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The CEO Today

Sharing leadership at the top

Not very long ago, CEOs enjoyed an elevated status in their organizations. Formality and structure governed interactions between the CEO and the broader management team, who tended to focus on saying the right things and avoiding mistakes when interacting with the CEO. An image emerged of the CEO as brilliant oracle, who was expected to have all the answers. The success of the business, then, was defined and constrained by the knowledge and leadership capabilities of the CEO.

Whether or not this image was ever really or widely true, it is clear that the organizations CEOs oversee today are more complex and unwieldy. Businesses are operating in an environment of sustained uncertainty and intense competition, and face higher expectations from employees, shareholders and other stakeholders. All of this has many wondering whether new models or approaches to CEO leadership are in order. Consider the following:

> Global business requires companies to operate amid unprecedented cultural and market complexity. How can one person possibly know, understand and deal with all the nuances of this environment?
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> The risk embedded in the global business is broad and varied, potentially encompassing political, economic, financial, currency, regulatory and reputational risk and manifesting in different ways in different parts of the world. Is it possible or desirable for a single person to be the sole carrier and manager of that risk?
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> The speed at which information flows, both within and about organizations, has increased exponentially. Markets are more interconnected than ever, and some stakeholders are more vocal about companies' activities. As reputational threats and external stakeholder relationships demand more of the CEO's time and attention, are there activities on which the CEO should be spending less time?

The sheer size and reach of many businesses and the prevailing volatility of global economies and financial markets make it more difficult to predict the future — and certainly more difficult for a single person to have all the answers. "The world we live in is volatile, uncertain, complex and ambiguous, and this is the new normal. Added to that the transformational impact of technology, and you cannot really predict what you need to do in the future on the basis of what has happened in the past," argues Harish Manwani, nonexecutive chairman of HUL (Hindustan Unilever Limited). "The new context in which we operate is fundamentally defining the role of leadership and how businesses will be managed in the future."

Recognizing the limits of traditional management structures and styles to respond to these challenges, some CEOs are embracing leadership models that spread responsibility and accountability for the business to a broader group of executives. What we have seen emerge is a movement toward "shared leadership" management models, which we define as organizations that place the CEO at the center of a circle rather than atop a pyramid.

Drawing on observations from our client work and a series of conversations with CEOs, managing directors and board chairmen from a diverse group of companies, we explore in this article how CEO leadership is being redefined in response to the challenges of running a business in the current environment and consider how shared leadership is being employed.

New leadership model for the "new normal"?

Strict hierarchies and top-down communication have given way to flatter, more dispersed and flexible organizations. Reporting lines and organizational structures have less influence on how work gets done than in the past; increasingly, work is being done across physical and organizational boundaries, as teams of people come together for specific projects and tasks, and then disassemble. Changes in the availability and flow of information mean that CEOs no longer have complete control of knowledge about the business, pulling away some of the armor of invincibility that surrounded them in the past.

In the current environment, some CEOs see enormous value in shared leadership models of management. Approaches vary, from establishing a formal structure, such as co-CEOs or an "office of the CEO," to embracing a shared leadership mindset and management culture. In these situations, traditional titles and organizational models remain, but executives have more authority and responsibility than in the past. Shared leadership approaches are most effective when the senior team is closely aligned around the company's vision and values — and individuals' responsibility and authority are well-defined.

Shared leadership has been a powerful tool at Catalent Pharma Solutions for managing a complex organization and achieving aggressive growth and operational targets, said CEO John Chiminski. Sharing decision-making and accountability with the company's top 150 executives also frees Chiminski's time to think about the business in a much more strategic way, he said. "My job is to be 12 to 18 months ahead of my team at all times, and I couldn't do that if I didn't have the team underneath me that could run the business today."

Vinita Bali, managing director of Indian food producer Britannia Industries Limited, likens the CEO in a shared leadership model to an orchestra conductor. As business units and functions get larger with more variables to manage, the expertise required to run them increases and the CEO cannot be a master of all. "Each member of the orchestra has a unique role to play, but they make music only if they are playing in harmony — or are in alignment, to use a business term," said Bali. The CEO's role, then, is to determine how many players are needed, what role each has and how to align them behind the goals of the organization.

David T. Seaton, chairman and CEO of Fluor Corporation, forged his leadership skills through execution of complex engineering and construction projects — set on exacting standards and specifications, tight deadlines and commitments. Seaton is well-versed in the complexities of the business and industry Fluor serves and relies on a strong team to manage its business segments — allowing him to focus on vision, strategy and synergy.

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"I'm a homegrown Fluor executive," said Seaton. "Leading Fluor's oil and gas group, the company's largest, as well as others, gave me plenty of perspective on our company and clients." In recognizing the value of his Fluor experience, Seaton said, "I was fortunate. My career path led me to this role."

While Seaton favors traditional leadership styles, he has adapted to his new role and admits that he has changed his style to accommodate a variety of C-suite roles he has held. "I quickly realized that I needed to change my leadership style — and that was to rely on others do their jobs and to share in the leadership of our company — where appropriate."

And, in fact, we see shared leadership as it is more commonly adopted today less as an organizational structure and more as a mindset and approach to management; many CEOs are evolving their leadership styles to break down the walls that traditionally separated the chief executive from others in the company. These CEOs are comfortable not being the smartest person in the room on every topic. They have the confidence to admit not knowing the answer, to ask questions and, even when they think they know the right answer, to get the input from the team to get to an even better answer.

Many CEOs are adopting a more collaborative work style and increasingly leading through influence, Bali contends. "The way you conduct yourself, the curiosity you exhibit and other personal behavior traits become very important to a CEO and a leader. Authenticity is important. People have to see you as someone that they are willing to follow — as someone who is capable of conducting the orchestra."

