



LEADERS  
ON  
LEADERSHIP

THE NEW NORMAL

*“I’m not afraid of storms,  
for I’m learning  
to sail my ship.”*

*Louisa May Alcott*

J<sup>G</sup> R<sup>R</sup> C<sup>O</sup> U<sup>U</sup> P<sup>P</sup> Λ

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## oreword and Thank You

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The ability to sail the storms continues to define today's winners and losers. The winners are the companies whose leaders have the courage to face the elements head on and learn how to navigate the new world within which they now find themselves. Leaders are learning how to sail in a world which is more challenging, less forgiving and rapidly evolving. A world where leaders need the courage to seize the opportunities when they arise and where integrity and values play a much more important role.

Today's leaders carry the scars of the Lehman's collapse through their own businesses and or those of their friends and former colleagues and they have emerged with a more humble, ethical, thoughtful and collegiate approach to leadership. This however does not mean in any way that they have lost their energy or their desire to drive change and deliver.

This report is based upon conversations with over sixty Chairmen, CEOs and CFOs who have shared with us their perspectives on the environment in which they are operating and what it will take to be a strong leader for the future. We have taken their views and reflected them back as faithfully as we can.

We are enormously grateful to each contributor for taking the time to talk to us and we hope the insights that follow offer stimulating reading for this and the next generation of leaders.

Each reader will draw their own conclusions from the sentiments expressed and the themes identified, which clearly form the basis for a wider conversation. In particular, there is a need for a high quality debate on the role of public companies and the core purpose of capital markets. We would welcome your views and if you are happy to share them with us, please send them to us on [leadership@jcagroup.net](mailto:leadership@jcagroup.net).

**JCA Group**

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## 2. EXECUTIVE SUMMARY

These ten points capture the messages most consistently expressed by contributors on the key elements for successful leaders when operating in today's "new normal."

- 1. EMBRACE THE NEW NORMAL:** We are moving into a "new normal." Tough times provide real opportunity, *"you can't dictate the surrounding environment but you can decide how you react to it."*
- 2. SIMPLIFY COMPLEXITY:** The environment will continue to get increasingly complex but *"don't overlook getting the basics right."* Macro-economic and regulatory challenges, together with the speed of technological change, demand greater clarity of vision, the ability to prioritise and to make the right calls.
- 3. OWN RESPONSIBLE CAPITALISM:** *"How you do business is as important as what you do"*, society will demand more authentic, values-driven leadership. *"Your licence to operate depends upon it"*.
- 4. OVERCOMMUNICATE:** *"Be a champion for your organisation."* Promote open and clear communication with the plurality of stakeholders.
- 5. BUILD RELATIONSHIPS:** Building effective partnerships is a key requirement externally and internally where in particular a strong trilateral relationship between the Chairman, CEO and CFO is essential.
- 6. ENSURE AGILITY:** *"Balancing the short and the long term is essential"*. Instill flexibility and inspire a creative and responsive organisation.
- 7. BE RELENTLESS:** *"Be brave enough to ask the tough questions of yourself and your team. Never be satisfied and constantly challenge accepted norms."* Seek opportunities to broaden your expertise and learn from experience.
- 8. SEIZE OPPORTUNITIES:** *"Never waste a good crisis or be too risk averse."* Constantly look for growth and opportunities and be prepared to back your decisions.
- 9. CREATE THE FUTURE:** Invest in the next generation of leaders and have the courage to delegate. Prioritise succession planning to include internal and external options.
- 10. BE LUCKY!:** *"Whoever you are and whatever you do, luck always plays a part."*

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### 3. INTRODUCTION

*“People thought the world was going to end in 2008 because we fell off a cliff. We never thought we were going to recover and yet companies did, dealing with the crisis by making huge cuts, debt refinancing, de-risking the balance sheet. People might ask ‘when is this going to end?’ but they have to learn that it isn’t: life is different now and we have to accept the situation and rise to it.”*

*“Post Lehman created different challenges for different companies depending on your sector. The successful companies buried optimism and took the robust view that they needed to take out uneconomic and marginal performing capacity: it was all about balance sheet protection. We have come through this and corporate balance sheets are much stronger. However, we are now in a position where we are likely to have low global growth rates for a while and we need to have the flexibility to respond to the changing world and seek out real opportunity.”*

During the course of our conversations it soon became apparent, given the broad spectrum of contributors involved, how different the world looks depending on where you are and what you are looking at. On one hand some expressed that *“we are facing amongst the worst economic factors we have experienced for the last 30 years and the challenge we now face is greater than anything we have known for some time.”* Others however viewed the situation differently: *“the recession in 2008 presented us with opportunities as well as problems and you can take advantage of those by repositioning your business towards markets where there is growth.”*

Whilst business leaders’ perspectives on the current environment vary dependent on what industry or geography they are in, what rang true throughout the conversations was that *“the next years are going to be bad but not impossible. In order for people to move from the last phase into the next phase they need to recognise the world has changed. What we have is a ‘new normal’.* Everyone faces the same external environment yet it affects everyone differently depending on what industry you are in. As a leader you have to accept this and manage through it.”

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## 4. THE “NEW NORMAL”

### I. MACRO-ECONOMIC CHALLENGES

The following headings describe the key trends business leaders outlined to us:

- **INCREASED UNCERTAINTY:** A theme expressed by many of the participants was that their *“forward visibility is very limited”* in the current climate, causing increased anxiety amongst businesses.

*“Unpredictability of the future and volatility is going to remain high. I think part of the problem here is that there is so much uncertainty in the world and the world is far more complex and harder to anticipate. We have had deep troughs and have come through them but we can’t predict where we are going next.”*

*“The world economy is still extremely unbalanced. There is a great deal of nervousness in Europe and other developed markets and the big question is ‘will this sentiment spread elsewhere to places like China?’ The truth is no-one knows if this is going to get better, I hope we are at the bottom of the trough but it is the unknown that can get you. Companies and Boards are nervous and they are making the decision not to invest.”*

- **STAGNANT GROWTH IN THE EUROZONE:** The European economic climate featured throughout the conversations with participants likening it to a *“shadow that sits above us all. Its darkness depends on how much you rely on the European market and what company you are.”*

Many participants supported the view that *“flat is the new up! Europe will oscillate on very low growth numbers and we will not see any long term growth for many years to come. Europe is wandering in the dark and other rich countries are in a slow down phase. We are in a period of austerity where market slowdown is a certainty not a risk.”*

In the US there is a belief that *“the world has ceased to view Europe as a problem and begun to see it as a condition.”*

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Some contributors are in a fortunate enough position having *“minimal exposure to Europe but a lot of companies who do are losing money and going bust. If you are operating largely in Europe, you have to accept that double digit growth is not something you are going to get unless you are very lucky.”*

A massive concern surrounds the potential breakup of the Euro. *“It would be a risk of a totally different order of anything we have seen up to now. This would be so terrible due to the scale, the disruption that it would have, because breaking up a currency is a very difficult thing to do. We’ve already seen a catastrophic impact and double digit drops in GDP of the Greek economy and that’s before them even exiting. I do think that now it is certain that there will be a really serious Euro problem over the next five years and this will be qualitatively different from the last 20 years.”*

*“No-one wants to face up to the macro mess we are in. We need to see ourselves as a group of nations in the EU together who have to take harsh measures. We can’t just think about Britain and put a band aid over Greece and hope all will be alright. Yes there is a currency risk with the Euro but you have to accept if you are going to invest in a country, you are going to take a currency and political risk everywhere. The problem is everyone’s aiming off areas where there is any kind of exposure which drives off growth because they go back home or just keep the cash in the bank. The Americans are pulling their investments back home as they have more faith in their home markets and what you know feels safer.”*

- **SHIFT FROM DEVELOPED TO DEVELOPING MARKETS:** Whilst many supported the view that Europe will not experience long term growth for *“many years to come”* they also recognised the *“exciting growth opportunities that are seen elsewhere in Asia and other developing markets. Plus there is a greater sense of opportunity in North America.”*

