



Alexander



A view from the boardroom

– Top leaders talk about
what it takes to succeed (or fail)
as a modern-day CEO.

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Thanks to...

- those interviewed

Introduction

No one ever said the CEO's role is for the faint hearted.

If anyone questioned the rigours and challenges of being the CEO for any size of organisation, the chaos and uncertainty unleashed by the COVID-19 pandemic would probably have dispelled those doubts. It has never been a job for the faint hearted.

But how has the role changed in recent years? What challenges are the CEOs of today and tomorrow going to face? What skills will they need to equip themselves with to meet those challenges? How should they treat their relationship with the chair of their organisation? How long should they expect to last in their roles?

These were some of the questions The Alexander Partnership set out to answer in this whitepaper through a series of in-depth interviews with nearly 40 high profile business leaders – all of whom were current or former chairs and CEOs.

A pedlar of hope

We heard that the most important role of the person at the top of any organisation is to *"consistently share a vision of the way forward with bounded optimism"*.

One summarised the CEO role as being a *"pedlar of hope"* or *"knowing what to do when you don't know what to do"*.

No change there you may say but the uncertainty currently experienced around the world has exposed how important this aspect of leadership has been. We have all seen different levels of success by leaders in achieving that in the past year.

Another chair summed up the CEO as someone who needs *"a decent brain and super large ears"*. High EQ, resilient, a skilled communicator, team player, authentic and exceptional listening skills. Many of these attributes have always been required of the CEO but these were some of the criteria highlighted as being particularly important now.

We would like to thank each of the chairs, CEOs and senior leaders (listed at the back of this report, plus those who chose not to be named) who took part in the research, providing ample food for thought both for existing CEOs and for those with ambitions to take on the role in their future career.

"Knowing what to do when you don't know what to do."



The big CEO challenges

What are the big challenges facing CEOs in the 2020s?

Is the business model fit for the future?

The importance of getting the business strategy right has always been vital, as many of our respondents pointed out. Is the business *"fishing in the right pools"* and are resources being allocated most effectively across customer segments and geographies? Being able to change the strategy to fit the fast-moving times was seen as critical and not taking your strategy for granted, as it might need to change mid track.

"Do we have the right strategy to compete in the future – business models are changing, consumers are changing, millennials want different things."

Knowing your customer was mentioned regularly, particularly as society begins to address issues beyond straightforward consumerism.

"Customers are finding more links between their heart and their brains."

Cultural shift

Getting the culture right is critical but it's a huge challenge for CEOs to address.

Many chairs talked about the importance of being clear about the purpose of the business and how this ties in to defining what the company is there for beyond growth and profit. Culture and purpose need to be closely linked. It was recognised that cultural change is difficult and has to be led by the CEO...

"Organisations are the sum of its people. People behave in a way in which they've become accustomed to behaving. To unlearn that needs a huge cultural shift."

... particularly as the diversity agenda continues to develop.

"I think millennials are rightly challenging the workplace to be much more diverse."

A champion of change

The ability to drive and manage change over a shorter cycle has become a greater focus. The rapid advancements in technology and shifts in market environments have meant the CEO's role today needs to be far more proactive.

"Technology combined with consumer expectations is driving the pace of change even more than five years ago."

There are fewer steady state CEO roles anymore. The modern-day CEO can't be left behind by the speed of change and innovation necessary for every business to maintain a competitive edge. There are new demands on the CEO to know and understand emerging technology.

"It's not about managing assets and optimising a steady-state business anymore. It's about evolving that business to compete in the future and to win in the future... it's about change management."

CEOs need to be constantly scanning the horizon to understand whether the company is doing the right thing for customers and understanding the new entrants into the marketplace and their capacity for disrupting the business.

"Most companies need to accept that they must be a disruptor of their market, or someone else will disrupt them."

It's all about reputation

Protection of an organisation's reputation was consistently mentioned as a factor that keeps both chairs and CEOs awake at night.

"What might happen to destroy our brand?"

The use of social media whether in the hands of consumers, shareholders or activists can help a negative campaign go viral very quickly. Cybercrime, health and safety issues, bribery and corruption, political risk and regulatory issues, sometimes outside the immediate control of an organisation, all add to the sense of vulnerability.

