

Executive Insights

A CenterStone Executive Search White Paper

Agile Board Leadership for a Tough Economy

Four key qualities make the difference



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Four key qualities make the difference

Of the many factors that have contributed to the survival—or demise—of companies during the past 24 months, none has been more evident than the leadership provided by their boards of directors.

Economic downturns and company downsizing raise serious survival issues for organizations, and the natural tension that once maintained a clear distinction between governance and micro-management blurs in the face of crisis. Engaging and drawing upon directors' management and functional skills is happening more now than ever, emphasizing that a board's agility can differentiate among which companies will move forward and which will flounder.

An agile board of directors can help its company survive a recession by demonstrating that they have:

- **Breadth of knowledge:** Board composition is important today because having representation across major disciplines allows the board to connect the dots cross-functionally, fueling comprehensive decision-making. During a crisis there is little time for a learning curve in finance, such as liquidity risk and debt restructure; new-product innovation, to include re-defining the organization's response to a wholly changed competitive landscape; marketing, with emphasis on the successful features of the core brand and acceleration of new brand extensions; and human resources, with an understanding of reorganization and the change process. Drawing upon ready functional wisdom expedites laser focus in the clutch.
- **Wisdom:** In a crisis, navigating a new kind of relationship with the CEO and executive management team is tantamount to a tugboat guiding a ship through a rocky shoal. It's "all hands on deck," which means that while the board doesn't replace the CEO at the helm, directors do collaborate more

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closely with the CEO to read economic signals, interpret responses and trigger innovation. The most successful companies leverage crisis to break the mold, reinvent themselves and progress with change. Witness the forward momentum of companies large and small over the past 24 months, where directors collaborated more actively with the CEOs as the companies found their way to safer waters. The key is having the wisdom to know when and how to provide expertise that supports CEO leadership—not to trigger a takeover.

- **Courage:** Sustaining and even growing during an economic downturn requires “talent transformation”: shifting roles, removing dead weight and adding responsibility to star executives, while recognizing that this might press the company to its limit. Pulling the right talent levers at the right time takes courage and unusual collaboration with the CEO.
- **Focus:** Companies cannot and should not be sustained by heightened board involvement alone. The CEO must be prepared to effectively lead the company from crisis to equilibrium to growth by capitalizing on a talented and agile board during transition. If a CEO is not up to the task, the board must act by triggering the succession plan, accelerating either the promotion of internal talent or the infusion of external talent. Long-term survival depends upon it.

Boards must be thoughtfully composed, with directors who have the wisdom to provide critical expertise without taking over. They must have the courage to be catalysts for “talent transformation” and be real about the potential necessity to replace a CEO who is not up to the task of leading through a tough economy. This combination will not only reenergize the organization but position it for future success.

Kim Villeneuve is President & CEO of CenterStone Executive Search, a national retained search firm specializing in board and officer placement in the consumer sector. Kim is working toward her doctorate at George Washington University, where her research focus is corporate governance and executive leadership. To learn more about how to leverage your board and executive team through succession planning and search, you can reach Kim at Kim@CenterStoneSearch.com.

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