*“Somewhere in the world a city of one million people is being built every five days and these people will ride bikes, buy fridges, use roads and bridges. These developing markets may not be consuming in the way mature economies do but the reality is, this is where real growth lies. In Asia, the great*

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*big countries are all growing and are now citing the highest growth rates in trade: intra-Asian trading is showing the strongest growth rates in the world.”*

Many contributors believe we are experiencing a *“shifting business landscape where emerging countries have now outstripped developed markets: **global companies need to reposition their business towards markets where there is growth, which may mean accepting that areas of former strength are now areas of weakness.**”*

*“Some industries are doing particularly well out of emerging market growth. We have shifted from domestic to growth markets, we have reallocated resources, taken advantage of opportunities and have been lucky to have been in the right sector at the right time.”*

Some were more reserved regarding opportunities outside Europe saying that comparatively they were *“only slightly more optimistic about North American growth rates”* or that *“there is a potential risk that emerging markets are slowing and it is quite likely we will not see the same rate of growth as we have done in the last five years.”*

Views differed also on the opportunities in China. *“I am still confident in Chinese growth. The Chinese economy is far more mature than many people give it credit for and it is far more than a manufacturing hub, the Chinese consumers are growing and they are spending and its strength will help withstand some of the difficulties in the Eurozone.”* Others were very sceptical regarding the opportunity to make real money in China, pointing out *“many major businesses are still failing to make any profit at all despite years of heavy investment. There is just not a level playing field in China.”*

Additionally there were concerns for other Asian and African markets:

*“There is unease amongst analysts that other countries in infrastructural development mode may slow and the momentum will fade. I don’t believe these markets will really slow but I accept there is a risk as we are already seeing a slowing of growth in some emerging markets: the question is ‘has it hit the bottom?’”*

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Looking from a global perspective, leaders spoke of the need to be more “*humble*” in terms of their position in the global market as a result of “*aggressive competition from emerging markets. UK and European Boards have had to learn a certain level of humbleness given that we are further down the league table of global economies than we used to be: we are not in the league we were anymore. This is not so much the case in the US which still has huge ability to influence.*”

- **LACK OF AVAILABLE FUNDING:** Due in part to the lack of visibility in future markets, many contributors spoke of their inability as business leaders in securing necessary funding. Several highlighted their concern that “*the cult of equity is dying and needs revising. We need more entrepreneurial businesses listing yet investors will only really come back to equities when there is more certainty and growth.*”

“*There is a real inability of markets to provide funding. The markets are looking to short-term returns and that is an issue for us. Our business is funded by debt and that comes with a risk. Unless you are in a very large business, you need to find new sources of funding and for us this is still uncertain.*”

“*What is the point of being a public company if you can't raise equity? There is no point in having a flotation anymore. The stock market is not doing what it should be, i.e. allowing companies to raise capital. Pension funds should be buying equity like mad but they are being forced to be conservative, buying government debt rather than investing in businesses that can drive growth.*”

Finally, a reflection on the longer term economic context:

“*A decade of 6% inflation above interest rates would go some considerable way to dealing with the deficit both in Europe and the USA. This is the only soft landing which deals with the much needed intergenerational transfer of wealth. Sooner or later interest rates will go up and when they do the current debt held by governments, businesses and consumers will not be sustainable. If there is inflation and growth, then the debt might be manageable but the huge worry is the debts will default before there is sufficient economic recovery.*”

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Equally important as the macro-economic challenges, contributors discussed the key factors which they associated with the “*new normal*” environment they as leaders find themselves operating in today.

## II. CAPITALISM UNDER SCRUTINY

Many contributors referred to an “*increasingly toxic attitude to business in general.*”

*“The broken level of trust between society and business has been around as an issue really since 2008. Business is not respected. The build-up of populist outrage towards some outrageous events in the financial services industry and their excessive remuneration has spread to business at large. There is less belief in capitalism generally. There seems to be a real anti-business sentiment and the relationship between CEOs and the general public has deteriorated quite considerably. There is a problem here as the public essentially is your customer and your employee. As a leader, the reputation of your business generally will have an influence on how it does and it is more difficult for leaders to operate in a testy, unsympathetic environment.”*

However, others felt that the demands on business by society are “*unrealistic and are forcing business to try to live up to ridiculously exacting standards that they can only fail against. The hyperactive media is unhelpful: it is full of noise and it can set a false agenda. Likewise, issues are exacerbated by social media which means messages are spread very quickly and problems worsened.*”

Irrespective as to whether the societal demands are realistic, the view from leaders was that “*this is our new reality and we have to learn to deal with it better. The world has changed dramatically because of transparency which means that everything is now in the public domain.*”

*“Your reputation as a leader and as a business is vital. The public scrutiny is greater than ever before. It feels like there is no pride in industry or business. Trust in business is at an all time low and we have to accept our responsibility to rebuild trust with society.”*

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*“The relationship between society and business has to be fixed by consistency of actions and authentic leaders saying what they really think and doing just that. **We need to increase trust with community and employees by providing ‘authentic leadership’.** Companies should be doing things that enhance their position and which engage employees and the community: you can’t treat CSR as a side activity. We have to move the image of business away from something that is dirty and greedy to one where it is respected as being a wealth engine for the country. Leaders need to understand the changing dynamics and learn to take a lead in changing attitudes.”*

Chairmen spoke of their responsibility to achieve this: *“We need to get how a business operates in society to a good place and this is a key job of Chairmen. Your behaviour and conduct in terms of governance has to link to performance: ethics, values, performance and culture all go hand in hand. **Performance driven, values-led, that’s how we lead our business.**”*

*“You must set the organisation’s social purpose ahead of reward and personal status. **Your values, integrity and professionalism as a Chairman sets the tone for the Board environment and how the business is led.** You have to be much more of a role model than you might have thought you needed to be before now. Setting the right tone about how you do and don’t do business is a very big change. Do the Americans know this yet? I don’t know, the last twenty years the American influence of following the ‘letter of the law’ and not the ‘spirit of the law’ has prevailed.”*

*“A role of the Chairman is to keep a close eye on the management to make sure they are not just paying lip service to the company’s espoused values but that their behaviour is consistent with their message. Very good Chairmen today have something which is almost spiritual. They are not doing it for money or to prove themselves, but they passionately believe they are making a difference and enjoy what they are doing.”*

Likewise, CEOs spoke of their role in changing attitudes towards their organisation, suggesting that *“the next generation of CEOs will need to have a sense that there is a broader purpose of business. As a leader you need to connect to your higher purpose and get your employees to do the*

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same. Money and reward is not at the front of people's minds or shouldn't be: it is management's job to help make that connection. To get how the organisation is viewed externally to a better place, **business leaders must be responsible for doing their own PR.** The business community needs to do a better job at educating the person in the street about what we do and why it is important. People don't understand we need business to make money, a business creates jobs, pays taxes, produces products and can advance the human condition."

"Business is shy about fighting its PR battles: we're not good at explaining how much businesses contribute to tax revenue, or explaining that the country needs businesses to invest in order to generate growth. We need to do that and eventually the politicians may stop using business as a negative. **It is about the broader contribution we can make to the community not just about hitting the numbers.** Our industry can be a force for good and business needs to look like a contributor and part of society, so that people want to be part of it rather than seeing it as dirty, ripping you off and selfish which leads to people rejecting it. It needs to be the wealth engine of the country so we have to change it. We have a responsibility as leaders to do help get that message across. The problem is companies expect to be beaten up by the press so they are almost weary of trying to do something good. They are reluctant to go on the platform and shout about what they are doing as there is such a degree of cynicism out there: they will get flak whatever they do."

Additionally, leaders warned that the threat to capitalism was also affecting the likelihood of businesses being able to attract the next generation of leaders. "**Leadership of large public companies is becoming a less attractive proposition generally.** CEOs in 5 years time will be thinking, 'who needs this? Why would you work for a listed company in the UK? Why would you put yourself in the firing line of the press and public? I can go into private equity where I can do something I can really get my teeth into, where my remuneration won't be an issue and I'm not living in a goldfish bowl'. The pressure, regulation, disclosure and the media make it unattractive." "I am wary that the pool of next generation leaders will reduce as they observe what's happening from afar and choose not to go there: we will lose top talent to run companies. Social expectations are very high whereas the public's trust in businessmen, bankers and lawyers is at its lowest level."

