White Paper

Engaging CEOs:

The Fast Track to Opportunity

Why (and how) modern CEOs are influencing corporate investment decisions.

Chief Executive

This is the first of two Executive Briefs exploring CEOs' dramatically increasing role and influence in enterprise investment / purchase decisions. The second will focus on optimal ways to engage with modern CEOs. Both draw directly from extensive research and the experiences of successful CEOs and the brands and marketers who target them.

Marshall Cooper's first job out of college was editing the *White House News Summary* in the first President Bush's administration. Produced overnight and hand-delivered by the President's butler every day at 6 am, the 20-to-40-page newsletter summarized every important story of the day and the different spins applied by every major media outlet, including foreign translations. It was the only document that reached the President unscreened by a cabinet member.

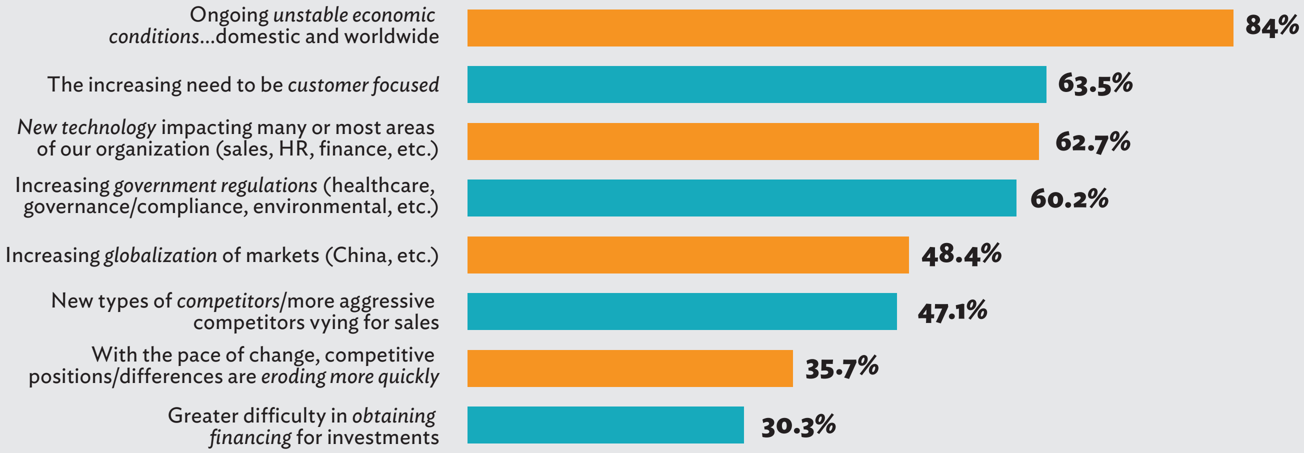
"Only the president and his cabinet ever saw that newsletter. That experience taught me the value of delivering information directly to those elite few who really make the important decisions," says Cooper.

Perhaps that is why, today, Cooper is CEO of Chief Executive Group (CEG) – publisher of *Chief Executive* magazine and owner of the Chief Executive Network, a CEO peer-to-peer network – despite the fact that many marketers have not yet caught on to the idea of CEOs as discrete targets for their messages.

But times change. Today, the confluence of unstable economic conditions, rising customer focus, widespread impact of new technology, increasing globalization and intensifying competition are just some of the factors motivating CEOs to more aggressively wield their considerable influence.

In fact, CEOs are becoming far more involved than ever before in their companies' major investment decisions. At the same time – and this is a crucial point for marketers to note – these and other factors also are making CEOs more accessible and open to direct engagement.

Factors Driving Business Change



What changes in the business environment (compared to 4-5 years ago) have affected the way your organization now conducts business?

Source: "Corporate Investments In Systems & Services: The Expanded Role Of Chief Executives," Martin Akel & Assoc., November 2012

Figure 1

"Given the issues at stake today, almost by default CEOs need to be more involved in their companies' major investment decisions," says Howard Kravitz, U.S. Marketing Leader for PricewaterhouseCoopers. Kravitz cites as example the 63% of U.S. CEOs in PwC's latest global CEO survey who report "customer focus" as one of their top three 2013 initiatives.[1]

"Customer focus is a top priority right now," Kravitz says. "If I'm a CEO, I need to personally focus on this to create a distinct competitive advantage, and to help my organization get it right." Further, as companies focus on building more robust supply chains to better manage risks, they're doing more partnerships, joint ventures and other forms of alliances. "Those are all the kinds of deals that demand the attention and the stamp of the CEO," he says.

CEOs 'STEP UP' TO TRANSFORMATIONAL CHANGE

A growing body of research depicts the growing engagement and influence of CEOs in major investment decisions, amid a backdrop of rapid change.

