

# TOP TEAMS, REIMAGINED

## CEOs FOR THE FUTURE AND THEIR ELTs

Thought Leadership



We live in an interconnected and borderless world, and last year had brought that reality into sharp focus.

Our supply chains, our economies, and our interdependence have all been challenged to the extreme, taxed as we work together to change the course of the pandemic while coping with its impact.

In many ways, 2020 has shocked us out of our siloes. We've become overwhelmed by the whole system—and afraid of the downstream effects when one of its threads unravels. But we've also been buoyed by our shared experience, recognizing that confronting a common challenge can bring a powerful sense of teamwork and community-building.

CEOs and their top teams must act in a new way, but in reality, only a few are doing that today. They need to lead the enterprise together, through a holistic lens, in order to navigate the future. This shift requires mindsets and capabilities that differ from what was required for success in the past. Historically, CEOs and their leadership teams could expect to have a healthy business if each business unit (BU) performed and met its targets. But as board expectations also change, this approach has become a relic and a luxury—even for global companies, where decision-making power sits within relatively independent BUs.

Instead, top team members are now expected to traverse a broader ecosystem that includes external entities—whether they are accountable for a single BU or share responsibility for an integrated business. Trade-off decisions are more complex. Competition is coming from all directions. The need to accelerate innovation has intensified. The reality is: any sense of control is diminished.

Regardless of operating model, the most successful organizations have top teams that view the entire organization—and the entire ecosystem in which it operates—from a collective, interconnected, and interdependent perspective. In part, because separate functions working on a siloed, linear response is too slow in the face of external threats. Leaders must look out for the success of the whole because divisions of responsibility are not *actually* divided, and control is distributed.

So, what is now critical to success for CEOs and their top teams as they navigate the new landscape? To find out, we asked 105 directors and CEOs in North America about how CEOs and their executive teams will work together differently in the future. \*

*\*Our participants were 77 men and 28 women; 94 white people and 11 people of color; all serve as directors, and 88 are currently CEO, chair, or both. The participants represented a total of 311 companies, with a median annual revenue of \$6.7 billion. The companies represented 11 different industries; 54% are public and 46% private.*

## “E” is for “ecosystem” and “enterprise.”

As outlined in Korn Ferry’s recent article, CEOs are increasingly called upon to be *ecosystem leaders*—looking out, surveying the landscape, and building partnerships. Without a healthy ecosystem of civic infrastructure (e.g., business and cultural institutions), customer prosperity (e.g., middle class consumers), talent (e.g., a supply of ready-now workers), and innovation partners, a company cannot thrive. Now, future-ready CEOs are spending more time fulfilling external roles—industry leader, policy advisor, demand planner, social media influencer, innovation cultivator, and business negotiator.

“Nobody can just stay in their swim lane and be comfortable with that. They have to **engage on some broader topics** and have opinions on those things.”

– CEO & director, communications equipment technology company

The speed of market changes and the level of ambiguity mean a reprioritization and a rebalancing—in other words, CEOs are changing where and how they focus their attention. More and more, CEOs are expected to be public faces of the brand, sources of vision and inspiration, and societal architects, all the while remaining radically human and authentic. Whether or not they live up to these expectations could mean the rise or fall of market cap, as investors seek to quantify something as intangible as leadership.

So, if CEOs need to spend more time cultivating the business ecosystem, then their leadership teams need to work together at the helm.

These top teams are commonly referred to as the executive leadership team (ELT), but in many organizations, they are taking on more of an enterprise role—a trend no doubt ramped up by the recent crises. As enterprise leaders, these ELT members transcend the boundaries and interests of their function, geography, region, or organization in order to serve the value-creating goal of the entire enterprise. And for these

companies, an enterprise mindset is a competitive advantage: their leaders focus on what benefits the whole. They steer with purpose and courage; pursue connections, leading both horizontally and vertically to amplify their impact; seek out diverse perspectives; and take a “both-and” approach to issues. This shared sense of responsibility frees their CEO to direct attention toward influencing external factors that help the business grow.

Think of this dynamic as, one CEO puts it, “owning the pool versus staying in one lane.”

