What Great CEOs Do: How to Learn from Mistakes and Move On

Real-life, one-page, CEO Challenge-Solution Case Studies

MacKay CEO Forums

MacKay CEO Forums
Accelerating CEO and Executive Performance
Through World Class Peer Groups in Canada

Introduction

This compilation of CEO case studies is based on real-life challenges faced by members of MacKay CEO Forums. The case studies were originally written for and published in *Business in Vancouver* as part of Dr. Nancy MacKay's monthly BIV column *The CEO Advantage*.

We gratefully acknowledge our members and *Business in Vancouver* for making this content available for the benefit of all CEOs and Executives.

It is our honour to work with exceptional leaders on a daily basis and to share the benefits of peer learning with our ever-growing community of CEOs. We hope you enjoy this booklet of case studies as a preview or complement to your own peer learning journey.

Nancy

About MacKay CEO Forums

MacKay CEO Forums is committed to accelerating CEO and Executive performance through world class peer groups. We provide results oriented, professionally facilitated, CEO peer learning groups for medium to large companies across Canada.

Our forums enable exceptional leaders to surround themselves with successful peers who help them to become better CEOs and accelerate their business results while saving time for greater life balance.

MacKay CEO Forums is led by co-founder and CEO Dr. Nancy MacKay. Nancy and her team of highly skilled, trusted advisors and business leaders share a passion for helping CEOs and their companies accelerate performance, and currently have hundreds of members participating in forums across Canada. MacKay CEO Forums has an alliance with and is a national sponsor of the Deloitte Canada's Best Managed Companies Program

Nancy MacKay CEO & Founder

Topic Area

Building High Performance Executive Teams

New CEOs Need to Focus on Building Trust

CEO CHALLENGE

The recently appointed CEO of a large publicly held company was enthusiastic about his new opportunity. A lack of trust and transparency, which resulted in poor relationships with the leadership team and board of directors, sunk the last leader. Could the new guy effectively repair the damage?

This CEO thought he could. His previous experience and track record spoke for themselves, and he knew the board had made bad decisions in the past, including hanging on to a leader who should have been fired long ago.

He set to work with his executive team to fix what he saw as a dysfunctional organization. He made sure everyone knew his past experience and capabilities made him more than qualified to make the necessary changes, and he acted as a buffer to the board, keeping it as uninvolved as possible while he began the process of turning the company around.

CEO MISTAKE

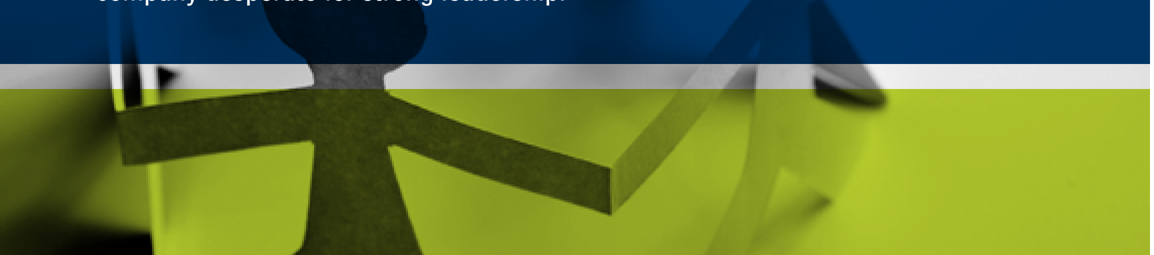
This CEO made three of the most common mistakes that new leaders make in their first 90 days.

First, he viewed the board as incompetent. He believed he had been brought in to keep the board out of his way while he and his leadership team worked to repair the damage.

Second, he didn't respect the company's past.

Third, he didn't let go of his own past. He repeatedly expressed how his experience put him in a position to save the company from previously ill-equipped leadership.

The result was not surprising. Not only was his style an insult to the board, executives and employees, his behaviour ensured there was no building of trust. By neglecting to forge relationships with his new colleagues while effectively positioning himself as the organization's saviour, he created more problems in a company desperate for strong leadership.



CEO SOLUTION

The CEO's job is to build two-way trust and respect with all stakeholders. To address his mistakes, this CEO was assigned several action items, the first of which was to recognize that he and the board had a common objective: to do what's best for the company and shareholders. It was not his role to "fix a dysfunctional board." The CEO met with the board chairman and each member individually once a quarter to establish relationships, trust and transparency and to ask for feedback. Not surprisingly, this trust-building sped up decision-making and results at board meetings.

The CEO also learned that he had to show respect 100% of the time. He learned to create trust and candour by focusing on strengths and identifying opportunities for innovation and improvement.