"Social media has unlocked a level of opinionated thinking and has made people more accessible – you now have to respond to a very diverse pool of stakeholders."

Respecting the environment

"Climate change is going to produce loads of challenges for companies," said one respondent, *"but it's also going to produce extraordinary opportunities for those who are smart enough to work out what these are and to get there first."* It's clear that investors will be driving changed attitudes even if CEOs resist.

One chair said they were told by a key investor:

"If you do not explicitly state in your investment case how you will improve the ESG footprint of any portfolio company, we cannot invest."

Crisis management

There is nothing new about managing a crisis for a CEO, but the COVID-19 pandemic has – for many businesses – been the biggest crisis that most CEOs and boards have ever faced. Some have managed it well, and some less so.

"The CEOs that are doing well are the ones that grasped very quickly that this was going to be a real issue, took very decisive action, really focused on cash preservation, got the balance sheet in as good shape as possible and made sure their people were looked after as much as humanly possible."

The legacy for CEOs will, to a certain extent, be judged on how they performed and behaved during this crisis.

"The one thing that we all know is that what people will remember at the end of this crisis is how the company behaved and how they treated people."

Post pandemic, said one respondent, the lessons around issues like just-in-time supply chains and how they distribute their products and services will need to be learned and incorporated into the future business model.

"I think it will lead CEOs to question supply chains. The way their goods are manufactured. The way they interact with their customers."

The prize for those who get it right should be increased customer loyalty.

"I think consumers were already valuing companies and their products more if they thought those companies were behaving in the right way. And I think that will matter more in the future."

The changing demands on the CEO

How has the role of the CEO changed in recent years?

A tougher job

While some respondents to our interviews thought the job was still the same in many aspects, the majority agreed that the challenges and complexity of the role have increased significantly.

"It's definitely got tougher than it was ten years ago."

One reason often cited was the rise in external scrutiny. Trust has a role to play here and it's become evident that there is less trust between business and stakeholders than there has been historically; ramping up the pressure on the CEO to be more transparent about their strategies and their motives.

"The need to be visible, communicative and, in particular, authentic is much more than five years ago."

In the public eye

Greater shareholder activism also means it is impossible for the CEO to disregard or play down the influence and views of shareholders in a way they might have done in the past. Public accountability has grown, as has interaction – fuelled by the use of social media and shareholder activism – between different sets of stakeholders, the board and the CEO.

"CEOs really do have to take note of what the public say, whereas 10 or 15 years ago...as long as you produced the results..."

"It used to be all about shareholder value. Cutting costs, downsizing, acquisitions, etc. The CEO's job was to improve the share price. You cannot lose sight of that but there are so many other constituencies now."

A wider, more complex role

The broader and wider stakeholder environment was regularly cited as a changing factor. Companies have to pay attention to multiple stakeholders if they are going to be successful in the long term, which means CEOs have had to move beyond seeing their primary responsibility being to shareholders (and then to customers and employees). It now includes the wider society, local communities, the whole supply chain, governments and regulation.

It's a much more complex role than it was and it's no longer enough to simply focus on shareholder value as CEOs might have done in the past. Short term profit is just one measure now and society's attitude towards profit maximisation has changed.

"The role of a CEO in the current decade is going to be even more about the wider diversity of stakeholders."

Diversity and sustainability

This wider perspective is reflected in the number of respondents talking about diversity and sustainability; issues that weren't big board items in the past.

"The amount of interaction with investors now increasingly includes other stakeholder groups so that the amount of time the CEO can actually spend in running the business has diminished."

Respondents said that they'd not had to think so much about Environmental, Social, and Governance (ESG) issues and diversity ten years ago. Stakeholders are now asking more about the business's corporate responsibility programme and they are looking for more ESG related factors, but in a way that shows how they contribute to a company's performance.

"Bribery and corruption were rarely on the agenda. Diversity wasn't talked about much. We didn't worry about gender pay gaps. Sustainability wasn't much considered."

Be more visible...