One of the most striking examples comes from EY (formerly Ernst & Young). EY's *Digital Agility Now!* report surveyed executives in media and entertainment, an industry beset by technology-induced transformational change. It found that among those M&E companies leading their industry's digital transformation, CEOs tied with chief technology officers (CTOs) in claiming ownership of their organizations' digital vision. According to the report:

"It is the prevalence of CEOs taking direct responsibility for digital vision/strategy that is most notable. It correlates to the organization-wide cultural change that is required for success in digital transformation, because such widespread change typically is not possible unless it is led from, or vigorously supported by, the top." [2]

"It is the same in every industry undergoing real change," observes Wayne Cooper, Executive Chairman and President of CEG. "An organization cannot drag its CEO along for dramatic change. So in any organization that is leading change rather than being forced to change by their market, you're going to see the CEO leading that change," Cooper says.

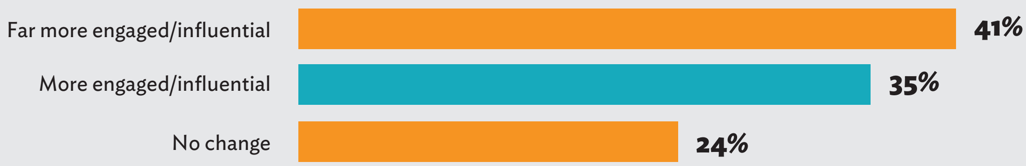
"CEOs have their antenna up in a lot more ways than they have in the past," confirms Jeff Durocher, CMO of RHR International, a firm of management psychologists and consultants who focus on the needs of CEOs. "There's just so much more information out there now. The business environment is messy and there's a lot of noise in the system. CEOs need to sort through that noise constantly and quickly to lead their organizations," Durocher says.

CEOs ARE *FAR* MORE ENGAGED – AND INFLUENTIAL

As a consequence of their need to lead change at a time of market complexity, CEOs are becoming more involved in investment/purchase decisions throughout their organizations. Further, they are more communicative as a result.

In CEG research conducted with nearly 500 CEOs, 76% acknowledged being more engaged. *(Figure 2)*

Greater CEO Influence in Investment Decisions



In response to changing business conditions, has the CEO become more or less engaged and influential in the major investment decisions made throughout your organization?

Source: "Corporate Investments In Systems & Services: The Expanded Role Of Chief Executives," Martin Akel & Assoc., November 2012

Figure 2

SAME AS IT EVER WAS?

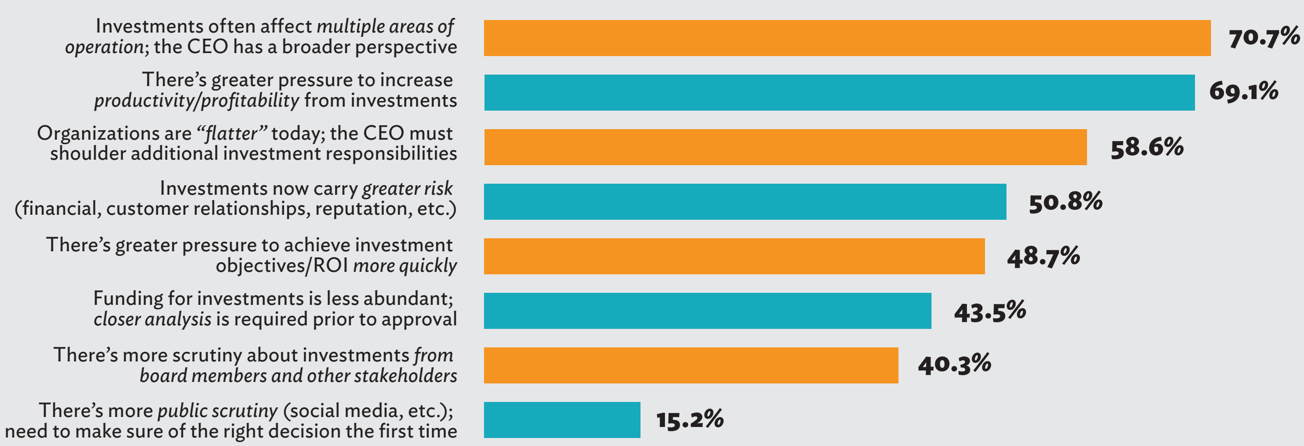
While more than three-quarters of the CEOs in our research were either more or far more engaged/influential in investment/purchase decisions throughout their organizations, many of the CEOs we encountered in interviews were surprised at the idea that even five years ago CEOs could afford to be hands-off. "I think I'm as involved – which is pretty darn involved," says Tom Saporito, CEO of RHR International, summing up what we heard. "For those CEOs who were more hands off and are now suddenly more hands on, I question whether they had the right mental models of what it means to be a CEO," Saporito adds.

