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Four Focus Areas to Enable New CEO Success

By Glenn Gow

According to the Corporate Executive Board, 50 percent to 70 percent of executives fail within 18 months of entering a new role. While CEO succession is arguably one of the most critical aspects of the board's job, hiring the right CEO is only part of the process. To truly ensure the company's short- and long-term advancement, board members must pay equal attention to helping the new CEO succeed.

There are four key focus areas for the board to optimize CEO success. In all cases, it is the board's responsibility to engage the new CEO in doing the following.

CREATE OPEN COMMUNICATION

As part of the onboarding process, it is essential to dive deeper into mission-critical and reputation issues to help the new CEO understand the details of the company's landscape.

One of my client CEOs discovered three potentially serious lawsuits facing the company shortly after taking on the role. Any one of these lawsuits could have affected the CEO's ability to succeed in the first year. Another client discovered product issues that the board was unaware of—problems that could cause a product recall. A good board will not only alert the new CEO to issues facing the company, but help guide them through such challenging situations. In instances where the board is unaware of issues before a new CEO is onboarded, establishing open, two-way communication can enable the CEO to immediately bring problems to the board's attention.

Meanwhile, not all board members love everything about the CEO they have chosen. During the interview process, it becomes clear that a candidate has specific strengths and weaknesses. If there is consensus among the board on these points, the chair or lead director should share these perceptions with the new CEO. Whether or not the CEO agrees with these perceptions, the objective is to ensure that the CEO understands the importance of hiring the talent needed to shore up these perceived weaknesses.

Does the board have the skills and experience to help guide the CEO, or is it stuck in the old way of doing things? The board may discover weaknesses within its own ranks. For example, the new CEO may create a strategy that is highly dependent on acquisitions for growth. If the board doesn't have anyone with mergers and acquisitions (M&A) expertise, the chair should propose a change in board composition to support the strategy. Open and transparent communication among the CEO, the chair, and the rest of the board will ensure any necessary changes are handled quickly and professionally.

ESTABLISH REALISTIC EXPECTATIONS

The CEO will see everything from a fresh perspective, formulating new ideas and seeing opportunities and challenges differently. Some new strategies will find support from the management team and the board. Others may be excellent ideas but will be much harder to sell internally among the board, workforce, or other stakeholders.

The company has an existing vision, mission, values, goals, and plan. The new CEO will change these to some degree or another. The board's role is to guide the CEO closely in making these changes.

Before shaking things up, the CEO must understand the company's culture and internal political environment. Each member of the board can help the CEO navigate these sometimes treacherous waters by providing insights to help the CEO understand the cultural nuances and even political players that are likely to hinder the rapid adoption of changes. The board should offer to meet with the CEO often during the early months to enable better dialogue.

To paraphrase Sir Isaac Newton's first law of motion, objects keep doing what they have been doing. The board can support the CEO in overcoming this by helping them understand the key levers to creating change at the needed pace.

DEFINE RESPONSIBILITIES

Every board is managed differently, and the new CEO needs clarity on what defines a board-level issue. For example, does every M&A consideration require board approval, or is there a particular monetary or strategic threshold that needs to be met before the CEO should bring a potential transaction to the board? What level of cyber breach requires immediate board notification?

The chair becomes critical during this time and should clarify what the board is looking for. One chair I worked with provided the new CEO three simple rules to get the most out of board meetings:

- **Dialogue, not monologue.** Meetings should consist of thoughtful questions and debates about the most important issues.
- **Look forward, not back.** Twenty percent of board meeting time should be spent reviewing what has just happened. The other 80 percent should be invested in what the company is doing next quarter and next year.
- **Ensure input from all who may have valuable information.** The chair and other board members should be familiar with the areas of expertise of others and encourage them to participate when their input is most desired.

Furthermore, it is the chair's responsibility to ensure that each board member provides value during the CEO's onboarding, beyond the value they would typically offer if things were status quo.

BUILD RELATIONSHIPS

To perform at the highest level, the CEO needs strong relationships with the chair, committee chairs, and domain experts. The chair should play the most prominent role in building trust and opening the lines of communication, and committee chairs and other domain experts should offer to assist.

The best relationships are based on transparency and candor. Board members will want to unearth the concerns of the CEO and ask how they can be most helpful. Initially, the chair should be in regular contact with the CEO several times per month, tapering off after the first six months. Without this extensive level of communication, the CEO may be surprised to learn things later.

> IT IS ESSENTIAL TO DIVE DEEPER INTO MISSION-CRITICAL AND REPUTATION ISSUES TO HELP THE NEW CEO UNDERSTAND THE COMPANY'S LANDSCAPE.

For example, one CEO I worked with waited several months to communicate the new strategy to the board. The CEO, who wanted to push an aggressive growth agenda that could suppress earnings and require additional capital, was surprised to receive negative feedback about those ideas. The board felt that the markets wouldn't respond favorably to this strategy and would punish the stock, and thus pushed back.

If the chair and board members had leaned in to build a closer relationship with the new CEO, the CEO would have gotten early feedback and would have presented a strategy that had a much higher chance of approval and success.

OTHER KEY CONSIDERATIONS

While undoubtedly aware of broad issues affecting business and society, the new CEO will not instantly grasp the full spectrum of implications on the specific company they joined. The board should help set the business context and share corporate history.

I worked with one manufacturing company that had suffered greater than average turnover in middle management. This turnover had created a skittishness among leadership team members at a time when the company needed more stability. Some on the leadership team were concerned that their management style (driven by the prior CEO) was causing people to leave. The board had insight into the cause of these turnover issues and shared this with the new CEO.

In another example, a financial services company had made progress on environmental, social, and governance and diversity, equity, and inclusion initiatives, but not enough progress in the eyes of the employees. This issue only became apparent near the very end of the prior CEO's tenure. Only one board member noticed the brewing dissatisfaction, but that board member made sure the new CEO was aware of it.

Finally, a consumer services company was watching new entrants flood the market. Despite these entrants leveraging new technologies and business models, the product team at the original company was slow to innovate, as it had seen failed experiments punished by leadership in the past. In conversation with the CEO, the board highlighted these potential competitive threats and the pitfalls of taking the lowest-risk approach.

As board members, we want our new CEOs to succeed, but new CEOs may not know how to build great relationships with the board. If they don't, it's our responsibility to lean in.