The old-style 'command and control' CEO is seen as outdated with chairs indicating the need for a different approach in today's environment; no longer a person with a big ego in a hierarchical structure but someone who is more of a team builder.

"There is a trend in many companies – small and large – for CEOs to be more of a team builder, as opposed to an autocratic leader."

...be more human

People want to know their leaders. A feature of the pandemic lockdown has been the increased visibility of the CEO appearing in a less formal setting via web conference calls from home. This has helped them appear more approachable and human.

Many have needed to show empathy to those worried about the future and even show their own concerns, admit to uncertainties and not knowing all the answers. In the past this may have been seen as a weakness, but this realism and authenticity is now seen as a strength, enabling leaders to share their vision and purpose for their organisation more effectively.

This visibility has come at a cost both in terms of mental health and personal energy. Some chairs were concerned that CEOs have had little time to take out of the business to re-energise themselves. It's become a more intense role with concerns raised around a CEO's ability to take themselves away from the detail and apply themselves to see the emerging future for their business.

Skilling up – the new skills needed by the CEO

What skills – new and enhanced – will the CEO need to meet these challenges?

Managing complexity

Many of the respondents talked about the need for CEOs to have the intellectual bandwidth to cope with complexity. You cannot be a master of all the functions but, as one respondent said *“you need to know enough about every area so that no functional head thinks they can bluff their way through you.”*

It's not enough anymore to be an expert in one area and to leave the rest to others. The CEO has to be a much broader type of manager.

“I've always looked at people's smarts when I'm hiring for a CEO because they are the one job that's got to knit everything together.”

High EQ

Emotional intelligence has become far more important as a leadership skill according to many respondents. Simply telling people what to do will no longer wash as the basis for leadership. Understanding how you come across as a leader, checking in on that and being prepared to say you are far from perfect and sometimes don't know the answers are all important for CEOs, as is intellectual curiosity.

“What really makes a world class chief executive over the long haul is somebody who's got sufficient intellectual capacity, a high level of curiosity...married with strong EQ capacity.”

A world class communicator

Communication and the ability to relate and empathise came up frequently, with a need to work with every communications channel available to get messages across to the broad range of audiences.

CEOs must be good communicators. The ability to speak in short sentences and with confidence. Or, as one respondent put it, the ability to tell a story and paint a picture.

“It's the Question Time test. Can you sit in front of a panel of audience members and genuinely talk the talk? Writing something on the front page of an annual report doesn't do it anymore.”

As expected, given the wider stakeholder environment, stakeholder management has become more important as a skill.

“The role of a CEO in the current decade is going to be all about the wider diversity of stakeholders.”

Withstanding the slings and arrows

Resilience and a high degree of stamina are needed in order to keep up with the changing demands of the role. That resilience can be learnt, said one respondent, when going through a tough situation and learning the lessons for the next time.

"Resilience plays an even bigger part with all the change and complexity. It's not for the faint hearted."

And neither can a CEO expect to always come out on top, which makes resilience even more important.

"The problems that hit the CEO's desk are the hardest in the business to solve. And many of them are unsolvable... you just have to grapple mindfully with them and often you never quite wrestle them to the floor."

One chair said that they wouldn't appoint a CEO who hadn't experienced a really tough time at least once in their career and/or personal life. Knowing you can pull yourself (and others) back from failures is seen as a critical criteria for success.

Delegation and making full use of the team is also becoming an increasingly critical skill as the workload increases.

"These aren't necessarily new skills – collaboration, prioritisation, forging great relationships – but they are even more critical now."

The CEO as soothsayer

Given a CEO's responsibility to move the business with the changes in the marketplace, the skill of looking ahead, visioning and adapting is considered to be a prized asset.

"I think being able to look at the horizon in 10 years' time to see how your industry is going to shape up and what are the moves that you need to make to be a part of that shaping rather than be the victim of it. I do believe that's a skill set that a lot of CEOs will need."

"I've always looked at people's smarts when I'm hiring for a CEO because they are the one job that's got to knit everything together."



The CEO and the chair: friends or enemies?

The relationship between the CEO and the chair can be subtle and complicated.

