About: Martin Taylor, former Chairman of Syngenta AG and former CEO of Barclays Bank

Martin Taylor (born 1952) is an external member of the Bank of England's Financial Policy Committee.

After studying Chinese at Oxford he worked for eight years as a financial journalist (Reuters/Financial Times) before joining Courtaulds plc in 1982. In 1987, he became CEO of the company's textile division, which was spun off as an independent company three years later. He has subsequently been CEO of Barclays plc (1994 to 1998), an adviser to Goldman Sachs (1999 to 2005) and chairman of WHSmith plc (1999 to 2003) and then of the Swiss multinational Syngenta AG (2005 to 2013). He has done several pieces of advisory work for successive British governments, most recently as a member of the Independent Commission on Banking (2010/11).

martin.taylor2@bankofengland.co.uk

Full text of remarks delivered to the Daedalus Trust conference, 19 September 2013

I've been asked to talk to you about the pressures on senior business people and what makes them go off the rails. I shall consider forms of failure that fall well short of full-blown hubris; my subjects are more or less normal people, not villains or monsters. I should warn you that the only strictly medical knowledge I have is that doctors don't know very much, especially about the brain and its curious offshoot the personality, and psychologists, if anything, know rather less, although their insights can be quite poetic. So what you get from me this afternoon will be rather less Cambridge than you might reasonably aspire to – and rather more Social Studies.

I believe there may have been some advance publicity suggesting I would speak principally about financial market executives – what laymen call "bankers". That's not my intention, simply because they form a relatively small – though unforgettable – slice of my personal sample. (There is an interesting discussion to be had about the extent to which bankers' risk appetite has been contaminated by the trading room, bringing gambling habits – most inappropriately – into the boardroom.)

My observations are drawn from my own experience – second-hand, i.e. observed at one remove, first-hand, that is, people I've interacted with very closely, and what you might call zero-hand – observations about pressures and fallibilities that have been all my own. Most of what I say, I'm afraid, will be a rehearsal of the blooming obvious, but that's often a successful approach in public life.

I'm mostly thinking today about chief executives of public companies, who are objects of adulation, envy and contempt depending on minor details of audience segmentation. I have been a CEO – I've been two, indeed – I've worked for these people, I've worked alongside them, I've been their chairman, I've known very many. Much of what I say will apply to people outside the corporate sector, and indeed to people within it at levels below that of the CEO. But it's the leaders I'm really talking about today.

Their jobs are exceptionally demanding and exceptionally interesting. Some might question both of these assertions; perhaps in an audience like this (though that's unfair – I haven't a clue who you all are), people might be more inclined to question the second. Of course some companies are more interesting than others – and some are very much more important, which isn't at all the same thing. But these jobs are intellectually extraordinarily demanding, and it's from that that the interest comes, in my view. Outsiders frequently imagine that senior businessmen (as opposed to buccaneering entrepreneurs – a rather different category, at least in the public mind) spend their time weighing data and deriving precise and desiccated decisions from it. In fact, just like public policy-makers, they usually need to act on the basis of dirty or incomplete knowledge, weighing risks and probabilities,

and using intuition as much as deduction. The more senior the job, as a rule, the more uncertain the information on which you have to act. You don't have the luxury, for competitive reasons, of waiting for certainty.

So we are looking, in theory at any rate, for people of high ability. They need not just intelligence, but judgement – an ability to balance confidence and realism, daring and caution, to maintain equilibrium while executing sometimes violent shifts. They need stamina and resilience. They need to be able to attract and inspire other people, while at the same time retaining the ability to make dispassionate assessments of the people they are inspiring. They need patience, and they need impatience, and they need to know when each should be applied. Today they need to be fluent in communication with a host of different audiences. It is good if they have warm hearts and cool heads.

Sometimes, when reading a candidate profile prepared by a firm of headhunters (the last paragraph was not, I assure you, lifted from one of these), one has the feeling that the Archangel Gabriel, were he to apply, would be unlikely to make the long-list. It can then be a bit of a shock to view the lineaments of the mere mortal who is appointed.   But I can tell you from long experience that, while the major determinant of a firm's success is probably its underlying market position and related externalities, a good manager is much better than a bad one, and a very good one can make a huge difference. Hence the preparedness to pay a lot of money to get a very good one. The problem is that they can be quite difficult to identify ex ante.

