

Advice for CEOs: Sustaining Personal Energy and Fighting Complacency

A Conversation with Levi Strauss & Co. President and CEO Chip Bergh



CHIP BERGH
PRESIDENT AND CEO, LEVI STRAUSS & CO.

With a grueling, 24/7 schedule, the CEO role is one of the most difficult and demanding jobs, and it's becoming even more challenging as the business environment increases in complexity. President and chief executive officer of Levi Strauss & Co. since 2011, Chip Bergh knows how demanding the job can be. He oversees a \$6.2 billion business with products sold in more than 110 countries through chain retailers, department stores, online sites and a global footprint of 3,200 retail stores and shop-in-shops. As he prepares to hand the reins to Michelle Gass, Bergh spoke to Susan Hart, co-leader of Spencer Stuart's global Retail, Apparel & Luxury Goods Practice, about maintaining personal energy amid all the demands, fighting complacency amid success, how boards can best support the CEO through the ups and downs of the job, and whether the era of empathetic leadership has passed.

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- 2) eating well
- 3) getting enough sleep

Susan Hart: Our CEO Life Cycle research found CEOs like you who excel over the long term find ways to manage and maintain their personal energy. How have you thought about managing the demands on you and maintaining your personal energy over the course of your time as CEO?

Chip Bergh: There is a misconception that that the CEO job is a marathon. But it's not as much a marathon as it is a series of short sprints. And it's extremely important to maintain resilience through the ups and downs and demands of the job. So, I've focused my entire adult life on three key things to keep me fit for the job: 1) staying in really good physical shape; 2) eating well (getting the right nutrition); and 3) getting enough sleep.

In practice, that means I need at least at 7.5 hours of sleep a night (but try to get at least 6.5 hours). It also means staying active. I exercise six days a week, which includes four or five days of solid aerobic exercise and two or three days of weight training. I also eat a healthy, well-balanced diet. I make my own meals and often bring my lunch to work.

I have found that by remaining focused on sleep, nutrition and exercise, and carefully tracking all three, I can meet the physical demands of the job. And that means I can remain driven, motivated, and have more personal energy to focus on my purpose and managing my team.

Susan: What is hardest about managing the demands of the CEO role? How do you make the job more manageable?

Chip: Two things come to mind when you ask me what's hardest about meeting the demands of the job. The first is managing all the various stakeholders — who often have differing and even opposing points of view. Balancing profits and values, for example, is a big part of that equation. We have financial commitments we have to deliver on — yet at the same time, it matters how we do it. Related to that, the world is getting a lot more divisive. And because so much more is seen through a more heated political lens, there's always a risk of something you say going viral or taken out of context. It's draining!

Secondly, as CEO, I'm not in complete control of my time. It's a 24/7 job. My personal agenda often must take a backseat to the business. To combat that, I always make sure I have my priorities right. I put family first, because it's the only way you can meet the demands of being a parent and spouse while in this job, too. And I don't budge on prioritizing my physical health and exercise. That means I often have to get up really early in the morning to get it done. But it's my priority — and I know that if I can get that out of the way, the rest of the day will go pretty well. And, finally, I try to find “flow.” I know there will be days when work becomes a full-on 100 percent use of my time, and family and other priorities may take a backseat. I then make a point to “make good” on those priorities on another day.



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Susan: In light of what you've learned during the course of your career about managing personal energy, is there anything you would do differently, especially early in your career as a leader? What's your advice for first-time CEOs?

Chip: My advice for first-time CEOs is to spend a lot of time early on assessing the company strategy, your leadership team and top leaders inside the company. Within the first 18 months of taking over, you want the strategy to be your strategy, and you want the

team to be your team. The people in the top roles should be people you believe in. Because whether you like it or not, the people you have at the end of 18-24 months are your team. And, guess what? The strategy that you have after 24 months is your strategy. By that point, you have had time to move on. If you haven't moved away from something, it's now yours. That is why it is so important to assess the strategy and leaders early.

It's also important early on in the job to make it clear to yourself, your board and your team that you're not going to compromise on your personal health. That is the only way you're going to manage your energy through a grueling, demanding job. If you don't have a plan for managing your mental health, fitness and sleep, you're going to get eaten alive.



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Susan: Another finding of our CEO Life Cycle research is that periods of complacency can set in among leaders and companies at certain points. The most successful CEOs fight against complacency and find ways to reinvent themselves and the business to continue to grow. What have you observed about organizational complacency and the CEO's role in overcoming it?

Chip: That's definitely true. There's a tendency, especially when the business is good, to take your foot off the pedal. So, I think one thing I've always tried to do is to be externally focused on the consumer, the competitive landscape and other best-in-class companies, even outside our own industry. I am always keeping an eye on the external environment, checking our performance against benchmarks we've set, and looking at how other companies are doing — especially ones that are outperforming us in one aspect or another. That keeps you hungry.

And last, at the end of every year I assess where I could've been better. I "fire myself" and then "rehire myself" every year, which involves self-reflection, identifying areas I could've done a better job as CEO, and then beginning the new year with a blank slate. I say, "What can I do differently this year to capitalize on the previous year's disappointments and opportunities?" I often say the only real failures in life are making the same mistake twice, so I ask: "How can I and how can we as a company learn and grow from our mistakes so we never repeat them again?" And then I start fresh.

Susan: What is the role of culture in keeping the organization creative and energized and avoiding groupthink? What elements of Levi's culture are you most proud of?

Chip: Culture is important, and culture is incredibly hard to change. It took us much longer to change the culture at Levi's® than it took us to change the strategy. Since I've been at Levi Strauss & Co., we've built a strong performance-oriented culture. We focus on doing things the right way. We say we have a culture of doing the harder right over the easier wrong, and of profits through principles. Many people join and stay with this company because of how we do business just as much as the business that we do.

