

Advice to New CEOs Building Their Team: Lead with Purpose, Embody Culture & Be Decisive



How new CEOs can establish a high-performing top team to accelerate performance

In our role supporting hundreds of CEO transitions annually, one of the most common aspirations we hear from incoming leaders is the desire to develop an executive leadership team of direct reports that is enterprise-focused, highly collaborative, accountable to each other and widely respected. This ambition is well-founded: Aligned leadership teams grow revenue more than 50 percent faster and their companies are 70 percent more profitable. Building a cohesive leadership team, however, often requires new CEOs to make tough decisions about who is — and is not — on their enterprise team.

Indeed, some research finds that CEOs who [make top management changes within their first year generate superior returns](#). Our research further reinforces that, to be successful, [CEOs need a robust top team](#) around them to enhance and amplify their leadership, address gaps in their skills or knowledge, and accelerate their agenda. But how fast a new CEO should move when making leadership changes is a predictable dilemma of occupying the top seat.



CEOs who take a rapid slash-and-burn approach can find themselves with a team that lacks the institutional knowledge, cultural influence and cohesion to advance strategic priorities. Other CEOs run into trouble when they delay making people decisions, which can affect business performance and erode the CEO's credibility with the rest of the team or key stakeholders.

Research shows that even if CEOs do nothing, [1.6 senior team roles on average are likely to turn over](#) through a CEO transition. If a new CEO is driving a major transformation, that number jumps to three or four. In some contexts, like private equity purchases or turnarounds, CEOs can change the entire team within the first 18 months.

Why do new CEOs hold back when it comes to their team? We have observed a few barriers that get in their way of evaluating, solidifying and aligning the top team. These indecision traps include fear or concern about how moves might be viewed by the organization or the board, loyalty to long-tenured leaders and a bias for the status quo. They can cause CEOs to delay acting while they wait to see if evidence emerges to: 1) confirm their initial views; 2) provide them time to bring people along; or 3) hone their strategy for the business. Months or even a full year can pass without a top team in place, putting the CEO's agenda at risk.

How CEOs can better inform actions on their top team

The most successful CEOs overcome these barriers and avoid the indecision trap. Here are our quick tips for building clarity and taking action on the top team.

Rely on the North Star. New CEOs have an opportunity to set the tone for the organization by laying out their “North Star.” An ambitious North Star articulates the purpose that will drive the organization forward (beyond pure financial measures) and helps you set the tone for what matters most. Further, this work provides new CEOs critical contextual grounding they can use to evaluate the expertise and capabilities needed on the team.

Have a plan for filling information gaps. If you lack the firsthand information about a person's capabilities or commitment, quickly find ways to get the information you need, for example, a formal assessment or an assignment to a team working on a strategic initiative. At a minimum, CEOs should find ways to engage the team in a strategic dialogue that helps them evaluate individuals' thought processes, capabilities, understanding of the current state and their vision for the future.

Assess specifically for executive leadership agility. In a complex and fast-paced environment, individual and organizational agility is critical. You should assess team members' agility and readiness to adapt to changes in your agenda. Building this understanding can take multiple forms: an informal assessment through passive observation, assigning new responsibilities (e.g., leadership of an important initiative), or even a formal assessment that incorporates measures of agility. Our proprietary Spencer Stuart research highlights “agility” — [the ability to self-evaluate and adjust](#) — as having the strongest correlation to performance in longitudinal studies.

Lead by linking your team and the culture. As a new CEO, it is important to be clear about the culture you want to create. The ideal culture is one that preserves the best of what has led to the success of the organization while tweaking aspects that will enable you as a leader to thrive and prepare the organization for the future ahead. Because the CEO and other top leaders have an oversized impact on organizational culture, it is critical to articulate the concrete behaviors and team operating norms that support the ideal culture and to expect team members to model those behaviors. With clarity about expected behavioral role modeling, it is easier to spot negative leader behaviors that can damage the culture and the individuals who aren't a good fit with the ideal culture you have defined. A clear and aligned view of how the leadership team will work together also encourages individuals to consider their place in the future organization. We have seen many instances when leaders were energized by the vision and new team norms and stepped up, and other situations when people self-selected out of a culture where they didn't think they would thrive.

Check your blind spots and apply the brakes where needed. Moving with speed is important, but hasty decisions without proper context can be costly. CEOs must have confidence in the people on their enterprise leadership team, but packing the team with "loyalists" or firing people without understanding their contributions, influence and institutional knowledge can hobble the senior team and inflict unforced errors. When you're unsure about a person, consider what would you have to believe or see for them to stay, then seek out objective perspectives that allow you to break through the internal biases or knowledge gaps. Recognize that CEOs are always engaging in a balancing act: when to take bold risks and when to be prudent; when to move forward and when to pause; when to consult and when to provide direction; when to speak and when to say nothing; when to hunker down with an existing team and when to make changes.

Acknowledge the emotional barriers that may be holding you back. Making decisions about their team can be an emotional process as well as an intellectual one for new CEOs. By recognizing and addressing the emotional factors that may be affecting their decisions, new CEOs can form and align their team faster and be better positioned to advance their agenda. First, be honest about the underlying concerns and what's driving them. For example, you may feel loyal to a long-time executive nearing retirement, or feel that they have earned the opportunity to prove themselves. Or, like one CEO we worked with, you may struggle to replace a former peer who you "grew up with" over decades at the company, even if their leadership style clashes with the culture you're trying to build for the future. If you conclude they don't have the capabilities (skill) and motivation (will) for the company's next phase, find a role outside of the leadership team that leverages their skills and institutional knowledge.

Communicate with authenticity and clarity. Making tough choices on people is never easy. How leaders handle the communication will have a lasting impact on the organization, and can often matter more than the decision itself. CEOs must communicate authentically and connect their decisions to the collective purpose and to the journey ahead. Tough people decisions, handled with empathy and respect, often go a long way in energizing those who are continuing their journey with the organization.

Questions new CEOs should ask themselves to inform decisions about the top team

- » What is my organization's North Star? What is our "why"?
- » [Is the team clear on our strategic agenda](#), including the short-term quick wins we're trying to achieve? How do I know? What is the team telling their direct reports?
- » How does the composition of my team connect with the strategic priorities we have committed to? Based on what we want to achieve, do we have the necessary expertise and capabilities? Where are the gaps?
- » What is the culture I want to create to both help the organization thrive and suit my leadership style? Have I fully communicated and modeled this to ensure shared understanding?
- » What are the behaviors from me and the executive team that will help enhance the culture and which ones will detract?
- » Am I preserving the institutional knowledge to ensure that I will have a complete picture of the opportunities and risks to the organization going forward?
- » Am I inadvertently signaling support or lack of support for people in a way that affects how the team is working (e.g., insufficient candor as one extreme or public criticism as the other)?
- » What are my blind spots? Based on my own developmental areas, am I building a team that is complementary to me?

A complete executive team significantly increases the probability that a CEO will deliver their agenda in the critical first 12 months. If a new CEO is still gathering information and/or struggling through people decisions at the one-year mark, they risk being too late to avoid a "[sophomore slump](#)." Indeed, some CEOs never fully recover from a slow start to their tenure. The question new CEOs must resolve immediately is how prepared they are to be decisive on the critical people moves that will define their leadership team and, quite potentially, their success.



About Spencer Stuart

At Spencer Stuart, we know that leadership has never mattered more. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises, on their stakeholders and the world around them. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit www.spencerstuart.com.



Authors

Brett Clark-Bolt (Seattle)
Chris DeRose (Chicago)
Muthiah Venkateswaran
(Silicon Valley, San Francisco)

