

Increasing CEO Effectiveness

Because of the challenges with change, here's what separates the best CEOs from the rest

From recent McKinsey research of more than 2,400 corporate leaders, an analysis was done of the critical responsibilities and attributes that differentiate the best CEOs. One of these is the ability to skillfully engage with the Board of Directors (BOD) to address challenges and opportunities associated with - rising and changing expectations of Customers and employees, making innovation more rewarding, attracting and retaining top talent, supply chain issues, geopolitical instability, labor shortages, cybersecurity threats, social justice, sustainability, meaningfully improving outcomes with new digital services, the pandemic, and other disruptions. As a result, today's CEOs must have better look ahead and additional competencies to adeptly maneuver and navigate a changing world and business landscape.

Further, with heightened public scrutiny and increased activism that increasingly play out online (that can spark corporate backlash often in minutes), it's no wonder that CEO turnover is high. According to the Center for Creative Leadership over the past two decades, this is resulting in –

1. ~ 40% of new CEOs deemed failing in their first 18 months
2. ~ 30% of Fortune 500 CEO tenures last less than 3 years
3. ~ 52 % of Fortune 500 companies in 2000 are not here now
4. ~ 40% of companies currently in the Fortune 500 will be gone by 2030

To summarize, the role of the CEO is becoming more dynamic and increasingly challenging with the constant balancing of various priorities in a more entrepreneurial and tech centric culture that can deliver new value in an on-line, real-time, all-the-time world with high competencies in managing the changing nature of risk.

Further, with Boards of Directors increasingly not shy about moving when they see issues, the need is for the CEO to be innovative with options that include bold and aggressive strategies to address challenges, create new wealth, and build trust. And if an initiative is not panning out, make adjustments to pivot or fail quickly. For this to occur, the CEO needs to effectively collaborate with the BOD, get everyone on the same page, and have stakeholders meaningfully contribute to moving the organization forward. And realize - those not part of the solution shouldn't be on the team !

Engaging a BOD can be challenging for CEOs mainly because the BOD is responsible for competent and prudent corporate oversight and governance. And they are the CEO's boss.

While CEOs can make the mistake of trying to manage their BOD or keep them at a distance, the successful CEOs ask themselves - ' How can I enable the BOD to help the business ? '

To facilitate this with strong collaboration, good decision making, and better outcomes –

1. Communicate Effectively and Openly with the BOD

Top CEOs are very open and transparent and take the time upfront to inform the board of what's working and what isn't, providing insights on issues and opportunities, etc. For example, Ivan Menezes, CEO at [Diageo](#), employs a strategy called 7+7, whereby at the start of each BOD meeting he highlights 7 areas in which the company is excelling and 7 areas that need strengthening.

2. Future - Ready the BOD

The best CEOs work with the BOD Chair or Lead Director to appoint Directors who can address what the company will need to win tomorrow - not how it was in the past. Together, CEOs and the BOD Chair / Lead Director should determine what skills the BOD needs to move the business forward in - identifying and making good on opportunities, having competencies and experiences in Marketing / Digital / Technology / HR, can contribute to making innovation more rewarding, have strong look ahead skills to prepare / avoid storms, addressing increasing User expectations and regulatory demands, developing new strategies for creating wealth, etc. This means recognizing the CEO and BOD need to have many skills, including new ones, to leverage current competencies and develop new capabilities in the changing business landscape. Because of this, CEOs need to be proactive in having the necessary skills themselves and on the BOD where their combined knowledge better positions the enterprise to - improve decision making, become a more agile and opportunistic organization, be more sophisticated in managing the changing nature of risk, etc.

3. Seek knowledge from the BOD

A skilled BOD with a wide range of skills and experiences provide the CEO with a wealth of knowledge - and, relative to most consultants, they are significantly better value / less costly ! – as noted by Ajay Banga, Executive Chairman and former CEO of [Mastercard](#). Further, because of compensation incentives, CEO and BOD interests are aligned to achieve objectives.

As well, with most BOD members wanting to be helpful, tension can come when the CEO fails to seek BOD expertise on important matters. When this occurs, the BOD often feel things are being kept from them - so they begin to probe in many areas. With this often being a downward spiral that undermines trust and confidence, the better CEOs are good at avoiding this situation.

Summary

The best CEOs are very aware there are many challenges to navigating change and creating new wealth. Because of this, the better CEOs find ways to position the organization for success with –

- A. Shared interests and building trust with their BOD
- B. An entrepreneurial mindset
- C. A range of options and innovations to meaningfully improve outcomes
- D. Recognizing the need for new strategies and delivering new value
- E. Developing the skills and competencies needed to win in an increasingly digital world
- F. Becoming more sophisticated in managing the changing nature of risk
- G. Respecting the BOD are there to help and responsibly act in the best interests of the company and all stakeholders

For additional insights on increasing CEO and BOD effectiveness, please contact CAIL.