New CEOs come either from inside an organisation, or they enter it as an outsider taking the top job. I think this covers the logical waterfront in a way that will satisfy even people who may have wandered in from Trinity. Very broadly – and here I abandon pretensions to logical precision – the insider tends to be a continuation of the former regime, the outsider a deliberate break with it. But any new CEO is bound to want to stamp his own mark on the company. This can be more difficult for the promoted insider, who is expected to be respectful (at least in public) of his predecessor's policies and achievements. In either case, from quite early on, the ego will be very actively engaged.

Freud's insights are the object of much abusive vulgarisation when it comes to the behaviour of public men and women, and I don't wish to foster this debased tradition. But it is inescapable that the biggest difficulty a new CEO faces (though virtually none look at it in this way) is how to keep control of his own basic drives. Complete control is pretty much unknown, but most serious failure has its roots in loss of grip on the ego, and the failures of judgement that inevitably follow.

There are obvious parallels between the CEO and the politician in this regard , and in many others, and I've often watched politicians with fraternal fascination. There are huge differences, of course – countries are more important than companies, but a CEO has more freedom of action on his smaller canvas, the size and shape of which he may be able to change quite radically. David Cameron is not at liberty to spin off Wales and reverse into Venezuela – even if he could get support from the Liberal Democrats – but we expect CEOs to be prepared to take far bigger risks with a company than we would comfortably permit in a statesman. Politicians long for power and are often frustrated, when they achieve it, to find how circumscribed it is. Business people often long for success, an amorphous blend of power, money and celebrity. I've seen more businessmen suffer from power going to their heads than politicians. And, just as an aside, I always used to think that the desire for power in general led, to much more damaging behaviour, and more deadly consequences, than the love of money. After the financial crisis I am not so sure – but when you're talking about stupendous amounts of personal money, exceeding the utility function by two orders of magnitude, it's probably more about power than money anyway.

Another big difference is that politicians are ruthlessly and ceaselessly lampooned and caricatured – indeed , an increase in the frequency of such attacks may perversely be

welcome to them, since it is usually a sign that they're getting somewhere. Not all of them deal with this especially well, but it does act as a third-party control on things getting completely out of hand. Chief executives are rarely criticised inside their businesses, where the fact of their office induces a slavish and soporific devotion. They occasionally get a bit of bad press, or have an investment analyst write something caustic, but compared with politicians they lead a charmed life. And this can be something of a problem. I knew a boss of an FTSE 50 company who genuinely believed that the only balanced reporting about his business was to be found in the in-house magazine. Most of us need to be slapped down from time to time just to stop ourselves getting big-headed. A lot of criticism, of course, is unfair, ill-motivated or just plain wrong. But over-sensitiveness about it is a sure sign of danger.

New CEOs generally find themselves famous in a modest way, probably for the first time in their lives. Some of them, I'm afraid to say, like this very much indeed; I once had a colleague who worried if his photograph did not appear in the Financial Times at least twice a week. This, again, is not to be encouraged. A very shrewd investment manager once told me he avoided investing in a company if his mother had heard of the Chief Executive. This lightning heuristic saved him, he told me, from a number of catastrophes. Concerted praise from outsiders can also be a sell signal – long, long ago when I was a financial journalist, we analysed the first 12 or so winners of the Guardian's "Young Businessmen of the Year" award. 11 had got into serious trouble soon after winning, if I recall the study correctly. This was largely a cyclical issue: the winners had come to the judges' attention because they were riding a wave which was about to break. Let us be charitable and suppose that hubris associated with winning the prize did not play a part in their downfall.

Just a word on gender: my sample is necessarily weighted towards male CEOs, though I have second and third hand experience of women in this role, and wide experience of female colleagues in senior management. Some of the failings I am discussing may seem to have a distinctively masculine timbre; but then many of the female pioneers in the most senior business roles had adopted – perhaps had felt obliged to adopt – rather masculine behaviour patterns in their careers, and what I say will broadly apply to them too. This is a shame, of course, since it reduces diversity of behaviour, and there are some tentative signs that as very senior women become less lonely their collaborative instincts – which seem, if I may be permitted a gross generalisation, to be rather better developed than they are in men – may be coming to the fore. That would be good news for the corporate ecology.

I mentioned the business cycle a little while ago. I'm now old enough to have seen three or four iterations of the businessman's progress from hero, to dunce, to crook…..and then, surprisingly perhaps, but with a different cast for the revival, back to hero again. The executive who believes that all that goes right with the company is the result of his stewardship, while all that goes wrong can be attributable to unforeseeable bad luck, amounting to Acts of God, is a familiar figure. It's a very easy way of thinking to fall into, and it's exceptionally dangerous, because those who don't recognise their mistakes are unlikely to correct them. It's also reinforced by having staff around who are unable or unwilling to criticise the CEO, and therefore constantly reinforce his self-deception and, in the end, his isolation. Here we have a damaging, and alarmingly widespread, failure of the social system of checks and balances.

