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Notes for interview questions with Domini Stuart for Company Director Magazine

Developing effective executive leadership in your organisation:
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1. **How can a board assess the effectiveness of executive leadership?**

i. Effective executive leadership is a synergy of outstanding intellectual ability, judgment and interpersonal skills to build a genuine rapport with colleagues and management so they can engage people and get an outcome. It is *soon* clear what leadership dynamic is behind business outcomes, and whether or not there is a healthy and effective executive *leadership culture.*
As part of our methodical approach, initial reflections can be verified by conversations with Human Resources.
It is often what is not said that allows the astute observer to hear what needs to be heard – just like references provided for job candidates,
In my experience as an Executive Coach coming into companies monthly for Leadership Development Coaching sessions with CEs and Senior Managers, it only takes a dozen conversations over 2 days to get a good sense of the strengths and weaknesses of every Executive Manager and their group dynamics.

ii. The heart of the issue of assessing the effectiveness of executive leadership is the quality of relationships between Board members and the Chief Executive and everyone on the executive/senior management team. The more confidence and trust between people, the more open they will be. While interactions need to be professional and business like (respectful, dignified, astute, perceptive, challenging) they can be informal in tone (warm, conversational, sharing of business experience).

iii. I was asked to provide outplacement coaching for a senior manager in financial services in one of the top 100 companies in Australia. I'll call him "Gavan". Gavan was highly intelligent but abrupt and difficult to work with, a workaholic who never did small talk and regarded networking and coffee or lunches with people as an utter waste of time. Gavan would not accept outplacement and wanted me to help him stay. He was highly directive and at our third session I decided to be directive back and told him that he either did as I directed or we would quit. He meticulously followed what I asked him to do, practising interpersonal skills with his wife and teenage kids. It was all new to him. He took coffees and lunch every day with his staff and peers, asked good questions and listened to them with empathy. I suggested that he put his hand up to sort out an APRA audit which would gain him a few more months of interpersonal learning. Gavan changed dramatically. He discovered that when he listened non-judgementally, people told him of a series of problems, currently being ignored, that would have cost the firm a fortune. He was retained and within 9 months his team voted him best manager they had ever had. While Gavan systematically sorted out the business problems, he continued to follow my suggestions and to reflect on himself and all relationships. He started being proactive about meeting stakeholders who spontaneously put his ideas to the Chief exec. The CEO pursued the ideas and gave him credit. Within 12 months Gavan was promoted to CFO. As a chartered accountant Gavan estimated that his retention had saved the company over $40 million.

iv. An experienced psychologist/executive coach must readily pick up on cues that may signify something is wrong - just as an experienced accountant, auditor or numbers person can quickly scan pages of spreadsheets and deftly pick up an error. The person's language and behaviours reveal a lot and Board members can learn to pick the subtlety too. Some do naturally – most don't.

v. As with assessment of any performance, assessment of the effectiveness of the executive leadership needs to be conducted in a manner and with a structure and process that matches the role.

vi. Appraisals need to be conducted very professionally, setting an example of how to build trust and positive regard and respect in the organisation.

vii. Expectations should be spelled out early in the letter of appointment to make clear when and how the Board will look for evidence of effective executive leadership as defined by them. As long as Executive Managers are genuinely assured that the purpose of regular appraisal is to build greater trust and to identify early problems in order to support them, it will focus them on accountability for performance in a constructive way.

viii. Clear KPI's, we use them too. Using clear, explicit performance indicators which cover transactional matters (performance targets) through to leadership (relationships and culture, plus matters of strategic vision, ethics, political nous and business judgement), appraisals should be focussed on the future and on delivering continuous growth in the organisation.

ix. No surprises. After the first appraisal, appraisal conversations should not be just once or twice a year, but feedback should be flowing at every board meeting so there are *no surprises*, and emerging problems can be noted and managed before they worsen. This builds trust and confidence. It's also about risk mitigation.

x. Directors with advanced interpersonal skills who are present and aware while interacting, will pick up subtle cues that alert them to weak spots or patterns that need to be explored more. Some highly effective Directors have these skills – but we need more, many more. Not everyone is a natural but they can learn on the job.

2. Where are the most common weak spots and how can directors be sure to pick up on these?

i. Every week I hear Executive Managers refer in our coaching sessions to things that are not coming together, ethical dilemmas, or things that are troubling them that would worry a Board. While confidentiality of executive coaches is essential to allow for such disclosure, high calibre coaches will pick up on such problems and support a proactive response. I have no hesitation in supporting managers to think through the situation, consider all options and consequences, and find a way for them to exercise leadership and take the matter where it needs to be taken.

ii. Common weak spots of Chief Executives include non disclosure of emerging problems, reluctance to take risks, being distracted and no longer fully committed e.g. Board delays appointing CE too long; too great a focus on shareholders or political issues.

