

CEO Coaching and the Role of the Board

By Mark Helow and Jim Schleckser

A hearty round of congratulations went around the boardroom for identifying and recruiting a successor for the retiring CEO of many years. Many directors believed that this critical decision put in place a fully formed executive who did not require further development to reach her highest potential. This was not and rarely is the case.

Development of senior executives, even those who have operated as CEO of other firms, is a high-return activity due to the leverage generated on operating and financial performance of the organization. There are a number of factors that complicate these development opportunities: measurement of the desired outcome, the time investment required, and identifying the right vehicle to achieve improved performance.

The Need for Development

Boards generally hire from the outside when there is a lack of internal candidates. The risk, however, is that the new external executive lacks detailed knowledge of his or her new company. The choice to promote an insider also has risk, as CIOs or COOs generally have not performed the CEO function before, although that risk is mitigated by prior association with the board. Either class of executive can benefit from development.

Top executive development is often neglected due to the belief that one must be fully developed in order to perform in the senior-most function. This fallacy is held in companies that spend world-class amounts on developing and retaining their human capital broadly within

the organization, as well as companies that grow rapidly and change their scope or business models, fundamentally changing the executive role every few years.

The good news is that the problem and the solution are relatively clear. A 10 percent improvement in CEO performance can generate very material business and financial performance in the organization. Furthermore, a relatively small investment is required to obtain this improvement.

Executive Focus

There are four major areas that the chief executive should focus on. The first is the organizational objective, whether that is a financial goal, a position in the industry, or perhaps the level of service to their constituency. This goal is achieved through daily operations in the other three areas—business model, processes, and talent.

The intrinsic business model is the structure of the business, the problem solved, the nature and amount of competition, the recurring revenue rate, the customer power, and the long-term defensible position. Well-developed business models are relatively easy to execute, defensible, and profitable. Determining if the current business model is optimal or if a shift is required is one of the highest impact and risk decisions taken by the chief executive. Execution against a change agenda in this space is also a high-stakes process.

The business processes are used to deliver on the value proposition. These include product creation, customer acquisition and growth, production, service, talent management, information systems, and financial systems. The CEO should be focused on the performance metrics of each area and the ability of each to accommodate additional growth. Finding negative answers to either current or future performance requires action and executive attention. There will be change required in this area as the business grows or if the business model is shifted; however, most activities in the business

Director Summary: Executive education, peer groups, networking groups, one-on-one coaching, and strategic consulting are discussed as methods to increase CEO skills. Boards must manage CEO talent by targeting behaviors and skill sets they wish to improve.



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process area are simply continual improvement.

“Talent” seems obvious, but it includes members of the executive team, the CEO, many high-impact individual contributors, the board, and external advisors. Over time, the chief executive should seek “A” players in each of these important positions and invest to keep each player at the top of the performance curve. The CEO operating as the Chief Talent Officer is an extremely high-leverage function and includes the assessment of the current team, development requirements, and understanding when a scope change or a personnel change is required.

Executive Education

Proper credentials are expected before ascendance to the top executive office, particularly in larger firms, which invest early in potential future leaders to ensure they have the requisite knowledge in advance. Smaller firms are less fortunate.

When a board is faced with an executive missing certain functional knowledge, it is vital that these gaps get filled rapidly if they are critical to organizational success. There are a number of executive education programs that can fill any knowledge deficiency. These include specific courses

such as finance or product development. Education of this type is time consuming, inexpensive and has only moderate impact. Higher level impact can be had with more comprehensive programs such as executive MBAs or extensive leadership courses. Either of these extensive programs represent materially higher cost and time investment, but with consequently higher levels of executive knowledge and impact.

One-on-One Coaching

One-on-one coaching involves putting a seasoned leader alongside a newer executive with the objective of improvement in performance from specific situational observation and education. Ideally, the teachable moments are used to reinforce the changes desired to get better results. The executive coach must be capable of having open and direct conversations about personal characteristics that impact their charge’s effectiveness, strategic issues, management, talent, and organizational development. More data-based coaching involves discussions with subordinates, or survey tools such as 360° reviews.

