



PoV Point of View 2015

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At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 55 offices, 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness. For more information on Spencer Stuart, please visit www.spencerstuart.com.

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contents



5

Letter from our CEO



6

Leading with culture: Driving business performance through the alignment of people, strategy and culture

Organization & Culture



14

Succession planning for the board:
Taking a more strategic approach

In the Boardroom



22

Building high-performing C-suite teams:
Insights from the front lines

Organization & Culture



29

Executive onboarding:
Is there a right way?

Leadership Effectiveness



36

Building a career today:
When taking a lateral step makes sense

The Executive Guide



42

Do we need a CXO?
Evolving the senior management team

Ideas



from our CEO

In simpler times, the success of a business could be closely linked to the intelligence, management skills and charisma of its top leader.

Today, however, amid much more dynamic, faster-moving marketplaces, disruptive technologies and changing customer preferences, organizations require more than a single great leader and a sound strategy. They require high-performing leadership teams able to collectively solve complex business challenges and a culture that supports the business strategy and ignites the potential of individuals throughout the organization.

Helping organizations find exceptional leaders and build high-performing teams with lasting impact has been our exclusive focus since Spencer Stuart founded the firm in 1956. With this issue of *Point of View*, we explore some of the factors that influence the performance of the top leadership team — and, by extension, the business.

To start, it is important to consider what it means to be a high-performing team. What are the factors that contribute to team performance and the most common reasons why teams fail to live up to their potential? We examine how culture affects company performance and how organizations can apply insights about culture to make better leadership decisions. We consider the composition of the CEO's team in today's dynamic business environment and ask whether executive onboarding programs are equipping new hires to succeed. We also explore how boards can be more strategic when it comes to planning for their own succession and share stories about the non-linear paths that executive careers can take today.

On behalf of all of us at Spencer Stuart, I hope you enjoy this issue of *Point of View* and welcome your comments.

Kevin M. Connelly
Chief Executive Officer
Spencer Stuart



Leading with Culture

Driving
Business
Performance
through the
Alignment
of People,
Strategy
and Culture

Leaders increasingly recognize that cultural dysfunction can impede business performance, and that poor cultural fit is the most common reason why newly hired executives fail in their first year. And most people can point to companies where a distinct culture seems to be the “secret sauce” behind their success. Yet, despite the growing appreciation for the importance of culture, few executives can describe what drives their company’s culture or whether the current culture supports or works against the strategic priorities of the business.

For many leaders, culture feels “soft” and ambiguous. Most companies lack a shared vocabulary or approach for understanding culture or diagnosing the elements of culture that may need to evolve. As a result, leaders don’t know where to start and often define culture by the outcomes they hope to achieve — a customer-oriented culture or a results-oriented culture, for example. But culture is not outcomes. Rather, culture is the mindsets, assumptions and behaviors that produce those outcomes. Different cultures can produce similar outcomes. For example, publicly listed multinationals, whose cultures tend to prioritize adaptability and results-focus, and state-owned companies, which tend to value order and stability, are equally likely to score well in measures of financial performance, employee engagement and customer service, despite their different cultures.

Confusing things further, culture is often mistaken for formalized company values (the ones that show up on the website) or employee engagement levels. Efforts to define and communicate values are important, but often have more to do with high-minded principles that reflect what the company aspires to be rather than how people really behave. And while improving employee engagement can be a powerful force for driving business performance, engagement tends to rise and fall quickly in response to more transient business choices, such as a cut in overtime pay or investment in career development programs. Finally, the most common culture approaches don’t use an integrated framework for assessing culture and individual styles, making it difficult to apply insights about the culture to leadership and talent decisions.

Defining culture: the need and challenge

Unlike a company’s vision, mission and strategy, which are explicitly articulated by leaders with the goal of guiding the organization’s activities, culture is pervasive and invisible, working silently in the background to direct how people throughout the organization think, make decisions and actually behave. Culture represents the “unwritten rules” for how things really work in the organization: It is the manifestation of the shared values, beliefs and hidden assumptions that shape how work gets done and how people respond to one another and to marketplace developments.

The elusive nature of culture is both a challenge and an opportunity for businesses. Defining a culture is difficult because the underlying drivers are usually hidden, built upon unconscious sets of shared assumptions that have developed over time. If you can’t see it, describe it or measure it, it’s hard to manage and it’s hard to know if the culture is helping or hurting the business. Yet the right culture can capture the imagination and energy of people in the organization and ignite their potential — make them more or less collaborative, more creative and open-minded or more cautious and planful — without even realizing it.

A company’s cultural patterns can encourage innovation, growth, market leadership, ethical behavior and/or customer satisfaction. In fact, research has shown that the extent to which employees align with an organization’s culture has a significant impact on company performance, explaining as much as 25 percent of performance variance. In his book *Good to*

A company’s cultural patterns can encourage innovation, growth, market leadership, ethical behavior and/or customer satisfaction.

Great, Jim Collins argues that companies with strong, well-aligned cultures are six times more successful than their competitors. Other research has found that companies with an aligned culture reap two times the return on investment and significantly better sales growth and return on assets than those with weaker or misaligned cultures.¹ On the other hand, an unhealthy or misaligned culture can impede strategic initiatives, erode business performance, diminish customer loyalty and discourage employee engagement. Lack of culture fit is responsible for as many as 68 percent of executive new hire failures, research has found.

Furthermore, culture has staying power. Once it's established, it can be hard to change. If everyone knows that the way to be successful in the company is by avoiding risks and staying under the radar, a new strategy that prioritizes risk-taking and innovation will face resistance unless the culture is addressed. That's why it is so vital to diagnose the underlying drivers of the culture — not just the visible behaviors and outcomes — when assessing how the culture aligns with the business strategy. Fortunately, with the right methodology, culture can be assessed and translated into actions that lead to results.

A framework for thinking about culture

A company's culture determines and is defined by how the organization responds to the external environment — the continually evolving customer demands, competitive pressures, technology advancements and macroeconomic developments that affect every business — and how individuals within the company interact and coordinate to accomplish their work. To really understand an organization's culture, then, the most important dimensions to consider are how the organization responds to change — particularly in the environment (“orientation toward change”) — and whether it tends to think of its people as individuals or groups (“orientation toward people”). Decades of research on culture and the drivers of individual and collective success confirm the primacy of these dimensions on culture, which apply regardless of industry or geography.

In practice, an organization's orientation toward people will fall on a spectrum from highly individualistic to highly collectivistic. Cultures can be more independence-focused or more group-focused. Cultures — and individuals — that skew more toward independence place greater value on autonomy and individual action. Those that are more group-focused emphasize managing relationships and coordinating collective effort; people are more prone to collaborate and to see their success through the lens of the group.

Similarly, an organization will be more or less open to change. People and cultures can be more comfortable with stability — focused on maintaining consistency and predictability and controlling exposure to the external environment — or flexibility, where being adaptable is emphasized. Cultures that favor change tend to value innovation, openness and a longer-term perspective. Those that favor stability tend to follow rules, build control structures and prefer hierarchy.

Applying this fundamental insight and observations from more than 120 of the best, most recognized socio-cultural models, we have identified eight distinct socio-cultural styles or

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“basic assumptions,” which apply to cultures and leaders. Together, these styles can be used to describe and diagnose highly complex and diverse behavioral patterns in a culture and understand how an individual executive is likely to align with and shape that culture.

Each style represents a distinct and valid way to view the world, solve problems and be successful, both as individuals and as organizations. While no single style can fully depict a culture or personal style, individual styles and organizational cultures tend to be more heavily weighted in two to three styles that reflect their orientation toward people and change. A culture that emphasizes learning and enjoyment, for example, will be characterized by a greater tolerance for risk-taking and exploration, and individuals who thrive there will value their autonomy and constantly seek the next new thing. By contrast, a culture that emphasizes safety and order will prioritize risk management, efficiency and stability, and the individuals who thrive there will be careful and concerned about how their actions affect the company and their co-workers. An organization’s dominant cultural styles invisibly drive individual behaviors and decision-making and reflect “what it feels like” to work there.

What does this look like in real organizations? Consider the examples of three retail businesses, each with distinct cultures but all extremely successful and growing — and known for exceptional customer service. At the global luxury retailer, tradition and the brand heritage reign supreme; employees view themselves as guardians of the brand who must live up to time-honored customs in customer service and image. This is a cautious culture where few people have the authority to make decisions that affect the global brand. By contrast, enjoyment and exuberance are the prevailing characteristics of the culture of the pure-play online retailer, which is in keeping with its youthful clientele who want to buy fun, fashionable and affordable accessories. Employees socialize together and are highly engaged in their work. They treat customers as friends. The third, a department store, has more of a learning culture that emphasizes empowerment and flexibility in meeting customer expectations. Employees have only one rule to follow — make customers happy — and have the authority as front-line representatives of the organization to do what it takes to maintain an exceptional customer experience.

Selecting leaders to inject new capabilities

Executives of a software company transitioning its business model from pure software sales to a combination of software and consulting services were looking to increase the diversity of styles in the management team when hiring a new CFO. The company had a highly collaborative and purpose-driven culture, which was closely tied to the mission of the business. While the CEO and head of human resources were able to articulate the characteristics of the culture, our model provided a more rigorous understanding of the compatible and contrasting styles and how to look for those qualities in candidates. Ultimately, the company used the insight to select an executive with a more aggressive and results-focused style who could help challenge and improve the culture.

Assessing underlying drivers of behavior

The venture capital investor of a popular social networking site had concerns about a finalist candidate after preliminary referencing seemed to indicate that the candidate was a very hands-on manager who seemed to delve too deeply into the minutia — and potentially was not strategic enough for the role. We evaluated the candidate’s individual culture profile and found that her top style was learning. An additional round of referencing confirmed that her inquisitive and hands-on style reflected a desire to learn and explore rather than an overly tactical orientation. Identifying the underlying drivers of the behaviors alleviated the concern of the investor, and the company offered the candidate the position.

