

THE STONEWOOD PERSPECTIVE

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The Second-in-Command

The Classic Profile, Making the Relationship Work and Why it So Often Fails

Buried among the stock market rubble of the past year is News Corp, the \$33bb media giant hand-crafted by fabled entrepreneur Rupert Murdoch. Its stock, like so many others, has been battered amid questions surrounding the economy, the sector and the company itself. Topping that list is the uncertainty surrounding the fate of one executive. No, it is not the septuagenarian founder himself, or even one of his offspring who are expected to eventually ascend to the company's leadership mantle. Instead, the street has been aflutter over the impending contract expiration of Chief Operating Officer Peter Chernin and whether or not the \$30mm per year 'anti-Murdoch' at the helm of News Corp's vast day-to-day operations plans to renew. Even the biggest of Murdoch family fans considers the Chernin contract situation a significant risk factor for the company.

Though we tend to be blinded by individual brilliance, a surprising number of marquee names are but half of a tandem, the more prominent half perhaps, but a tandem nevertheless. This article is about the lesser lights in those relationships, the men behind who make the men ahead. It is not about the "two in-a-box" co-CEO type partnerships such as Mike Lazaridis and Jim Balsillie at RIM, but rather the less equal, anonymous seconds-in-command who have been so instrumental to the success of business icons such as Guy Laliberté at Cirque du Soleil, designer Calvin Klein, Steven Jobs at Apple and countless others. While one half of the pair may be the more famous, it is often a fame made possible by the success of the pair.

Well Known One-Two Duos

Tandems are a commonplace phenomenon. The lyrics of countless Bernie Taupins give meaning to the melodies and voices of better known stars such as Elton John. Straight men have long set-up and played foil to their more famous comic impresarios. In literature, Sherlock Holmes had Dr. Watson, Don Quixote had Sancho Panza, Calvin had Hobbes and even Frodo had Sam. The world of super heroes has always had a Robin supporting Batman or a Kato supporting the Green Hornet. In business, thousands of Warren Buffetts and

Steven Jobs have their less visible Charlie Mungers and Tim Cooks. In fashion, it is said that there are almost no examples of famous designers who were not partnered with an equally gifted operator. This includes Christian Dior, Yves St. Laurent, Karl Lagerfeld, Miuccia Prada, Gianni Versace, Marc Jacobs, Calvin Klein and Ralph Lauren. And in the world of politics, many number twos have played key roles in the success of their higher profile other-halves. Winston Churchill once said that the greatest American politician he ever met was not President Harry Truman, but rather his steady right-hand, Nobel-prize winner George Catlett Marshall. Similarly, Richard Nixon wrote that "Without Mao Tse-tung, the Chinese revolution would never have caught fire, but without Chou En-lai, it would have burned out, and only the ashes would remain".

The alchemy of the star performer, great leader or entrepreneur lies in the amplification, distortion and even absence of selected attributes which somehow work to brilliant effect. But these individuals often need a counterweight or a supplement of other attributes which balances or completes them. Uncanny vision needs legs to get to that promised land, the flawless logic of Spock needs the intuition and passion of Kirk, yin needs yang, and the performer on the stage needs what in Mandarin is called *houtai*, 'the man behind the stage'. It is only in combination that they reach their full potential.

When to deploy a Second-in-Command

"The best advice I ever got was to figure out what you are good at and then hire someone else to do the rest"
... Howard Schultz, founder of Starbucks

Power can only be shared if someone decides to share it and thus the idea of the second-in-command is born by the leader in an unselfish act that distinguishes the great leader from the mediocre. It is a highly contextual role, molded by the characteristics of the leader and the needs of the business.