"I find that CEOs are much more responsive than the people who report directly to them, and I teach that to my team," confirms Ed Taylor, CEO of The Collective Group, a professional services firm based in Austin, Texas.

In the CEG research, more than half the responding CEOs zeroed in on four main reasons for their increased involvement (*Figure 3*). The top two were a statistical tie:

- The way in which decisions affect multiple areas of operation, requiring a CEO's broader perspective
- The greater pressure to increase organizational productivity and profitability from every investment

What's Driving Increased CEO Influence



If you indicated that the CEO is now more engaged in major investment decisions, please check ALL the reasons why.

Source: "Corporate Investments In Systems & Services: The Expanded Role Of Chief Executives," Martin Akel & Assoc., November 2012

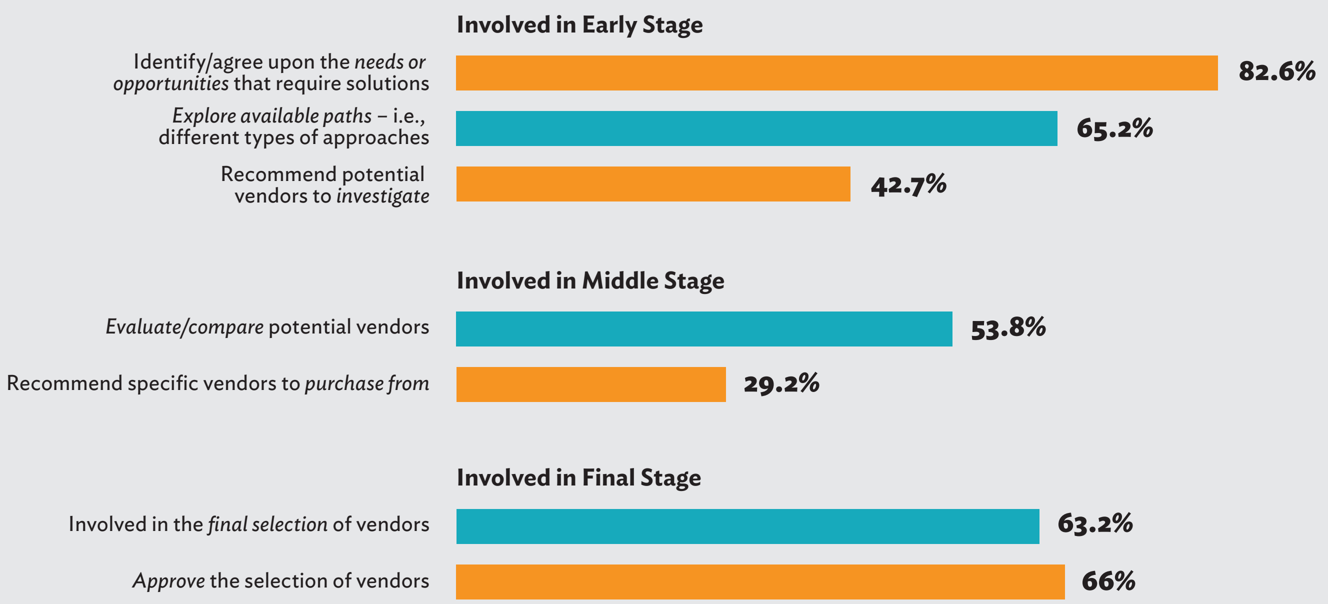
Figure 3

"Everything is all interwoven; there are no more silos. It's all strategic, and the CEO needs to be involved," notes one CEO. According to another, "The CEO has to interact more frequently with the organization to measure the effectiveness of decisions to enable faster decision-making aligned with the pace of global activity."

That broader perspective works to the advantage of vendors that may have higher costs but that offer commensurately higher value. Nine out of 10 CEOs in the CEG research say they are willing to consider working with a vendor whose price point is higher than competitors, as long as they demonstrate better ROI. Fifty-six percent reported that they were "very willing" to do so.

"It's the CFO who most wants to hear about saving cost," says CEG's Cooper. "The CEO can appreciate the additional value that a strategic-thinking vendor might bring, and is more willing to pay that premium. It makes sense, because below the CEO people are trying to protect themselves and not make mistakes. But the CEO doesn't have to answer to anybody and can go with who he or she thinks is the best."

CEOs Most Involved at the Beginning of the Purchase Process



When your organization enters the decision process for major investments, how are you typically involved?

