

What CEOs Look For in a Management Team

By
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Important Attributes

One of the key qualities that I look for in a member of my management team is experience in the industry. I want people who are up to speed so that I don't have to spend a lot of time training them. My team members also need contacts in the industry that will lead to new business development.

I look for loyalty under good and bad conditions. My team has to stick by the company through a variety of different situations. Honesty is equally as important. I need people who are straight shooters. I don't want people who beat around the bush or form political parties within the company. I need people who are straightforward, get the job done, and stick with a decision once it has been made.

There are different skills and levels of expertise that I'm looking for depending on the role. The CFO has to be a certified professional, typically a CPA. Since I run two public companies, he or she also needs securities and exchange experience. The CFO needs skills with people as well as numbers.

The CMO needs experience and contacts in the industry. He or she has to be a seasoned executive. The CTO or CIO needs to know about computer fraud and security measures. We have a CIO who is adept at networks, Web sites, and business done over the Internet, which is a very important area for us.

The head of human resources has the pleasant parts of dealing with people, as well as the unpleasant parts. This person needs very strong oral and written presentation skills and the ability to follow rules.

A CEO should identify which areas the company is lacking critical knowledge in, and then acquire that knowledge through a strategic hire. If you're looking for additional revenue, you need people with business development skills. If you're looking for line managers, you want a different skill set. My investors tell me where the company is lacking. One of my challenges is deciding who to listen to and who to believe. Many times I have to trust my intuition or gut feeling.

Best Practices for New Hires

Hiring new managers is the easy part; retaining them is the challenge. Executives are often shopping for the best deal. That may mean salary, benefits, or a variety of other things. We like to have competitive salaries as well as very strong incentive programs. I believe in pay for performance at the top. That idea also works throughout the rest of the organization. People need a certain amount of money to exist, but if they do a good job and put in time and effort to benefit the company, I like to see them rewarded additionally.

Challenges with the Management Team

If a member of the management team is not fitting in and contributing, I go through a variety of steps. I first sit down and talk to the person to find out exactly what is going wrong. I try to work out a program to change the behavior or performance. We set milestone goals, and then we check back at certain points of time to make sure those milestones are being met. If they are not, we use corrective action or decide to part ways.

When a CEO is new to a company and has to manage a diverse team, it can be a real challenge. A new CEO has to understand the culture that he's walking into, including the unwritten rules. He also has to demonstrate his background, experience, knowledge, and skills to show people how he can handle the team in a politically correct way. A new CEO doesn't want mutiny on his hands. He has to learn the ropes and be steadfast, decisive, and willing to take the company in a new direction.

A new CEO should interview members of the management team, then decide how they fit into the overall picture and observe them for a period of time. He has to make a decision about how resources are being used with regard to the direction that the company wants to take. Sometimes a radical change is necessary, and sometimes a new direction is needed simply because someone has retired or taken a new job.

Explaining the Rules

A CEO must effectively and explicitly define the duties of each management team member. Most CEOs know what a typical management team member is supposed to do. The question is how many members are needed and how to divide individual tasks.

Some of the management team's tasks are described in the by-laws of the company, especially if those people are officers. If people are line managers, their tasks are determined specifically by the job that needs to be done. A manufacturing company is obviously different than a service company. There are typically multiple vice presidents, people who report to each of them, and the classic finance, sales, marketing, technology, and research groups.

Benchmarking Success

A CEO can benchmark the success of his management team by specifically outlining company goals in general terms and applying them to each manager. The managers then agree to performance tracks that will lead them to accomplish or exceed the goals. Quite often, this performance track is a written contract that outlines goals and incentives. The person knows exactly what's expected of them. If everybody accomplishes their goals as a team, not only is there an individual reward, but there's also a team reward.

Since I have to report financials to the public each quarter, I benchmark on a quarterly basis. Most companies benchmark with each individual member on a formal basis each year, and then they look at the track record of what's happened weekly. There's a review on a quarterly basis and on an annual basis. Every ninety days, there should be a sit-down meeting that outlines where a company is and where it's going.

Picking Board Members and the Management Team

Most CEOs come to work for a three to five-year term at the very least. Over that period of time, they bring people with them who they can trust, and they weed out the people who are not performance-oriented.

In a private company, the CEO picks his own board members. In a public company, the CEO can pick some of his board members, but with all the new rules, many companies need a majority of board members who are not associated with the company. Some board members can be friends of the family, who either understand the industry or who are influential in a particular function such as raising money, investor relations, or political capital.

Friction with the Board

There is always going to be some friction with the board, and it's usually a positive thing. Friction with the board means that either the CEO is not meeting objectives as far as the board is concerned, or that the CEO feels that he does not have enough resources to meet his objectives. Meeting frequently and examining resources can minimize friction.

It's difficult to squeeze blood out of a turnip if it's not there to begin with. The board has to commit to reasonable objectives and goals, supply resources, and have a CEO who can execute their plan. The CEO has to buy into the plan just like the management team has to buy into his or her plan, which is ultimately the board of directors' plan.

Increased Corporate Scrutiny

The CEO and the CFO in a public company have to swear that the company is being run the best it can and that all controls are in place to prevent fraud. Their credibility is always on the line. In many cases, the new rules and regulations have had a negative effect. Everyone is trying to make sure that they're not ousted when something goes wrong. They take a lot of protective measures and do things that don't make sense from a corporate standpoint. They're doing these things from a personal liability standpoint, because their reputation is on the line.

Companies are hiring more CPA firms, more consultants, and more people to tell them that they're doing the right thing so that they are protected. Ultimately, they

end up spending more money and have less earnings and lower stock prices because of all the extra layers of protection that are required.

The same rules that apply to big companies apply to small companies that are worth less than \$100 million. We have less than \$10 million in sales, and we have the same scrutiny as companies doing \$2 billion in sales. Paying outsiders to do reports that have virtually no meaning can sink a company. There's a disparate requirement throughout the industry that has to be reconciled before the new rules can be effective at different levels.

The Future

In the next twelve months, there will be new opportunities for businesses throughout the world. With the World Trade Organization, NAFTA, and a variety of other things happening in the world, people will be much more involved on a multi-national basis.

People who have international skills and speak multiple languages will be in demand. We are becoming a world economy, and knowing how to react and do business with other countries will be a challenge for all management teams, CEOs, and boards of directors.

International Expertise

It is absolutely essential to have a management person who is bilingual, culturally experienced, and skilled in international finance, marketing, and sales. We've hired outside consultants to make introductions to certain political levels of different governments.

Dealing in five different currencies is difficult. A company needs international business experience to successfully compete in an international market. An international specialist is like a translator.

Once a company has their business model working correctly and goes to a different geographical territory where the requirements, the language, the warranties, and the return privileges are different, they need someone to explain the differences. The laws and culture of many countries are significantly different than those in the United States. Someone has to translate the requirements of product pricing, availability, wholesalers, and distributors.



BIO: Robert C. Brehm has served as CEO since July 19, 1997. He has a double engineering degree in electrical engineering and computer science and an MBA from UC Berkeley in Finance and Accounting. Mr. Brehm has operated a large chemical production facility for a Fortune 500 company, owned several software companies, a finance company, and an investor relations company. He fully understands the scientific aspects of the microbial technology business as well as the business, marketing, promotion and financial requirements for success in a public enterprise. His skill, knowledge and expertise are invaluable for the rollout of the company.