Most commonly, the second-in-command is used to **complement the leader**. Thus, the visionary, 'heads-up' CEO

is coupled with an operationally savvy ‘heads-down’ second-in-command. Guy Laliberté is the genius behind Cirque du Soleil, which many call Canada’s greatest company. He will openly admit that he is inspired and motivated by the creative and artistic possibilities of the business. Less intriguing to him are the day-to-day operations, the logistics of mounting shows around the world, and the cultural challenges in managing a diverse global work force. These responsibilities are entrusted to Daniel Lamarre who, as President, adroitly manages the business side of the business. In a recent article Lamarre spoke of the partnership, “I’m very lucky because we are so complementary. What Guy loves to do, I don’t and what I like to do, he doesn’t.” Calvin Klein’s long relationship with Barry Schwartz was described in similar terms, “Barry provided the business structure and day-to-day management to make Klein’s vision real.” And at Intel it was said that “Andy Grove was the visionary while Craig Barrett made it all happen.”

Many of these complementary pairings are almost a union of opposites, not only in skills but also in personality. As a recent article on Apple COO Tim Cook commented, “the most common observation about Cook is how temperamentally different he is from Steve Jobs. Cook is cool, calm, and never raises his voice. Jobs, well, he’s not any of those things”. The relationship between CHC Helicopter founder Craig Dobbin and his long time operations chief Harry Steele was also described in terms of opposites. In Dobbin’s biography the pair is described as follows, “Steele, by his own description is frugal; Craig Dobbin, by general consensus was flamboyant. Harry avoids the limelight; Craig thrived in it. Harry drives a seven-year-old Chrysler; Craig Dobbin once spent \$600,000.00 on a Rolls Royce that accumulated barely 7,000 kilometers before being sold for a third of its original cost”.

In some instances, a second-in-command is used to **mentor the young leader**. This can be accomplished using a grizzled old veteran as was the case with Mort Topfer who was the first COO hired by Michael Dell. In other instances, a younger yet more broadly experienced operator is introduced into the business as when Sheryl Sandberg was hired from Google to help twenty-three year old founder Mark Zuckerberg manage Facebook. A common rationale for these pairings was outlined in a recent article, “Founders do not want to lose their stamp on the company – something they fear may happen if they hand the reins to a hired CEO”. Thus, appointing a second-in-command assuages those fears and allows the company to benefit by the added experience to the team.

Frequently a second-in-command is put in place to **deal with increased operational complexity**. Fast growing tech firms are common examples where the CEO appoints someone to maniacally focus on the expanding day-to-day operations. The case for the executive suite duo in this instance comes down to the leader’s bandwidth.

The strategy of the business sometimes demands that the CEO be paired with another executive. For example an organization pursuing a growth strategy of acquisitions may require a steady individual to focus on integration and execution while the CEO deals with shareholders, the financial community and the transactions themselves. Turnarounds may also require a similar distribution of efforts. In this instance, **the structure of the leadership aligns with the strategy**.

Seconds-in-command are also commonly deployed as the **heir apparent**. A recent study reported that over 80% of American CEOs served as COOs at one stage in their careers. Companies such as IBM, Coca Cola and McDonalds view the COO role as a key developmental test along the path to the CEO role. The second-in-command assignment provides enhanced visibility into the business as well as a new perspective into what goes on in the corner office.

Finally, the second-in-command role is often used as a carrot to **attract or retain executive talent**. A key executive may resist joining a firm unless a ‘step-up’ role is made available. Alternatively, a star performer who is a flight risk may elect to remain with the firm as a result of such a developmental opportunity.

The Classic Second-in-Command Profile

“There are two kinds of people: Those who do the work and those who take the credit. Try to be in the first group; there is far less competition there”... Indira Ghandi

A variety of responsibilities fall on the shoulders of the typical second-in-command. In the classic ‘inside-outside’ tandem, the second-in-command is cast as the bridge between strategy and operational execution. The leader deals with strategy, markets, investors and the like, while the second-in-command toils with the operational levers of costs, processes, systems, metrics and people. With the goal of delivering the quarter over quarter results, the second-in-command organizes, fixes, improves, simplifies and solves day-to-day problems. As Apple’s COO Tim Cook puts it, “To me the job is about putting together the pieces of the operational puzzle”.