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*CEOs are built up and then crucified. The environment has become so adverse for those who want to do a good job and there are opportunities elsewhere to earn far greater sums of money at much lower reputational risk. Those who work at the top of the industry will start thinking ‘why would I want to put myself in the situation where I am being stifled by regulation and what I am doing is being scrutinised?’*

*“I think it is going to be more and more difficult to get the right people to take on these jobs. **Of course you will always be able to get people to do it but will you always be able to find the right ones?** Those who are attracted to do the role with the lure of public exposure and compensation won’t necessarily be the right kind of person you want to do it. It could become like politics, with the wrong people being attracted into it and we could end up with poor outcomes.”*

### III. REMUNERATION

Executive compensation was raised frequently during our conversations. Participants spoke about getting the balance right between fairly remunerating individuals who are able to do a job others cannot, whilst ensuring their compensation is not disproportionate to company performance. Many also commented on the extent to which the dialogue around remuneration was influenced by public perception and the involvement of third parties with little real understanding or direct involvement in the issue, but equally they recognised the social issues around huge disparity in earnings.

*“The remuneration agenda is a complicated one. On the one hand I think we need to have this debate as logically if everyone pays medium quartile or above it pushes up all pay. **Society will not tolerate people receiving large sums of money for average performance: we have a broken system and Boards need to reset the balance.** People are fed up with excessive remuneration and if Boards don’t address the problem then the public will do it for them. However, if we go to the extreme on this it will deter talented people and what’s most important is having the right person in the role.”*

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*“I feel remuneration in the corporate sector isn’t wrong, but what has happened in financial services has put the whole issue of compensation into disrepute which is unfair. I expect to pay market price for the best people otherwise I would be constrained in building the best team. The benefits of having really capable people in the business far outweigh the benefits of having just good quality people: it may cost more, but it pays dividends in the long run.”*

However, views differed on this: *“I believe it is a lame argument to say the best people won’t keep working in public companies as they feel underpaid. It is evident that running public companies is not where you make the most money. I think it is a morally hollow argument: we have talented people in all walks of life who make decisions on criteria that are far broader than the amount of money they are able to make. The scale and complexity in private companies is very different. I love the fact I’m running a public company and the influence I can have. The real scandal is not that I earn £Xm a year it is that I have to compete with those who aren’t contributing to society, people who are just accruing their own personal wealth.”*

*“The whole issue of remuneration needs much more attention and it is so important to get it right. We need to spend a lot more time thinking and talking about how you handle it. If leaders can demonstrate a clear linkage between performance and pay, you get a very sympathetic hearing but it is a point many bankers don’t get.”*

Others highlighted the global imbalance in remuneration. *“At the moment if you are mobile and interested in making money you are not coming to the UK, this is not such a big problem for the US where, although the days of the \$100m package are over, they don’t mind rewarding people.”*

*“Reward is a big issue for big businesses like ours which are headquartered in Europe but have divisions in economies like Australia, China and Brazil which are doing really well. These divisions are growing, profits are booming and they expect to be rewarded but the environment in the UK and Europe won’t allow it: the feeling is that you can’t reward people.”*

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Many participants spoke of the influence of third parties in the discussion around remuneration: *“The whole debate on executive pay is entirely counter-productive. It is a rare talent to create wealth for shareholders and there is difficulty in rewarding people in a global environment without kowtowing to public opinion. Sentiment against wealth creation is a huge concern and the disgraceful behaviour of Government and the media talking about people’s salaries is unhelpful. The problem is the discussion is interrupted by people who have no locus in the debate yet involve themselves in it and that, apart from those on the Remuneration Committees, people have little understanding of how the whole process on Remuneration Committees really works. The outside sees it so differently from anyone that sits on a reasonably sensibly functioning Board, in truth there is a vanishingly small number of cases where things are done badly.”*

#### IV. RISK AVERSION

Many contributors spoke about increasing numbers of business leaders taking a risk averse stance to investment for the future. *“When times are tough, people are much more risk averse and careful with cash. ‘If you can’t prove it, let’s not do it’. This all creates a risk averse mentality which is detrimental to business as we need to keep growing. Confidence is not high so people start retrenching and become inwardly focused: Europe is still in semi free-fall so you hold back. It is the same for the US and other developed markets.”*

*“The problem for leaders at present is that they have to take commercial risk against a very difficult external environment. But we have to have a sense of proportion, we have all lived through cycles and we have to view the economic climate as an opportunity not a risk. Lacking ambition is a big barrier to effective leadership and I think it is symptomatic of our time. **Leadership is about managing the downside as much as capturing the upside** and you can’t do this if you are too cautious and don’t take advantage of the opportunities which are there. You must be ready for the upside when it comes otherwise you will miss the boat.”*

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*“Companies are taking fewer risks and there is real attention to detail on the balance sheet: its ‘risk off’. This is not the way it has been over the last 15 to 20 years and this is not the way wealth is created, people don’t want to take any risks and that is what has changed. It cramps entrepreneurship in large companies and what this is doing is forcing companies to act as bureaucrats, protecting what they’ve got rather than moving forward.”*

CEOs stressed their concern over increasing risk aversion and said that they have a duty to “introduce a risk-embracing mindset to the Board and organisation. It is about taking the opportunities, looking for alliances and partnerships, seeking out non-organic expansion and designing strategies in which you have assessed the risks but not avoided them all together. We need to break out of conservative short-termism in the business. You can’t be too risk averse, especially given that decision making cycles are getting shorter and you will have to rely on less information to make decisions. **Now it seems there is an unwillingness to be vulnerable. You have to identify the risks then manage them rather than avoid them altogether.”**

CFOs commented on the role they take in navigating through the risks surrounding a business. *“It is vital to have CFOs that support and understand the business and can help identify, quantify and mitigate risks rather than avoid them all together. The financial crisis pushed risk management higher up everyone’s priority lists and the role of the finance function was to be more prudent with cash, more careful on the finances, you were really looking at costs and avoiding taking on real new investment programmes. **However, the CFO must be there to enable an organisation to live with risk and uncertainty. They must rise above the detail and empower the CEO and the company.** There is a level of short-termism and knee-jerk response in markets which distract leadership teams from their greater purpose of creating long-term shareholder value. The CFO must get beyond that to counteract the short-termism and drive the organisation towards being a growth case.”*

*“Naturally the environment we are in drives risk aversion. The problem is people will go with what is safer rather than going for a maverick that just might work. The risk is if it doesn’t of course, people go mad. It creates a vicious cycle of risk aversion which is a huge shame.”*

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Similarly Chairmen elaborated on managing risk in their businesses. *“You have to be prepared for uncertainty and not get bogged down. Good leaders will need to be able to drive the business forward, **Chairmen must look forward and up and act as a catalyst for bold decision making.** Boards are too much the voice of caution. The mistake has been to become very worried and focus purely on risk management, rather than think about what is really happening and what really could throw us off track. Identifying these risks ensures the Board are collectively in a frame of mind to think about how you would handle a difficult situation, or be on alert for major issues rather than holding the organisation back.”*

However, leaders were keen to express the *“balance that must be struck regarding risk. You may need to take more risk to recapture some of the losses on diminishing returns of investment, however this must be done in the shareholders’ best interest. Like everything in life running a business is full of trade-offs: you must be in a position to capitalise on opportunities yet also be slightly conservative with your aspirations.”*

## V. INCREASING REGULATION AND POLITICAL INTERFERENCE

Many contributors raised the issue of regulation and political interference as a growing factor in the current environment and the predominant view was that *“by and large governance to date had been a force for good but going forward, the further you push it, the more bonkers it is becoming.”*

Participants were keen to acknowledge the principle of regulation in order to *“create a level playing field in the interest of consumers and businesses. Clear regulation and compliance is important: it is difficult to be critical about the need for better regulation when you look at the banks!”*