Sometimes, of course – all the time, indeed – things go wrong in the business environment that are not the CEO's fault, and a good CEO should be judged on how he reacts to them. But often he will have done things which will have increased the organisation's vulnerability to the unforeseen adverse event: too much exposure to a rapidly growing but volatile market, for example, or too much financial leverage. The risks and probabilities are imperfectly understood. It has to be said that outsiders – investors in particular – are quite likely to blame the CEO if he does not take what turn out to be undue risks and then, if he

takes them, blame him when things go wrong. But that comes with the job; it's what CEOs are paid for, if you like.

The ins and outs of executive remuneration are not strictly my subject today. But I would like to say that it is bad for people to be paid too much: I don't mean bad for the organisation, or bad for society – I mean bad for the individual. That's a safe remark inasmuch as everyone may have a different view of what constitutes "too much", and it's more or less tautological to deplore excess. What I mean, though, is that people who suddenly find themselves earning a lot of money, instead of thinking "goodness, how lucky I am to receive this windfall" , quickly come to believe that they deserve it; indeed, they rapidly convince themselves that they deserve more. It tends both to reduce their sense of serving the greater good and at the same time to increase their conviction that they are very brilliant and that the company is lucky to have them. It pushes them in the direction of the corporate equivalent of the sin against the Holy Ghost – the tendency to put yourself before the organisation. I have never seen anyone recover from this trap, once having fallen into it.

And of course you can always find people, in the City or in the United States, who are paid more, perhaps much more, than you are, which adds a layer of resentment to the mille-feuille of vanity. I have great admiration for the very successful executives – yes, they do exist – who are completely free of this deformity, and manage to keep the rewards in perspective. That's a very positive marker, of course, when you find it.

Who is going to tell the CEO that he's wrong? His closest colleagues, perhaps – the executive committee or whatever it's called. In good companies they do, and they're encouraged to, and the CEO makes a point of running what one might think of as cabinet government, rather than ruling through a series of bilaterals with colleagues who interact with each other only sparingly. This is easier said than done. The CEO is clearly the boss, and will soon know – if she's any good – almost as much about every individual colleague's area as they do, which introduces a fearsome asymmetry of information between the CEO and the rest of the team. (I was reminded of this reading Charles Moore's Thatcher biography – her early ministers complained that she "worked too hard" – that is, read their departmental briefs. They found this rather indecent, like German footballers practising penalties). On top of the power relation, which tends to increase over time, the information imbalance makes genuine common decision-making very tricky, but the best CEOs know that there is great advantage to be gained in reaching, or at least being seen to reach, joint decisions as often as possible. Where this can be done, the CEO is bound into the management team in a way that makes his unplanned departure for the vanity stratosphere much less likely.

The other source of critical input is, of course, the Board of Directors. On all boards there exists a structural tension between the collaborative and the adversarial which is extremely difficult to hold in balance. The directors are supposed, at one and the same time, to be supporting the strategic development of the business and acting as policemen to make sure nothing inappropriate is going on. Successive corporate scandals have tipped the balance increasingly towards the supervisory, policing role, but that's an uncomfortable pose to hold for very long in what is, after all, a social context – boards are social constructs, and embarrassment plays an important role, especially in what are known as high-context cultures. (Britain, England especially, is a very high-context culture, right up there with Japan. I was recently reminded of George Mikes's agonising quip "The English very rarely lie to you. But they wouldn't dream of telling you the truth.") So it comes down to matters such as – how many difficult questions may a director ask? How many may the chairman permit her to ask? Are you capable of holding friendly conversations with the CEO over dinner the night before, and then laying into him in the morning? Or does this behaviour remind you of Richard III?

My personal view is that, while investors and governments hugely over-estimate the role that boards can perform, the Board's role should be primarily defensive – the prevention of gross error. If I'm right, this may explain why successful boards don't look particularly successful, while unsuccessful boards stick out a mile. Like sewage disposal or money transmission services, the job is only visible when it's done badly.

Anyway, the point I want to make, at the risk of shocking you profoundly, is that most CEOs don't think much of their boards. Deep down, and not so deep down, they regard board meetings as a legal nuisance, rather like the AGM, although board meetings come round a good deal more often. The CEO may of course have warm and even admiring relations with individual board members. But the board as a whole – and this has got much worse in the last 30 years, as business has grown more complex and general skills no longer get a non-executive director anything like as far as they used to –will always seem to know too little to provide much real help.