Source: "Corporate Investments In Systems & Services: The Expanded Role Of Chief Executives," Martin Akel & Assoc., November 2012

Figure 4

ENGAGE CEOs EARLY – OR GO HOME

In the CEG research, CEOs also reported involvement in all stages of the buying process. But a close reading shows CEOs are most involved early in the process (91%) and then again at the end (82%), when approving the final decisions.

Of note, extensive research on selling to C-suite executives by Huthwaite, Inc., a leading sales performance improvement consultancy founded by sales guru Neil Rakham, focuses on the importance of engaging the C-suite at the beginning of a buying process. According to Huthwaite:

"Since C-Level Executives (CLEs) delegate the task of vetting potential solutions, if you missed the early opportunity, you will not be able to gain access to the CLE until the end of the evaluation of options. You will have unfortunately missed the opportunity to shape the problem or opportunity in your favor." [3]

"You can bet that if selling early to the C-suite is important, then selling early to the CEO – the 'big C' around which all the other Cs revolve – is even more important," says Marshall Cooper. Indeed, fully 83% of CEOs report being involved in the very first step, that of defining the needs or opportunities. And 43% recommend vendors to investigate.

"Most vendors don't realize the scope of the CEO's involvement because they don't see it," says CEG's Wayne Cooper. "That's because a software vendor, for example, may see the CIO taking meetings with four different organizations, but not that the CIO is bringing it all back to the CEO – and then bringing the CEO to the one meeting with his first choice," Cooper explains.

NO CEO AWARENESS? NO DEAL!

Perhaps the most striking insight from the CEG research is this: because of this increasing influence, if the CEO hasn't heard of your brand you're pretty much not going to get the business.

Only 15% of the CEOs in the CEG research say they're likely to work with vendors they've never heard of before. If they've heard of a vendor, but aren't familiar with it, the figure increases only to 20%. "I wouldn't say I'd never work with a vendor I hadn't heard of, but I'd have to make sure a lot more due diligence has been done before I'd work with them," confirms Malcolm Conner, President of American Water Resources LLC.

Most crucial for marketers, though, is the 55% of CEOs who say they are likely to work with vendors with whom they haven't had contact, but are familiar with via "ads, promotion, sponsored events, white papers, newsletters, etc." This demonstrates the potential impact marketers can have on CEO-influenced decisions, using targeted brand marketing to increase awareness and transform consideration into likelihood.

Rachel Spasser, Senior Vice President and Chief Marketing Officer of Ariba, Inc., works to ensure that Ariba earns that CEO awareness. "Ever since the recession, our deals normally end up being reviewed at least by an executive committee, and more often the board. Having the CEO understand the business value we bring to the table is critically important. The CEO is a huge influencer – and could be a blocker if we don't win them over," she says.

CONCLUSION: CEOs ARE THE BULL'S-EYE

Research and interviews with leading CEOs and CMOs has revealed that the image of CEOs as hands-off leaders uninvolved in their organizations' day-to-day investment decisions is dramatically out-of-date.

Instead, the accelerating pace of change and continuous innovation sweeping the world economy have raised the stakes in terms of purchase decisions' impact on enterprise growth and profitability, driving CEOs to become far more "hands-on" with regard to high-stakes purchase decisions. Further, CEOs' involvement translates into tremendous influence: 92% of CEOs report that their championing an investment makes it more likely or far more likely that it will move forward faster and roadblocks will just disappear.

Smart marketers recognize these changes by placing CEOs directly in the cross-hairs of their campaigns.

In the second half of this two-part series, our research will focus on the kind of content to which CEOs most gravitate, and how to create it.

4 CRITICAL STRATEGIES FOR INFLUENCING CEOs

1 – Aim at the very top; current business conditions make CEOs more open than you think

2 – Lay groundwork by ensuring CEOs are familiar with your brand

3 – Engage CEOs early – well before any RFP is issued – to help define the buying criteria

4 – Focus CEO communications on how the value you bring benefits them and their organizations

ABOUT CHIEF EXECUTIVE GROUP

Chief Executive Group improves the effectiveness of CEOs and the organizations they lead. The company publishes *Chief Executive* magazine and ChiefExecutive.net, hosts exclusive events for CEOs to network, learn and share ideas, facilitates industry-specific CEO peer groups through Chief Executive Network and produces proprietary research that gives CEOs unique insights into data and trends that help them effectively lead their organizations. For more information, please visit ChiefExecutive.net or contact Geri FitzGerald, EVP Publisher, 203-930-9798, gfitzgerald@chiefexecutive.net.

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[1] *2013 US CEO Survey: Creating value in uncertain times*, PwC, 2013

[2] *Digital Agility Now!*, Ernst & Young, June 2013

[3] Selling to the C-Suite, Huthwaite, Inc., 2013