The highly analytical second-in-command is also good with people; hiring, aligning, developing, incenting and developing. At the same time however he is able to make the difficult staff-cut decisions that divestitures and turnarounds occasionally demand. And though the second-in-command deals with the tactical concerns of the business, he or she is also able to see the bigger picture. As Nixon said of Chou En-lai, “Though he tended personally to each tree, he was always able to see the forest”.

The classic second-in-command comes from a varied background, having usually held many of the jobs now

reporting into him. He understands the minutiae of the business and cannot have the wool pulled over his eyes. Many are former consultants in strategy or operations, quick studies in deciphering what is askew in a given situation or how the current organizational design or processes hinder or help the firm in achieving its goals.

Perhaps most importantly the successful second-in-command is characterized by a low ego. It is said that the high profile leader casts a long shadow and that the second-in-command needs to play in that shadow, and in that shadow alone. As Cirque du Soleil's Daniel Lamarre states "Look, it's his (Guy Laliberté) company and nobody's confused about that, starting with me. What helped a lot was my background as a consultant. As a consultant you learn to work on someone else's show. That's how I see it – it's Guy's show, not mine, and I am fine with that".

Some would argue that the issue of demeanor is less one of ego than it is of being comfortable in one's own skin. Successful seconds-in-command like the work they do and crave little credit for it. The key for them is finding a leader who allows them to do it.

Making the Relationship Work

"The most difficult instrument to play in the orchestra is second fiddle"... Leonard Bernstein

The success of the second-in-command is highly dependent on the relationship with the leader. In fact, it is so dependent that it often does not survive when one half of the pairing changes. For example, Air Canada recently announced the departure of Chief Administrative Officer Duncan Dee whose stellar relationship with former CEO Robert Milton did not transfer to incoming CEO Montie Brewer. As now Chairman Milton stated in a recent *Globe and Mail* article, "I would have been a lot happier if their working had gone on famously positively. But that wasn't the case, and so life goes on". Disney's Michael Eisner was never able to find another Frank Wells after the latter died in a helicopter accident. Wells, the consummate second-in-command, went down as "the only man who could say no to Eisner and make it stand".

Despite the highly personal nature of their relationship, most successful duos have common underpinnings. For example, they are all anchored on a shared understanding of responsibilities. The matter of who will do what is not insignificant and requires considerable investment of time and energy by the parties involved. If skills and interests overlap greatly there is a risk that the leader may micromanage or second-guess in those overlap areas. At the same time, if there is too little overlap the risks of competency gaps and deficiencies increase. The two parties must discuss countless details such as who needs to check with whom on which key decisions. Boundaries need

to be agreed upon and everyone in the organization needs to understand where those are.

When Bill Wrigley considered hiring Bill Perez to be second-in-command at Wm. Wrigley and Company, he first asked his Vice-President of Human Resources to spend an entire day with Mr. Perez to probe into the likelihood of a fit between the two individuals. He then hired a consulting firm to develop a series of scenarios to ascertain how the pair would deal with various issues. This was followed by a series of one-on-one meetings to compare philosophies, attitudes and values. The two also discussed what would happen if they disagreed on an acquisition. Who would have the ultimate approval? To whom should the senior executives report and why? They even consulted other well known tandems in the business community to better understand how information flowed between them. Through this process they gained deep insight into each other as well as a clear understanding of their responsibilities before deciding to consummate their business marriage.

Trust goes hand in hand with understanding as a key ingredient in a successful relationship. Since familiarity breeds trust, it is common for many great duos to have longstanding relationships. For those coming in from the outside, research suggests that competence, integrity, consistency, loyalty and openness are the key contributors in earning trust. These, along with a plan to tackle them, should be carefully considered in advance.

Communication is the other key component in successful relationships. There can be no hide and seeks, no hidden agendas, only open books and over-communication. While this can be facilitated by design (eg. close physical proximity between the leader and the second-in-command), it demands regularly scheduled and unscheduled communication. In the instance of Wm Wrigley, the pair made it a habit to send emails to each other three to four times a day, meet for lunch frequently, and chat over the phone on the weekend.

