

EXECUTIVE INSIGHT

Grooming a World-Class Chief Executive: Part 2

Developing World-Class Performance

WHAT WE THINK

In our last issue of Executive Insight, we outlined five core dimensions of the CEO role. Regardless of the industry or sector, these are the things the best CEOs do well in leading their companies to distinguished performance year after year.

But how do great CEOs acquire these capabilities, and what can be done to develop them in succession candidates?

Most executive development professionals agree that extraordinary chief executives are made, not born. From the writings of ancient Greeks to modern day analyses, experts devoted to the study of leadership point to character and competence cultivated over decades as precursors to success. After 70+ years of working with CEOs, RHR International believes it is possible to accelerate this cultivation timeline as well as the development results. We believe that great leaders result from a great process that thoughtfully does the following:

1. Defines the industry and business context in detail
2. Specifies the CEO leadership role requirements that the context and company strategy will demand
3. Produces a thorough assessment of the strengths and gaps against the requirements for each executive being groomed
4. Executes carefully selected experiences to leverage strengths and address gaps

5. Systematically engages key stakeholders with a vested interest in the intended development outcomes

A successful program depends upon both the quality of design and the diligence of execution. Following are some practical suggestions for achieving excellence in the core dimensions outlined in Part I (“Defining World-Class Performance Dimensions”). While these recommendations are specifically targeted to the CEO role, which has many unique requirements, most of the ideas are also applicable to other leadership positions.

Study Strategy

Ensuring the right strategy and direction is perhaps the most important contribution a CEO can make to an organization. To build an impressive command of strategy, it is important to begin with the basics. We believe a good first step is completing a course through an accredited business school or executive education program. For the best in modern thinking, we recommend a reading list that includes

Michael E. Porter, C. K. Prahalad, and Gary Hamel. You’ll find excellent articles in *The Harvard Business Review*. Case studies of companies that have succeeded or failed due to strategy decisions are also an excellent way to discover what works (and what doesn’t). Other books to consider are Lou Gertsner’s *Who Says Elephants Can’t Dance* and Jim Collins’ *Good to Great* and *How the Mighty Fall*. We also recommend that you become knowledgeable about your own organization’s strategy history and compare it to these findings. Apply what you have learned by participating in the company’s strategic planning process. Finally, never stop reading. Stay current about technological, economic, and political trends that will inform the need for future innovation.

Master the Money Stream

Great CEOs need a comprehensive appreciation of the company’s P&L and what really drives revenue. Succession candidates with a CFO background have a leg up in this area; others will need to catch up. How do they do this? One sure way to get

hands-on experience is by taking P&L responsibility for a key business unit. For a look at the big picture, participate in the preparation and execution of earnings calls, board meetings, and investor relations events. The CEO, CFO, and members of the board audit committee can also be invaluable sources of information. Pick their brains and seek out a mentor from this group if you can. Small changes in Department of the Treasury, SEC, and financial regulatory policy can have major effects on your revenue stream. Be sure to keep abreast of all recent developments.

Champion Talent

World-class chief executives attract and retain the best talent available. They do this by demonstrating an understanding of, and commitment to, the things that develop both individuals and a winning culture. Start by looking in the mirror and gaining self-awareness about your impact on others around you. Cultivate a personal, hands-on knowledge about the interests, motivations, strengths, and weaknesses of all key leaders in the company. Make sure you are visible to employees across the enterprise and demonstrate appreciation for the respective roles played by each division and function. Take a personal interest in mentoring and investing in the development of talent. Skip-level

meetings (between managers and team members one or more levels below them), site visits, and special task forces will help you stay attuned to the culture of the organization.

Engage Every Stakeholder

The best CEOs are actively engaged outside their office: coordinating with the board, maintaining visibility in their markets, keeping tabs on competitors, and strengthening partnerships with allies. Make sure your succession candidates are also active in these areas. Provide opportunities for exposure to suppliers, customers, and others in the value chain so the executives understand current customer needs and how they may evolve. Speaking engagements at industry conferences help build networks and familiarity with the broader competitive market. Make a place for candidates at board meetings, but also schedule interaction in other planned and informal board events. Introduce them to key regulators, investors, analysts, and political leaders who impact the company.

Demonstrate Character and Integrity

Executives who aspire to the great responsibilities of a CEO position need to commit to a thorough examination of their character, an understanding of their tendencies under stress, and

a program to consciously manage relative weaknesses and potential derailers. A trusted advisor, mentor, and/or coach who can provide objective feedback, guidance, and support is an indispensable resource for anyone in this regard. Character and integrity can be promoted and tested in many ways. Challenging assignments such as turnarounds, downsizings, managing ethical lapses, product recalls, and leadership during times of civil or economic crisis are all rich proving grounds. How a leader steps up during these moments of truth often defines their tenure and solidifies their career reputation, for better or worse.

The Bottom Line

Boards, incumbent chief executives and HR professionals stand the best chance of cultivating superior candidates for CEO succession if they construct and faithfully execute a development process that addresses the core dimensions of leadership. To become world class, an aspiring CEO needs to:

- Become a student of strategy
- Master an understanding of the business model and P&L
- Champion talent
- Engage with key customers and stakeholders
- Cultivate a reputation for strong character and integrity

ABOUT RHR INTERNATIONAL

RHR International LLP is an independent global leadership consulting firm whose mission is to unlock potential in leaders. Through its behavioral lens, RHR has worked side by side with CEOs, board directors, and senior executives for more than 70 years, helping them acquire the knowledge, wisdom, and skills necessary to achieve business results.

RHR's practical solutions, guided by in-depth analytics, lead to business outcomes that further clients' success. RHR offers Executive Bench®: Talent Pipeline suite of services, Board & CEO Services, Senior Team Effectiveness, Leading Transformational Change, Executive Development, and Executive Assessment across industry sectors. For more information, visit rhrinternational.com.