EXECUTIVE CHURN

HELLO, YOU MUST BE GOING

It's not just new CEOs who have to hit the ground running. There are no more honeymoons for top-level managers.

BY NANETTE BYRNES AND DAVID KILEY

When Catherine West arrived at J.C. Penney Co.'s Plano (Tex.) offices in June as the new chief operating officer, she brought a gold-plated record. A veteran of credit-card giant Capital One Financial Corp., West had most recently run the company's $47 billion U.S. business. Penney CEO Myron E. Ullman called her a "world-class" executive. He was so confident she had what it would took to succeed that he gave her a contract guaranteeing a $10 million payment when she left the retailer, even in the remote event that she took off in less than a year.

That's just what happened. By Dec. 28, Ullman felt no holiday goodwill toward West. She was terminated "due to her failure to satisfy performance objectives," primarily "gaining an understanding of the company's operations," Penney reported to the Securities & Exchange Commission. In an e-mail message, West termed her months in Plano "an extraordinary developmental experience."

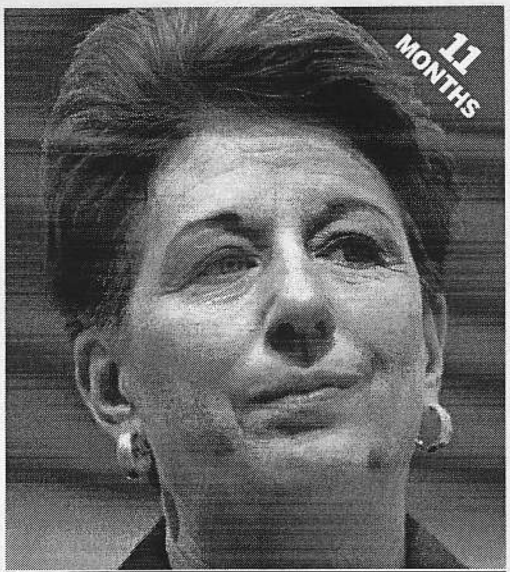
Perhaps, but her tenure was no success. Nor was it an isolated event. It caps off a steady march of other highfliers who have not lasted even a year. Some, like West, came from outside and fell short. Others have spent decades reaching for the gold ring, only to let go after it was in their grasp. At Wal-Mart Stores Inc., two marketing managers and the head of global procurement left, all in under 12 months. Home Depot Inc. lost its head of marketing and merchandising, Tom Taylor, in similarly short order. Gap Inc. said good-bye to veteran Liz Claiborne Inc. manager Denise Johnston after only nine months in her role heading up Gap Adult. Software maker Adobe Systems Inc. and retailer Sears Holdings Corp. both lost chief financial officers within six months. And Ford Motor Co. continued to crank through executives, among them Chief Operations Officer Anne Stevens, who lasted 11 months in that role.

Once thought most likely to succeed, this is the unhappy class of 2006, the year's fastest failures. Many did not even make it to their first annual review. It isn't easy for a star performer to flame out so quickly, but it's getting easier. The brutal reality is that executives have less time than ever to prove their worth. Tough global competition, more diligent regulators, increasingly engaged boards of directors, and demanding investors have combined to create an environment in which a new hire has to show results almost from Day One. The pressure is especially acute for outside recruits. According to RHR International, a Wood Dale (Ill.) firm that specializes in developing top managers, 40% to 60% of high-level corporate executives brought in from outside a company will fail within two years. Those who do fail most often derail quickly, sometime between seven and nine months in the job.

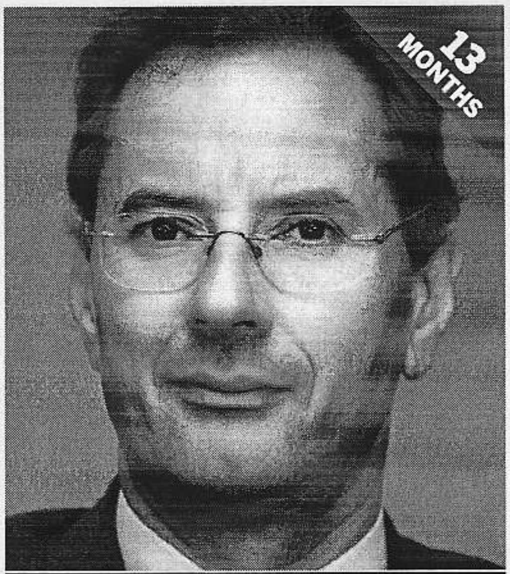
"You have to perform or perish," says John A. Challenger, CEO of Chicago outplacement firm Challenger, Gray & Christmas Inc. "If you don't produce immediate results, you just don't have much room to move." Last year there were 28,058 executive turnovers, including board members and executives from CEO down to vice-president, a 68% increase over 2005, according to Liberum Research's analysis of North American public companies. Of those, 44% of the positions were filled from outside the company.