The relationship between the CEO and the chair can be subtle and complicated according to the survey respondents, but all agreed that the success of the company depended on the two working well together.

"The CEO is there to lead and run the business. The chair is there to help them succeed."

A blurring of roles

The chair runs the board while the CEO runs the company. But how do the two interact? This is where the defined roles of the past have become less clear.

Historically, the chair may have handled many of the stakeholder relationships but, as the demands increase on the CEO to work with a wider range of these stakeholders, the delineation has become blurred.

There was some concern from some that they had seen the chair get too involved in executive decisions.

"I think the chair has to be very careful that they do not interfere with the running of the business."

Strategic responsibility

When it comes to setting strategy for the organisation, some variances in viewpoints were expressed but the majority agreed with the essence of this quote:

"The right combination is that the CEO proposes and the board challenges and agrees the strategy. I think good CEOs will say if I've got a really strong board then they'll add to the strategic discussion in a way that is good for the company all round."

Trust or distrust

There must be trust between the two and one respondent said they, as a chair, invest a lot of time in building trust with a new CEO. When trust starts to break down in this key relationship it usually spells the beginning of the end of a CEO's tenure.

"Trust and respect are the most important factors I look for in a CEO if I take on a new chairman position."

Friends? Not always.

"You don't have to particularly like the CEO. In fact it can be better if you don't because they can be easier to move on that way."

Getting rid of a CEO was seen as one of the most difficult roles a chair has to perform but, if the CEO is not performing, said one respondent, or has "become a bully and started to believe their own cult of personality" said another, "there is no doubt where the responsibility lies".

The chair as a mentor

Most respondents emphasised the importance of effective teamwork between the two roles with the ability to bounce ideas around.

"To work successfully, I think both sides have to respect their contributions and come together as a team."

Mentorship between the two was highlighted as a key role, particularly if a CEO has not had a lot of previous CEO experience.

"One accountability of the chair is to mentor the CEO and you need them to have an appropriate relationship which is helpful and supportive."

Such a relationship can help a CEO lean on a chair for support and think more about extraneous threats such as the regulators or the economy. The modern chair, however, is prepared to dig deeper into the activities of the CEOs than they may have done in previous years, meeting more regularly, for example, without the CEO present.

"Now it is common for there to be a session at the end of each board meeting without the CEO in attendance. We always do that now. Ten years ago, that was unusual."

"I think the chair has to be very careful that they do not interfere with the running of the business."



Tenure: how long can a CEO expect to last in the job?

Today's CEOs probably won't serve for as long as they once did.

CEO life gets shorter

The perception from many of the respondents was that the average tenure of a CEO had shortened, as the idea of a CEO being *"superhuman"* who could do it all for more than a decade had begun to fade.

"No CEO wants to hold back a business and it might be that a CEO who turned a business around might not be the best person to take the business forward on the next stage of the journey".

"CEOs are nowadays perceived, and maybe perceive themselves, as rather less long-term and rather more short or medium term than they once did. And I think that leads to a whole bunch of different behaviours."

Often, according to one respondent, knowing when to leave comes down to a joint conversation between a CEO and the board; a conversation that can happen over time rather than as an instant decision.

"I think most really good people know when they're coming to the end of the period where they're adding value."

Six to seven years

Many respondents saw a period of between six to seven years as a typical tenure, with less than three years not seen as ideal as it can lead to short-termism.

"A CEO who knows they only have a few years is more likely to be driven to making decisions which will enable them to do as well as they can financially and reputationally in that time", thought one respondent. And *"a CEO in position for three years or less is unlikely to have been a success".*

"I think the CEO should see through at least one cycle of three years and more likely two cycles but rarely more than that. That enables them to see the strategy through."

Overstaying their welcome

But there are plenty of examples of CEOs who stayed on too long and have made mistakes as a result, leading to respondents believing that there should be an absolute upper limit of nine years, otherwise there is a danger that a CEO starts to *"believe their own rhetoric"*.

"I get very nervous if they oversee more than two cycles because then they usually get ossified."

And there is always the possibility that the CEO is no longer a fit regardless of their length of tenure.