Lastly, he was encouraged to stop talking about his previous experience and instead listen 80% of the time.

Learning as much as possible about the company paved the way for stakeholders to become more trusting and, ultimately, beginning the desired turnaround of the organization.

Building Executive Team Effectiveness can Accelerate Better Corporate Results

CEO CHALLENGE

A CEO reviewed his last-quarter results, which were the worst in the company's history. Despite being industry leaders, the economy had hit the organization hard.

But it was more than that. The CEO reflected on his executive team members. He knew they operated in silos, but it had grown worse with the downturn and now there were frequent conflicts. Many of the key projects they had implemented of late were either not delivered on time or on budget, and some of them were not even meeting planned objectives.

CEO MISTAKE

The CEO had a unique style of leading. He travelled extensively and felt that executive team meetings were a waste of time. Instead, he preferred to hold ad hoc sessions on an as-needed basis.

He also ignored the conflicts between his team members.

"I hired good people and they are mature adults. I expect them to get along," he quipped.

Our leader didn't hold back on showing his frustration with the stalled and failed project initiatives and slow business results.

"They need to know when they aren't measuring up, and frankly, I should be upset," was his comment.

CEO SOLUTION

The only way to get great results is with a high-performing executive team. And if your results aren't coming fast enough, focusing on building that top team could be the solution.

With some candid feedback and requests from his team, he grew to recognize that his style was only adding to the problem. Instead, he courageously formed a plan for change.

First, he committed to meeting with each direct report for 30 minutes a week, either in person or by phone. His goal was to set his team up for success, one person at a time, and to remove any barriers or obstacles to goals.

Second, he began to lead one-hour weekly executive team meetings, again by phone if necessary. The meetings had several results.

The CEO needed to build trust within the team and in him. The meetings provided the opportunity to be candid and to get to know each other better by sharing key issues and challenges each week.

The meetings also helped to bust the silos and to encourage the team members to ask each other for assistance and insight.

Instead of the finger-pointing that had gone on until now, the meetings fostered healthy conflict by clarifying who the decision-makers were and allowing the group to solve key issues and challenges together as a team.

Best of all, the meetings allowed the team to celebrate success and build confidence for future challenges.

The CEO also learned to manage conflict within the team. If two team members were in conflict, he met with them both together and individually and held them accountable for resolving the issue. He also was clear in his support for their efforts to move forward.

Lastly, the group began to hold half-day meetings to review all strategic projects, and the team set a date for a one-day annual strategy development retreat to review, plan and, yes, celebrate.

Conflicts Caused by Confusion Over Who's Responsible for Making Decisions

CEO CHALLENGE

A five-year CEO thought he needed to fire one or two of his executives because of ongoing conflict between them.

"These two guys can't stand each other, and the conflict between them has been going on since I hired one of them last year."

The two were never on the same page when it came to important decisions, and it became so bad that they weren't even on speaking terms.

The CEO empathized with the executive's direct reports, who felt caught in the middle and were coming to him with complaints. Worse, the problem was getting in the way of results. Was firing the only solution?

CEO MISTAKE

This CEO made a few mistakes. Early on, he had asked each executive to commit to building a positive relationship and then hoped the conflict would go away, avoiding it for a year. He also did not encourage the direct reports to go to their bosses to share their concerns, instead choosing to commiserate with them and let them know he valued their feedback.

But by far the most serious mistake was that the CEO did not clarify: the decision-maker (the D) for each area of responsibility. In fact, he felt to do so was a waste of his time. "They are adults; they should be able to work it out," he quipped.

Without knowing who was accountable for the results associated with each decision, the executives, and others, really had no choice but to quarrel. Neglecting to clarify expectations around outcomes and decision-making leads to unhealthy conflict.

It's the CEO's role to set everyone on the executive team up for success by making sure each has clarity around authority and results.

CEO SOLUTION

It was suggested to the CEO that he take steps to set his executives up for success. First, he needed to ask each one to identify the outcomes he was accountable for and the key decisions he needed to make to achieve those objectives.

The next step was to hold a meeting with both executives to clarify who had the decision-making authority for the various areas of responsibility. If they couldn't agree on who had the D, the CEO would have to decide, based on who had the right skills, behaviours and experience to deliver on the outcomes. For the next 90 days, the CEO met with both executives together for 30 minutes a week to continue to set them up for success. He also met with them outside the office from time to time to establish a more personal relationship and rebuild trust. Furthermore, he encouraged direct reports to take their issues to their bosses instead of the CEO.