Executive coaching of this class is generally engaged by a board looking to improve the performance of the executive with otherwise acceptable levels of results. Since the board hires the coach, they have the right to and expectation of feedback. That means nothing is fully confidential, although it is critical that the coach establish trust and has the confidence of the executive, so that any issues identified will be dealt with professionally and appropriately.

The coach should be focused on making the client aware of gaps in behaviors and performance, educating him or her on desired behaviors, and shifting behaviors and time allocations to those with higher business impact.

A Comparison of CEO Coaching Models					
Development	Executive Knowledge	Cost	Use	Network Development	Business Impact
Executive Education	High	High	Short-term Growth	Moderate	Moderate
Peer Groups	Moderate	Moderate	Long-term Growth	Moderate	High
Networking Groups	Low	Low	Exposure	High	Moderate
One on One Coaching	Moderate	Moderate	Intervention	Low	Moderate
Strategic Consulting	Moderate	High	Intervention	Low	High



The success of a coaching intervention should be measured through both business performance and improvement in the metrics from the original assessment tools.

As a number of prior articles have indicated, executive coaching is not a well regulated space and there are few certifications that ensure quality or are the standard approaches to these types of engagements.

Costs will be significant as this class of coach tends to be very senior and will be dedicating a lot of time to the client. Over time, the rate of learning will flatten and the impact of further involvement by that particular coach will lessen. This can happen in a few months if a specific behavior is the targeted; more comprehensive engagements may take years.

Strategic Consulting

Strategic consultation is the classic professional service desired by a board or the executive when they are working in the area of the business model. The advice can comprise either a broad look at the business environment and the proper direction forward, or an external evaluation of the planned strategy developed by internal teams.

While either of these can be useful to the organization, neither should be considered executive development. They are project-related investigations into particular topics. The board, the executive, and the leadership team will become more knowledgeable and data-based in their decisions on the topic at hand, but this will generally not carry forward to broader insights and improved executive performance.

Peer Groups

CEO peer groups are small groups of presidents and chief executives that get together either monthly or quarterly to work together on their businesses. These conversations happen in a fully confidential environment and cover the gamut of business issues. The executive becomes the member and so the discussions and discoveries are generally between the executive and their peer group, and not shared with the board.

Board members might wonder what a group of senior executives would offer that a board does not. A good CEO peer group represents executives in similar circumstances, searching for solutions, even though they are in non-competitive industries. The advice and insight is honest and direct. Finally, interactions with a board are generally do not happen in a “no consequence” environment and a peer group allows its members to try new ideas and openly indicate a lack of knowledge, without any repercussions to their careers or standing in the eyes of the other members.

When contemplating a CEO peer group, there are a

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number of factors that differentiate high business and professional impact programs from those organized as networking opportunities. Smaller groups, generally less than 10 in size, are better as each member of the group is certain to get enough time on topic at each meeting to be useful. A professional facilitator, not just a trained member of the group, is a must to ensure that processes are used, members are held accountable, and to compel members to achieve their highest potential. The group should be of similarly sized firms. Finally, the group should focus on the highest impact issues within the business since the executive is going to invest time and money. If the system is good, the return in development of the individual and the business should be vastly greater than the input. The better programs in this area allow a guarantee and will refund fees if there is not a material benefit in a designated period of time.

Ultimately, peer groups provide the benefits of strategic consulting due to their issue focus and one-on-one coaching of the CEO, if they have a professional facilitator/coach. This is a way to get the benefits of both the strategic insights and development, while retaining a strong focus on execution and accountability.

Conclusion

Top executive talent management is one of the roles a board must play, but they should tread lightly in order to maintain the confidence of the executive. Peer groups, executive coaching, education, and strategic coaching are all possible paths to fill gaps and improve performance. Each of these approaches work on a different area of executive competency, with different costs and time commitments. The board should involve the executive in the selection of the best option and monitor the performance changes in the business and the individual to determine the effect. ■

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