CEOs and their boards should nurture this enterprise mindset capability—one that is continuously improved upon as a strategic and competitive asset. In turn, ELT members should view their enterprise leadership team as their *number one* team: the team they are accountable *to*, rather than the team they are accountable *for*. Of course, each of them hold their responsibilities as leaders—regional, functional, or otherwise—but these roles have become an important, yet not dominant, point from which to work. Instead, their core business or function provides one of many angles from which they view the organization. With an enterprise mindset, collective success is emphasized; decision and prioritization criteria are shared, though potentially debated. Territorial, competitive spirits are directed toward external competition, not internal. The source of purpose and identity for the top team is at the organizational level.

## The CEO is the first among equals.

The changing role of the CEO also means CEOs must redesign the jobs and expectations of their enterprise team members. With stronger partners in bigger roles, CEOs are sharing aspects of their positions with greater intention. Already, we are seeing emerging trends of enterprise leaders, in addition to the CEO, building rapport with the board. And these same ELT members are increasingly relied upon to develop relationships with external stakeholders, represent the brand and company purpose, and extend the organization’s reach and impact more than the CEO could do on their own.

For CEOs, being first among equals on the ELT takes trust, confidence, and courage. It’s hard to imagine a command-and-control approach being as effective in such disruptive, transformative, and uncertain times. Future challenges require quick and nimble actions in line with distributed leadership among a collaborative and empowered set of leaders. Organizations have now started to

focus less on hierarchy and pulling rank across all levels—the best way for a company to stay agile and responsive in a complex, changing environment. The same logic applies to CEOs and their partners on the enterprise leadership team.

In fact, more than half (57%) of the leaders we interviewed felt the CEO already needs to rely more on their team, adhering to the principle that “leadership is a team sport;” this, they say, will only increase in the future. The kind of group dynamic that once defined very few outstanding CEOs and their ELTs is now a necessary foundation for success; it’s table stakes. The current and future climate demand collective leadership intelligence.

“You can’t be all things to all people... You need people that feel like **we’re all in this together**... In order to do that, we all have to be operating as a team, pulling together, going forward, and distributing responsibility.”

– CEO, business process outsourcing company

## Purpose, values, and culture take the wheel.

In order for the CEO to trust and rely on their ELT, they and their team must align on purpose, values, and culture. Think of these as the North Star for the company’s choices and actions. Sure, the context may change, prompting different strategies and goals, but a company is held steady by its purpose—an aspirational statement rooted deep in its values, affirming its intended impact on society. These serve to inspire, ground, and align a company’s leaders.

This meeting-of-minds not only empowers the ELT, but also ensures their independent decisions and actions are compatible and directionally aligned. CEOs can then focus more on the organization’s broader impact and success, rather than worrying over every detail or micromanaging every decision.

Indeed, CEOs and their top teams can act more as a cohesive unit when a company’s purpose, values, and cultural norms are clearly defined. When there’s greater alignment and partnership, leaders and their teams can better implement strategies that lead to organizational effectiveness and targeted financial outcomes, whether as a unit or individual actors.

Highly transformational companies that see pivotal growth tend to focus on what famed business advisor John Elkington coined “the triple bottom line”: people, planet, and profit. How a company balances these three factors is noticed by the public, reacted to by investors, and drives company value by the talent a company attracts.

But it is the work of CEOs and their top teams to set the organization’s purpose, values, and culture on the right course. And when a company’s purpose harnesses the power of the broader ecosystem, that’s when moonshots are possible.

“It’s about **getting the right team members in place to create the right culture** of the executive team so that [it] permeates the rest of the company.”

– Chairman & CEO, specialty home retailer company

## Bigger roles, stronger performers, bigger platforms.

Conditions are tougher. Mandates are bigger. Stakes are higher. And challenges are becoming more complex.