How top leaders shape culture: translating insights into action

There is no one “right” culture. The right culture for a business is a function of the outside environment in which it operates as well as its mission and strategy. Ideally, the culture will allow the organization to both respond to the opportunities and threats it faces in its environment and support the internal requirements of the organization itself, such as engaging people, motivating the right behavior, and aligning with the strategy and organizational structure. The culture may need to evolve if it prevents the organization from responding effectively to marketplace changes or if internal dynamics become toxic.

Applying insights about culture to critical leadership decisions is one of the most effective ways to reinforce the elements of culture that are working well and evolve those that are not.

An organization’s culture is not simply the sum of the styles of all of its employees. In most companies, the CEO and other top leaders have a disproportionate influence on the culture through what they emphasize and the examples they set. For this reason, applying insights about culture to critical leadership decisions is one of the most effective ways to reinforce the elements of culture that are working well and evolve those that are not. This is much easier to do when the framework directly connects individuals to the culture by using the same language to describe both organizational culture and the personal styles of individuals.

CEO succession and talent development

In most organizations, no one has as much influence on the culture as the CEO. The style of the CEO, the way she behaves and communicates, what she underscores in speeches and meetings, and the executives whom she recognizes and promotes, all send signals to the rest of the organization about the culture. A new CEO can preserve the culture or take actions that have the effect of changing the culture, for example, defunding programs, publicly praising executives with different personal styles and moving the rising stars of the old regime into less influential roles.

The way a company identifies, promotes and develops future leaders communicates a lot about the culture an executive team is trying to build, so the board and CEO should think carefully about how the company is developing and promoting emerging talent, especially those who may be contenders for the CEO role. To make sure that the next generation of executive talent aligns with the culture that the company wants for the future, talent management and development programs and employee evaluations must reflect the mindsets, behaviors and capabilities that will be needed. For example, if the organization needs to move to a more driven, results-focused culture, then training, development programs, the way meetings are run and how executives communicate all may need to evolve to signal to emerging leaders how to be successful in the future culture.

Leadership selection, hiring and onboarding

Leaders both shape and are shaped by the culture, so it's important to understand how candidates for top roles align with the current or ideal culture. A very aggressive, results-focused culture will bring out those behaviors in leaders or push out people who don't like that culture. Clarity about the culture can enable smarter hiring, reducing tissue rejection in organizations where the culture is a strength or aiding in the selection of new leaders who might serve as change agents where the culture needs to evolve.

When strategic or cultural change is on the agenda, companies can hire and promote leaders who will serve as catalysts for change. These leaders should possess the style preferences of the ideal culture, but also have the influencing skills to model and bring along others in the organization. The ability of individuals to influence cultural change also depends on the structure of the organization and how established the culture is.

In healthy, well-aligned cultures, understanding how a new hire's style does and does not reflect the culture can help shape onboarding plans by illuminating how his or her strengths may complement the culture of the existing team and the organization as a whole — and flagging how certain actions could be perceived negatively by others. An executive who tends toward risk-taking and flexibility joining a

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Merging businesses

The newly selected CEO of a consumer products joint venture determined that the culture of the new company should be results-focused, collaborative and creative, drawing on the strongest elements of the cultures of the two parent companies with the additional goal of encouraging innovation. The CEO concluded that the best lever for encouraging the development of a culture with those attributes would be to select executives whose styles were compatible with the target culture. Spencer Stuart assessed candidates for the top 300 roles based on their past performance, experience, capabilities and the degree to which their personal styles aligned with the target culture.

Based on the assessments, the company selected a top executive team with the required capabilities and the personal styles to reinforce the desired culture for the new company.

Transforming the business

A professional services firm undergoing a multiyear transformation of the business engaged us to assess a group of its top leaders, which involved establishing a culture benchmark for the organization and mapping the culture styles of individual executives. Following a review of the findings of the culture assessment, the board and CEO concluded that evolving the culture to become more collaborative and purpose-driven would support its transformation to a more customer-focused business. They placed culture change on the strategic agenda for the business and will be conducting culture workshops with top leaders across the firm.

Organizations can improve the effectiveness of their senior teams by helping individuals build self-awareness, teaching them how to get the best out of their colleagues and equipping executives to model the desired cultural characteristics.

team that is orderly and planful may find that the team appreciates his or her new ideas but becomes frustrated at what they view as a lack of planning. Meanwhile, the new leader may become frustrated by how careful and slow-moving the team is.

Onboarding plans will vary based on the role, the characteristics of the organizational culture and the extent to which the individual's style differs from the culture. However, the mere act of helping a newly hired executive understand the key elements of the culture can make a tremendous difference in his or her ability to be successful. Executives of one top company we worked with told us that the number-one determinant of an individual's success in the company was the ability to integrate with the culture. Yet that company never discussed the culture with new executives even though new executives participated in numerous meetings to discuss strategy.

Developing effective top leadership teams

Another area companies can struggle with is how to design teams with both the appropriate diversity of skills and the cultural “glue” to work together effectively. Teams are most effective when members have high levels of mutual trust and a sense of belonging. Depending on the function of the team, having a diverse array of behaviors and styles can be more or less important. In functions where everyone is doing the same thing and the tasks are straightforward, for example, greater uniformity of styles can be an asset. In a very complex environment with lots of changing tasks and challenges, more diversity of styles is in order, but the diversity of styles should be paired with higher levels of trust, understanding and communication.

Organizations can improve the effectiveness of their senior teams by helping individuals build self-awareness, teaching them how to get the best out of their colleagues and equipping executives to model the desired cultural characteristics.

Conclusion

Culture has a powerful effect on business results, helping to make or break even the most insightful strategy or the most experienced executives. It can encourage innovation, growth, market leadership, ethical behavior and customer satisfaction. On the other hand, a misaligned or toxic culture can erode business performance, diminish customer satisfaction and loyalty, and deflate employee engagement.

Despite its influence on business performance, culture is notoriously difficult to manage because the underlying drivers are usually hidden. Truly understanding the culture and diagnosing the elements of the culture that do or do not support the strategic priorities of the business can unlock the full potential of an organization. Because the senior leadership team tends to have a disproportionate influence on the culture, selecting and developing executives

and teams that reinforce the current culture — or help to evolve it — is one of the most important ways to make sure the culture is supporting the business. This is much easier to do when the framework directly connects individuals to the culture by using the same language to describe both organizational culture and the personal styles of individuals.

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Succession planning for the board

Taking a more strategic approach

In recent years, boards throughout the world have acknowledged the vital importance of long-term CEO succession planning. They have begun to adopt proactive and rigorous processes to secure the very best leadership for the business. But despite their progress in this area, many boards spend little, if any, time on planning their own succession and composition.

There is much to be said for stability on a board, for it may reflect an effective culture of collegiality, trust and consistency. But there is also a danger that it can lead to stagnation. In just about every sector, businesses are in a state of dynamic change. They are faced with some form of transformation, whether it be regulation, market disruption, innovative technologies, new business models or other forms of competitive pressure. The hallmark of a successful business is its ability to assemble the right executive and leadership talent capable of navigating these changing conditions.

It stands to reason, therefore, that boards should be prepared to evolve in a similar way in order to provide effective guidance to management when the organization is heading in a new direction, entering new businesses or exploring new geographies.

This article considers how boards can take a more strategic approach to planning for their own succession — in short, how boards should welcome rather than resist the opportunity to change.

Changing the board — embracing the inevitable

There is a growing recognition that boards with a good mix of age, experience and backgrounds tend to foster better debate and decision-making and less groupthink. Directors increasingly say that thoughtful succession planning can improve the composition and effectiveness of their boards. What's more, a recent PricewaterhouseCoopers survey found that nearly 40 percent of directors believe that "someone on their board should be replaced."¹ Spencer Stuart's own research indicates that there is a positive correlation between some amount of board turnover (described as the "optimal zone") and company performance.² Yet there is plenty of evidence to show that large numbers of boards remain static over a substantial period of time. We believe that when boards are not being refreshed on a continuous cycle, the business loses out, a view shared by a number of large institutional investors who are increasing the pressure on such boards to focus more attention on director succession planning.

Markets are inherently dynamic, industries change shape, and companies have to continually evolve, adapt and restructure. As they wrestle with the issue of change, boards have to be prepared to shed convention, rethink long-held ideas and embrace new ways of thinking about how, collectively, they can make the most effective contribution to the business. Like management, they must be agile, anticipating the need for change rather than lagging behind it.

It stands to reason, therefore, that boards should be prepared to evolve in a similar way in order to provide effective guidance to management when the organization is heading in a new direction, entering new businesses or exploring new geographies.

1 "Trends shaping governance and the board of the future: PwC's 2014 Annual Corporate Directors Survey," PwC, 2014.

2 "How much board turnover is best?" by George Anderson and David Chun, *Harvard Business Review*, April 2014.

Boards need to reflect generational change and it should be a concern of any board when the CEO is the only board member under 60.

Progressive boards continually consider whether they have the optimum composition that reflects the strategic priorities of the business and the diversity of stakeholders. The need for careful planning of board succession is greater today in light of aging boards, pressure from shareholders, rating agencies, governance watchdogs and regulators, and the demand for diversity and a broader set of skills to support changes in company strategies in a dynamic environment. All boards, from major corporations to nonprofit organizations, need to demonstrate their willingness to evolve if they are to remain relevant.

One manifestation of static boards is that they get older. This situation is exacerbated in markets where there is a late retirement age, or none at all. Of course, with seniority comes wisdom, but in a fast-changing world some of the skills and experiences that directors bring lose their relevance over time, particularly when the business is forced to embrace technological innovation and respond to societal change or significant shifts in consumer behavior. Boards need to reflect generational change and it should be a concern of any board when the CEO is the only board member under 60.

Board composition and strategy

Boards should regularly review their makeup in light of the company's strategic direction, identify the capabilities that would be valuable to the business and regularly infuse the board with fresh perspectives relevant to the organization's future.