WILD RIDE *For an inside account of Julie Roehm's rough year at Wal-Mart, please see page 70.*

(LEFT TO RIGHT, TOP TO BOTTOM) (STEVENS) MICAH WALTER/REUTERS; (CHAMPION) ANDREW WHEELER/BLOOMBERG NEWS; (MONAGHAN) BLOOMBERG; (WEST) ADAM B. AUEL; (XIE WEN) WU CHANGQING/IMAGINECHINA/ZUMA PRESS; (TAYLOR) ANDY SHARP/*ATLANTA JOURNAL-CONSTITUTION*



ANNE STEVENS,
FORD MOTOR
COO-AMERICAS



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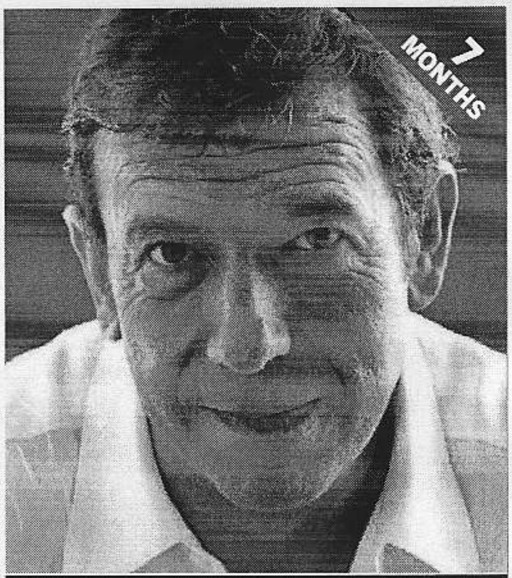
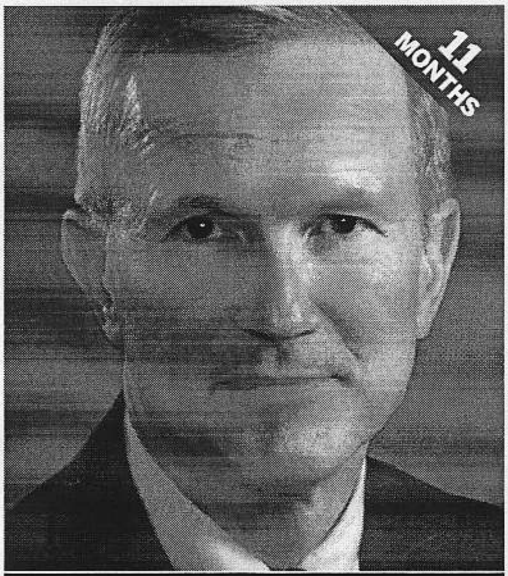
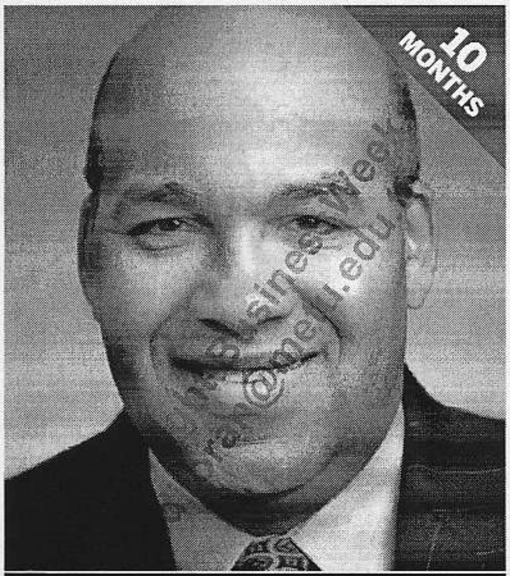
AIRBUS
CHIEF OPERATING OFFICER