iii. Directors can pick up on these by noticing a lack of information; a tendency to communicate what the Board wants to hear; restricting of access to stakeholders; indecision and perhaps a sense of anxiety.

iv. Directors can also pick up on things by listening carefully to stakeholders e.g. becoming aware of unrest in the senior management team; staying tuned in to HR – turnover of staff, absenteeism and workers comp claims are indicators of problems. A Chairman once called me to have a coffee. He was on the board of a rapidly growing IT business heading to list or sell within a few years. But there had been a massive turnover of staff in the previous 12 months. In the next 2 years that I worked with the two owners we increased staff and built a positive dynamic in the teams. The only departure was one person taking maternity leave.

v. Board members need to know a lot about the business, the personal qualities and leadership strengths of the CE to be able to properly evaluate their worth. By ensuring they have input from senior managers to the Board, they can see firsthand the quality of the information presented by Chief Executives.

vi. It's about getting beyond process and problems in corporate governance so you can concentrate on commercial opportunities. How can you have your eye on a growth strategy or commercial risk management if you are bogged down in process issues?

3. What can the board do to strengthen executive leadership?

i. A lot. The Board's supervisory role is critical under company law; it's at the heart of our system of corporate governance. It doesn't have to be distant and punitive to be holding executives accountable to shareholders. The Board can fulfil these roles while being supportive and *absolutely explicit* in stating their expectations so the Executive Management group can translate that into strategic and operational goals – effective communication is key. In my experience of working with General Managers who are Chief Executives of Finance, Production, Information, Corporate Services etc mainly in Utilities and Financial Services, they always want to know a clear picture of where the company is headed, the plan to get there and what they are expected to deliver. Ambiguity and grey areas don't help effective executive leadership or corporate governance. I can understand why those things creep in – being express in laying down expectations also leaves the Board accountable.

ii. Real relating within an appropriate framework. This sounds simple but too often it's not. The Board can strengthen executive leadership by investing time in real relating. Get to know the CE and the Exec Management group and their senior managers – celebrate their successes, invite their input, engage them in rigorous debate and demonstrate your confidence and commitment to them once decisions are made. Widen the group to include Senior Managers so there is a better flow of communication. Foster trusting relationships, share as much information as possible, invite collaboration wherever possible. Senior managers will pick up on things missed by the GMs and help their GMs deliver. *This is good for succession planning too.* I encourage GMs to support the leadership development of Senior Managers who report to them by having the Senior Managers work together like a "Junior Ministry" does to the more senior "Cabinet" in government in this case to support the senior Executive on an important enterprise wide project. This breaks down silos across companies, showcases the next tier of talent, and supports the Executive.

iii. Explicitly encourage the development of *a culture of respect, trust, integrity and courage across the company*. Currently this is often called a **Transformational Leadership culture**, which values individuals and creates an environment where people talk, listen, share information, and prepare for change. Transformational leadership actively promotes processes of personal and professional reflection and responsibility. Put it into the CEO's contract for performance appraisal.

iv. Identify successors and mentor them. The Board could take a leading initiative in educating the GMs and Senior Managers about the roles so all are clear on expectations: You are here to help your General Manager and CEO to deliver what the CEO and Board and Shareholders want. You have to manage and lead your people to do this. The enormous experience and capability of directors is inspiring to aspiring senior managers.

4. Are there any mistakes boards tend to make in addressing leadership issues?

i. Yes – how many companies' problems stem from relationships breaking down? I know it boosts circulations when power struggles between Boards, Executives and sometimes shareholders burst in to the public domain in the financial pages but there are so many dysfunctional steps before that ultimate sort of show down. The symptoms are clear – why wait until things get that bad? From my coaching conversations with Executive Officers/ GMs I think the main mistakes of Boards have been due to inadequate interpersonal relationships. These include not building active open personal relationships with Chief Executives, not asking questions, not listening properly to answers, taking too long to deal with matters. For example, it is soon apparent if seriously wrong people are in key roles, but if the terms of the hiring contract were right it would not take too long to get the right person in.

ii. Sometimes of course, Chairs try to help *too* much. I once had the CEs all asking my advice about how to stop the Chair from coming in a few days every week to work in a company office next to the CEO's - to help. It went on for a year, it was intrusive, time wasting, excessively scrutinising and undermining for everyone in the management suite. No-one actually told him the truth. Of course the same goes for CEs.

5. **Anything else directors should know?**

Like effective Chief Executives, effective Board members also need excellent communication and listening skills. Nothing beats outstanding intellectual firepower and interpersonal skills to build a genuine rapport with colleagues and management so they can build a consensus and get an outcome. It sounds obvious, but how often is it missing? You don't have to be a natural – just willing to learn and refresh existing skills. I sometimes wish Board members would also sign up for executive coaching, with coaches who match them intellectually and who understand how to improve not only the *doing* of business bottom lines but the *being* of wise and ethical leadership that makes an organisation truly effective.

This is high level positive psychology. It's about making good people better.