I think I'm most proud that around the world, many of our people are wired the same and share similar values. We have a culture of respect, of being outspoken, of advocating for yourself and what you believe in. That culture tends to cut out a lot of groupthink because you're free, encouraged and expected to be different here. And that culture spills over into our brands. Everyone, we say, has a Levi's® story. Everyone feels great in Levi's®. And that's because we work very hard to make sure everyone feels great at Levi's®.



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Susan: What are the biggest drains on the energy of a top leadership team? How do you see your role as CEO in influencing the energy and engagement of your team?

Chip: The biggest drains on the energy of a top leadership team are situations when there's disagreement or a lack of alignment within the team. And it gets even worse when the misalignment is not fully out on the table. Are there meetings before or after the main meeting? Are stress levels high? Are team members focused on their individual priorities over the team's? That'll always be a drain on top leadership.

Lack of clarity on our priorities can be a drain, too. And as CEO, that's within your control! So, to combat both, I make sure I spend time with every member in my leadership team one-on-one. And I work hard, every day, to foster a culture and environment that provides them the space and psychological safety to tell me what's on their mind.

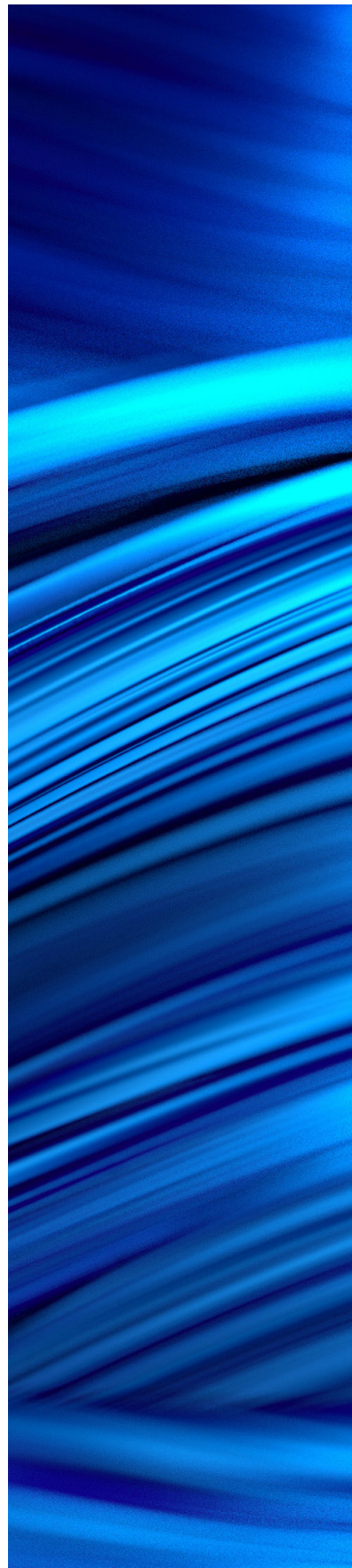
Susan: How can boards best support the CEO through the ups and downs of the job?

Chip: I think the most important thing is for the CEO and the board to have a very open, transparent and honest relationship — no games or spinning the data. The relationship should be “what you see is what you get” on both sides. Over time, this builds trust and drives further transparency. Dialogue around key issues like talent, business performance, strategic choices and capital allocation needs to be honest, direct and candid. That is the most supportive thing any CEO would want.

The board's main job is hiring and firing the CEO. They should be clear on their expectations and clear with feedback. When things are going well, a pat on the back goes a long way (the old saying “it's lonely at the top” is true). But the flip side is true, too: If things aren't on track, the board needs to understand how much of the performance is driven by the choices the company has made and the caliber of execution and how much is driven by external factors.

There are times when a board will have to fire a CEO. It should never come as a surprise. Performance issues should be given time to be addressed. A board needs to act quickly and not let performance issues fester without feedback; otherwise, they may be backed into needing to fire a CEO before the CEO has gotten any critical feedback.

Last, it's vital for the board to decide on a single point person to own the CEO relationship and communication. Too many voices can be confusing.



Susan: Amid stronger economic headwinds, we're seeing speculation in the news that the era of the empathetic leader and greater concern about employee well-being is behind us. What do you think?

Chip: I don't think that could be farther from the truth. Being an empathetic leader doesn't mean you can't make tough decisions or hold leaders accountable for their performance. It's possible to have a performance-oriented culture, to be an empathetic leader and drive strong business results. In fact, I'd say empathetic leaders are more likely to drive strong performance results than leaders who are jerks.

But I think empathetic leadership is here to stay for another reason — it's been around a long time. Empathetic leadership is a just little twist on servant leadership, which people were talking about 30 years ago. When you're a values-led company, your people are imbued with purpose. When people feel seen and respected, they'll speak up with good ideas, work harder and do so more collaboratively. And when you are active in the communities in which you live and work, you're given license to grow. At Levi's®, we can trace empathetic leadership back to our founder, the original Levi Strauss. It's why we've lasted 170 years and counting.

Susan: Now that you are about to pass the reins to Michelle Gass, what's next for you? What will energize you during the next phase of your journey?

Chip: I'm not sure what's next for me. Before I do anything, I'm going to take some time off to think and reflect about what's going to give me the greatest amount of joy and fulfillment in the next part of my life. But I'm looking forward to it, and I'm excited about passing the reins to Michelle Gass. I've known Michelle for over 10 years, and I can say with complete confidence that she is the right person with the right experience to take over leadership of this company. The transition to the next CEO is my most important legacy as Levi's® CEO. Passing the torch to someone who can take the business to the next level is something I'm really excited about doing.



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