It follows that a board's periodic attempts to question the CEO's ambitions or slow things down are more likely to be resented than accepted with good grace. Indeed, boards sometimes behave in a manner that to executives seems positively obtuse. But they are also capable, through some pared-down version of the wisdom of crowds, of being far greater than the sum of their individual members. I've seen boards make a lousy case for turning a project down, and yet be right to have turned it down. And when boards fall out with CEOs, unless there is a clear casus belli or strategic disagreement, the process usually feels incoherent, sub-rational and deeply unsatisfactory. If the board members have the slightest self-awareness, they will painfully recognise of how much their imperfect engagement has contributed to the crisis which they handle the only way they know, which is decapitation. In short, many boards don't do a good job either of controlling their CEO or of helping him control himself.

Strong family relationships can be a powerful remedy against the development of unhealthy fantasy lives in a CEO. But wives or husbands or partners generally don't know enough about what's going on to imagine the side of things they don't hear (though they must sometimes pick up, if only from tone, that their loved one has got to a seriously strange place). Teenage children are the most effective puncturers of adult ego yet devised, but bringing them up is rarely a tea-party, and they cannot entirely be counted upon to be a net contributor to stability. Then, if time allows – and today it increasingly doesn't – there are the lures of wine, women and song, especially the second. However objectively unattractive a male CEO may be, enough women will be dazzled by his position to put him in temptation's way, to which the pressures of business may make him particularly vulnerable. This may bring some validation, but on the whole is likely to increase the general level of stress, which was probably excessive in the first place.

A brief word about time, in parenthesis: when I was CEO of Barclays, in the mid-1990s (a geological era away in technology terms) I felt able to go away for two weeks in the summer and say to my colleagues – "Call me if you need me, but only call if you would have called me at home after midnight". Now instant and continuous communication is not only possible, but more or less compulsory. This has its good sides, but it does mean that CEOs are never away from the job, and it makes it easier for them to know about, and therefore interfere in, matters that should not really concern them. CEOs can work very hard, go home very tired, and be absolutely no use at all. If they are remembered, it's usually for doing one or two big things that only the CEO could do. Identifying these requires thought, which we all know is difficult, and executing them requires real determination. It's easier to exhaust yourself with urgent trivia.

CEOs need candid friends. But it's hard to find people who know enough about your situation to help without having some business relationship with you which inevitably introduces some level of awkwardness, conflict or constraint into the relationship. (I'm

thinking of senior consultants or investment bankers, who can be recipients of confidences under certain circumstances and are at least capable of giving honest advice. But they want business, too.) Far the best institutional answer we've found to this predicament, in the board system now practised in the UK and in many European countries, is the Chairman/CEO split. The Chairman is supposed to be the person in whom the CEO can, indeed must, confide, and who can watch out for and even counteract the multiple danger signs I've been discussing. When this relationship works well it can be very positive for the CEO, and thus for the company. For much of the time, it operates under the seal of the confessional. The explicit limitation on CEO power of which the Chairman is the incarnation is of the utmost importance.

But even this goes wrong more than we like to pretend, though I'm cautiously optimistic that we're getting better at it with practice. For it to work well a number of fierce conditions have to be in place: at the very least, the two people must respect each other in a way that goes far beyond superficial politeness, and the CEO must believe that the Chairman does not want his job. The great structural problem when "non-executive" chairmen, so-called, and it's something of a contradiction in terms, were first dreamed up, was that most of them were former CEOs, good, bad or indifferent. So they came out of the CEO gene pool, inclined by heredity and training to be – almost always – alpha males, but all of a sudden were expected to sit cross-legged and generally behave like a Zen master, which frankly very few of them resembled. The Chairman's job is much less onerous than the CEO's, and in most ways less difficult, but its objectives are more subtle and more complex. You can buy many books at airports that tell you how to be a successful CEO (they seem not to work reliably), but I've never seen one that tells you how a chairman should operate. Running the board is only a small part of the chairman's job: the governance gurus stress the board aspects of the role, but that's because they over-estimate the overall importance of boards, generally never having sat on one. Make no mistake – boards are important, indeed indispensable, but in surprisingly limited ways.

I once heard a US investor express a preference for not dividing the job between chairman and CEO, because – he said – the occasional, even relatively frequent – blow-up of the individual concerned, with collateral damage all round, was more than compensated for by the benefits to investors of the concentration bestowed on a company by having a single boss. This is a worldly and sophisticated argument, to be sure. But it's one thing to go along with if you are thinking in terms of a large portfolio of stocks, or the economy as a whole; at the micro, individual company level, I just don't think it will wash.