This point cannot be emphasized strongly enough. It is not a question of change for change's sake. When the company's strategy shifts, then the question needs to be asked about the suitability of the present board to provide the right counsel and evaluate the performance of management while that new strategy is being executed. It may be that the business is facing a new external challenge that requires some board-level expertise, for example in the area of digital, multichannel retail, cybersecurity, sustainability or government relations (at home or in new markets). There are a number of scenarios where it makes sense for the board to add an expert, rather than simply make do with the current team or rely on outside advice and consultants.

Dealing with risks and obstacles

Synchronizing the composition of the board with the strategic evolution of the business is easier said than done. The levers boards can pull are far more limited than those available to management when hiring or replacing new talent. Consequently, they need to be exercised with even more forethought and conviction if they are to be successful. Outstanding leadership is vital if the board is to overcome the common challenges.

Whole board succession: Questions boards should be asking themselves

While there are some significant regional differences in how boards address the issue of director succession, we have developed a series of questions that may help boards think through how best to shape the composition of the board over time.

1 What is the anticipated business context and how well-suited is our board for it?

What strategic, market, technology and regulatory shifts does the company anticipate in the next three to five years or more? What skills and attributes does the board require to best oversee the company's response to those shifts?

What do investors expect from the company and the board in the coming years?

What executive leadership transitions (e.g., CEO succession) do we anticipate? How can board composition be adjusted to complement the capabilities of the next generation of leadership?

2 What are the practical benefits of board succession planning and how can we maximize those benefits for our company and its shareholders?

How can succession planning help make our individual director recruitment even more effective?

How can succession planning help make individual director departures smoother and more dignified?

How can we use our succession plan to ensure we achieve appropriate levels of diversity on our board?

3 How can board evaluation support the process of board succession?

How should our succession plans be incorporated in our annual board self-assessment?

What process does the board use to evaluate its performance and the performance of directors on a regular basis?

How does the process help identify gaps in expertise and skills the board may require in the coming years?

How does the evaluation process help the board address the need for such skills through its succession plan?

4 What are best practices in board succession planning?

What are some proven processes for developing a succession plan? How can we customize those for the unique facts and circumstances of our company?

What is the timeline for developing and refreshing a board succession plan? Where does succession planning best fit in the board's annual calendar?

Who should lead this for the board? Chair, lead director, nomination/governance committee chair? What role should the CEO play?

Which discussions should take place one-on-one, in committee, at the full board level? How do board and company culture factor into these plans?

Boards should regularly review their makeup in light of the company's strategic direction, identify the capabilities that would be valuable to the business and regularly infuse the board with fresh perspectives relevant to the organization's future.

Some boards are prioritizing new areas of expertise when recruiting nontraditional candidates, especially younger, active executives, to bolster their knowledge in areas such as digital or social media, finance or emerging markets. This can involve an element of risk. First, such director candidates may lack board exposure, so there will be a need to bridge any gaps in knowledge and experience of how boards work. Second, adding a much younger director or one with a very different background may cause difficulties in terms of the prevailing board culture. Will the new person integrate effectively and make the transition to a more advisory/supervisory role than they are used to? Third, will they be able to contribute to the broader work of the board beyond their specific area of expertise?

One of the ways in which a board can contribute to its own evolution is through the thoughtful use of assessment, which is a valuable tool for addressing the suitability of new directors as well as those who have been around for a while. Many seasoned board members are defensive about going through some form of assessment to determine their suitability for a job they feel they are doing perfectly well. That is understandable. There is a more palatable alternative, however, involving the creation of a skills matrix that helps stimulate a conversation about whether the optimal mix of skills, expertise and experience is available on the board and, if not, what needs to be done about it. This work is sometimes facilitated by an outside adviser who can bring an objective eye to determining the match between the board's current attributes and the future needs of the business.

The annual board evaluation is also a natural platform for the full board to review its composition and discuss the expertise that it will need in the future. Providing the right questions are asked, it can help tease out the areas of knowledge the board should possess in the coming years based on the company's strategic direction and the competitive landscape. Without subjecting itself to a rigorous evaluation of the collective skills and experience around the table, the board can easily fall into the trap of "fighting the last war" rather than focusing on the needs of the company several years into the future.

In some markets it can be extremely difficult to introduce new skills on to the board due to entrenched interests, retirement age increases and open-ended arrangements. There will always be some natural attrition, but that may not be sufficient to enable the board to expand or strengthen its skills when it needs to.

Three-year terms are the norm in some countries. These afford directors and the board some stability (most, but not all, directors serve a minimum of two three-year terms), yet they provide a natural break point should an appointment not work out. Where such break points do not exist, it can be extremely hard to plan changes to the makeup of the board. Interestingly, in those markets where a high proportion of directors choose to pursue plural careers, there is more mobility between boards and the rate of refresh is higher — resulting in boards that are more likely to be fit for purpose (see related article on page 20: "The pace of board evolution: Comparing the U.K. and U.S. experiences").

Whole board succession — a holistic approach

The nomination committee plays a critical role in analyzing the board's needs over time and planning accordingly. In recent years, it is noticeable that the nomination committee chairman's role has grown in stature. Having a strong and forward-thinking person in that role is fundamentally important.

In the past, boards have tended to address director succession only on an as-needed basis, when facing an impending vacancy. Boards that take this approach, however, may be putting themselves at a disadvantage; by the time they start looking for a replacement director, it may be too late to secure the best person. Just as with CEO succession, by planning further ahead it is possible for boards to widen the net, increase their options and secure the very best talent at the time when it is most needed.

Having reviewed the strategic direction of the business, the board may decide that it needs to replenish its skills base and fill a number of gaps. However, trying to find all the requisite attributes in one individual may be next to impossible. In such circumstances, recruiting is likely to be far more successful if the board has two seats to fill in a reasonably short time frame and those skills and attributes can be spread across two or more people. This takes some pressure off the recruiting process and is a compelling argument for developing a long-term plan for board succession. Also, onboarding can often be more effective when two new directors go through it at the same time.

A holistic succession planning process begins with the board reviewing and confirming the desired expertise and qualifications for new directors, identifying potential director candidates, and approaching candidates well in advance to let them know of the board's interest. It may be helpful to tap external resources at the point when specific vacancies are nearing. For example, through their work with boards and top executives, search consultants often know on a confidential basis the plans of many senior leaders. Particularly in the case of CEOs, who are often inundated with board invitations, it is valuable to understand their restrictions and preferences for outside board service, as well as their retirement plans. A search firm often has the ability to discreetly test executives' interest in a new board role and his or her future availability, and also to look globally at new, younger candidate pools such as executives with digital experience.

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The pace of board evolution:

Comparing the U.K. and U.S. experiences

On the surface, there are many similarities in how boards operating within the Anglo-Saxon corporate governance model go about their business. Broadly speaking, they share a unitary structure that is geared towards a shareholder-centric approach, and the board's role is to advise and monitor the activities of management and find the most appropriate way to reward it. There are, however, some striking differences between U.S. and U.K. boards in terms of how easily they are able to adapt themselves to reflect changing market conditions. These differences are part cultural, part behavioral, and provide interesting points of comparison for boards in other parts of the world, too.

U.K. boards tend to be highly conscious of director succession issues because of tenure limits imposed by the U.K. Combined Code. Most chairmen think in terms of three-year cycles for directors. Although all directors are elected each year at the AGM, after nine years on the board a director ceases to be classified as independent and forfeits the right to chair a committee. In most cases, directors leave the board at this point. However, it is quite common for directors to serve only two three-year terms, and there is no stigma attached to this. Indeed, it is not uncommon for directors to come off boards after serving for less than

six years, although serving less than three years can raise questions.

The reason for this is that U.K. executives tend to retire from professional life earlier in order to pursue a non-executive career, treating this phase of their working lives with the same type of discipline and ambition as they did their executive careers. They will seek to manage their portfolio to gain exposure to different boards and, as a result of broadening their experience, they may eventually position themselves to become a senior independent director or board chairman. This career-minded attitude, coupled with tenure limits, creates a high degree of mobility among the non-executive population in the U.K. The resulting level of board turnover forces board chairmen to actively manage director succession and provides regular opportunities to bring fresh talent, strategically relevant skills and diverse perspectives into the boardroom.

The U.K. chairman is almost always non-executive and usually chairs the nomination committee. He or she develops a good feel for the business and whether the board understands and is keeping up with what's going on. At least two executives (the CEO and CFO) sit on the board, and there is plenty of engagement between board directors and the senior management team who are given the

opportunity to present to the board. Board directors are encouraged to see the business from the front lines and gain considerable exposure to the organization during the course of the year.

On U.S. boards, the absence of tenure limits, coupled with the trend towards later retirement ages, results in less turnover and longer average director tenure. As U.S. boards think more systematically about director succession, they do so in the context of historical U.S. board norms, reflecting a different mindset from their U.K. counterparts.

Retiring U.S. CEOs or CFOs often wait to be approached about serving on a board. They are not likely to actively manage the “directorship” phase of their careers in the same manner as a U.K. executive. Once appointed to a board, U.S. directors typically serve until reaching the mandatory retirement age. They are less likely to consider voluntarily rotating off a board unless unique circumstances compel it. Further, for some U.S. executives, the notion of becoming a “professional director” — commonplace in the U.K. — is regarded with a measure of skepticism.

When U.S. directors were asked in a recent survey why they think underperforming directors are not removed from the board sooner, the number one reason given was:

“Board leadership is uncomfortable addressing the issue.” Why is this?

One reason may be that the nomination and governance committee chair, often the lead independent director in the U.S., has a sensitive job to perform in a context distinct from that of a U.K. chairman. We observe a tendency for U.S. nomination and governance committee chairs to view themselves as a peer to the other directors, asked to serve as *primus inter pares* for a period of time. They do not tend to view the role hierarchically. This egalitarian perspective combined with a tendency towards collegiality may lead to a diplomatic approach to issues that can take longer to play out.