The CEO was prepared, at the end of the 90-day period, to let one or both executives go if there was still conflict. In the end, that wasn't necessary, as the executives were able to repair their relationship and support each other's decisions.

Get Buy-in Before Adding to Your Executive Team

CEO CHALLENGE

The CEO of a high-growth company had just completed a successful acquisition and wanted to ensure the new addition was well integrated into the organization. At the same time, he needed to free up his time to continue working the company's growth strategy so he decided to expand the executive team with a new COO role. Up to this point, the group had consisted of a CFO, CIO and vice-presidents of human resources as well as sales and marketing.

The CEO was introduced to a rock star candidate through an industry colleague. They met and the CEO was impressed, eventually inviting the potential executive to meet with the team to see if he would be a good fit.

Much to his surprise, when he announced the plan, he got significant resistance from each person and was told the role would interfere with the ability of the organization to move forward.

The result: a complete loss of trust in the CEO by the executive team members.

CEO MISTAKE

The CEO had made three critical mistakes. First, he did not explain at the outset why he felt a COO role was necessary to set the team up for greater success.

He also did not give the other executives the opportunity to have a say in the decision and to help with the development of the role to ensure there were clear interdependencies with other management functions.

Lastly, he did not give anyone on his team the opportunity to express his or her own interest in the new role before he began recruiting.

CEO SOLUTION

Leaders must follow the principle that strategy drives structure and role clarity. At the outset, our CEO should have explained the thinking behind the need to change the team structure and then defined the new role and its responsibilities.

In clarifying a new job, it is important to seek the input of each team member individually. Give all executives an opportunity to discuss the business outcomes of the new position and then work together as a team to finalize the role description.

In order to identify the best recruiting process for the new role, discuss the pros and cons of doing an internal search versus working with an external recruiter and demonstrate that a key position such as a COO will require the help of external experts.

And to retain top talent, give anyone on the team who wishes to apply for the new job the opportunity to do so, provided they have the required skills, behaviours and experience to deliver results.

Finally, to further minimize resistance, give everyone the chance to participate in the recruiting process, including meeting potential candidates and having input to the final selection decision.

In this case it took the CEO three months to rebuild his team and earn back his collegues' trust. By that time, the original COO candidate was long gone and the firm wisely sought external recruiting help. Four months later, a COO candidate was finally hired.

Retaining Top Talent

CEO CHALLENGE

A CEO was stunned at the sudden resignation of his CFO, a stellar performer with 10 years at the organization and a candidate for the top job. The primary reason? Boredom.

CEO MISTAKE

The jilted CEO had made a common mistake.

"I didn't spend any time with my A players because I didn't want to get in the way," he explained.

What he didn't realize is that top employees need new challenges and learning opportunities to stay motivated, otherwise they look elsewhere.

Another reason the CFO in this case had sought greener pastures was that he'd never been told he was a potential successor.

"I didn't want him to think it was guaranteed since ultimately it's a board decision," rationalized the CEO.

He didn't make that mistake again. It's critical that top talent be told they're on the succession plan and that opportunities for them have been identified by the entire executive team.

Like most organizations, this one had spent most of its development energy trying to bring myriad employees up to "average." Worse, its training budget was the first to be trimmed in a recent cost-cutting exercise.

CEOs need to stay connected and help their best people achieve their full potential. Spending too much time with lesser performers, working to improve their capabilities or even defining what needs to be done, will not deliver results. These people are not the future of the company.

CEO SOLUTION

To win the talent wars, CEOs must do something counterintuitive. They must invest in their A players who can create a standard that drives the organization forward. And handing development over to HR isn't the answer. HR's role is to provide the most effective tools to accelerate development, but it's the CEO's job to keep top talent in the game.

To make sure he didn't lose another top performer, our CEO began working with each of the top 30 leaders on the succession plan to develop a 10-year career vision that not only jazzed them up, it freaked them out. Because most people achieve less than 10% of their full potential, it can be tremendously powerful to really challenge your best talent to play a bigger game.

HR wasn't excluded. Our CEO partnered with HR to validate the career plans and to identify the most effective development approaches. Together, the skills, behaviours and experience gaps for each key player were identified and included in the career plan.

Once done, full support in terms of time and available resources was directed toward follow-through on the development plans. The excuse that someone was "too busy" to focus on the best people was an immediate red flag, and our CEO made sure he exerted the necessary pressure.

He also held the top talent accountable for following through on their career plans. The plans were a joint effort, not something merely "done to them," and high potentials were expected to live up to expectations. He provided coaching and mentoring weekly in addition to quarterly performance reviews, so that it became a normal aspect of the organization's communication and conversation.