A few contributors didn’t consider regulation a barrier to effective leadership saying that *“although we can’t control regulation we can influence it. We’re not just bobbing away on a sea of*

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*regulation, we can manage it. We just have to be smarter and more elegant with our strategy. I don't buy into the belief regulation is going to be particularly damaging for us."*

However, the vast majority believe *"it has actually got to a situation where the governance which used to improve Board effectiveness is actually now endangering Board effectiveness. The increased volume of regulation is intrusive and distracting. Governments are doing all that they can at the moment to tie business up in knots and that adds complexity. Increased regulation is never a good thing. It creates artificial barriers and makes unfair competition for the rest. I am not a believer of increased regulation: I am a believer in regulators envisaging industry as one in which active competition is a huge benefit for customers. **In 90% of cases regulation does not need to be increased.** Increased regulation is worrying, it kills creativity and limits growth. It should be understood that the needs of the consumer are best served by allowing companies to compete with each other. Best companies rise to the top through best products and services."*

*"There are petty and unnecessary governance rules and there should be a focus on the 10% that absolutely need to be implemented. **Heavy regulation is becoming an increasing burden and it stifles entrepreneurial thinking.** If you have compliance, it has to be consistent and everyone needs to be behind it."*

In particular, contributors highlighted their concern that local regulation disadvantages businesses operating on a global scale. *"The playing field is not level in different markets and this can paralyse businesses moving goods internationally. As a multinational company, we have lots of nationalities who themselves are not bound by the same rules therefore they just cannot understand our laws and constraints. If you compete in one country only then it is a level playing field for all companies but for global corporations it is very different."*

Business leaders were also anxious about what they perceived as a *"disconnect between Government and business"* when it comes to drawing up regulation. *"Government isn't regulating in a thoughtful way and their policies are not joined up. **Politicians are not pro-business:***

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**Government creates conflicting policy initiatives and interferes too much in regulation.** *Too much of what they do is whimsical, sound-bite stuff where actions are politically motivated and short-termist rather than in the interest of moving the system to a better place. There are huge regulatory issues that need to be dealt with to give stability and clarity on regulation but we have a distinct absence of political leadership to deal with it. In Europe we really are waiting to see if the politicians will realise that the growth of the private sector is the only way to drive growth for the Eurozone. Less political interference and better and clearer regulations is a big issue for us.”*

The importance of having constructive relationships between business leaders and Government in order to influence policy areas was also highlighted. *“Managing politics is really important and I see real naivety in some of the new generation of leaders in building relationships with governments. You need an understanding of the political issues and you need to keep up with the pace of change and you get this from engaging with the politicians.”*

In the context of how changes in the regulatory environment will effect the next generation, contributors felt **“increased regulation will call for those with a greater understanding of governance and better clarity on the regulatory framework.** *It will be more challenging and leaders will have to have appropriate skills around compliance and ethics.”*

Some argued that *“the next generation of leaders will have to be much ‘greyer’ as a result, focusing on operating within the increasingly complex regulatory framework rather than challenging the management and taking risks.”* However others stressed *“the new leaders have grown up in a more mature governance environment therefore they will have a more natural appreciation for good governance and its benefits. The older generation helped build it, the newer generation will need to be able to operate in it rather than install it.”*

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## VI. EVOLVING TECHNOLOGY

The final trend business leaders highlighted was that of technology, *“it is essential to make the right bets on technology.”* Although many recognised *“it is something which has been around for some time”* rather than a new phenomena, the majority of leaders were clear their **“success in part will depend on how well we use and embrace the multi-channel and digital world.”**

*“Technology is a disruption which is sometimes good and sometimes bad. It has been around for a while and we are dealing with it but the pace in which technology evolves means it will continue to be a big thing for us as business leaders. On one hand there are huge opportunities to be had: technology improvements can help us bring better service to our customers, connect with our employees and liberate costs. However most of us are struggling to cope with the complexity of technology and digital media.”*

*“You must not be sentimental in allocating resources to understand what digitalisation can do for your business: be innovative and review it regularly, because the pace of technology development is so fast and so uneven across markets. You need to know what you are investing in today as some innovations are going to be ground breaking and some will be obsolete.”*

*“We are trying to figure out what the changing digital world means for our business: how should we address the risks and opportunities of the web? How do we transform the business? Some companies are really using the whole revolution to drive their business and the risk is that it has swept past us. You need to take a measured view on how to respond but you can’t wait too long to figure out what digitalisation really means for your business.”*

**“Inevitably the next generation will be a web savvy generation: they’ll have grown up with social media and will know what it means to operate within a changing digital world. Technological literacy will be increasingly important and leaders will have to embrace digitalisation otherwise they may find themselves rapidly outdated. The trouble is sharing that understanding when almost everyone sitting on the Board is over 50 and most are over 60!”**

One CEO added that *“technology has increased the demands on CEOs as now you are expected to*

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*be constantly available. In the old days you went on holidays and called in a couple of times whereas now a holiday means dividing your time between home and business. Technology encourages CEOs to have more direct interaction with the organisation and this changes the way they are viewed and expected to interface with the business and the outside world. Technology in the future will take it even further along this line and CEOs going forward will need a much greater familiarity with technology and social media.”*

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## 5. LESSONS FOR LEADERS

The previous pages reflect the perceptions business leaders have of the “*new normal*” which exists today. However, many of the comments made stressed that what was more important than the environment itself, was how leaders choose to lead in the new normal and that this makes the difference as to whether they, and their organisations, are the winners or the losers.

The subsequent pages capture what contributors viewed as the vital characteristics for successful leaders. Many of the following comments were made by contributors who stressed that “*given the situational nature of leadership, the weight given to certain characteristics will change depending on circumstance. Businesses have life cycles and benefit from different leadership at different times*”

### I. ENFORCE “VALUES-LED LEADERSHIP”

A key theme stressed by the contributors was the very significant change in the type of leadership style needed today. Many participants embraced “*values-led leadership*” based on integrity, ethics and values. However, they did not mean moving the focus away from achieving business objectives, but that leadership must be “***performance and values driven with equal weight.***” Countless individuals spoke of the increasing need to “*strengthen behavioural scrutiny*” when considering who organisations want to be their next leader, arguing that “*having the right behaviour, character values and upholding the organisation’s social purpose will be equally important as someone having the right experience.*”

“*The ‘CEO is king’ is not a model that works in society anymore. People aren’t looking for ‘hero CEOs’ who employ a ‘Rambo’ style management and run the business in a command and control way. This won’t work now. It is about leadership, not management, and companies must not confuse that. Leaders will now need to be of a different breed, they have to be more thoughtful and considered. The older leaders got performance through structure, hard objectives and systems: there was solid plumbing and a lot of maintenance. The new generation of leader is an informal networker and unflashy. They are the quintessential self-help, unassuming, more collegiate and less authoritarian.*”

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*“The organisation’s social purpose, its culture, ethics and integrity are going to become more important and leaders will have to make clear statements on what their company stands for and live and die by them. Leaders will have to work to attract those who uphold those values and align the new generation to them: stand firm on what you believe is right for the society we live in and put this ahead of reward, status and personal riches.”*

*“Social responsibility and values-led leadership will demand a new business education. I think there will be a premium on demonstrably ethical, decent and upright leadership rather than just clever and quick leaders. Business is under the cosh and will be for the next five to ten years so the leaders of tomorrow may be less exciting.”*

*“As leaders you have to use judgement to consider the values of those you attract. It is the balance of **EQ as much as IQ, personal characteristics and not just competencies, influence not power.** It is about having a leader who is there to serve the business and not themselves. A leader who can get people to work alongside them and enable them to serve the organisation’s purpose rather than their own: **a model of servant leadership.**”*

Many Chairmen also maintained the importance of “values-led” leadership. *“The role of the Chairman requires a huge amount of emotional intelligence because of the balance of relationships that need to be struck with the Board. **Being a great Chairman is an artform, it is a question of feel, about having the ability to read the room.** The next generation of Chairmen and Board members will be more attuned to the notion of culture and behaviour in the Boardroom rather than simply results. They will be more confident with challenge and genuine discussion in the spirit of constructive support. They must have the right sense of purpose and values and project these when connecting with shareholders, the public, the media and the organisation: they must drive the social purpose of the organisation and create a sense of corporate loyalty.”*