Further, many retired executives in the U.S. view board service as a way to “give back,” to make an important contribution to a larger system of corporate governance that provides broad social and economic value. They view their professional experience and years of accumulated business judgment as a resource that benefits the companies they serve. The director’s knowledge and diligent oversight helps safeguard the interests of the company’s long-term shareholders, as well as its employees, customers and suppliers. In the context of these aspirations, it is understandable that executives who accepted a directorship(s) would seek long-term involvement with their boards.

Building high-performing C-suite teams

INSIGHTS FROM THE FRONT LINES

Every CEO wants a high-performing team, and little wonder: Organizations that cultivate and sustain high-performing senior leadership teams are more likely to outpace the competition and realize breakout success. The influence of the CEO's team extends beyond the decisions that are made — or not made — in the management team meetings themselves and includes all the decisions and activities that radiate from those meetings and translate into the work the organization gets done.

Good teams bring out the best in people — complementing individual strengths and weaknesses and providing the ideas, perspectives and resources that help individuals and the team make better decisions and achieve great outcomes.

But working within a team can also be incredibly frustrating. Even within the best of teams, conflicts arise, egos get bruised, misperceptions occur and consensus has to be built — often more slowly than some individuals would like. When problems on a team reflect deeper dysfunction, and team members do not work effectively together, the performance of the collective group and the individual executives suffers.

Complicating matters is that some of what we assume about senior leadership teams and what makes them high-performing can be misleading. Some of the common misconceptions include the following:

- High-performing individuals will be successful in any team.
- The mission of the CEO's team is self-evident.
- It's always clear who is on the team.
- It's beneficial to have the collective team working together on every task or problem.

In reality, individual high performers may not thrive on every team, while, on the right team, less-skilled individuals may excel well beyond expectations. CEOs frequently over-estimate how clear the team's mandate is or allow membership on the team to be defined less by the strategic purpose than by who shows up to meetings. And sometimes a task is better and more efficiently accomplished by an individual or a separate group than the whole senior team.

What's a high-performing team?

A good way to start thinking about the performance of the top team is by asking: Are we better together? Are our individual efforts magnified or limited by being part of the team? Reflecting on these simple questions can help the CEO and his or her leadership team begin to consider whether or not the team is working effectively together in support of the business.

The performance of a team depends on multiple factors, including its composition, leadership, purpose, processes, how aligned the team is with the strategy and organizational culture, and the informal interactions among team members. These factors are interconnected, and they interact with the larger organization. Some of the common assumptions about teams obscure the real contributors to team effectiveness and performance, making it harder for CEOs and their direct reports to diagnose underlying causes of dysfunction. Furthermore, to the individuals on a team, dysfunction manifests itself as a lack of mutual trust or sense of inefficiency. As a result, conversations about team dynamics often focus on the degree of trust among the leadership team and whether time spent with the team is worth the effort, rather than about understanding and addressing the broader underlying factors that contribute to team performance.

Drawing on our extensive work in executive search, assessment and team effectiveness, we explore the characteristics of the most effective teams and look at the common reasons why teams experience problems.

A clear mandate

Why should individuals help others on the team or be concerned about functioning as a team? The truth is, in the absence of a shared sense of purpose, mutual goals or defined interdependencies, there is little motivation for individual executives to work together as a team.

CEOs often assume that the mission of the senior leadership team is self-evident: to deliver on the short-term goals and long-term vision for the business. However, it's not uncommon for different executives to have varying views on the team's purpose and individuals' responsibilities within the team. When the specific role of the team in achieving those goals isn't explicitly stated — and translated into objectives for each member of the team — it can impede the speed and effectiveness of decision-making and make it harder to get the right things done.

A team charter helps define the top team's role in achieving the company mission and vision, including the values and behaviors the senior team should model. When developing the charter, the leadership team should consider questions such as: What is the underlying need and role of the team itself? How independent or interdependent do our individual roles need to be? What do we expect everyone on the team to contribute? What behaviors do we want to hardwire through meetings, normative commitments and other structures and processes — and what do we want to emerge informally from our collective leadership styles?

Every team must decide which tasks it will work on collectively. Organizations with large, distinct, high-achieving divisions, for example, may perform better when they have a loose structure that provides division leaders the independence to operate their individual units. Businesses that need to undergo strategic or cultural transformation, by contrast, may need members of the leadership team to collaborate closely on shared objectives. Without a coordinated, orchestrated change agenda and defined roles and metrics against which to measure performance, progress can stall as people across the organization wait for something to happen.

Well-defined team membership and individual responsibilities

Another surprisingly common contributor to team dysfunction is poorly defined team membership or a lack of clear responsibilities for individual team members. In many organizations, a CEO may have several teams with similar but somewhat different membership — an executive team, an extended leadership team, an inner cabinet — and people who attend the meetings regularly but aren't part of the team. Teams can emerge or grow for reasons having nothing to do with the mission; membership on the CEO's team is viewed in some companies as an entitlement for attaining a certain executive level in the organization.

Overlapping teams and lack of definition about who is on the team can create confusion between individuals' formal roles and responsibilities and their informal participation on the team. In these situations, it becomes less clear over time who is responsible for what, decisions fall through the cracks and things don't get done, or several different teams are busy working on the same issues, potentially at cross-purposes. In the best teams, membership is a function of the team's purpose: The strategic and/or operational requirement of bringing people together drives the composition of the team.

Lack of defined responsibilities also can affect individual performance. In roles where there is a potential for overlap — for example, the head of strategy, head of business development and head of mergers and acquisitions in a company planning to grow through acquisition — a clear directive from the CEO about the individual responsibilities is critical. Without that, individual executives will either behave too cautiously or feel incentivized to broaden their scope as much as possible, creating frustration, unproductive competition and confusion in the marketplace and among internal stakeholders.

Purposeful leadership

No team manages itself. A high-performing team needs leadership and, in the case of the top executive team of a company, the leader is the CEO. The primary role of the leader is to understand the external forces at play that could affect the business and create the conditions that allow the team — and the larger organization — to work together toward shared objectives. Good leaders have a strong sense of the marketplace and the business environment; they understand the customers, the competition and the larger organization. They also understand the threats and risks to the business, as well as the available resources.

The primary role of the leader is to understand the external forces at play that could affect the business and create the conditions that allow the team — and the larger organization — to work together toward shared objectives.

A secure grasp of the organizational and team context allows an effective leader to develop a clear strategic direction, which informs the team's mandate, membership and individual roles. It also enables the leader to model behaviors consistent with a culture that both supports the strategy and fosters a shared sense of belonging. Finally, it helps the leader ensure appropriate systems and practices are in place to support the work of the team.

When a leader deliberately creates the right conditions based on the team context, not only does the team as a whole perform at a high level, executives on the team achieve more than they could individually. One company we worked with was aggressively expanding overseas and growing above the industry average, albeit in a slower-moving sector. Yet members of the CEO's team scored only at mediocre levels in measures of critical and conceptual thinking. The visionary and hands-on CEO was able to codify and systematize decision-making through frameworks and processes, and invested heavily in each member's ongoing development through regular coaching, job rotations and executive programs.

When a leader fails to create the right conditions, it can lead to dysfunction and erode the effectiveness of the team. CEOs can contribute to team dysfunction in other ways, including:

- **Failing to delegate at the right level**

Some leaders have a tendency to delegate tasks rather than sharing the broader responsibility for defining and achieving strategic objectives. Delegating at the more strategic level encourages individual executives to be real owners of the objectives and the outcomes. When it comes to delegating to teams, it is important for a CEO to explicitly indicate which decisions are for the team to make, and to stay out of these decisions if the team attempts to defer to him or her.

- **Micromanaging people and processes**

A leader who regularly focuses too deeply on the details may be less forward-looking and attuned to changes in the external environment that could hurt the business. This also can tie up the time of several layers of management with excessive reporting, preventing real work from getting done. For example, without mindful attention, team meetings can quickly devolve into opportunities for individuals to report information to the CEO rather than serve as forums for constructive debate and collective decision-making.

- **Poor prioritization**

If everything is equally urgent, and urgency outweighs importance, the team may be at risk for overlooking longer-term strategic issues and opportunities. Not only must the CEO delegate to the team, but leadership team members must delegate to off-line subgroups or subordinates.

- **Failing to “walk the talk”**

CEOs can undercut team dynamics and their own priorities if they don't make sure their own actions reinforce the right behaviors and business priorities.

The right composition

Not surprisingly, when CEOs form or rebuild their senior leadership teams, they tend to focus on the “hard” capabilities required for success — strategic thinking and operational excellence, for example — in order to drive results and hit the numbers. When it comes to working effectively as a team, however, hard skills aren't enough. Social intelligence and self-awareness are critical capabilities and, without them, individual leaders can have significant blind spots that negatively affect how they interact with others on the team. Few people will want to work with executives who refuse to listen to the opinions of others, adopt a condescending communication style, blame others for their own mistakes, seem volatile or unpredictable, or react poorly to bad news or dissenting views.

At the most senior levels, executives have to be skilled at operating in politicized situations and reading power dynamics — both externally and internally. They need to be aware of how others might perceive their words and actions as well as the internal dynamics related to competition for resources and individuals' efforts to position themselves with the board or CEO. Leaders who do this well are able to identify the issues and perspectives that are central to a conflict and balance the different needs of relevant stakeholders. They recognize the agendas and motivations of individuals and groups who are involved in a particular situation and anticipate the emotional reactions that people may have to actions or communications. They also cultivate self-awareness and are conscious of the different work styles and communication styles of others.

When building or rebuilding their teams, CEOs will want to assess executives' strengths and weaknesses in these areas and consider the appropriate diversity of leadership styles and strengths. As the Asia CEO of a global communications company charged with turning around a failing business told us, the top team "is only as strong as the weakest link." The CEO rebuilt the team by looking for complementary personalities and skill-sets, for example, hiring a dogmatic, calm and introverted head of products; a smart and focused head of sales; and a creative and extroverted head of marketing.

