



The CEO's Toughest Call

Reconfiguring an organisation's DNA proved to be a hot topic of debate among attendees at Criticaleye's 2016 CEO Retreat. Dawn Murden reports

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Changing a successful business model may not seem like a bright idea, yet that's exactly what many executive teams need to do. **Steve Holliday**, former CEO of energy company National Grid, neatly summarised the dilemma faced by boards today by asking: "How long do you hang on to a business that generates cash and profit, but will be disrupted?"

It's probably the toughest decision a leader can make. At Criticaleye's [CEO Retreat 2016](#), held in association with Accenture and supported by Warren Partners, the focus was on how to build leadership capability so that senior executives can take the kind of risks that secure long-term success.

When National Grid recognised that it must decouple revenues from depleting natural commodities, **Steve Holliday** knew there was no point in shying away from difficult decisions.

"Don't always apply the principles and disciplines of capital investment to a change programme. It is something we have to do and an equation won't give you the answers. You need to do this with passion," he told attendees at the Retreat.

According to a Criticaleye poll conducted at the event – which over the course of two days brought together senior executives from a range of industries including retail, financial services and utilities – an overwhelming 84 per cent of respondents are expecting to undertake organisational change in the next 12 to 18 months (see [Chart 1](#)).

During that timeframe, new talent will also be brought in at the top level; 42 per cent of respondents are expecting



to make switches to the executive team, while 11 per cent are planning a complete overhaul (see [Chart 2](#)).

This all poses significant questions regarding talent, collaboration, organisational efficiency and the impact of new technology. **Matthew Blagg**, CEO at Criticaleye, commented: "Change needs to span the entire organisation – you've got to knock down walls and encourage the convergence of skills.

"This has to start in the boardroom; skills and experience cannot be linear and you have to look at everything from a number of different angles." >

Chart 1: Will you undertake organisational change in the next 12 to 18 months?

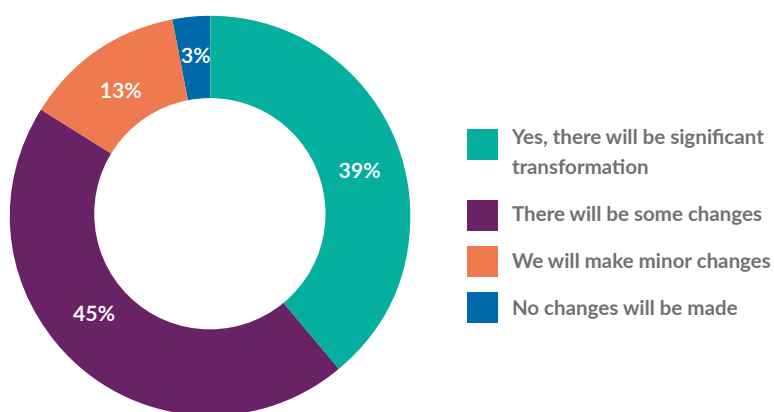
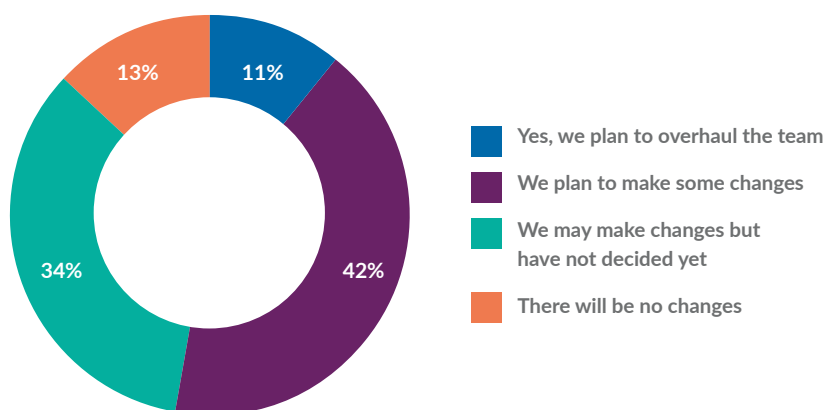


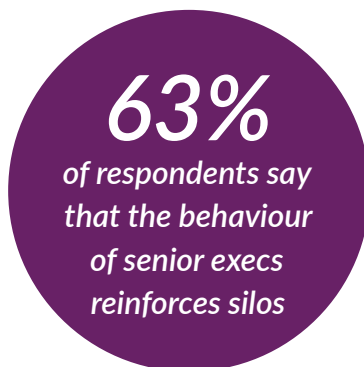
Chart 2: Do you expect to replace members of the executive team in the next 12 to 18 months?





The competencies of non-executive and executive directors are going to be tested in this environment, noted **Ian Cheshire**, Chairman at Debenhams. He believes that collaboration has replaced the 'hero CEO'. "Alignment comes when people have had the chance to work together and own the strategy. You can't just hand them a to-do list," he said.

"The CEO has to manage the executive team. Get to know each other; once you do, you can have 'crunchy' dialogue and challenge one another."



Yet, how many executive teams and boards have this openness? According to Criticaleye's poll, just under two-thirds of respondents said that the behaviour

of senior executives continues to reinforce organisational silos (see **Chart 3**).