When Relationships Fail

In 2005, Nortel hired Gary Daichendt as its President and COO. A very successful Cisco executive, Mr. Daichendt joined CEO Bill Owens with the mandate to inject some of Cisco's magical business and cultural sauce into the floundering Canadian telecom icon. As Mr. Owens stated at the time, "Gary is a world-class leader with unquestioned integrity and one of the top technology executives in the world. He will make a major difference to us going forward". Only three months later, Bill Owens made the following announcement, "It has become apparent to Gary and me that we have divergent management styles and our business views differ. I respect him for his decision and I wish him every success in his future endeavors".

Despite their inherent logic, leadership tandems fail with alarming regularity. Inadequate due diligence is often to blame. Organizations rush to make decisions and fail to invest the necessary time and effort to assess the fit of the parties concerned. For example, it is reasonable to assume that Gary Daichendt's intense involvement with the Christian leadership organization, *Walk Thru the Bible*, was public knowledge at the time of his hiring by Nortel. Despite this, along with the opportunities for discussion which such prior knowledge presented, Daichendt's religious values were most commonly blamed for his short tenure. One *Globe and Mail* article went so far as to suggest that "Daichendt was a religious zealot who not only regularly talked about prayer with his staff but also told the Nortel board he had a message from God to depose the incumbent CEO". Though these allegations were denied by Daichendt, they speak to a fundamental lack of due diligence prior to hiring. Companies ranging from JC Penny to SAC Technologies to Overstock, all shared extremely short-lived experiences with seconds-in-command. Due diligence also means carefully scrutinizing broader competence-related fit. Last year Dell Inc. paid Michael Cannon, President of Global Operations more than \$16mm to align the company's vast global operations to the changing world in which the company competes. As the results have yet to materialize, Mr. Cannon was recently 'retired' along with several of his key lieutenants. He was replaced by a long-time employee leading one observer to comment that the changes "marked the end of Dell's experiment with big name hired guns".

Ego is also powerful poison in leadership relationships. Donald Trump has famously fired many key executives who dared venture out of his shadow. When Michael Eisner had his challenges co-existing with successive seconds-in-command, one writer famously quipped, "In Eisner's Disney, there is room for only one superstar, and it isn't Mickey Mouse". Ego has also been the undoing of many seconds-in-command who could not or would not accept being 'wingman' to someone else's 'Top Gun'.

An unwillingness to share power has also undone many relationships. In his autobiography, Home Depot founder Bernie Marcus describes getting fired at Daylin Industries because the board perceived him as the heir apparent while the CEO perceived him as an apparent threat. The CEO

eventually 'uncovered' improprieties that he attributed to Mr. Marcus and fired him. If nothing else, such maneuvering illustrates the difficulties if boards of directors want a COO and the CEO does not. A willingness and ability to share power is a psychological gate that must be passed by the leader if any tandem relationship is to work.

Challenges also follow when boards hire a second-in-command to prop up a poor CEO or as insurance for a CEO whose ability to scale remains in doubt. One of the defining features of the second-in-command is that they must be a loyal follower behind the CEO and at the same time a leader of those below them. This balance is compromised if the second-in-command does not respect the CEO. A strong second-in-command will not work for a weak CEO and thus attempting to use them as insurance or as a backup sets up predictable recruitment and retention issues.

Finally, a second-in-command with feverish aspirations to be CEO will also sabotage many tandems. Such aspirations impose timelines onto relationships and if the second-in-command's desire for personal success supersedes his concern for organizational success, problems are certain to follow.

Conclusion

Writer Roger Rosenblatt once wrote a tribute to the famous straight man George Burns who spent much of his career in the shadow of his ditzy wife Gracie Allen. He observed that, "The essence of the straight man is that he gives. He gives the best lines, the stage, the spotlight. By giving, he creates the show – the entire show, including all of the performances... And he gets by giving. It takes a certain kind of person to do that – one who is willing to diminish his part for the good of the whole".

About The Author

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