Employees and other key stakeholders are looking for authenticity in their leaders, agrees Manwani. "This is not about charismatic or exceptional leadership. It is firstly about authentic leadership: the ability of people in the organization to believe that leaders are accessible, that they mean what they say, and their actions are consistent with this. They are not different people when they stand on the podium, and that they are responsible to the larger good of the society in which the business operates."

Raising the bar for the executive team

A strong leadership team is both a requirement and a result of shared leadership, proponents argue. In markets where competition for experienced leaders is intense, the most talented executives want to work for companies where they have the opportunity to build leadership capabilities. A shared leadership approach that gives the senior team broad responsibility for running the business is a valuable tool for retention.

"I need a leadership team underneath me who are the best at what they do, whether it be a function or business unit," Chiminski says. "My job was to find the best people for those positions, because it's too complicated a company for the CEO to do it. If I don't have the best people, I have to jump in and try to be the best for that role and I'm not qualified for it. When you have the best people in those roles, they then hire the best teams underneath them."

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Not every executive is cut out for a shared leadership environment. Not only do the functional and business unit leaders need to have deep expertise in their areas, they need strong general leadership skills and must be comfortable with the freedom and responsibility that comes with shared leadership. An environment that provides the freedom to succeed and accountability for performance can have a tremendous impact on a company, but the price of failure is high, both for the company and for the individual. It requires a group of people who are going to be leaders, who will take ownership for doing what they need to do.

Companies that embrace shared-leadership models will have to make sure they have executives with the appropriate skills, which may require careful thinking about the profiles of the senior leadership team and the ways the company recruits and develops individuals for critical roles. At Britannia, for example, the route to general manager positions includes assignments in two or three different functional areas, so that potential candidates gain an appreciation of how work is done in different areas. Development plans emphasize leadership behavior rather than pure functional expertise, and new executives are evaluated on their ability to lead. "The emphasis is on behavior: How do you exhibit leadership? How do you deal with your direct reports? How collaboratively do you work? Do you provide leadership in the area you are responsible for?" said Bali.

What only the CEO can do

Even when decision-making and accountability are distributed, the CEO still has a unique role in the organization and has responsibilities that cannot be delegated. CEOs need to have exceptional business judgment to help their teams frame problems accurately, see issues from the relevant perspectives, and ultimately decide on a course of action.

And, as Seaton and others point out, companies still need a respected leader. "Knowing when to say yes and no, and being consistent in how it's said, is an important trait — of the many — that successful CEOs must have."

The organization's values and vision

In large, dispersed, global organizations, a set of commonly shared values has to be the glue that binds the company culture and operations. Communicating and modeling those values fall squarely into the CEO's domain, and that includes being clear about what is non-negotiable and ensuring the broader management team embraces the company's vision and values.

"It is essential that your top leadership and management teams buy into the culture of the organization that you are trying to create because these organizations are now getting too large and therefore growing beyond the capacity for any one person to be able to drive it," said Prashant Ruia, chief executive of the Essar Group. "What we try to do up-front is build total clarity around our expectations. By practice, we exhibit the nuances of the culture we nurture and the values we subscribe to. Once our leaders absorb and align their behaviors to these, we mandate them to perpetuate it in their operating areas and locations."

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Strategy

Another key responsibility of the CEO is looking ahead to the opportunities and threats facing the business and leading the charge on strategy. "In short," said Seaton, "Vision and strategy cannot be delegated. That's where the CEO has to lead — to make the hard chioces and to take a stand and the accountability that comes with it."

The role of the CEO is to be clear about the company's longer-term goals and manage the business' reputation and character. It is key to build trust with the communities in which the business operates, Manwani said. "To my mind, leadership has to be purpose-driven and values-led: the ability to provide a sense of destination in uncertain times — have a point of view about the future — and, secondly, to drive a sense of purpose which protects the core values and builds the reputation of the organization."

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Building and engaging the team

Assembling a strong management team is always the responsibility of the CEO, but in a shared leadership model in which the CEO is looking to delegate responsibilities to a collective management team, the stakes are even higher for getting the right people in the right roles. The CEO has to have a very visible role in people development and succession planning.

At Catalent, Chiminski aligns the team with a clear vision for the company and detailed objectives for the business that cascade down throughout the organization. "I have to have the right 150 people running the company and engage them in a way that they have ownership for the results. They have to have a clear understanding of the vision for the company, what their role is and what the expectations are, so my team and I spend an incredible amount of time making sure that we set goals and objectives for the company," he said. "When you don't have a strategy, when you don't have objectives and when you don't have an aligned team, the CEO has to get involved in everything."

The face of the company to external stakeholders

The CEO has to be the No. 1 customer advocate and the face of the company to investors and other key stakeholders, particularly in situations where the company's values and image are at stake. In times of crisis especially, employees and external audiences will look to the CEO to speak for the company and be accountable for its actions.

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"The company's image, reputation, its values and what it stands for — those cannot be delegated. It is spiritual to the enterprise," Ruia said. "The CEO may trust and delegate these to his management teams but at the end of the day, he is responsible. That's just the way it is."

Conclusion

Formal or informal shared leadership approaches may not be appropriate for every company. Factors such as the business model, company culture and the personality of the CEO all figure into whether shared leadership is a good fit for a particular company. In an increasingly complex, competitive and uncertain world, however, CEOs who adopt a leadership approach that imbues the top team with a real sense of ownership of the business have a powerful tool at their disposal. A leadership team that is fully engaged and empowered to run the business can have a dramatic effect on the performance of the company — if they are deeply ingrained in the vision and values of the business.

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