Similarly, 45 per cent said that such silos slow down the execution of the business strategy to a great extent (see **Chart 4**).

In order to encourage stronger debate and challenge, it was argued that board composition should be examined with increased rigour. **Andrew Tallents**, Director at executive search firm Warren Partners, said that senior independent >

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Transparency will mean businesses will be naked, so they had better be buff #transparency @criticaleyeUK

Should #CEOs be active on #socialmedia? Any #businessleaders out there who want to discuss the merits?

Do #boards really understand what transformational leaders are trying to do? Attendees at our #CEOretreat said there is a disconnect

According to @Accenture research only 21% of graduates want to work for a large organisation, we hear at our #CEOretreat

It's not just about bringing in #tech to the #business, its about change and talent management to support and enable that

Chart 3: To what extent do the behaviours of the executive team reinforce silos within the business?

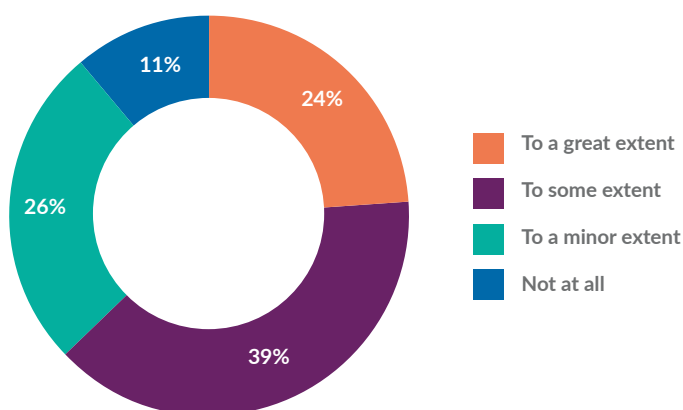
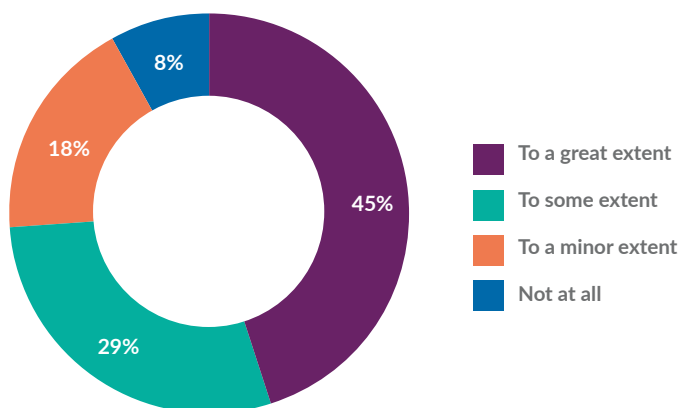


Chart 4: To what extent do silos slow down the execution of the business strategy?





directors ought to speak up if they think a board is not fit-for-purpose.

“We have an issue in the UK with the leadership capability of our chairs; they are afraid to take risks and make appointments that create diverse boards that the CEO would really benefit from. A lot of chairs are too afraid to rock the boat,” he said.

Translating Change

A recurring theme throughout the Retreat was the impact mobile, online, the cloud, right through to artificial intelligence and robotics, was having on business models, routes to market and strategy.

Arabel Bailey, Managing Director and Digital Lead for the UK and Ireland at Accenture, gave an overview of key areas that leaders should be aware of, focusing on automation and the workforce of the future.

“The dialogue about technology is changing. The future requires a partnership between people and technology – people will be enabled by technology, not replaced by it,” she said.

“I implore all leaders to embrace these changes, not because you will be obsolete if you don’t, or because it will save money and time if you do, but because the next decade of change is going to engage us in ways none of us thought possible, as consumers, voters, employers and leaders. You want to be at the front of that change.”

As Managing Director for Customer and Marketing at long-term savings and investment business, Standard Life,

“You have to set the big vision and simplify everything so everyone understands”

Stephen Ingledeu is responsible for building a new digital and data-driven culture. He says it’s important to translate what change means to different teams.

“Our approach has been to break down the over-arching purpose into smaller ones so that teams can bring about change in a more tangible bite-sized way, rather than having a big programme that takes years,” he explained.

There has to be consistency in how the reasons for transformation are communicated to stakeholders.

Katy Gotch, Head of Group Strategy at Home Retail Group, commented: “You have to set the big vision and simplify everything so everyone understands. You need honesty and have to tell the same story across stakeholder groups.”

For traditional businesses moving into new territory, the challenge lies in trying to be agile when burdened by legacy systems such as dated IT

platforms, cultural resistance and getting to grips with a different approach to KPIs. Uncertainty around the latter can be especially tough for boards to understand, as requests for investment with dimly described returns rarely go down well.

“You need the right resources [and] people; convince the organisation it’s the right thing to do,” **Katy** added. “Proof points will be important – it gives you the permission to continue.” ■

For the full results of Criticleye’s survey into high-performing executive teams, click [here](#)

Featuring Commentary From:

-  **Arabel Bailey**
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Digital Lead, UK&I
Accenture
-  **Matthew Blagg**
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Criticleye
-  **Ian Cheshire**
Chairman
Debenhams
-  **Katy Gotch**
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