When CEOs form or rebuild their senior leadership teams, they tend to focus on the "hard" capabilities ... When it comes to working effectively as a team, however, hard skills aren't enough.

Positive social dynamics

When individuals trust one other and understand their complementary skill-sets, they naturally collaborate, share information, find ways to remove roadblocks and support each other personally and professionally during difficult times. Lack of trust, however, can color individuals' perceptions about the personal qualities and professional capabilities of other team members, encouraging them to assume the worst about each other. Conflict between two people often draws in others and can create factions of people who favor one person or another.

Positive social dynamics require trusted, positive relationships; a shared sense of purpose; common values; a willingness to be vulnerable and share openly; and healthy conflict around ideas. Especially in situations where the degree of risk or uncertainty is higher, healthy debate and conflict can help uncover all the possibilities and lead to better decision-making. Beyond these high-stakes situations, teams also need a clear and transparent mechanism for surfacing, addressing and resolving conflicts. This could include the CEO setting the expectation that individuals on the team will confront one another appropriately when issues arise rather than venting to others on the team.

To encourage the development of trusted relationships, many CEOs create opportunities for the team to socialize outside of work or formal work functions — such as cooking classes or volunteer work — in order to break down barriers and help team members to connect personally. "I know the favorite foods of each of my team members and in one team-building meeting, I put up a slide with everyone's favorite foods and got them to guess who corresponds to what food," one CEO told us.

When there is a lack of trust among team members or other dynamics that are affecting the team's performance, individual sessions and group workshops dedicated to confronting the underlying assumptions that hinder trust can help inspire behavioral change. Individual development plans also should define and assess the capabilities and desired behaviors that affect team performance through interaction, including the ability to collaborate and influence across silos and communicate team-level priorities with a clear and engaging rationale.

Sound processes

Formal structures and processes also can help or hinder team performance. These include such things as protocols for meetings and information-sharing, performance management systems and incentives, and decision-making rights and responsibilities. Incentives and processes should support the team objectives and encourage the behavior necessary for the team to accomplish its work.

One common area of weakness for many companies is the decision-making process. Teams can struggle to make — or stick to — important but difficult decisions when it is unclear who is responsible for making certain decisions and who has the right to contribute to or veto a decision. In other cases, decisions are perpetually re-debated and challenged; it can destroy the morale of the team and the organization if top management isn't willing to make tough decisions or allows exceptions to the decisions it does make. Similarly, executives who become known for not being able to make decisions, reversing unpopular decisions or allowing exceptions for those who complain — for example, on budget or headcount reductions — will lose credibility with other team members.

The processes that are most effective depend as much on the style of the team's leader and culture as they do on the sophistication of current protocol. For example, one leader we worked with would reserve a portion of his meetings strictly for the team to make decisions, during which he started a mental “timer” with each new item on the docket; if the person teeing up the topic could not crisply lay out all the pieces necessary for the team to decide — e.g., by sharing what new information was gained relative to what was needed for a sound judgment — the leader quickly tabled the issue for further discussion in another meeting or offline. Other leaders have found that taking the first few minutes for a “pulse check” on how the team members are feeling helps to balance the rigorous action-item review that characterizes the remainder of the group's time.

Conclusion

In simpler times and organizations, the success of a business was closely linked to the strength of its leader and his or her intelligence, management skills and charisma. Businesses today, however, are far more complicated and unwieldy, operating in an environment of sustained uncertainty, ambiguity, volatility and intense competition. Amid much more dynamic, faster-moving marketplaces, disruptive technologies and changing customer preferences, organizations require a team of complementary and compatible people who can collectively solve far more complex leadership challenges.

Top teams are more important than ever to business performance. The composition and chemistry of the team, the strength of the CEO's leadership, the protocols and processes for getting work done all can contribute to the performance of the team and help or hinder the potential of individual team members. And these factors are interconnected. Getting to the bottom of team dysfunction requires a systematic approach to assessing which of these factors or the dependencies among them — as well as the context in which team operates — are affecting team performance.

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EXECUTIVE ONBOARDING

Is there a right way?

Organizations can spend several months and significant resources searching for and interviewing a new senior executive. Yet, after the offer is accepted and the individual joins the company, the onboarding process often does not receive the same level of effort and energy as the hiring process. Most organizations fully acknowledge that onboarding is important, especially with the well-documented high cost of failure — executive failures can cost up to 40 times the base salary of leaders, according to some research. That could be a multimillion-dollar mistake for even a mid-level executive.

The problem is not only costly, but also alarmingly common: According to *Fortune* magazine, about 40 percent of executives who change roles or get promoted fail in the first 18 months. While a number of factors contribute to an executive's performance and longevity in a role, strong onboarding programs can help improve the odds of success. Despite organizations' commitment to onboarding, some executives do not feel adequately prepared. A survey we conducted a few years ago revealed that 70 percent of CMOs were disappointed by their onboarding experience.

Typical onboarding programs cover the basics: meeting colleagues in different departments and geographies and providing information about the current operating environment and processes. Programs tend to focus on the short term often with little follow-up and tailoring for the executive's specific role. The lack of agreement among HR leaders, hiring managers, senior leadership and new hires on what exactly onboarding is (or should be) further compounds the issue. There is a wide range of views on what the process should entail, from simply providing a security pass and computer to pre-arranging a full slate of meetings with key stakeholders and a personalized welcome gift. David Wexler, vice president of human resources at Freshbooks, comprehensively defines onboarding as "the process of equipping new hires to successfully fulfill all expectations of them in their new roles, including understanding cultural aspects, forming effective and trusted working relationships, learning how decision-making occurs, and how to move from ideas to successful implementation."

In short, onboarding prepares a new leader to adjust to the social, cultural and professional components of the role.

Organizations that are not fully defining and maximizing their onboarding programs may not only be shortchanging their new executives, but their bottom lines: Companies with strong onboarding programs see 2.5 times the profit growth and 1.9 times the profit margin than those that don't, according to The Boston Consulting Group. What does a successful onboarding process look like? How can onboarding shift from being a check-the-box exercise that spans only the first few weeks to a longer-term, fulfilling experience for both the organization and the new executive?

Myths about onboarding

Misconceptions about onboarding can undermine its value and deter organizations from ramping up their efforts. Here are four common myths about onboarding that organizations need to dispel in order to advance their efforts.

1

It's an unnecessary expense with uncertain returns.

Corey Heller, chief human resources officer at Florida Blue, believes many companies rationalize not investing more heavily in onboarding by operating under the assumption that hiring and onboarding are hit-or-miss propositions where it is simply expected that one-third of new executives will not work out. Some do not think spending more to enhance onboarding is worthwhile because the signs of its failure are not immediately obvious. After spending significant time and resources on the hiring process, the perception is that executives who have reached a senior level are smart enough — and paid well enough — to hit the ground running. Because they already possess institutional knowledge, internal promotions can be especially vulnerable to this notion. To ensure internal promotions do not fall victim to this misconception, Hugh Mitchell, chief human resources and corporate officer at Shell, says the company has a separate onboarding program for internal leaders who are transitioning to new roles.

2 A challenging onboarding experience is a rite of passage and proving ground for new talent.

Some companies consider a challenging onboarding process both a badge of honor and a means of corporate Darwinism. Evelyn Gardiner, group human resources director at Kingfisher, has found that some organizations use sparse (or non-existent) onboarding processes as a way to determine who can succeed with little to no support. “Subliminally, ‘sink or swim’ is the default mentality that some organizations and the people recruited have,” says Gardiner. “You could almost argue that it’s the last part of the recruitment process — you’ve got to prove you can cope with all of this.”

One leader shared her own survival-of-the-fittest experience as a new executive at a multinational energy company: “I was thrown into a fairly amorphous world and the company at the time was very complex, and almost prided itself on its complexity and on your ability to navigate your way through it.”

3 New leaders need to focus exclusively on delivering immediate wins.

At senior-most levels, pressure is high to quickly make a tangible impact. “When a position has been vacant for a long time, the company likely spent lots of time and resources to fill it and, depending on the specific position, there could be potential revenue loss attached to that vacancy, so there’s this urge to move forward rapidly,” says Joe Cabral, chief human resources officer of Cleveland Clinic. He struggled with suppressing his own instinct to act early on during his recent onboarding experience; his CEO prioritized building a network within the organization and understanding the customer before fully diving into his role. Viewing onboarding as an ongoing process in which new executives gain a fuller perspective on business issues and build relationships — versus a springboard to simply put

A spectrum of onboarding experiences

From cautionary tales to glowing reviews, senior leaders share stories of their own onboarding.

“I’m embarrassed to say that I’ve not had a decent onboarding experience since my days with a large consumer products company at the start of my career. In every role since then, the expectation has been either that I’d create my own onboarding schedule and/or that I’d simply hit the ground running. The worst onboarding experience I had was when I joined an organization as the second-in-command for a specific region. The day before I started, the head of the region called me at home to tell me that he’d resigned and that I was now in charge. Not only was there no onboarding, but I didn’t meet my new boss until one month into my role.”

“On my first day at a huge technology company, my boss said, ‘See that guy in the corner? Pick his brain because he’ll be gone in a month.’”

One senior executive relocated her family for a new position reporting to the CEO, but there was a complete lack of even basic onboarding — no meetings were scheduled with any colleagues and her computer and phone were not set up. Because she was in the process of moving, the company booked her a place to stay, but in a run-down motel in a dangerous neighborhood, where she was too afraid to leave the property for dinner. As a result of this negative experience, it took her twice as long to feel comfortable at the organization than she had in her previous roles.