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## II. NURTURE RELATIONSHIPS

*“In a volatile world you need to be even more connected with customers, suppliers, employees and businesses in parallel companies: you need those solid relationships when the weather gets choppier. **I think companies would do better if they recognised the stakeholder model, not just the shareholder model.** Companies must have leaders who get out there and engage with all the other constituents that are affected by the company’s activities, be they the customers, the community, the media, the Government or the shareholders. It is important to build strategic relationships so these people aren’t shocked by what happens and they remain advocates. Leaders must be ready to deal with a more demanding, inquisitive and challenging stakeholder base.”*

*“You have to be devoted to building alliances and partnerships throughout the value chain. We, actively seek partnerships across the spectrum, from major customers and distributors to small local ones. You have to recognise that your business is not separate from society but embedded in it and in doing so acknowledge that in order to find long-term solutions to some issues you will need to partner with governments, NGOs, society and others.”*

*“Through relationships a great leader can earn the trust of their stakeholders and demonstrate how their business benefits society. Doing this is essential: it is why your customers buy from you, why a company will partner with you, why employees spend their lives with you and why shareholders buy shares in your company. A leader cannot overlook the importance of building these connections.”*

The importance of building strategic commercial relationships was seen to be growing, *“there is a need to look for alliances, partnerships and JVs that bring pace and agility to our participation in the market. In that way we can be a shaper in our sector rather than just an element of it.”*

Also front of mind for many of our contributors was the need to have effective trilateral relationships between the Chairman, CEO and CFO. *“**The triangle between the Chairman, CEO and CFO is vital** and each must complement each other and play the right role to ensure the relationship between the three is optimal. You need to build relationships based on **mutual respect and partnership**, and get the right balance between being close yet understanding the relative*

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seniority: it is not about being friends but having the right professional rapport.”

“The Chairman and CEO should stand shoulder to shoulder. They shouldn’t be friends but they should have a mutual respect. They should have full faith and trust and should be able to ask each other for help without thinking. It is part of the Chairman’s role to partner the CEO, to be a shoulder to cry on, to challenge, to be the debating partner, make introductions and connections and be totally committed. **They must not be two buddies but two professionals who respect each other.** The Chairman needs to support the CEO and the Executive Team to execute the strategy by creating the environment within which it can happen. The CEO has to be in control to get everyone aligned and manage the business, but it is for the Chairman, with the Board, to oversee that the leadership is competent to deal with whatever the business is facing and act very quickly if it is not. The Chairman has to be close and supportive to the CEO, but must have the personality and the presence to establish that relationship of relative seniority.”

“**The best CFOs have very good working relationships with their CEOs and have the ability to business partner the CEO, to be the trusted advisor, the voice of reason and the realist.** It must be a real partnership. The current generation of CFOs are expected to be increasingly engaged and active participants in key decision making, offering a wider contribution than just the financials. The CEO and CFO must be sparring partners and the CFO must be willing to say no if they need to: stand firm and be the conscience of the organisation. The CFO must have strong influencing skills, be a strong strategist and have probity: they must be entirely trustworthy in the eyes of the organisation and the shareholders. The CFO must complement rather than compete with the CEO and empower them to succeed.”

However a contributor raised the argument this is not always possible if the finance function is not taken seriously within the organisation. “It depends on whether finance is considered a real business partner or a necessary evil. Finance, like other functions, tends to be regarded as distinct and ‘get back in your box’, so you have to really earn your seat at the table.”

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### III. BE FEARLESS IN BUILDING TEAMS

Many believed great leaders are those who have the courage to build and develop the best teams around them and recognise and act accordingly if the people need to change.

*“It is about being surrounded by good people so the bench strength is there for the organisation to be able to deal with more and more complex problems. You are only as good as the people around you. **It is vital no one is indispensable and everyone is accountable.** As a leader you need the courage to acknowledge there may perhaps be better people than you who can do the job. You need the honesty to do that.”*

*“As your business moves into different phases, you have to have people who meet the changing needs of your organisation. Be open to churn to achieve this and to keep the team fresh.”*

Chairmen highlighted the importance of being supported by a strong and cohesive Board:

*“It is about being surrounded by high quality and diverse Board members and not being threatened by views from different people. You need to ensure you have the right calibre of people around a Board table rather than simply give in to pressure to conform to quotas of gender or other diversity. Chairmen must be reaching out to people based on much broader criteria who together offer a real plurality of perspective.”*

The quality of the Executive Team is absolutely critical. *“Getting the right people and getting them to work together is crucial and takes 25-30% of my time. You need to pick people religiously well and don’t take any compromises on the leadership team. I have to admit I am nothing without my team. I need a solid team that can interpret my thoughts in an efficient and transparent way, so I can stand back and let them get on with it.”*

Numerous CEOs and CFOs spoke of the need to be **“fearless towards delegation to develop the right team and optimise the value members bring.** You need to have the ability to trust and empower and allow others to take a huge degree of responsibility: this has to be the most effective form of leadership.”

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## IV. OVER-COMMUNICATE

Whilst effective communication has always been viewed as a vital skill of successful leaders, many stressed that the need for improved internal and external communication has increased recently as a critical factor in driving organisations forward, especially when they are operating in uncertain and evolving circumstances. Furthermore, given the increasing degree of transparency in today's environment, the need for more open and honest communication was also seen as crucial.

*“Great CEOs must be able to communicate internally and externally in a way which is authentic, charismatic and effective. We’re talking about being on the ground and providing physical communication to engage the organisation’s workforce and lead them towards the future. They have to tell the story, get everybody lined up otherwise there is so much rumour, suspicion and fear. How you communicate with all the stakeholders is vital, you must be clear on what you are trying to achieve so that they understand where you are coming from and where you are heading.”*

*“**The CEO has to be the champion for the organisation: they have to create a vision and communicate and enthuse people towards that vision.** The guys I’ve admired have been able to translate ideas in a very simple way and secure people’s confidence.”*

*“In times of volatility employees are bombarded with information, the CEO must be able to think clearly to recognise the challenges associated with changing circumstances and cascade this message through the organisation. To manage successfully in a low growth environment, it is critical for CEOs to keep their people focused and their morale high. You need great leaders who can motivate people through difficult times by encouraging them to think outside the box: the CEO must lead by example and find creative ways to deal with issues. **The people must feel there is someone in the captain’s seat who knows what to do.**”*

*“In difficult times it is much harder to inspire people towards a vision yet change can only happen if the whole organisation is with you. You need to have clear and consistent communication, clarity of direction, and the ability to keep your head up and bring people with you to get them to deliver.*

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*To engage people with lasting change you must communicate the root of the problem that needs to be solved, otherwise they get preoccupied with putting the fire out rather than thinking about why it was burning in the first place.”*

More open external communication was also seen as crucial. *“Everything these days is seized upon and exaggerated, there is a heightened focus on what happens in business and what attracts commentary: you have to accept that transparency and learn very quickly how to deal with it. **As a leader, you can no longer keep things quiet for the time being just because it suits you to do so, instead you have to be proactive and communicate what is going on.** It is not because you were previously trying to cover things up, it is just that the total transparency and the speed with which you have to react has really changed.”*

*“I think that CFOs have become much more outwardly facing than in the past, so it is vital they are strong communicators: they have to be articulate and persuasive. They must be clear with the Board and Executive Team on what the organisation is able to achieve whilst communicating to the shareholders, the regulators and the City as to what the organisation is trying to achieve. Reputation is crucial and to maintain integrity the CFO must deliver with no surprises. **In times of adversity it is important that the CFO does not disappear into the woodwork: in many ways the CFO is the conscience of the organisation and they have to be seen to retain credibility and stakeholder confidence.**”*

