


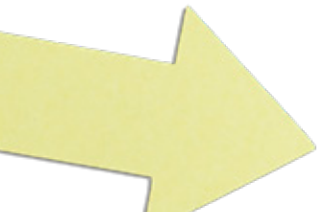


The Three Leadership Tensions Every CEO Must Manage to Thrive in a Complex World

The complexity and uncertainty CEOs face daily has significantly increased in the past two years amid the COVID pandemic, the war in Ukraine and, more recently, rising inflation, wild fluctuations in the stock market and the threat of an economic slowdown. Longer-term developments — including the changing expectations of stakeholders about the role of business in society and demographic trends and their impact on talent — also are at play.

These specific challenges will eventually subside, and new and more difficult ones are no doubt on the horizon. As complexity continues to grow, CEOs must become even more nimble in managing three key leadership tensions — optimism versus realism, push versus pull, and fast versus slow — to fully leverage and engage their team, board, employees and important external stakeholders and deliver on mission-critical initiatives.

Most CEOs are subconsciously balancing these tensions every day, instinctively considering, for example, which moments and audiences require greater optimism or realism. But keeping pace with rapid change and growing uncertainty demand that CEOs become more intentional about balancing these tensions to optimize their leadership and the company's success. We've identified questions for each tension to help CEOs to monitor and maintain the energy of the top team and the engagement of the organization by balancing these tensions effectively.



Tension #1: Optimism and realism

CEOs must provide a sense of hope and optimism to the workforce to create focus, clarity and excitement towards a desired future. However, given all the headwinds and uncertainty, they must also prepare the organization for significant challenges and the possibility that achieving the desired future might not be possible. Effectively balancing this tension is even more difficult in times of disruption and rapid change, requiring that CEOs continually receive accurate and real-time information about the state of the business. Therefore, they must create an environment that encourages transparency and candor. CEOs do this by establishing the expectation that they want unfiltered information and closely monitoring their response to negative news to avoid inadvertently shutting down future communications or inhibiting productive dialogue and problem solving. Once confident they have received accurate information and have designed a new path forward, they must communicate these changes throughout the organization to refocus the organization's resources.

Key Questions for CEOs

1. Have you created an environment where your team and employees are readily giving you feedback and sharing news that you may not want to hear?
2. Are you thinking beyond the near term and preparing the organization for potential difficulties without creating fear and panic?
3. How effectively are you using your internal and external sounding boards (including your fiduciary or advisory boards) to pressure test your insights and the actions you plan on taking?
4. If a slowdown does happen, do you have the talent (breadth and depth), strategies, etc., in place to minimize exposure or even to expand your reach and create new market opportunities?

Tension #2: Push and Pull

A key element of the CEO's role is to push the team and organization to accomplish goals they never imagined possible. In these situations, the CEO drives and sets an ambition that feels and, in some cases, is unrealistic. When done right, this leads to breakthrough product innovation, groundbreaking strategies, new partnerships, industry transformation and differentiated operating models that deliver significant cost savings, etc. Sometimes, CEOs rely on such "push" strategies when executive leadership is not equally strong across the organization, requiring the CEO to personally lead and drive critical strategic initiatives. But this is not sustainable and inhibits rapid growth, especially when conditions are less predictable.

There are also situations when the CEO must use "pull" strategies and engage a broader group of stakeholders who will be responsible for owning and driving an initiative across the organization. This approach builds widespread commitment and momentum, which leads to more consistent execution. By leveraging the diversity of experience and thinking of other leaders, it also can uncover deep insights about the business and lead to the development of novel and innovative solutions. Both push (directive and declarative) and pull strategies (collaborative and inquisitive) are required to consistently drive transformation and deliver high levels of performance.

Key Questions for CEOs

1. What specific initiatives or strategies require you to personally and consistently drive? Are you sure?
2. If you are using a lot of "push" strategies, do you have a plan to build and strengthen your team to scale your impact?
3. Do you have the senior leadership talent across the organization needed to consistently execute key strategic initiatives?
4. Where do you need to transfer ownership and accountability to others? What actions can you take right now?
5. How are you using your external advisers as a sounding board to pressure test your approach?
6. Are you sharing these initiatives with your board to seek input, or only when plans are "figured out"? Is that the best approach?
7. Can you leverage your corporate ecosystem (i.e., team, board, advisers, mentors) to more effectively reach the end-state?