“A couple months before I started, the organization invited me out to a baseball game and before they brought me out, they sent me a package with a nice note, a baseball cap and some team memorabilia. Then I periodically would get calls or emails from people I interviewed with to say, ‘How is it going?’ or ‘I can’t wait for you to start.’ It was really done by design to keep you engaged. Once I got here, I was escorted everywhere; I didn’t have to sort of hunt and peck, where oftentimes it’s left up to the executive to go figure everything out. They really made sure that you had a comfortable amount of time to get acclimated.”

out fires — can help leaders take the right actions to benefit the organization for the long term.

4 Onboarding begins on Day One ... and ends on Day 30 or 60.

Some organizations believe onboarding does not commence until the official start date. When bringing on C-level executives, organizations with the strongest onboarding programs adopt “pre-boarding,” in which leaders are introduced to the culture during the interview process. Ideally, the executive’s future peers are included in these early discussions in order to provide multiple perspectives and also help set expectations. Well in advance of starting the role, the hired leader then prepares a 100-day plan that includes milestones and stakeholders.

In addition, some onboarding programs are deliberately short in order to allow the executive to jump into his or her new role. Mitchell says many companies fall into the trap of treating onboarding as a “sheep dip,” considering it a brief, one-time process. However, the strongest onboarding programs can continue over many months. For example, feedback sessions conducted after six or nine months in the role can give the new executive enough time to demonstrate “wins” while addressing emerging areas for development.

Building better onboarding programs

Our discussions with HR leaders and other senior executives have revealed that the best onboarding processes — ones that give the new leader a foundation for long-term success — share certain characteristics. Companies can help improve their onboarding by taking the following actions.

■ Tailoring for the role, developmental needs and the situation

Often, onboarding involves various parties providing an overview of the organization in general, but not necessarily what relates to the new executive’s specific role. Based on an assessment of the executive’s capabilities and areas for development during the interview process, organizations can adjust the individual’s onboarding to address specific areas. For example, the onboarding of a CIO transitioning to a company in a different industry can include an immersion with the product development and marketing teams to learn more about the product and its differentiators. Wexler observes that U.S. investment banks are particularly adept at predicting the obstacles new senior leaders are likely to encounter at which points in their roles and have tailored their onboarding processes accordingly.

■ Sharing truly need-to-know information

Many executives we’ve spoken with said they wish they had a list of “who’s who” when they first joined their organizations. When Cabral joined Cleveland Clinic, he received an “Executive Book of Knowledge,” which included key information about the organization from budgets to a list of full-time employees. As part of his onboarding process, Cabral was scheduled to meet the subject matter experts pertaining to each chapter to gain a fuller perspective.

In addition, onboarding should help new leaders understand the intangibles — who the decision-makers are, how decisions are made and cultural nuances that may not be immediately obvious. “Having a non-obvious stakeholder map is extremely helpful in onboarding,” says Gardiner. “It’s not just who they are and what level of influence they have, but it’s also the aspects you would be blind to if you didn’t really appreciate how certain people operate.” It can also be valuable for HR to discuss employee engagement survey results to shed light on what is important to individuals throughout the organization, not just at the senior levels. Heller notes that change usually must take place on the front

lines and taking the pulse of the broader organization can help new executives understand how to effect change successfully. Wexler recommends that CHROs schedule ongoing meetings with the new executive in order to establish a relationship as a trusted adviser on these “soft,” but nonetheless critical, issues.

It is also important that beyond explaining processes and procedures, organizations convey the reasons driving their operations. “I think we need to spend more time on actually explaining why we have what we have and why we do things the way we do them,” says Mitchell. “There’s the delineation between the ‘what,’ which we’re pretty good at communicating, but the ‘why’ and ‘how’ are the areas that we could always improve upon.”

■ Setting clear expectations

Although senior executives are hired based upon past experience, a lack of clear, agreed-upon expectations for performance in the new role is one of the biggest derailers of even the smartest leaders. “We once did a survey of experienced senior hires about the onboarding process and one person said, ‘It’s great, we were very welcomed. We get job descriptions, we get organization charts, we get accountability matrices, we get manuals of authority, we get all this stuff,’ and then said, ‘But at the end of it, I’m not actually sure what I’m meant to deliver,’” says Mitchell. At times, companies also make the mistake of assuming an individual’s high performance automatically translates into the ability to lead effectively within their specific culture. Heller recalls an instance in which an industry luminary did not last in an organization because the onboarding process did not fully convey that in its particular culture, a collaborative leadership style was just as important as technical knowledge.

■ Maximizing the predecessor’s presence

Overlapping with a predecessor can be extremely valuable to the onboarding process. “An executive joined us as a CEO and, by virtue of timing, we had three months with the person he was replac-

What can new executives do to maximize their own onboarding?

While organizations need to ensure they have solid onboarding processes in place, senior executives should take a proactive approach to familiarize themselves with their new roles. Here are four steps new leaders can take to get the most out of their onboarding.

■ **Pay attention to first impressions.** One major advantage of being new is having a fresh perspective. Gardiner advises that new executives take advantage of this (fleeting) time of unbiased perceptions to make note of issues or processes that seem odd, interesting or that spark their curiosity, and discuss them at a later date with a mentor or HR leader. By the same token, expect that the impressions you make early on to be watched closely. Thus, avoid the temptation to cite how things were done in your previous roles and be respectful of the new position’s history, especially when replacing a popular predecessor.

■ **Tap external advisers.** Supplementing onboarding with external expertise can significantly enrich the experience. Some have found that executive search firms can be an objective source of information and a sounding board, helping the new leader to understand cultural nuances, key players, potential challenges and development areas even before Day One on the job. Heller used a firm that specializes in onboarding to conduct a workshop for him and his team when he began a new role.

ing,” says Gardiner. “The new executive was able to spend that time taking a full tour of the market and almost all the stores, which deeply immersed him into the businesses around the group. I remember people thinking at the time, ‘When is he going to get into his proper job?’ but that time with the outgoing CEO exploring the markets really helped.” Heller had a similar onboarding experience during which he leaned on his predecessor as a mentor and liaison to the board. However, in some instances, the predecessor can do more harm than good to the onboarding process. Some outgoing leaders can have difficulty turning over the reins, so their successors should rely on HR as a resource in navigating this delicate situation. Limiting the overlap to two to four weeks can help with the hand-off; otherwise, both the new leader and predecessor may be viewed by the organization as lame ducks.

■ Assigning dedicated ownership

The majority of leaders we spoke with agreed that the most successful onboarding programs include three major players: the individual executive, the executive’s boss and HR. At the same time, most acknowledge that though that trio is core to onboarding, the process requires participation throughout the organization by functions that will work regularly with the new executive. Cabral believes onboarding is everyone’s job, noting that the onboarding process at Cleveland Clinic was a collaborative one touched by numerous parties.

Wexler holds a similar “it takes a village” stance. In his view, the most robust onboarding programs include discussions with numerous stakeholders so that the executive becomes familiar with the board, executive team, the vision and strategic plan, and the company’s core values — with the goal of learning what is important to the organization, where it is and where it wants to be.

■ Taking a holistic approach to the personal and professional

At the senior executive level, lines between work and home life are blurred and, often,

if one area suffers, so does the other. Thus, it is vital that onboarding span the personal and the professional universes, particularly for executives who relocate. Cabral’s time in the military first introduced him to the concept of such comprehensive onboarding: When starting a new role, the individual is assigned a mentor who not only teaches him or her the new job, but also helps navigate the seemingly small, but nevertheless important, ins and outs of the new post (e.g., the location of the mess hall). If the individual brings his or her family, the military assigns an entire family to help them acclimate. Additionally, small gestures can make a significant impact in onboarding and making a new leader feel welcome. During the interview process, one executive was asked about her favorite candy and on her first day, found a bowl of her preferred treats waiting on her desk.

■ Incorporating the reverse onboarding needs

Onboarding is not just about the new leader adapting to the organization, but the organization adapting to the new leader — especially if the executive is being brought in as a change agent. “You can’t parachute in new executives to change the culture, you need to energize the entire organization,” says Heller. He conducted a 6.5-hour workshop with a new president on how to communicate about the new vision and interact with his team, which, in turn, helped the team cope with the change and understand the mandate behind it. After deciding on plans to shift from a conservative insurance organization to a more agile, lean healthcare services model, Florida Blue’s CEO’s second senior executive hire was a new chief communications officer to help the entire organization understand and embrace the transition.

■ Focusing on culture

Cultural mismatch is one of the primary reasons senior executives fail, making culture an essential component of executive onboarding. However, discussions of culture must be a two-way street. Just as the organization must determine if the executive is a good match, it must provide the potential leader with an accurate picture of life at the company during the hiring

process. One HR leader said that for her company, onboarding starts during the interview, when interviewers attempt to uncover the personality of the candidate, while also being very candid about the culture at the outset. It has been said that “culture eats strategy for lunch,” so the worst thing an organization can do is not be honest about the culture, according to Cabral.

Many times, organizations think they are being forthcoming about the way they work, but do not realize they are either not fully communicating or are overlooking important nuances. One CHRO recalled an earlier experience at a leading professional services firm: “We worked with a group of senior hires to understand the biggest roadblocks they encountered early on, and what we heard from them was fascinating. A lot of the cultural norms that people explained were true, but not the full picture. The company was very proud of its non-hierarchical structure and talked a lot about this in interviews. But what we heard from this group was that this non-hierarchical approach applied to intellectual thinking and ideas, but not to process and social norms. Understanding this distinction early on may have helped some of these executives avoid obstacles.”

Conclusion

A number of factors contribute to the success (or failure) of new senior leaders. After investing substantial time and energy into the hiring process, companies can improve the likelihood of a new executive’s success by devoting a similarly robust effort to the onboarding process. Instead of viewing onboarding as a ramping-up period that concludes after a few weeks or months, organizations should treat the process as an ongoing journey of learning that helps the new leader — and the entire organization — succeed over the long term.

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Finding an onboarding coach or mentor can also be beneficial when you have not changed roles in a while or need to shift your leadership style to adapt to the new organization. Books on the topic can also help provide executives with a supplementary framework for their onboarding.