*“**Chairmen have a duty to communicate regularly and openly with the complexity of shareholders.** They must keep the Board up to date with everything that is going on internally within an organisation so that they can pre-empt and communicate any issues to Board members. Their duty is to keep the Board well informed and focused on the most important things and be ready to support management through the big issues.”*

*“The Chairman is expected to be low profile yet act increasingly as an interface with these parties. Through this level of engagement the Chairman can be relied upon to represent fairly the views*

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*of each stakeholder group during Board discussions: the Chairman is responsible for making sure everyone has the opportunity to speak and help the company progress. To get an open and free flow of conversation around the Board table the Chairman must have the communication skills to enable, encourage and sometimes force all those around the Board to make really good contributions.”*

*“Boards are no longer like the past where you were presented with the company strategy and expected to rubber stamp it. Now Chairmen need to incite real discussion around the Board table, they should be provoking an environment which gets everyone thinking outside of the box.”*

## V. LISTEN PROACTIVELY

Communication is not just about transmitting one way. *“Great leadership also requires effective listening to the organisation and to what is going on around it.”*

*“Great leaders must be close enough to the business to really understand it. **You need to get into the underbelly of the organisation no matter how big and listen to what people are telling you.** You have to have real clarity of specific competencies in the company, but also you must probe into the company’s strategy, procedures and policies and ensure they are in line with the company’s goals and are adaptive to market conditions.”*

Equally important is the need to listen externally so that leaders can *“really understand what the environment means for the firm and in particular recognise the threats and opportunities it presents. You need to be very aware of what is going on and keep your ear to the ground to see what is coming. This means awareness of how the company is viewed, how much trust is placed in the brand and the management, understanding the mood in the press and in the political arena and getting a sense of what is required to drive leadership forward.”*

Chairmen talked about how their *“helicopter view of what is going on around the business allows us as a Board to do regular temperature checks of what is happening. Being able to spot which way*

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*the wind is blowing is critical so the Board can feed back to the management and allow them to act quickly if they need to.”*

Additionally, CEOs in particular stressed **“you must be even more connected to customers’ preferences and respond in a rapid way when they change.** *You need this incredible proximity to the consumer base to listen to their changing habits and attitudes and focus on producing the right solutions for them. Never forget the ultimate purpose of a company, you can lose business by going into a shell.”*

**“You need almost obsessive customer intimacy in the current environment.** *Consumer habits are changing: in developing markets customers are embracing global brands whilst retaining their local preferences. In more mature markets, given the rise in unemployment, we are experiencing great falls in consumer confidence and spending. The problem is the perception of the economy is causing a great deal of nervousness amongst consumers. If you still have a job, your net disposable income is still huge, your quality of life is great and there are lots of good things going on. The problem is it doesn’t matter whether nominal market growth is 2% or 4%, the perception is that it is minus 10% and this causes huge uncertainty. Whatever your market place, your organisation must really understand what the consumer wants and deliver on that.”*

## VI. BE AGILE AND INNOVATIVE

Contributors stressed that understanding the business and surrounding environment isn’t enough: leaders also have a duty to adapt with the dynamic external environment.

**“The world is increasingly uncertain and the pace of change very rapid so you need somebody who can evolve with the external environment. You cannot write rules for the world we live in: they are out of date as you as you issue them.”**

Successful leaders must have flexibility in their outlook to allow for changes in the short-term whilst keeping an eye fixed on the long-term. *“After two recessions in the last period it is very*

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*important to step back and reflect on the business to reassess what the real risks and opportunities are and to reshape the strategy if you need to. I consistently have to juggle with getting the right balance of short-term performance and long-term return: it is about focusing on delivering results now but not losing sight of creating value in the long run. You have to keep your business machine capable of responding to growth by making it lean and ready to react.”*

*“It is about having the agility to read the situation and accept that plan B may become plan A: you may need to reshape the business model or find new profitable revenue streams. **You must have contingencies. You adapt and redesign the core strategy and then focus relentlessly on implementing it.** You must continue to self help, rather than rely on external factors or coast along with the market.”*

CEOs highlighted the role they play in keeping the organisation agile. *“A great CEO has a level of opportunism: when your competitors are down or the environment is tough you can make strides. People don’t naturally think big or look up, they are more task-orientated, so it falls to the CEO to do that. They can manage through the good and bad times by having a flexibility in their response and being willing to change their mind.”*

*“A CEO will need to have a flexible mindset on how the strategy is executed whilst keeping a focus and consistency on the longer term view. You have got to have clarity around which are the big calls and stick to them, that way the CEO can take the organisation forward towards tomorrow’s world rather than getting stuck in yesterday’s.”*

*“Businesses have changed and there has been an enormous evolution in what consumers demand from a product. If leaders do not now reinvent themselves and their businesses then someone else will do it for them. **The CEO’s job is to look forward, be more responsive to ideas from the market place and ensure continuous innovation and product development.** As leaders we must be innovative on how we maximise value.”*

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Innovation was cited by many as essential for growth. “We have gone through a period of global consolidation but by definition this can’t happen again. **There will be less M&A, and in its place there will be much greater growth from organic assets which will revive a huge level of innovation.** Running a truly innovative company is very difficult, especially in a big company which has grown through M&A and must convert to innovation.”

CFOs are crucial partners to CEOs in helping the organisation find new avenues for growth. “A successful CFO is one who enables the organisation to grow, react, adapt and remain flexible. One who enables the organisation to become a growth case: to weather the storms and lead the path ahead of others. The CFO must read the risks and opportunities and give the business the agility to respond, they will need to have positioned their organisation to take advantage of the shifting dynamic of the market place. **The CFO cannot be a super tanker which takes ages to turn.**”

“I am happy as the CFO that our organisation is deliberately not 100% efficient, we have inherent inefficiencies so that we are still able to be agile. If we hit a big bump on the road then we have the flexibility in the system and can apply it when needs be. If you are a very efficient company today then you are sailing very close to the wind.”

“Unpredictability of the future and volatility is going to remain very high and this is a challenge for CFOs who have been working in a stable environment: **predictability is now a dead god.** You need to have the flexibility to adapt in an environment which is difficult to predict. It is almost an ability to read the future: it is an art form.”

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## VII. KEEP CALM AND CARRY ON

A reoccurring theme leaders stressed was that although having the ability to lead change is vital, change must be made decisively, intelligently and, importantly, calmly and different leaders placed different emphasis on these three elements.

*“Speed of decision making is crucial: in tougher times you need to be much more incisive. You have to be able to make judgement calls and live with those decisions rather than worry about them. If you sit on a fence, you will be forced to make a decision rather than choosing to make it. Risky decisions are harder to take when the environment is hostile and you just seek to survive but you must have the courage to do it.”*

*“As a CEO you need to make the tough decisions, be nimble and aggressive and accept that you will make the odd mistake. **Too many of our managers are too sophisticated and measured and I say to them ‘be less intelligent and just bloody well do it!’** You must have a risk embracing mindset so you can capture the upside and inspire your teams to do the same. Likewise, CFOs must have the nerve to give the organisation the confidence to pursue a good idea and not kill it.”*

However, some felt there was a danger in acting too quickly without proper thought.

*“Sometimes people are too eager to act whereas **I am a great believer in the idea that it is the things you don’t do that mark your time in leadership.** As a leader you can pretty much do anything you want but this unfettered power can lead to terrible things for organisations if you do the wrong thing. I think it is the things you don’t do, especially against the grain of what others are persuading you to do, that make a difference and in years to come people will reflect on this time and say ‘I’m really glad we didn’t do that.’”*

*“There is a risk as a Chairman of **reacting too much in the short term. If you try to win the day, you lose the year.** The best leaders are consistent: they don’t blow with the wind based on who is asking the question. The best Chairmen are very strong where they stand.”*

Lastly, the manner in which decisions are taken was seen as equally important: *“The main thing is*

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*you have got to be steadfast, resolute, objective and calm. There is a sense that we are going through very difficult times and you have to keep your head and a sense of perspective. **When there is volatility in the market, pressure coming at you from left and right and multiple external issues to consider, you mustn't panic: you have to keep your cool and look outwards and upwards.** As a leader you can provide stability by maintaining a sense of proportion and having the courage to see it through your way. **Manage the crisis by making it not a crisis.**"*

*"Chairmen and CEOs in particular are the public face of their businesses: they can't be too emotional, they must keep a steady hand to keep people's spirits up. They need to give off an air of certainty and confidence and, even if they are forced to admit that they don't always know the answers, they maintain their resolve to find a way forward."*

*"Fortitude and resilience is fundamental in this current environment, it is vital to keep the organisation focused on a clear north rather than being buffered by pressure to react. You must be incredibly comfortable in your own skin and not get distracted or lose your nerve."*

## VIII. WELCOME THE BATTLE SCARS

Great leaders seek the opportunities to expose themselves to a wealth of experiences, and as such, benefit from being real "citizens of life." A breadth of experience was believed to be of particular value in uncertain times.