"We've changed the focus of our development and we concentrate more on our best employees," our CEO said. "It's become a much bigger part of my role as a leader, and I can see that I'm getting even more out of people."

How to Hold People Accountable for Results

CEO CHALLENGE

What is a CEO to do with a high-performing direct report who just won't get with the program?

In this case, a CEO was struggling to rein in his vice-president of sales, who was a rock star when it came to sales results but wasn't much interested in the executive agenda. The company was implementing a new customer relationship management (CRM) system and the VP was the executive responsible, but he was having no part of it. He thought the project was a waste of time and money because he had been extremely successful without it. Furthermore, he didn't want his sales team distracted with data entry and other administrative tasks.

It didn't stop there. The sales lead rarely showed up for executive team meetings and, when he did, he was on his BlackBerry constantly or leaving early. Needless to say, the CEO wasn't the only one frustrated, and it didn't help matters that the VP was adored by his staff.

CEO MISTAKE

Naturally, the CEO didn't want to tinker with a good thing—the VP did turn in extraordinary results. Hoping that things would improve over time, the CEO decided to ignore the problem, which only made matters worse.

Other members of the leadership team began to complain about the renegade VP and speculate that the CRM project was a failure.

After a year, the CEO realized that he needed to hold the VP accountable. The CEO began holding monthly meetings with the vice-president, during which he expressed his disappointment and frustration. The meetings were painful and did nothing to create new attitudes or behaviours.

Six months later, the CEO gave up and took ownership of the CRM project himself. It seemed the only alternative, as losing such a star performer was not an option.

CEO SOLUTION

Holding people accountable for results is not about communicating blame, frustration and disappointment in a monthly meeting. Instead, accountability is about persuasion and motivating people to say "yes" to delivering results and new behaviours.

Here are six strategies to enhance your ability to hold people accountable by using persuasion versus playing the blame game.

1. People like people who like them. Before holding people accountable for new results and behaviours, make sure you have a solid history of praising their strengths.
2. Model the behaviour you want to see in others.
3. Persuasion is more effective when it comes from peers versus the boss. Other vice-presidents would have had more influence on the sales leader.
4. Make commitments written, public and voluntary. Getting the VP to commit in writing, in public (at leadership team meetings) and voluntarily would be far more effective.
5. Create a sense of urgency using "loss language": "We will lose a lot of money if the CRM is not implemented on time and on budget."
6. People defer to experts, but don't assume your expertise is self-evident by virtue of your CEO title alone. Share your previous experiences (successes and failures) to have greater influence.

Don't Wait Too Long to Upgrade Talent in a Tough Economy

CEO CHALLENGE

Two years ago, the CEO of a private family-run business brought in an external chief operating officer. The idea at the time was that the COO would free up some of the senior executive's time so that he could be more focused on the marketplace and the bigger picture.

Naturally, the tough economy had caused the business to lose some key customers. However, as time went on, the CEO began to suspect that the operating chief was not strategic enough to keep the business running during difficult times. Though he once saw the COO as an "A-player," results over the past six months suggested otherwise.

The CEO decided to confront the no-longer new guy. In response, the COO became extremely defensive, telling his boss that he was getting in the way of success and was too much in the weeds. The COO expressed that he was not the problem, and even asked the CEO if he wanted his old job back.

CEO MISTAKE

In this case, our CEO made several mistakes. First, he waited too long to have a candid conversation with the operating officer about the growth strategy for the business. The chief executive became concerned about the problem a full six months before he brought it up, which is bound to put anyone on the defensive.

However, prior to that, the CEO ignored some early warning signs. During management meetings, the COO had been strongly resistant to the company's strategic plan. In fact, he never really bought into the plan at all. The result: he wasn't executing, and results were suffering.

In addition, because the COO was not being held accountable for any results, he obviously did not feel particularly responsible for corporate progress.

And, lastly, the CEO was in denial, continuing to think (or hope) that his direct report would some day be the A-player that the CEO thought he had hired.

CEO SOLUTION

During a tough economy, companies need to shift from being "order takers" to "order hunters" if they are to survive in an increasingly competitive environment.

The difficulty is that just because someone is a star order-taker, doesn't mean he or she will be as good in an order-hunting world.

As a member of a CEO peer group, this leader brought his dilemma to the next meeting. With the support and advice of his peers, the CEO came to realize that he needed to upgrade his talent pool to manage the business in challenging times.

It had become clear that the COO was not able to let go of the past and commit to the new corporate strategy, leaving the chief executive with the proverbial fish-or-cut-bait decision.