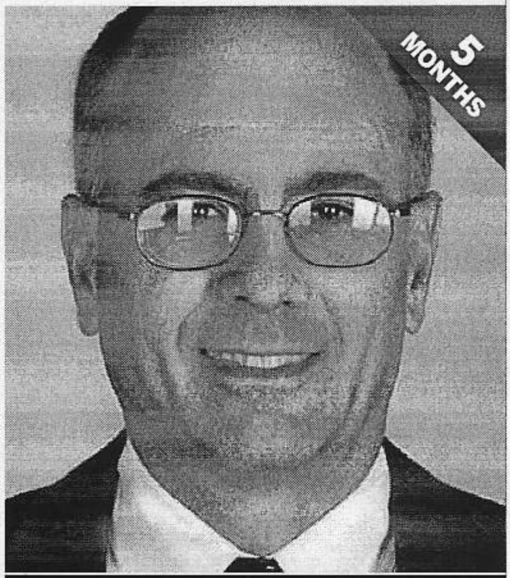
CHRIS JAQUES,
YOUNG & RUBICAM
CEO OF Y&R NORTH AMERICA



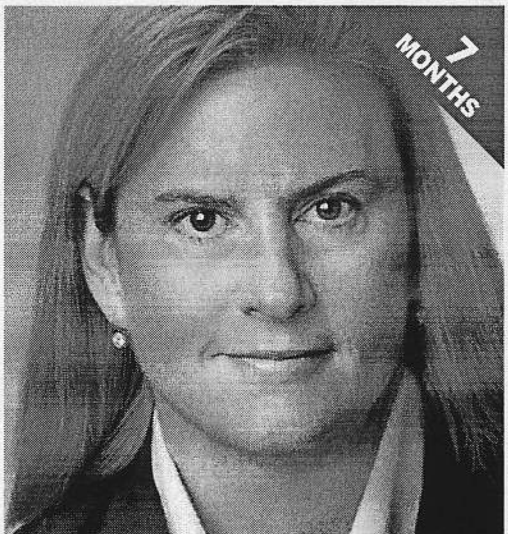
RICHARD K. WILLARD,
BRISTOL-MYERS SQUIBB
GENERAL COUNSEL



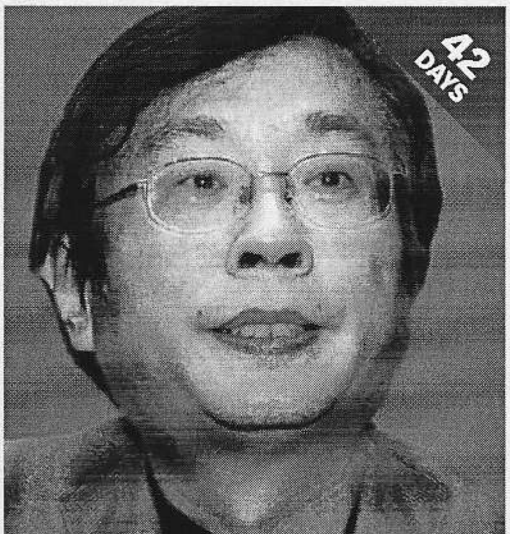
LAWRENCE V. JACKSON,
WAL-MART
CEO OF GLOBAL PROCUREMENT



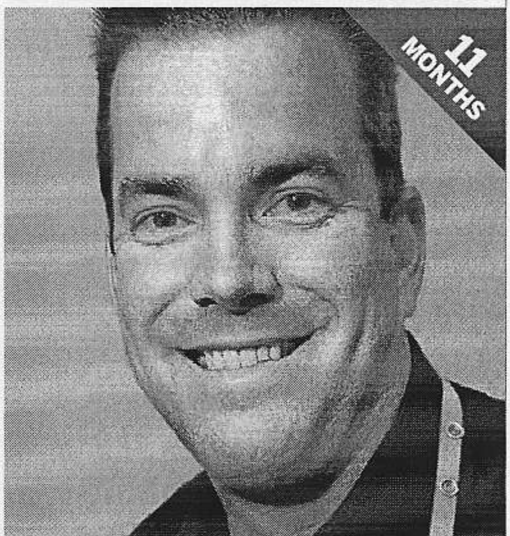
CRAIG MONAGHAN,
SEARS
CFO



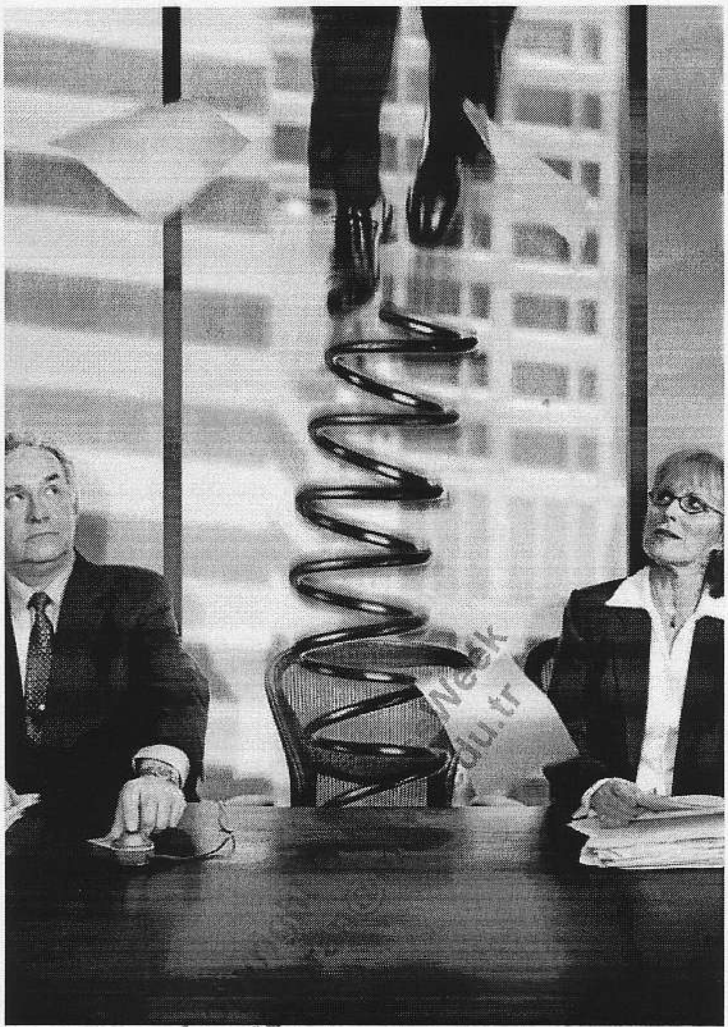
CATHERINE WEST,
J.C. PENNEY



XIE WEN,
YAHOO! CHINA



TOM TAYLOR,
HOME DEPOT



When a company ejects a high-profile hire in under a year, the problem is usually not one of ability but of style. The person clashes with the CEO, inspires resentment in co-workers, or pushes for too much change too quickly. Jeff Durocher, RHR's vice-president of market development, says his firm's research has found most fast failures come when managers haven't established a network of allies and confidants or adapted to the company's culture but instead see themselves as special and unique. "We call it tissue rejection," says Durocher. "They get no support from the people around them."

However humiliating failure is for the executive, it is also costly and embarrassing for the company. People recruited from the outside usually go through a series of extensive interviews with peers, the board, and the CEO. The company often has to pay large fees to headhunters and purchase expensive furniture to spruce up the new star's office. Replacing a failed C-suite executive can easily cost another $1 million to $3 million.

Even so, ending a bad match sooner is better than doing it later. "It takes some maturity to recognize a mistake and correct it," says David P. Sievers, consumer products and retail practice leader for Archstone Consulting. Sometimes it's the employee who is the first to confront the problem. Joseph V. Tripodi, now chief marketing officer of Allstate Insurance, found himself unhappy almost immediately after taking a new marketing job at Bank of America Corp. "I knew within a month it was not the right thing for me," says Tripodi. "It's a difficult conversation to have, but all parties are best served by the person who realizes the fit isn't right."

LOW TOLERANCE FOR ERRORS

THE NEW HIGH-PRESSURE climate reaches to every member of a company's top management. At large companies, chief financial officers are turning over at a rate of 22% a year, according to Russell Reynolds Associates, because CFOs are under pressure in the regime of Sarbanes-Oxley, but also because they are the face of the company to Wall Street. "The tolerance for mistakes and surprises has really gone down," says Russell Reynolds' Gordon Grand. The stock options backdating scandal unfolding across the country has taken its fair share of CFOs, but also shown the vulnerability of general counsels, several of whom have been dismissed over the issue.