*"Some of the qualities a leader needs they are born with, these are the softer skills, but others must be honed through experience. **It really helps to have been through tough times: you have to have got the cuts and bruises, it sets you ahead of others. You learn from example and from experience: the great leaders are those who have had hairy moments and emerged stronger.**"*

*"Really good Chairmen bring different experiences and come from a broader background. If they are seasoned they are equipped for when things go wrong, they have the historical context and*

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*appreciate the bad times won't last forever, it is just a question of managing through. Chairmen who were former CEOs have had the experience of running large organisations and understand what questions to ask."*

Likewise, an overwhelming theme supported by many was that as the world becomes "a smaller place and boundaries open up further" the great leaders of the future will have exposed themselves to different geographies, industries and organisations. *"Inevitably as the world becomes more global, leaders will have to be more rounded, have worked in at least two sectors and have a wealth of international exposure. Leaders will have to have a very finely tuned appreciation of the global market place as these days you really, really need to think global to optimise profits."*

***"Someone who has breadth of experience, who has been exposed to different contexts, environments and challenges can offer that plurality of perspective and contribute something different."***

*"There is an advantage in being a generalist and not getting siloed too early in your career: having a wide range of experience and having lived in different countries gives you invaluable insight and allows you to adopt a more global outlook. Previously, managers would have moved around those great conglomerates to diversify their experience, but they are diminishing and now leaders coming through are more likely to have moved between different businesses."*

Views differed on the need for Chairmen and CEOs to have diverse sector expertise: *"People make too much of moving sectors, the bottom-line really is having the best leader who understands the market, has the financial, customer, brand and communications skills and this may mean they have stayed largely in one sector. You need people with a real understanding of the industry: that doesn't necessarily mean deep experience but you need to be close enough to understand what works in that sector, the life cycles and the consumer behaviour. You need to have an affinity with the industry and that is true for Chairmen and CEOs alike."*

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*“In specialised industries like financial services you need specialists. You can get away with it in the good times but you really struggle in the tough times.”*

For CEOs, the argument was made that operational experience in addition to technical or sector expertise was necessary. *“There is a premium on operational capability. CEOs generally need to have been multi-exposure general managers who are really strong on people, customer and product.”* Others felt this was not essential, *“Successful CEOs can come up the finance route, especially given that finance is taking more of a front seat, but they would need to have been very strategic CFOs and be able to translate from the technical in addition to having the necessary people skills.”*

More generally contributors saw the evolving nature of the CFO role and the importance for Finance Directors to seek operational experience. *“A few years ago the ability to manage the finances and having technical financial skills was uppermost. It was all about debt refinancing, leveraging and de-risking the balance sheet. More recently, CFOs have been expected to be actively contributing to driving the business forward, engaging in strategic decisions and being commercially involved with the CEO. **For CFOs it is about being a business leader first and a functional leader second.**”*

However many CFOs were also keen to emphasise you must not overlook fundamental technical ability particularly at the current time. *“A series of events recently has put the focus back on CFOs executing their primary role in terms of meeting regulatory requirements consistently and reliably delivering on the numbers and creating value for shareholders. **The world is getting increasingly complex, but you can't overlook the importance of getting the basics right.** Good CFOs will try to take the complexity out and drive simple decisions and agendas through. If you try and make things too convoluted you may end up getting them wrong. Saying that, I don't believe things have swung back all the way, **CFOs are far more than just bean counters but going forward it will be about Boards striking a balance between the CFO doing their day job consistently in terms of the numbers as well as being a business partner to the CEO on strategy.**”*

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## IX. BE RESILIENT, COMMITTED AND RELENTLESS

Many participants shared the view that there may not be anything extraordinary in what great leaders do, it is simply that they do it with more energy, more commitment and more focus.

***“Great leaders are those who are prepared to invest more time, energy and enthusiasm in what they do. They have stamina and passion in spades and are willing to raise their game to consistently deliver above the rest.”***

*“The scrutiny is ever greater and the hours are ever longer yet they commit with ever greater investment and resilience. Really great leaders are obsessed with getting things done.”*

*“It is a very big privilege to do a job like this. It requires commitment, for me you almost give up yourself. You can only be a great CEO if you are selfless. You focus on the company: my individual success got me to here but now it is about the company.”*

One CFO added: “My generation lived with the post Big Bang growth and expansion where it was all M&A and transactions. I suspect that the new generation will be learning what it is like to live through tough times where there are few opportunities. **The talented will find it harder to get to the top because there are fewer opportunities, therefore those that make it will be more resilient and more able to deal with tough issues.** The agenda going forward will be a lot tougher and people will have a more deliberate view of the world.”

Resilience is a pre-requisite for today’s CEOs, **“the 24 hour pressure is one of the biggest challenges for a CEO, having an ability to sleep on planes and read in cars helps!”**

*“Leaders need to be physically as well as mentally fit to operate in the world today where everything is faster and the volume of information has increased hugely and is much more complex. **Life will not get any easier and leaders will need to be comfortable working in an even faster moving environment: they will need more courage and more endurance and be able to prioritise.** It is quite likely therefore new leaders coming forward will be younger and maybe do the role for fewer years and move on.”*

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Strong leaders do not allow themselves to accept the status quo and are prepared to ask the tough questions. *“You need to have a culture that is open, curious and wanting to always get better. CEOs must have an enquiring mind, they need to be good at asking the questions the business and they themselves probably don’t want to ask: they must have the courage and the persistence to do that.”* ***“Leaders must constantly challenge the accepted norms and they can never be satisfied with what your business is doing today. If you don’t change at best you will flat line.”***

These attributes are also important for the Board members. ***“You have to have an openness in your thinking: a lack of rigidity. If you are set in your ways, you are less likely to be challenging. You don’t want a narrow range of debate in the Boardroom because you might miss something: a risk or an opportunity. Boards must have people who can make a real contribution: they challenge the managers, ask the tough questions and stimulate real discussion. The danger is that people think it hasn’t happened, so it won’t happen whereas what we have learnt in the last few years is that astonishing things can happen and do happen on a regular basis!”***

For Chairmen in particular, being able to strike the right balance between being proactive and relentless whilst stepping back and allowing the organisation to function without meddling in the business was seen as being crucial. *“The Chairman is there to provide leadership and although they have lots of power they must be selective on how and when they use it. They must be effective and influential enough to take the wheel if they need to yet when the business is going well and you are riding a wave the role of the Chairman must be invisible: the Chairman must leave their ego at the door and balance their contribution.”*

***“The role of the Chairman is to be there for people but not be part of the life blood of the decision making. Successful Chairmen must be sufficiently close to understand the business, to be supportive and proactive, put the management under pressure without interfering and getting ‘stuck in the weeds’ of the company. A Chairman must give advice not orders. Not all Chairmen can do this successfully, they have to build a rapport with the CEO which isn’t too close that it is dangerous, and isn’t too distant that it is dangerous. It is a difficult balancing act.”***

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## X. PRIORITISE SUCCESSION PLANNING

Effective succession planning must be *“high enough on the agenda that it is deeply routed throughout the organisation across a broad range of functional areas and not just isolated to CEO succession.”*

*“There is not much doubt that if you have failed to put in place a great successor you have failed in one of your biggest responsibilities as a CEO or a Chairman.”*