CEOs and their ELTs need to make sure that each person, in each role on the team, is capable of carrying more on their shoulders. This means finding the very best talent for their organization. But the search needs to go way beyond those candidates who fit the stereotypical picture of what talent looks like. It is crucial that a top team reflects the diversity of employees, customers, and investors. What’s more, allowing the make-up of expertise to evolve with business needs shows a flexibility for the emerging prominence of

certain specialties. In some cases, this may mean creating new roles—think Chief Sustainability Officer, Chief Diversity Officer, or Chief Cybersecurity Officer. Teams that are diverse in expertise, point of view, and identity are known to improve performance by minimizing group-think, maximizing collective intelligence, and ensuring aligned execution.

The increased expectations of the ELT means a higher bar for performance. CEOs need to make tough, yet swift, people calls when an executive fails to operate with an enterprise mindset or deliver value. Overseeing the relentless search for best-in-class talent, with both a proven track record and ability to continuously evolve and disrupt, is now a core responsibility for CEOs. This is, in part, because the decisions they make and expectations they enforce build a stronger progression pipeline for future CEOs. Organizations can reinforce and encourage all of these positive qualities through executive compensation programs that primarily emphasize enterprise goals.

“The quality of [the] management team is getting better. **And it needs to get better**, and it needs to be diverse and broad and contrarian and thoughtful.”

- Former CEO, specialty business process outsourcing company

## Six factors needed for high-performing teams.

One myth of leadership is the idea that seasoned executives slotted into the top of an organizational chart can easily function as a team. In reality, though, executive leadership teams face more daunting challenges. Developing a high-performing executive team requires diligent, deliberate, and masterful team leadership on the part of the CEO. A CEO can help their ELT rise to the occasion, if they’ve addressed the factors that make a top team successful.

## The six factors for high-performing ELTs checklist

**Does the team have a clear purpose?** The ELT has a crystal-clear purpose, sharply focused on key consequential value drivers and levers for impact. A shared commitment to purpose—and clarity on the work the ELT must do collectively to accomplish that purpose—is the glue that binds people together in common cause. And when the purpose of the ELT is aligned and drives organizational purpose, it creates momentum and maximizes impact.

**Does the team have the right people?** It goes without saying that effective teams have the right people with “fit-for-purpose” skills, capabilities, and expertise. This entails not just the skills, experiences, and functional expertise of top team members, but the willingness to work as a team, with a mindset of true enterprise leadership.

**Does the team foster the right culture and standards of behavior?** People have different behavioral styles. Norms and behaviors reflect a team’s culture and need to be cultivated. Team culture embodies the values, assumptions, and agreements that drive interactions and behaviors.

**Does the team know its process?** A common problem for top teams is the assumption that once put on a team, executives should be able to work everything out on their own. In fact, a high-functioning team needs processes in place that help ensure the best decisions are being made. Processes enable mutual accountability and shared decision-making power, as decision bias of individuals can hinder team decision-making.

**Does the team prioritize continuous development?** High-performance teams do not simply happen. People learn to work together. Teams take time to evolve and mature. In a highly volatile, complex business environment, team agility is particularly critical to sustainable success. Agility and adaptability necessitate ongoing learning and development.

**Does the CEO leverage their position of power for the team?** Every team needs clear leadership and direction at critical moments from their leader, as well as help removing obstacles and securing resources. A CEO may have the strongest, most capable executive leadership team, and yet there are ways in which a CEO can use their unique influence to create optimal conditions that enable and empower the top team to deliver.

## What got us here won't get us there.

As leadership demands change, so too does the CEO role. It has become all the more encompassing—larger, wider, and broader than in the past. The only way to thrive, then, is to elevate not only the role of the CEO but also of their top team.

After all, a company's future success depends on whether it can operate holistically in an increasingly interconnected, interdependent world. This is why creating outstanding top teams is now an even more crucial part of the expanded CEO role.

But a CEO must first recognize the need to change the work and accountabilities of the top team as a whole. Only then can they put in place the conditions that allow them to accelerate and sustain high performance—and do so in the face of current and future challenges.

“The CEO has to be [a] great leader and manager of people to allow [them] to spend time externally. And the key is making sure that **you have those right seats with the right skillsets** to do that.”

- Board member, Fortune 500 specialty retailer

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### **About Korn Ferry**

Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organization structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce while developing professionals as they navigate and advance their careers.