Tension #3: Fast and slow

In every organization there are areas where leaders need to move quickly to take advantage of emerging trends or keep pace with competitors and consumer expectations. At the same time, other areas of the business require careful thought and deliberation. There is no hard and fast rule for when a company must operate with pace and speed and when it must be measured. As a result, most CEOs do not make this distinction and instead continually recite a mantra of “speed and innovation,” without realizing this inadvertently creates confusion for those areas of the company where precision and thoughtful analysis is required. CEOs should be deliberate in aligning with their team about where speed is necessary and when a more thoughtful, deliberate approach is required. With respect to operating at speed, CEOs must keep in mind the organizational factors that impact an individual’s risk tolerance and decisiveness, including culture — What stories do employees share when someone “fails”? — and HR systems — How does the compensation system/leadership attributes, etc., encourage or discourage new approaches?

Key Questions for CEOs

1. Where can you accelerate decision making and put tension on the business to drive performance?
2. Is the organization designed in a way that you can move quickly to take advantage of emerging opportunities and place one or two “big bets”? Is the top team ready to evaluate, execute and scale your big bets?
3. What areas of the business must you be thoughtful and deliberate about and conduct a thorough analysis before making a decision and taking action? Are you tailoring your message to those leaders?

Managing the three tensions: the CEO's support structure

CEOs continue to face new challenges that are testing their strategies, operations, talent and leadership. To successfully lead through the current environment, CEOs need self-awareness, resiliency and a strong team to stay focused on the external and internal factors that will materially drive or inhibit performance. As they think about managing these tensions, CEOs should consider the following areas that directly impact performance and where their time, energy and attention is focused.

The strength and alignment of the top team

Evaluate how well you are scaling your leadership and leveraging the capabilities of your team. Understand the contributions of everyone around the table and how each role can help address the mix of challenges the organization faces. Make sure that the team's shared agenda is clear, and use meeting time to cover the specific topics that are critical to advancing the agenda. These are expensive meetings, so it is imperative that you use the time wisely.

Personal readiness for the challenges ahead

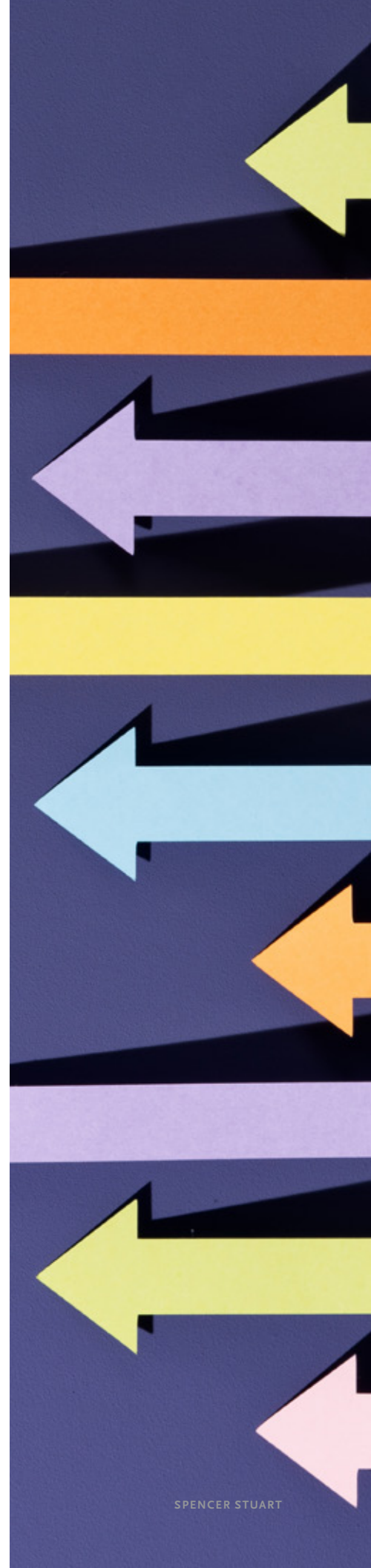
Look at your own strengths and weaknesses and whether there are areas where you need to step up. Be honest with yourself and assess your current capabilities as they relate to the challenges ahead. Identify the three to four strengths you will need to rely on and the one or two areas you must develop. Leverage internal resources (board chair, CHRO, trusted stakeholders, etc.) and external resources (advisers, mentors, friends, etc.).

The partnership with the board

Take stock of your relationship with your board and chair. Is the leadership team taking advantage of directors' insights and building support for the strategy? Is there a need to reshape or strengthen the board relationship? Consider how the leadership team can unlock greater value together.

Organizational processes and systems

Consider how the operating model, culture and talent management practices do or don't support the organization's ability to consistently take advantage of new market opportunities. Ask key functional leaders to review their critical priorities to ensure they are supporting and driving the company strategy, challenging them to look at additional levers (i.e., operating model, talent management practices, industry trends and competitive intelligence) to jump start and accelerate growth.



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