***“You need to be planned and methodical about succession planning so that it is a systematic process. Really you should start before you think you should rather than wait until you are near the edge of the precipice. You need clarity on what succession needs to happen when so it takes place as a managed, seamless process. You need to be long-sighted in order to know well in advance if there is more than one move that you have to make, for example the Chairman and CEO, and then manage around this to ensure they are not co-terminus. Having the long-term perspective allows sufficient time should you need to go externally to fill the position.”***

Once the timeframe for succession has been decided, the majority of contributors expressed the need for *“clear and honest communication to engage the Board so that they have understood the medium and long term strategy.”*

Open discussion was advocated in relation to CEO succession in particular by many of the participants. *“I definitely think Boards should really talk about succession planning in a very open way. You must take the emotion out of it. Some Chairman would say ‘I couldn’t possibly ask my CEO’ whereas I think it is the first thing you should talk about with your CEO. If as a Chairman you can’t talk to your CEO about succession, then you can’t have a good relationship with them.”*

However, views differed on this point with some participants recognising the difficulty in having open dialogue. *“It can be dangerous within a public company to talk about succession too much: it can cause anxiety amongst shareholders and distract members of the Executive Team.”*

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Another key factor is getting the right “match” not only in terms of skills and experience but also appreciating “*what is at core of people: their ethics and motivations so that you get someone with the right cultural fit. Increasingly there is more emphasis on finding a person who brings the right values and judgement as well as one who ticks all the boxes in terms of experience.*”

The majority of contributors believed you have to ensure you have considered internal and external options. “*It is about balancing a strong desire to fill positions internally with the ability to stay alive to external candidates.*”

**“The task is to find the best person in the world available to you and to do that you must have options.** *It is important to always have strong internal candidates that you can benchmark against strong external candidates. Looking externally allows you to test options outside of your network and your sector.*”

*“In choosing an internal candidate, you appoint someone who knows the company, who is well networked within the company and you know what their weaknesses are. External candidates are more of a risk. If they are not ‘insiders’ they won’t know the business as well or its culture. If you constantly choose to recruit externally, you risk giving the wrong impression to people inside: you must be seen to grow teams internally. A **healthy organisation should be able to grow its own,** I am not a great believer in ‘guru CEOs’ from the outside. In a lot of situations you need someone who is in the loop.”*

On the other hand, many contributors felt that “*one of the advantages of bringing in new people is their fresh eyes, they can see the opportunities that others can’t. In times of an absolute turn around an outsider might be the best solution. A Board might press for quick fix solutions or make an internal appointment when there is no other obvious option, then it becomes an accident rather than a choice.*”

Whilst views differed on this, most agreed that “*you have a duty to be really flexible in your choice and have different reservoirs. This means you have to get to a point where you have several internal*

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*candidates for key executive roles and you are able to benchmark these against external candidates. You need to have several irons in the fire and several dimensions covered to give you options depending on how events unfold.”*

CEOs spoke of ways in which they develop their management teams by “*giving them real exposure and making them performance accountable so that they have demonstrative experience of delivering results in their track record. **Move people around different locations and different roles so that they can experience different environments and challenges.** If they work in a very structured business move them to an area which is more networked, and vice versa. Encourage senior executives to take on a Non-Executive role if this helps broaden their horizon. For great leaders it’s 70% genetic and 30% learnt and CEOs have a responsibility to develop this 30%. **You have to actively invest in their development to give them the maximum chance of succeeding.**”*

*“It is important to see what talent there is by sitting in on leadership meetings and look for those who will be the next business leaders in three to five years. That helps you identify the rising stars. Every Exco we review the top 200 talent so we know the succession planning for all the top roles in three, six and twelve month horizons. We actively review 20 of the top 200 each time. I myself spend 10-15% of my time on talent management and I rely on my HR Director to really drive the process. You have to accept that if you develop people you may lose one or two because they have become attractive to other companies, but it is vital to do it to build a good pipeline and create loyalty.”*

Equally, CFOs spoke of the need to have a “*strong pipeline of identifiable potential successors in whom to invest disproportionately. **They need to have balanced experience and the necessary exposure to all the relevant constituents** for example the Audit Committee, the management team, the Board, the media and the shareholders. This way you can give them the abilities they will need to be a Plc CFO. Being in line finance is not enough. You need to find different ways to challenge them in addition to running the corporate balance sheet. Ensure that you give them a double hat, for example, give the Treasurer a transformational project or make them responsible for careers and*

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*learning. I like to give people within my team the opportunity to do different roles by moving from finance into general management.”*

Conversely, some CFOs took a different view on nurturing successors within the finance team, *“sometimes companies overplay succession. You have to get the balance right between developing your people and having people who are bloody good at the job they are doing now and accepting they shouldn’t go any further. Sometimes you need them to stay where they are: if you try to push them too much you force them to hit the ceiling and they leave.”*

Nurturing teams was also flagged by Chairmen, *“look at the NEDs of today to see the Chairmen of tomorrow. It is important to grow the NEDs who will be Chairmen in the future and intervene where necessary to develop Board members. Also a Chairman should encourage the NEDs to observe meetings and keep the Board informed about talent coming through.”*

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## 6. SEIZING THE OPPORTUNITY

Leaders were clear that the “*new normal*” will be a lot tougher than the old normal and consequently, rather than everyone rising with the tide, it will separate the winners from the losers. *“Tough times provide opportunities for good companies to perform much better. Tough times force us to be more intellectually honest, more focused, more disciplined and humble. **Tough times expose capability, bringing out the best and the worst in leaders.** The weaker can survive in times of plenty but the better leaders get even better as times get harder: they are put under real pressure and they push themselves to do well. There may be attributes that you might not have and not need when things are good and so it isn’t a problem until things get tougher: when you may then fall down. The harder it gets, the more the weak will go to the wall and the strong will get stronger.”*

*“Leaders in peacetime can come from anywhere. But peacetime doesn’t last forever: these people aren’t always equipped for when things go really wrong. You’ve got to be a decision maker who recognizes there are still good opportunities and works hard to find them. You have to be a visible leader who knows how to hold people together when things are not so good, so people believe you are in control and are there to look after them. **The real test is finding a leader who is good in peacetime and in wartime.**”*

Participants felt that the tougher environment will still provide opportunities for great leaders so long as they “*respond to the situation and look for growth opportunities where they lie,*” and, crucially, have luck on their side. “*We can’t dictate the political, social or the macro-economic challenges but we can engage in the environment and seize the opportunities and manage the risks it presents to us. **What is fundamental is how we choose to manage the ups and downs in the world.** I don’t worry about the things I can’t control, it’s just the cards you play. **If you are lucky enough, you may find yourself in the right place, at the right time and that helps no matter who you are.**”*

*“It is a very different world today from three or four years ago. There are lots of opportunities and rather than viewing this moment in time as a period when life is very difficult, my view is that you have to identify the fundamental changes in the market that are really important for the future.*

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*We must accept it is different now, the game has changed and we have to adjust our game to the market.”*

Lastly, our contributors felt that despite the increasingly difficult and complex environment, there will always be those who want to lead and who are willing to put their heads above the parapet in order to do so.

*“The stimulus is that we are able to achieve where others have failed: that is where the excitement and drive is to be a great leader. Leaders are not perfect characters, they are not all-seeing, all-knowing heroes but they are those who have a fantastic ability to identify a new direction, enthuse people that it is really worth pursuing and have the determination to see it through. Have the fundamentals of leadership really changed since Julius Caesar? Not really. You can open up an army manual about leadership and it would say the same things. Good leaders have the qualities in their DNA that they are born with. **Really great leaders portray these core qualities, whilst adapting their leadership relative to that industry or that time in order to grab every opportunity they can.**”*

# About JCA Group

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JCA Group is one of the leading, international headhunting firms specialising in both Executive and Non-Executive Search as well as Board Review.

We are 100% committed to helping clients appoint the best people to the right roles and optimising the performance of their people, as well as providing wise counsel and support to our candidates around the world.

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