



## Boards ignore leadership at their peril

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If an organisation has the wrong CEO, at best it is going to be overtaken, at worst it will fail spectacularly. All too often boards deal with their CEO's in one of two ways, they sack them too quickly or they leave them in place too long.

Sacking them too quickly provides a scapegoat but does not necessarily address the issues that have caused the problems. Unless these issues are identified and addressed the new CEO is likely to face the same battles as their predecessor. They are likely to end up in the same place albeit with a more impoverished organisation.

Leaving the CEO in place puts off a hard decision and ensures the board do not have to deal with the negative publicity of them sacking their CEO (as Yahoo have experienced in the last year). However, again it can mean issues are not identified and addressed. This can lead to organisational failure on a much larger and more public scale.

Every organisation is different. Some are on the brink of failure, others are start-ups, some have positive cultures and others are geographically diverse. The differences are limitless. Therefore the leadership ability an organisation and its board require of their CEO is unique. Understanding this leadership requirement is the starting point to ensuring the CEO and their board are set up for mutual success. The other side of the equation is to understand the leadership abilities of the current or prospective CEO. How do they match the leadership requirements, what is the gap? Can the gap be closed?

There are four key elements to understanding both the leadership ability required and that provided by the senior leadership. *Strategic ability* – can they join the myriad of dots to make sense of the situation, can they be driven by macro rather than micro issues? *Collaborative ability* – can they work with, understand and leverage the ability and knowledge of others? *Inspirational ability* – can they motivate, create confidence and influence internal and external stakeholders? *Achievement ability* – can they drive action and change through to positive outcomes? Can they create an efficient yet flexible organisation? Understanding the required leadership from these four perspectives allows the board and CEO to agree on the leadership required to achieve organisational objectives.

To ensure the CEO's leadership and development is aligned with organisational needs they need to know how they are performing from these four perspectives. Note, this does not mean they have to be strong in all four areas. For example, a CEO bringing an organisation back from the brink and driving massive change may choose to be more dictatorial than collaborative in their leadership. This is



fine provided it is a conscious decision rather than habitual trait. It is also something the board should be aware of and agree with. The best way for a CEO to understand their impact as a leader is by gaining feedback from their key stakeholders. This is best done by an external leadership consultant; they are able to be completely objective and possess the expertise to assess leadership accurately.

Once the board/equity holders understand the gap between the required and existing leadership they still only have two choices, develop or recruit. However, in making these choices they will understand the extent and specifics of the leadership gap, this clarity makes development and/or recruitment more effective to ensure they have the right leadership to take the organisation where it needs to go.

Gathering this feedback for the CEO and the board on an annual basis is not unlike having an annual health check up. The leadership ability of an organisation's CEO and their senior team is highly indicative of future performance. Therefore, undertaking this leadership assessment is likely to inform the board of potential issues and problems before they are fully realised. Some CEO's may feel it is unfair to have their leadership assessed annually. However, they are ultimately responsible for organisational performance, the buck stops with them. If they are not prepared to have their leadership effectiveness assessed and to use that information to improve their leadership, then a board must question their motivations and suitability to be CEO.

The leadership ability of a CEO and their senior team will be the greatest driver or resistor of current and future performance. Therefore, their leadership ability is not something a board can leave to chance. A board needs to understand this leadership ability and its gap with the required ability. They can then work with their CEO to develop the right attributes for the right reasons. If the gap is too great, they can then work with Executive Search firms to recruit the right leader for the right reasons. Either way, the board is ensuring they have the right leadership ability in place to meet their organisation's strategic needs and objectives. This after all is the ultimate goal of the board.

*By Simon Tedstone.*

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