"I think you have to recognise that there may be circumstances, either poor performance or the environment has changed so much that the skillset they have is no longer the right skillset for the business. And then the board has to deal with it."

"I think the CEO should see through at least one cycle of three years and more likely two cycles but rarely more than that. It enables them to see the strategy through."



Twenty leadership tips for the 2020s

What key lessons can the chairs and CEOs who were interviewed for this whitepaper pass on to a new CEO

1. You are in a goldfish bowl and permanently on display and people will take note of how you do things and copy you – get used to that level of scrutiny.

"Inspiring, motivating and leading your workforce has got to be of a different order to what it might have been in your previous job."

Establish what you stand for. Whatever cultural statements are written on the walls; your colleagues will take their lead from the way they see you behave.
2. Spend time understanding the expectations of your different stakeholders. Plan time with key customers, suppliers, shareholders, external advisors and media. Agree with your team who are the priorities for you to see and who are not.
3. Set and manage expectations early and deliver on them.

"You've got a twelve-month window to really make change. After that, the problems become yours."
4. You are defined by the people you promote and hire – appoint people based on their competency and cultural values and don't hold off on making difficult people decisions.

"Every time I have compromised in this area, I have regretted it."

Surround yourself with energy givers and remove the energy sappers.
5. Take an active part in any technology change. Understand it and embrace it. Use all available technology for your communication.
6. The ability to articulate vision and clear strategies is fundamental. Drop down into the organisation regularly and check who understands it and who doesn't, then recommunicate.
7. Celebrate the short-term milestones and wins. But remember, it's a marathon not a sprint.
8. Build a network of peers. Make sure you have enough time to think about the outside world. It will give perspective and ensure you don't miss the obvious things that other people are doing.

"You need to have a strong network. Building one-to-one relationships with other CEOs. It's one of the loneliest jobs and a network will give you new ideas and stop you becoming stale."
9. Make a real priority of building a close relationship with the chair. They need to be your ally. Create an environment where the board is a useful asset for you to use rather than a hurdle to overcome.
10. Be prepared to say **"I don't know"**. You don't have to know everything. Employ people who are good at the things you are not good at. Trust your instincts. You cannot always work out the answer on a spreadsheet.
11. Be candid about the future and be realistically positive. If you don't believe in your strategy, or the one you inherit, change it.
12. Embrace diversity, including in your top team. Don't fall into the trap of filling all the Exco slots with people who think like you do and make you feel comfortable. You will need to encourage and support challenge to avoid group think.

13. In many organisations everything is about 1%. If you set a culture of making daily incremental improvements it will spread throughout the company.
14. Value your mistakes and allow others to make them too. They are the best learning opportunities.
15. Establish a means of getting objective feedback rather than people telling you what they think you want to hear. Employ a top coach. Use them as a sounding board and someone who will hold you to account on your commitments and who will observe what you may be missing that other top leaders are doing.
16. Imposter syndrome is a strength not a weakness. Seek regular feedback from your team on how you are being experienced. Have regular 360s.
17. Only the paranoid survive.
18. Manage your time ruthlessly. Everyone will want a piece of you and there aren't enough hours in the day to satisfy them all. Prioritise those things and relationships which will have the biggest impact. Leave space for reflection and for crises. Do not allow your diary to be so crowded that you cancel meetings. This will set a really bad example and make those you have cancelled feel devalued.
19. Do not compromise on your direct support team. Ensure they are a reflection of you. They should take as much burden off your shoulders as possible and understand what can be redirected to your team.
20. Develop good habits to ensure your longevity. To be on top of your game you will need both physical and mental fitness. That will need time away from the office during the working week as well as holidays. Take time to switch off and regain perspective.

"You can't afford to be complacent, go and listen on the front line, make sure you understand why the numbers are coming in the way they are month after month."

"You need to have a strong network. Building one-to-one relationships with other CEOs. It's one of the loneliest jobs and a network will give you new ideas and stop you becoming stale."



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Notes

For 35 years The Alexander Partnership has been helping leaders, their teams and their organisations, to grow, change and renew themselves in order to fully realise their potential within a rapidly changing world.

To find out more go to thealexanderpartnership.com



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