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How technology is changing the job of the CEO

More than 75 chief executives and board chairs recently gathered to share concerns and offer one another advice.

by Claudio Feser

Earlier this year, the Bower Forum, a two-day peer-to-peer session for senior business leaders, celebrated its fifth anniversary of idea sharing and experiential learning. To mark the occasion, McKinsey invited Bower alumni from companies across Asia, Europe, and North America to a special event in Dubai. Much of the wide-ranging discussion was off the record, but participants have allowed us to share highlights of those exchanges during a number of breakout sessions, which speak to two principal challenges facing many CEOs: how to manage their early transition into the top job (for example, weighing the benefits of making moves early versus taking time to assess and reflect) and how to keep up with fast-moving technology (notably, how to better prepare themselves for the disruption that will more than likely confront their companies these days).

Those two themes consistently cropped up in conversations, intriguingly reflecting the two preoccupations delegates at earlier Bower Forums have been most anxious to talk about.

THE EVERGREEN ISSUE OF TAKING THE REINS

Many CEOs describe the experience of becoming CEO as a life-changing event, and our conversations demonstrated how diverse that experience can be. Take the first 100 days, for example—that vital early period in a leader's tenure about which there are as many myths in corporate life as there are in politics. While no one suggested blind action, a number of experienced CEOs expressed sympathy for the idea of an early burst. "Quick wins and some fresh insight are very important in the first three months," said one. "The markets are not going to allow you to go into a room for the first 100 days."

Bower Forum members also emphasized the importance of "biting the bullet" with the management team, when needed—if not during the first 100 days, then certainly during the first year of a leadership transition. At one company represented, six of seven top managers had been appointed in the 12 months since the arrival of a new CEO, and one-third of the top 100 executives were new. Another leader described changing half of the 14 people on his top team in the first year because new skills and different energy levels were needed as the business matured. Every leader, he added, faces a conflict between the need for change and the need for stability, a challenge he addresses by recruiting new members of his top team principally from within.

Other experienced CEOs advocated a more reflective approach to a leader's early tenure. "Let me share the experience of the CEO of a hospitality company we were close to," said one Forum member. "He spent the first three months just traveling the world. He must have met 2,000 people in that time, then came up with a strategy plan, which he communicated to board members one by one to get their buy-in. Fast-forward three years and he is doing pretty well. He has strong support from a very complicated and tough board, but he has built credibility among his teams. I don't think he delivered any quick wins in the first 100 days, but he engaged the organization for what he was going to do next."

"In my own case," the same participant added, "I moved from CFO to CEO. In retrospect, I don't think I delivered anything too concrete in my first 100 days. But the important thing for me was to see things from the CEO perspective, not from my old conservative CFO role. And although I had been with the company for seven years before the appointment, it happened quite suddenly and I didn't really have a deep knowledge of the other people. It's not as though I had been preparing for the moment. I needed to reassure them about the direction of the company and win their trust. I didn't put forward a clear strategy until after six months."

McKinsey research[1] suggests that bold action during the early years of a CEO's tenure boosts the odds of strong corporate performance but does not put a specific time frame on that action. No doubt the time frame is context specific, as will be the relative importance of reflection versus immediate action.

Our conversations highlighted how situations facing new CEOs, and therefore the early imperatives, vary greatly. Only by first understanding the uniqueness of his or her situation can a new leader decide on the course of action that makes most sense.

One thing participants did agree on was that new CEOs are under a microscope, whether they are taking bold action or listening and learning. In the words of one Forum member, "In the first 100 days, there are 100 pairs of eyeballs—people watching you intently, trying to figure out what's going on and reading into the situation things that don't exist. But you have to cut through that by sometimes showing your vulnerability, your humanity, and your willingness to connect. You have to overcommunicate."

Becoming an 'e-CEO'

Many Forum members were convinced that technological change is the biggest, most disruptive force facing today's corporations. One cited the development of aluminum doors, hoods, and fenders in the automotive industry (half the weight of steel but with the same crash impact). Another pointed to the growth of computing power, which has allowed one company to model highly complex and dynamic systems in real time, thereby moving from the drawing stage to testing a full-scale, fully operational prototype in less than three months, and concluding, "there is now no gap between research and development." A Forum participant also remarked on the potential impact of developing battery technology, which could make solar power competitive with fossil fuels and create distributed energy systems that can be independent of the grid: "Elon Musk is talking about replacing roofs of houses with solar panels. Holland is testing roads with solar panels, and parking lots that are empty most of the time could be further generators of electricity."

But technology isn't changing only corporations—it's also changing the job of the CEO, bringing with it the challenge of keeping up with technological development. "It's actually not that hard to stay well-informed these

[1] See Michael Birshan, Thomas Meakin, and Kurt Strovink, "How new CEOs can boost their odds of success," *McKinsey Quarterly*, May 2016, McKinsey.com.

days," one Asian CEO commented as he and others listed blogs, magazines, research reports, the top team, consultants, customers, and staff among multiple sources of potentially valuable intelligence. "What's much harder for a leader is deciding what's relevant and what's not." For that, he suggested, you have to be "clear about your priorities" and able to decide instantly whether or not it's worth spending time to digest, explore, and understand new information. "If you don't [prioritize], you'll sit in your office all day, read lots of reports, and end up being completely confused."

In the light of fast-changing technology, CEOs may also need to reconsider the composition of the board and of their top team. Several leaders expressed interest in drawing on board insights and skills to help them navigate, but voiced frustration at poorly qualified directors. A suggestion was made that "board composition needs to [better] reflect the modern age." Another acknowledged that boards "are made up of people with excellent long-term experience," but he added that "experience sometimes translates into a rigid way of doing things—and that is dangerous. It's like rheumatism, limiting agility in a world where you need to adapt to new technology, new concepts, and work within ecosystems rather than depending upon binary relationships." Said another participant, "If boards don't understand the loud and powerful voice of customers, communities, and social media in a digital environment, they'll be handicapped." A number of CEOs and directors are taking action to make their boards more technologically savvy, and the importance attached to this by Forum participants suggests more should follow their lead.

The way CEOs communicate with the organization and other stakeholders is also changing. Technology provides valuable new communication channels for any business leader—but here, too, participants struck notes of caution. Keeping communications humble and well-grounded in an era of transparency and rapid-fire digital volleys was one issue raised. "Communication is about your business and your workforce and your external stakeholders, not you," said one. "As you communicate and build your public persona, you may well receive positive feedback, at which stage it can be tempting to start believing that you really need to communicate because of a certain stakeholder group, when really the ego is getting involved. . . . We all have an ego, but we need to check from time to time that the goal of communicating is the right one."

Technology provides new ways to listen to and engage with employees. "Lead with your ears, follow with your mouth," as the CEO of one property company crisply put it, citing his father's advice many years ago. One way of listening today is to crowdsource ideas, using digital-communications platforms. There was general agreement on the value of internal crowdsourcing to take advantage of knowledge on the factory floor and the front line. But Forum members acknowledged the challenge of finding an appropriate reward system for those who come up with new ideas—suggesting that this is another area where top-management attention is needed.

It's not every day that 75 CEOs and board chairs get together for two days of reflection. As at most alumni gatherings, self-awareness and introspection were core to the Bower Forum anniversary meeting. While the issues discussed by participants are hardly unique to this group, the seniority and global diversity of the group make their deliberations worth heeding. The evergreen issues of transitions and technology will continue to command the attention of leaders everywhere. Q

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