



## INVESTOR ALERT

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# Enough is Enough!

The number of executives who report to the CEO can be an indication of the CEO's management style and effectiveness.

If the CEO has too few direct reports compared to other similar companies, that generally spells trouble because 1) the CEO will not be getting feedback from an adequately diverse group of executives and 2) there may not be a sufficient pool of CEO successors being developed.

Particularly if there is a "late career" CEO who is closing in on retirement, investors should expect to see a reasonable number of direct reports being groomed as candidates to step into the CEO's job. These direct report positions should be challenging and have both line and staff organizational responsibilities across diverse business.

On the other hand, too many direct reports compared to other similar companies can create added bureaucracy and competitiveness among the executives. That environment can breed office politics, which in turn can distract the executives from the business of running the business. Having many direct report positions might also be a way for the CEO to "retire on the job". In either case, you can see that there can be too much of a good thing.

CEOs need direct reports, but too much or too little of a good thing can spell trouble for an investor.