■ **Ask for the information you need.** This step sounds simple and yet, it is often overlooked. Executives need in-depth information relevant to their specific roles and if it’s not provided, they must be interrogative to draw it out. “In my first group HR role, I was just glad to be there, so anything that anyone shared with me was a privilege,” recalled Gardiner. “If I was doing it again, I would be far more demanding and push for the information that’s important to me, not just what you feel is important to tell me.” Additionally, ask your HR leader for a document outlining the onboarding process so that you can both ensure you are meeting important milestones and receiving the guidance and resources you need.

■ **Build relationships early.** It can be easy to underestimate the importance of people in the face of seemingly more pressing priorities. However, laying the foundation for strong relationships can spark the collaboration necessary to achieve those goals. Plan to travel extensively within your first 100 days to forge both internal and external relationships, particularly in a multinational or global role. Actively listen to colleagues and resist the impulse to make decisions too quickly. Be visible to those in your area of accountability and establish two-way communication channels. It can also be helpful to connect with your immediate supervisor at least once per week during the first 100 days to gauge expectations and build rapport.

Building a career today

When taking a lateral step makes sense

If they think much about building it at all, people tend to believe the best way to build a career is through a series of progressive steps — climbing the rungs of the proverbial ladder. Careers today, however, rarely advance along such a linear path. The complexity of business demands a breadth of knowledge and experience — functional, operational, profit and loss, geographic, leadership — that is unlikely to be developed in a series of progressively larger general management or functional roles. Increasingly, leaders must have been tested in and survived assignments outside their comfort zone.

How then can aspiring leaders develop the breadth of functional, business and leadership experience they need to prepare themselves for the demands of more senior roles? One approach many executives are taking to build capabilities and gain critical experience is making a lateral move into a different functional area, geography or larger, more complex business. Most broadly defined, a lateral move is any job change with a similar title or level — and, often, similar compensation — that provides the opportunity to develop skills and experience in a new area, potentially expanding the individual’s career options. Some companies coordinate these moves as part of a development track for up-and-coming leaders, while many executives must find opportunities themselves within or outside of their organizations. While lateral moves have become an increasingly common component of careers today, there are risks and tradeoffs to consider.

WHY LATERAL MOVES? THE RISKS AND REWARDS

As in other multinational businesses, aspiring senior leaders at Mondelez International must acquire a “cocktail of competencies and capabilities” to be considered for top roles. This cocktail includes in-country market experience, category experience and both emerging markets and developed markets experience, says Athene Van Mazijk, vice president of human resources for Eastern Europe, Middle East and Africa for Mondelez International. “By virtue of that combination, executives must move around to different roles.”

Beyond the specific experience gained through moves to new geographic markets, functions or business units, lateral moves throw individuals into completely new environments, with different cultures, different priorities, ways of working and communicating,

“Having experience in different geographies is less about the specific locations themselves and more about learning to operate amid different types of challenges and issues.”

different stakeholders and distinct vocabularies. All of this tests individuals’ resilience, their ability to learn and adapt, and their readiness for more complex and demanding positions.

“Having experience in different geographies is less about the specific locations themselves and more about learning to operate amid different types of challenges

and issues,” says Cecilia Ho, president of Asia for International Paper. “The issues that we have in China are very different from the issues that we have in the U.S., for example, and the issues we have in Brazil will be very different from the issues we have in India. If you can demonstrate that you have the ability to manage a business in different environments, then you just really broaden your skills, broaden your capabilities, broaden your way of thinking and learn from different people. That experience is very meaningful and very worthwhile.”

Yet lateral moves carry the risk of failure. Especially when leaving a company where you have built a successful track record, a lateral move requires giving up the safety and

security of the known: credibility built up over time and a support network to turn to for advice, help or a new opportunity if the assignment doesn't work out.

André Luís Rodrigues, chief financial officer of JHSF, one of the leading companies in the Brazilian real estate sector, characterized his decision to leave Rhodia after nearly 20 years as one of the most difficult professional decisions he has made. The opportunity at JHSF, which operates in the development and administration of shopping centers and first-class hotels, would allow him to

develop additional technical and leadership skills and flex new muscles working with active and participant shareholders of the listed and family-controlled company. "I would not be considered a complete CFO unless I had an experience in a Brazilian listed company," he recalls. Yet Rodrigues had strong emotional ties to

Rhodia — he had even met his wife there — and was committed to the company's culture and values. The idea of leaving was emotionally anguishing. He also faced uncertainty about his ability to adapt to a completely different environment and the possibility of underperforming after a highly successful career at Rhodia. Ultimately, he decided to make the move to continue his professional development as CFO. "I thought that the longer I stayed in a multinational environment, the harder it would be to make this transition." To minimize the potential risk, Rodrigues conducted extensive due diligence, speaking to multiple stakeholders, including financial institutions, competitors, business leaders and the executive he was replacing. "The decision has to be carefully evaluated, not taken by impulse."

"You make a lot of decisions every day, but there are two to three decisions you make throughout your lifetime that really impact and change you."

Sometimes the considerations are more personal. Chester Yang, CEO, China for Bunge, was a young executive at Cargill who had just led the transformation of a money-losing U.S. West Coast operation to a profitable business in the mid-1990s when he was asked to relocate to China to run a struggling joint venture in Shandong. Making the move would require him to leave a comfortable life in California and detour from a successful career progression. Furthermore, with a "200 percent chance" of failing in the new role, he risked losing connections to former bosses and colleagues while in China and, if he indeed failed, the prospect of returning to diminished opportunities. Nevertheless, Yang ultimately decided to make the move, in part to honor his family's ethnic Chinese roots and because he refused to allow fear of failure to dictate his decisions. "You make a lot of decisions every day, but there are two to three decisions you make throughout your lifetime that really impact and change you, and I believe that was one of them for me," says Yang.

A CAREER STORY LINE

Given the risks and the uncertain rewards, a lateral move should be carefully considered in light of how it fits into the larger vision of one's career. Lateral moves can demonstrate an individual's growth, potential and broad-based experience, but if the career progression doesn't "make sense," it can seed doubts in hiring managers about whether the individual has had the opportunity to really build successes over time.

“One needs to begin with the end in mind,” says Fabian Wong, president of Philips Consumer Lifestyle, Greater China. Knowing that he wanted to be a general manager, Wong decided to move to a country sales and marketing role after three years in a regional sales role in order to gain the in-country experience. “The experience of running a team in-country made me a better regional leader later. Then I took several smaller country GM roles before being assigned to China. Moving between different geographic markets was really a strength and pushed me out of my comfort zone.”

To identify the skills you may need to develop, consider where you see your career growing: a multinational company or regional or local organization? A private or public

company? Comfort with a matrix leadership structure and a potentially narrower realm of responsibility may be required to excel in a multinational company, while a smaller or private company may provide a broader and more holistic set of responsibilities.

“We see people buckle in regional leadership or global functional roles when they don’t have a signature specialization to lean into, or they haven’t had the critical pressure-cooker experience.”

“It is essential to define a specific objective,” agrees Rodrigues. “People who have difficulty in establishing career objectives

hardly ever achieve pre-determined goals. Nowadays, it is very difficult to break away from daily activities to reflect about one’s career in a deeper way, but it is critical for this kind of experience that the executive have a long-term self-development plan, combined with an execution strategy.”

Van Mazijk recommends developing at least one deep signature experience. “Where we’ve seen people come up short, even with all the potential in the world — high cognitive ability, lots of learning agility — is having too little of a foundation in one particular specialization. They reached a mid-stage in their careers and they are a Jack-of-all-trades and master of none, and then a crisis presents itself,” she explains. “As an organization, we also like to try and increase the challenges, every second experience or so, in order to toughen up their resilience and give them an opportunity, under quite stressful circumstances, to navigate a path through a business challenge. We see people buckle in regional leadership or global functional roles when they don’t have a signature specialization to lean into, or they haven’t had the critical pressure-cooker experience.”

Flexibility also is important. Ho cautions against allowing an overarching, distant goal such as becoming CEO prevent executives from accepting valuable opportunities that appear somewhat off the straight path to the C-suite. Performing well in these scenarios can open new doors. “Focus on doing your current role well and, if you are given an opportunity, be open-minded. The more you focus on moving in a straight line from wherever you are to the CEO, you may lose opportunities to gain valuable experience along the way and you may not get there in a linear way anyway.”

Individuals can improve their chances of being top of mind for developmental lateral moves by having regular discussions about long-term goals and aspirations with their bosses as well as formal and informal mentors. Communicating a willingness to be open

to new opportunities will encourage others to view you as a versatile asset. It's also important to have a realistic view of the company situation, the possibilities and the potential time horizon for achieving career milestones. Ideally, opportunities will leverage existing strengths in one or two areas, while helping to build capabilities in new areas.

Ultimately, individuals have to know themselves and what drives them when considering lateral opportunities. "Everybody defines success differently, and the individual making a decision about a promotion or lateral move, whether it is relocating to a different region, business unit or a different company, has to ask him or herself what they value and how they define success," says Yang. "A lot of people live through life and do not truly understand what their values are, what makes them tick. You can go from a multibillion-dollar business into a couple-of-hundred-million-dollar business and still be very happy, or you can go from a hundred-million-dollar business to a multibillion-dollar business and be miserable every day. We've all known people like that."

MAKE LATERAL MOVES SUCCESSFUL: CLOSING SKILL GAPS AND LEARNING TO ADAPT

Making a lateral career move is more complex than sometimes appreciated, whether moving within your own company or joining a new company. The culture, team, infrastructure, leadership styles, communication preferences, business routines and requirements of the role will be different. And it can be easy to underestimate the challenges inherent in a lateral move, compared with a promotion into a larger, more complex position, where executives expect to have to make a leap in capabilities.

Identifying and addressing gaps in technical skills and capabilities is part of the equation for succeeding in a lateral move. Pay attention to the cultural differences and be prepared to adapt to new communication styles and ways of working. Being humble, accessible and open to the new culture also will ease the transition. Finally, stay attuned to signals from your new team about how you are integrating and performing.

