-aware and knows his strengths and weaknesses.” Guzzi agrees that there are several paths that can lead to the CEO position:

The most typical is the person who comes up through the trades and knows labor really well. Others are great project managers and really good at what they do. Then there are some who come up through the financial ranks. They are good at understanding the risks involved in running the company; however, it is important that person have someone on the team who knows the operations side of the business.

When project managers are promoted, they need to make the transition from building the project to running the company. We provide these people with support in making this transition like coaching and training.

Guy Gast is one of those who came up through the ranks of project manager:

Things went well in my career as a project manager, but I soon realized that I was more interested in broader aspects of the business. I wanted to do more than just be attached to the details of the job. I wanted to work with customers to find solutions to problems. This is a typical path to upper management in construction. The top executives usually come up through operations. In smaller companies, it is especially important that the CEO/ president have a thorough understanding of how things are built and who the competitors are. In larger businesses, the CEO may originate on the financial side of the business too. The CFO or controller knows a lot of the details about the business and how it is run, although it is unusual that CFOs have many of the people/business development competencies that those who came up through operations might have. This can be overcome, however, by realizing these shortcomings and finding someone else to trust with those duties.

According to Magnus, most top executives start out as PEs or PMs and work their way up from there; however, “Wherever they come up from, I think it is imperative that they spend some time working in other companies first, even for someone in the family line of succession. It is even better if they work in larger firms before coming back to the family business. This gives the CEO candidate perspective and invaluable experience understanding how others run their organizations.”

That perspective is usually gained in other construction companies. Nonetheless, Harris notes that, for large, privately held companies, the CEO is often “homegrown.” “That usually creates a higher success rate in the end. Higher failure rates occur when the CEO comes from the outside.”

Typical Day for Top Executives?

With all the responsibilities we have listed for the CEO position, we wondered if there could be a typical day for a CEO. Generally, the answer is “no.” One thing FMI’s Center for Leadership teaches is balance in work and in one’s home life. Mascaro provides a model for this concept:

No, no typical day. I have always started early in the morning, tried to stay healthy and keep my hours under 60 hours a week. The CEO must have balance in his life. In my case, it is my family, my religion and work. For others it may be different, but each must decide on how to best balance his own life and not make his life all work. It is also important for the family to understand this. There is family time and there is work time.

The other answers we received from this question break out the role of the CEO and the time spent in rough percentages in various responsibilities Guzzi broke it down this way for a large public company:

- *15% spent with investors*
- *10% spent with the board*
- *20-30% spent on the needs of customers*
- *50% running the business*
 - *Looking for new opportunities*
 - *Attracting new talent and investors*
 - *Telling the story of the company*

Gast had a similar list with some different focuses, in part due to his position being closer to operations:

- *30% coaching and support*
- *20% to 30% problem-solving*
- *10% to 20% studying data, reading and responding*
- *15% to 20% customer-related contacts and networking. It is important to have continuing contact with*

Strategy: The CEO in a VUCA World

Living and leading in a VUCA World – what’s required



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- ✓ Adaptive cultures
- ✓ Business Intelligence
- ✓ Innovation & re-invention
- ✓ High *market / client* EQ
- ✓ Scenario plans
- ✓ Speed & agility
- ✓ Strategic leadership depth

customers to understand their needs and the market. The CEO must be a champion for the company.

As mentioned above, Ron Magnus breaks down the responsibilities of the CEO into four areas:

The four roles of a “VUCA” leader:

- *Alliance builder*
- *Master strategist*
- *Talent developer*
- *Change leader*

For Magnus, the CEO’s role is to assure that the culture of the company doesn’t stop good ideas. The CEO must remove obstacles and encourage ideas that capitalize on and align with the company’s purpose. The CEO must be actively involved in this process. Jack Mascaro has turned over the company to his son, but as chairman, he remains actively involved in the broader strategy of the company. “As chairman, and when I was the CEO, I liked to look at the big-picture stuff, the strategic side of the business.” Master strategist is a key part of the skills of the VUCA leader, who must be a strategic thinker and encourage those skills in others on his or her team. Gast makes the point that:

The CEO must have the ability to develop strategic skills. That means not only developing strategic ideas but also being able to lead the drive for execution of the company strategies throughout the organization. After thinking about strategy and making a good strategic plan, execution of that strategic plan is the key to success. Many companies fail to execute their plans, and that is because they lack organizational discipline.

As Guzzi noted above, the CEO gets paid to make the tough decisions. Most of those decisions will spring from the company’s strategy, which at times must change with the markets, so the CEO and his team must be strategically agile. One could say that all four roles of the VUCA leader turn on strategy. The strategic plan is the primary document for the leader and helps to make the choices of when to form alliances and which alliances will work; what kind of talent the company needs to carry out its strategy; and when and how the company must change to be successful.

Conclusion: So You Want to Be a CEO?

Unless you are a one- or two-person startup and declare yourself the CEO, we hope that it is apparent that becoming a CEO and performing the duties of the role of the chief executive officer entail many responsibilities and competencies. Most successful CEOs gain competencies as they move up through the company. However, the irony, or maybe we should say, the most important lesson to learn when one becomes the CEO, is not to think of the role as being at the peak of the pyramid, the top boss with no one above you. Our research and conversations with successful CEOs and seasoned FMI consultants to CEOs is that, in reality, the CEO has more bosses than anyone else in the company. How’s that, one may ask? In part, it is the concept of the servant leader that was mentioned several times in our discussions. The CEO serves the interests of all the constituents of the company. In some companies, but not all family businesses, there is a functioning board of directors that the CEO must answer to; mostly, the CEO answers to the success of the company and the satisfaction of its customers and its employees. So you want to be a CEO? Learn these things first.

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