About half of executives brought in from outside will fail within two years

But if there's one job that is most firmly in the danger zone at present, it's not the general counsel, chief operating officer, or even the chief financial officer. It's the chief of marketing, a spot with a dangerous combination of lofty goals and quickly measured returns. Sales are monitored weekly, ad campaigns built quickly. So while the typical CEO today has a five-year tenure, search firm Spencer Stuart has found the chief marketing officer has only 23 months in the job.

Marketing problems often come down to an inability to create allies quickly in a new company. Senior Vice-President of Marketing Communications Julie Roehm, who had a recent fast exit from Wal-Mart, came in from a very different world—cars—to help jazz up the retailer's image. After only 10 months she was out and suing her former employer for wrongful dismissal.

One problem, says Allstate's Tripodi, is that many new marketing executives come in with a mandate to shake up a company. "If you're wearing on your chest a bull's-eye that says 'I'm a big-change agent who's going to fix the company,' you're going to get shot," says Tripodi.

"Left for personal reasons" often is code for performance failure, but sometimes it's true. The rising globalization of business, which has created opportunities to tap into the worldwide talent pool, seems to be making it more so. Young & Rubicam Brands CEO Hammish McLennan found that out when he recruited Chris Jaques to run his North American business. Jaques had done well in Asia for Y&R but had never lived in New York when he took the job. He and his family couldn't adjust to the new environment. "They were very unhappy about the lifestyle change," says McLennan. A call to Jaques was not returned.

McLennan acknowledges that "losing a key executive is disruptive." While predicting how an international move will turn out is hard, he argues that it's worth taking the chance for a promising talent. "In today's world where our jobs can be so uncompromising and stress-filled with BlackBerrys going off 24/7, you try to make some concessions for people you think are valuable." ■

PHOTO ILLUSTRATION BY STEVE WEBSTER