"Most people are receptive to coaching from their boss, but we are not as receptive to

coaching from our peers and we can miss important signals," says Ho. "When our peers give us signals that whatever we're doing is not working, we tend to ignore it. If the boss says something is wrong, it's already too late. You need to really learn from your peers or even from people beneath you, and you just have to be humble enough to ask for that feedback."

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Support from the company also is critical. "Lateral moves or international assignments should go side-by-side with succession planning, so that the company has a long-term perspective on talent," says Wong. "The company should have a standard approach and build a good infrastructure so that lateral moves across geographic markets become easier."

Van Mazijk agrees. The most successful lateral moves are those that are planned well in advance, predicated upon clear developmental objectives and part of coordinated succession plans. “Those objectives need to be made pretty transparent, both to the organization at large, but specifically to the handful of people who should be coaching and mentoring the individual in his or her next move,” she says. “We also find transitional support for the first 90 days very beneficial. Transitional coaching helps to focus the individual around the developmental objectives, and to contract those with the individuals around them. So the right team will know exactly what it is that the individual is there to learn and also what he or she needs to contribute. That balance is important.”

CONCLUSION

Lateral moves can help develop specific technical capabilities, broaden individuals’ knowledge of the business and test their resilience and readiness for bigger, more complicated positions. Such job changes can be driven by the organization in order to provide developmental opportunities to high-performing leaders, or pursued by individuals themselves to gain exposure to a different business model, join a more established brand or institution or break into a faster-growing industry. Whatever the reason, the potential benefits and possible risks should be carefully considered so that the new role achieves developmental objectives and helps advance an overall career vision.

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Do we need a CXO?

Evolving the senior management team

It's no coincidence that many of the new executive roles being added to the C-suite today have to do with transformation, digital and data analytics. The adoption of roles like chief transformation officer, chief digital officer and chief omnichannel officer, among others, reflect the growing urgency for businesses to respond to changing customer expectations, new competitive threats from market-disrupting competitors, or the threat of disintermediation.

A new senior leadership position reporting to the CEO — a “CXO” — can serve as a lightning rod for a new strategic priority, helping the organization accelerate progress against a specific agenda. By focusing management team attention, establishing a platform for collaboration and coordination by leaders and functions, and signaling the importance of related initiatives, these roles can serve as a catalyst for change in an organization.

But CEOs also create new CXO roles for other reasons, including a desire to raise the visibility of a specific functional area that has become more important strategically, to attract stronger leadership talent in key roles or to create opportunities for potential CEO successors to develop broader experience.

CEOs often grapple with questions related to these new roles, including when to create new top-team positions and how to make them successful. We explore these questions below.

A CATALYST FOR CHANGE OR BUILDING CAPABILITIES

Not unlike cabinet-level “czar” roles that are established when U.S. presidents want to signal the importance of an issue or initiative and bring focused attention to it — such as the cybersecurity czar or recently created Ebola czar — new CXO roles raise the visibility of strategic priorities and provide a platform for building new capabilities and ways of working.

U.S. retailers such as Macy’s and The Bon-Ton Stores, for example, have announced the creation of chief omnichannel officer positions to ensure they can provide the integrated customer experience across the physical store, online and mobile operations that consumers increasingly demand. Meanwhile, some print and broadcasting media companies have established the role of chief content officer, responsible for transforming their content-producing operations to be more efficient, flexible and responsive for the digital world.

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A new senior leadership position reporting to the CEO — a “CXO” — can serve as a lightning rod for a new strategic priority, helping the organization accelerate progress against a specific agenda.

When he was head of Kraft Foods, Jim Kilts created the role of chief quality officer reporting to him in order to focus the organization on continuous improvement and total quality management. “That was a temporary role, but I wanted to give it enough visibility in the organization to underscore that this was something we wanted to get a very quick start on,” he explained. “If responsibility for quality was further down in the organization, it would get less respect. By virtue of it being on the executive committee, it had a lot of visibility and received a lot of support from the senior management of the company. That helped us to accelerate the idea of total quality in the organization.”

ENTERPRISE-LEVEL FOCUS

Especially in organizations that are structured by business units, where functions such as strategy or marketing are owned by the business unit leaders, the creation of a new functional CXO role can ensure that issues and opportunities are considered at the enterprise level.

Similarly, when an organization evolves from a decentralized/federal structure, where each country operation runs as a semi-autonomous business unit, to a global functional structure, CEOs tend to elevate various functional roles to their teams. One company transitioning to this model spent 18 months building a global structure with functional reporting lines, with the goal of creating a more easily scalable structure to support business growth and reduce the duplication of activities. Several new management team roles reporting to the CEO were established — chief marketing officer, chief technology officer, global head of sales, global head of services — to direct activities in these areas centrally.

Corporate leadership roles reporting to the CEO also tend to attract the strongest candidates. For this reason, some CEOs favor having a large, flat management team that provides them a direct line of sight to the senior leaders of the company.

“Don’t be afraid to have a lot of direct reports because the discipline of having a larger team forces you to be very demanding of the quality of the people you have,” says Kilts. “By flattening the organization, they all have to report to me. I get to evaluate them directly, and because you have a lot to do, you can’t put up with weak performers. Having a flat organization forces you to select high-quality, independent leaders who can drive their organizations without a lot of supervision.”

SUCCESSION PLANNING AND LEADERSHIP DEVELOPMENT

Providing development opportunities for potential succession candidates is another reason for establishing new CXO roles. A larger role with an expanded set of responsibilities can help

executives gain a broader, enterprise-wide perspective on the business and help them to develop new skills. For example, we have seen CEOs combine the responsibilities of the chief marketing officer and chief sales officer to create a single, larger chief commercial officer role overseeing both functional areas.

The creation of a chief operating officer (COO) role deserves special consideration. As CEOs begin to look ahead to transitioning out of the role, many consider naming a COO to oversee several business units or functions. However, naming a COO usually sends a strong signal internally and externally about the winners and losers in succession planning, so it's a decision that shouldn't be made unless the CEO and board are confident that the individual can close developmental gaps. Ideally, the executive will have had the opportunity to be exposed to enterprise-level issues through other developmental positions or projects prior to being named COO. The business also should be operating well because these moves can be disruptive when executives who already have their hands full running the business are suddenly given additional responsibilities.

DO CXO ROLES NEED TO BE PERMANENT?

The strategic reason for creating the CXO role should drive decisions about when to evolve or phase out the position. A chief integration officer by definition is required only as long as needed to oversee the successful integration of a newly acquired or merged business. Likewise, CXO positions established to provide specific development experience to individual executives may no longer be needed once the individuals move into their next role.

When the goal is to build a new organizational muscle — in digital or innovation, for example — the CEO may dissolve the role once the capabilities and responsibility for the area are sufficiently integrated into the business. It is not unusual for individuals in these roles to work themselves out of a job.

That is what Big Heart Pet Brands CEO Dave West had in mind when creating a new vice president of project leadership and resource management position to lead the effort to transform the company's legacy processes. "Our processes were built around the historical Del Monte consumer products business, which was a seasonal and cyclical business. Pet food is very much an everyday consumer product, and a much less seasonal business," he says. "I saw the need to have a business process, change management person to help build those processes and an organizational understanding of innovation and the resource tradeoffs that have to be made. It's not an organizational muscle we had, so it's one I wanted to be very close to and have a line of sight to. Over time, as the organization learns to do that on its own, that person should work their way out of the job."

By contrast, a CXO role established to ensure that someone is responsible for driving cross-company programs or strategic thinking at the corporate level — a CMO or chief strategy officer, for example — may be an ongoing presence on the CEO's team, as the need for enterprise-level perspective in those areas never subsides.

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SETTING UP THE NEW CXO FOR SUCCESS

A poorly defined role or lack of defined responsibilities for the new CXO position can put at risk the cooperation and coordination that will be needed between the new leader and others on the team in order to be effective. Other senior executives may go about doing their jobs and not realize what they need to do in order to make that role successful for the organization. The creation of a new CXO role also can breed cynicism, unproductive competition or fear that the new CXO will step on their responsibilities.

Defined deliverables and accountabilities, clear metrics and objectives that are shared across the team empower the new CXO and increase the likelihood that he or she will receive the necessary support from other executives.

One of the best practices we have seen when establishing a new CXO role is for the CEO to meet with the management team and ask every member to share their views on how the role should be defined, the responsibilities and obligations of the role, and how their own role would interact with the new CXO, including potential challenges. This exercise helps to clarify the role and to secure buy-in from management team members, who will have to support and collaborate with the new CXO. It builds consensus for the common mission and provides structure for working together toward shared objectives. As a foundation for these discussions, it can be helpful to gain outside perspective about which other organizations have the position and how they have structured it.

CONCLUSION

CEOs' teams are larger than they used to be. From the mid-1980s to the mid-2000s, the size of the CEO's executive team doubled from five to 10, with approximately three-quarters of the increase attributed to functional managers rather than general managers.¹ Yet there are limits to how many direct reports a CEO can effectively manage, mentor and develop.

New leadership roles — the chief digital officer, chief transformation officer and chief content officer are some recent examples — will continue to emerge as businesses face new challenges or opportunities. These roles can serve as a catalyst for change or may reflect the increased strategic importance of a specific business or functional area. Establishing a new CXO role represents just one approach to achieving these goals; many CEOs prefer to place responsibil-

ity for key functions and high-profile initiatives with every member of the senior management team. The size and structure of the business; the strengths and weaknesses of the CEO and his or her team; the specific industry context, business cycle or company life cycle; and, of course, the preferences of the CEO all influence decisions about the size and composition of the management team.

Understanding the potential tradeoffs when adding, consolidating or eliminating management team roles and clearly defining the responsibilities and accountabilities of all the members of the team are critical conditions for making these moves work.

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