In the end, it was decided that a new COO was needed—one with a lot of passion, energy and confidence in the future as well as a commitment to the organization's plans.

That new hire was made and a 90-day plan was developed to fast-track results. In that time, the economy didn't improve, but company sales, morale and prospects were decidedly up.

CEOs Need to Focus on Overall Corporate Results

CEO CHALLENGE

A CEO found himself spending most of his time working with one member of his executive team who was not meeting his targets. The CEO had joined the company two years ago and had yet to be impressed by this individual, who had a 10-year history with the company. What's more, the individual was in the midst of some serious personal problems, including medical issues and a divorce. The CEO was sympathetic and, in addition to his time and support, had ensured his direct report had received development training, at a significant cost to the company. Despite it all, the results just weren't there.

CEO MISTAKE

It's natural to want to help someone going through a tough time and, as a new CEO, there could be some strategic merit in being seen as supportive of a long-term employee who has hit a bad patch. But as the leader of the organization, you are responsible for the well-being of all the organization's stakeholders. Permitting below-par performance is bound to hurt morale, never mind the bottom line. Furthermore, by spending so much time rescuing instead of developing his A-players, this CEO was missing a major opportunity to accelerate results.

CEO SOLUTION

It's the CEO's job to deliver extraordinary results mostly through leadership that allows employees to achieve their full potential. Those with the right skills, behaviours and experience who are also passionate about their work are A-players that need the majority of the leader's attention and encouragement. Those that lack what it takes will really never get there, and a leader is not serving them or anyone else by keeping them in roles in which they cannot succeed.

Here is what our leader should have done.

It takes about 90 days to determine if someone is fit for his or her role. By developing desired outcomes for the end of a 90-day period and helping the individual form a plan to achieve those objectives, a leader will be able to identify those who have the right combination of competence and enthusiasm.

During the 90 days, the CEO should meet with the person for 30 minutes a week, either by phone or in person. During the meeting, the CEO provides feedback, coaching, mentoring and guidance, while also assessing the person's ability to execute against his or her plan.

At the same time, it's critical for the CEO to identify individual strengths and weaknesses in the executive team. Poor performance in one role doesn't necessarily imply the executive won't do well elsewhere in the organization.

At the end of three months, a leader will be in a position to do one of three things: continue to support and develop a top performer, find another role for a potentially great employee or help the individual exit the company.

In this case, providing an employee assistance program to help this executive cope with personal problems would also have been in order. But, eventually, tough decisions need to be made for the benefit of all concerned.

The Truth About Why Executives Quit

CEO CHALLENGE

A CEO had developed a high growth strategy for her organization and had hired a rock star COO to take the lead in executing the plan. She was proud of the fact that she had been able to attract such talent from a key, and much larger, competitor.

After an outstanding year, the COO handed in his resignation. His reasons? More money and a promotion outside the industry.

The CEO was stunned. How had she not seen this coming?

CEO MISTAKE

The CEO thought she had a great relationship with the COO. She had given him lots of autonomy and recognized his efforts with a stellar performance review and a significant bonus.

Her mistake was that those were the rewards that motivated her. She had not taken the time to get to know the COO at a personal level and to understand what was really important to him.

She operated on the principal that if she didn't hear otherwise, all was going well. Unfortunately, all was not well, and because she wasn't more tuned in, she had no idea.

CEO SOLUTION

Business is about people and the most important relationship in a company is the one with the boss. It's the number one reason why people leave, though they will tend to say they are leaving for more money or anything else less sensitive.

As a leader, if you are not spending 30 minutes a week with each one of your direct reports, you too will likely get an unwelcome surprise.

It's one of the most difficult parts of a CEO's role because it takes discipline and commitment in a work world that seems to operate everywhere but the office. But if you are not building a relationship of trust with your top talent, you too will find it difficult to retain them.

There are six key drivers that motivate people at work. Of course, everyone is unique and at different stages of their lives and their careers. Therefore, at any given time, two of the six drivers tend to be more important to any one person than the others.

That means that whatever motivates the CEO does not necessarily match what motivates her direct reports. And executives quit if the most important of their key drivers are not being met.

Ask members of your team to report on a quarterly basis, using a 10-point scale, how satisfied they are on the six top motivators, which include: relationship with the leader; learning and growth opportunities; challenging work; feeling significant; contribution to the success of the organization, and; certainty of career opportunities and financial rewards.

If the scores are very low on most drivers, it's likely that the person is in the wrong place at the wrong time and one may have to consider dramatic changes for that role.

If the scores are low in just one or two areas, you have an opportunity to work with that person to develop an action plan and improve the scores, and the engagement

MacKay CEO Forums

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