I should say something about the general sources of stress in a CEO's job. A word from my own experience: in my late 20s I wrote the Lex column in the FT, which involved writing brief daily pieces about complex matters on which we presumed to pass infallible instant judgements. It was made more difficult in those days by the fact that companies did not announce news first thing in the morning, as they obligingly do today, but at any time it suited them, often late in the afternoon, and uncomfortably close to our deadline. (I am aware that journalists today claim that in the internet age you have a deadline every second. I respect them greatly.) Anyway, we had to write six columns a week, and nearly every one was an adrenaline-buster.

I went from the FT to Courtaulds, and found myself a year later responsible for a group of medium-sized businesses. The odd disaster aside, there was nothing like the daily pressure of Fleet Street, let alone the level of personal exposure. But I noticed that within a matter of a few months I was sleeping poorly; the business appeared to be the source of multiple strands of anxiety. My role at the time was a modest one, in no way comparable to being a corporate CEO.

What was going on? I tried to analyse my experience, and came to the following conclusion: at the FT, although the work day had been stressful, at the end of each day the column was

written – sometimes a good one, other times not so good – and it was then, as we said of the paper in those days of ancient print technology, "put to bed". The job was complete. But when one is actually running a business problems, in contrast, tended by their very nature to be slow, if not impossible, to resolve. They are not put to bed; instead, after a little while, they accumulate. We are all familiar with those cartoons in which a prime minister is seen anxiously contemplating a whole list of intractable issues, some of which may be structurally rebarbative. The CEO of a large corporation is in just this position. He does not face quite the minute-by-minute popularity contest so familiar to politicians, but he has more freedom of action than they do, and sins of omission may weigh even more heavily with him. Things pile up. And they pile up gradually; the stress creeps up on one – slow poisoning rather than an ambush.

It is very tricky to deal with this. One is advised – and it's excellent advice, but mighty difficult to take – to worry only about those matters that one can influence. The most successful CEOs do indeed concentrate on the fields in which they can make a difference, but the things you can't affect are still there to haunt you in the small hours.

On top of this inevitable source of strain comes the effect of expectations from the investor community. Here the CEO cannot win. The better she does, the more successful she is, the higher expectations will rise for the next year. Ratchets are relentless, and eventual disappointment is more or less inevitable. In the end the CEO is tempted to spend more time in the bunker with the people who really understand her. Just a couple of weeks ago I saw some US research concluding, with all the sterility of academic false precision, that the ideal CEO tenure was 4.8 years, because – and this is what resonated with me – in the first couple of years after appointment the CEO balances internal and external inputs; later, he increasingly relies on internal input alone. The researchers did not observe that he did this because he was trying to hold on to his sanity, but that may well have been the reason.

Very often CEOs have to do unpleasant things. They have to close businesses, retrench, and in so doing take away the livelihoods of large numbers of people. In the 1980s, when, after a period of management abdication, very extensive surgery was – and needed to be – carried out on Britain's industrial base, it became commonplace to observe that you didn't have to be a psychopath to be a CEO, but it probably helped. (In investment banking it had long been held to be indispensable). Certainly the image of charm, plausibility, and ruthlessness bordering on sadism was widely thought to be characteristic of the people in these jobs.

I found it true of very few. One did rather get used to dealing out what more sensitive souls might consider brutality, but only in the way that wartime leaders are required to steel themselves to some extent, but absolutely not all the way, against battlefield casualties. It was hard not to observe that it was very much easier to close a factory that one had never visited; Arnold Weinstock was quoted as saying, in the 1970s I think, that he never visited any business units, but spent all his time in headquarters, for fear of becoming emotionally involved. Sometimes apparent callousness and self-knowledge can go hand in hand. Personally I found that gritting my teeth through years of this took quite a toll. And when I was very fresh to it all, I once failed to turn up in person at a factory that was being closed – an act of cowardice that I have still not forgiven myself for.

One way or another, as a former colleague of mine put it, after a few months in the job the weight of the business will descend on the CEO's shoulders. The confident, well-balanced person who was first appointed has to pick his way between the Scylla of arrogance and the Charybdis of over-sensitive paralysis. In between he will learn a lot about his own limitations and his own humanity. Perhaps a new generation of female CEOs, untrammelled by the macho constraints of their male predecessors, will find it easier to face these issues openly rather than denying them or pretending that they are trivial. Self-awareness is a great strength in a leader; the ability to cohabit with one's insecurities, and that acceptance of

one's own imperfections that today is generally called humility. This all matters. It matters because leadership is getting harder, and as a society we need good leaders more than ever.

Martin Taylor