

M'Poyo Strategy
ADVISORY



On CEO Leadership

The Leadership Balance Sheet of the Purpose-Driven CEO



Inspirations & Challenges for the
Complex Equilibrium Officer

August 16, 2021

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In 2001, in her book *“The Silent Takeover”*, Noreena Hertz highlighted the silent, shadow, behind-the-scenes takeover of the decision-making power by the economic capitalism away from the traditional government and policy-making sphere of influence. Fast forward to 20 years later, the gravity center power shift is not silent anymore. The macroeconomic truth is in plain sight.

In 2020, 41 of the ‘World’s Top 100 Economies’ were companies—up from 38 in 2000 by current GDPⁱ and corporate revenues measuresⁱⁱ—while, at the other end of the spectrum, more than 100 countries fell behind the Fortune Global 500 companies in terms of wealth creation. This global heavyweight trend also plays out regionally. In Africa for instance, expected to be the next growth frontier, corporations accounted for 30% of the 2019 54-strong continental economic rankingⁱⁱⁱ.

In this context, new titles are piling up on CEOs’ business cards. CEOs have become *‘Presidents of The Business Republic’* and the *‘Corporate Purpose Era’* has officialized their appointment as Societal Corporate Strategists aka Purpose-Driven Business Leaders.

This CEO mandate extension raises challenging questions. For example, what strategic purpose should corporations pursue when they are on a value creation par with or ahead of nation-states where they operate? How should corporations

position themselves before governments in terms of delivery of social benefits? How should global industrial federations position themselves vis-à-vis supranational governance institutions?

Consequently, this CEO mandate extension—from strictly business-focused to purpose-driven—calls for a strategic leadership repertoire extension; not to say a requalification of the golden letters of corporate leadership as *Complex Equilibrium Officer*. Simply put, it sheds a new light on the role of the CEO as strategic and societal architect of the firm’s legacy to the world; a role which has become more inspirational—yet more complex—than ever.

Fundamentally, it raises the question of what it takes to be the “Extended CEO of the 21st Century” aka CEO 21.0.

In our view, fulfilling this newly extended role requires CEOs to leverage the inspirational assets at their disposal and overcome the challenging liabilities invariably going hand in hand with these assets. In other words, with nothing less than the corporate world’s legacy at stake, purpose-driven CEOs need to square the assets and liabilities of their personal leadership balance sheet.

Inspirational Assets: CEOs' Strategic Leadership Repertoire

① A DUAL READING GRID FOR A DUAL STRATEGY

Deliver on the promise of strategic purpose requires a bifocal reading grid and a dual course of action to successfully manage the tensions between a firm's societal aspirations and strategic ambitions.

This foundational leadership skill will allow CEOs to both craft strategies benefitting their firms, their industries, their clients, and the wider society, and to orchestrate their firms' stakeholders on the path towards the achievement of their firms' strategic purpose.

② STRATEGIC PURPOSE, THE SOUL OF THE FIRM

By driving the inner transformational growth process leading a firm to own its strategic purpose and to become the ultimate best version of itself, CEOs activate and nurture the soul of the firm.

That process starts with defining the most meaningful and relevant strategic purpose, and articulating it in a strong, compelling, authentic, and inspirational way for all stakeholders. Subsequently, leading the implementation of strategic purpose, CEOs have to make it tangible for employees and empower them to be the

driving force of the firm's strategic purpose.

Altogether, while strategic purpose can be considered the overarching asset of the firm, CEOs have the opportunity to put it to work by leveraging the human capital asset.

③ CORPORATE CULTURE, THE ENABLER OF STRATEGIC PURPOSE

CEOs can leverage four corporate culture dimensions to materialize the firm's strategic purpose throughout the organization and empower employees to be its driving forces.

1. Foster a Leadership Culture embracing change in the light of the transformation the firm may need to achieve its strategic purpose.
2. Establish a High-Performance Culture addressing both economic and societal performance.
3. Instill a Comprehensive Accountability Culture where people are accountable for both results and behaviors embodying the firms' strategic purpose.
4. Empower decision-making alignment with the strategic purpose in all processes.

Challenging Liabilities: CEOs' Trade-Off & Tension Agenda

① THE SCOPE OF THE FIRM VS. THE SCOPE OF SOCIETY

Managing the scope of the firm has never been more challenging. And the magnitude of the challenge is all but declining in complexity with blurring industries boundaries, the rise of business ecosystems, a spectrum of market interactions spanning from ruthless competition to smooth alliance, modular business architectures operating in reconfigured value chains in a global and increasingly more digital world.

So, in this context, how do CEOs define and implement a strategic purpose that simultaneously stays relevant over time to the constantly evolving scope of the firm and to the society at large?

② TIMEFRAME OF BUSINESS RESULTS VS. TIME HORIZON OF SOCIETY CONTRIBUTION

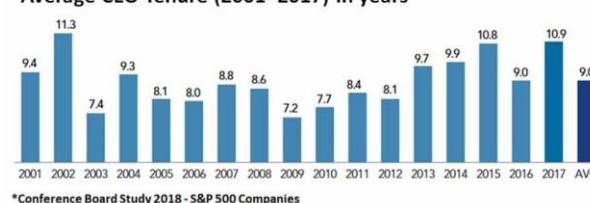
Purpose-driven CEOs' dual reading grid is constantly put to the test in the light of the potential difference in realization time between business results and contribution to society.

How should a CEO prioritize between the milestone of the firm's contribution to a sustainable development goal and the

achievement of a 4-year growth strategy objective?

While business results are shorter-term than those of society contribution, we believe they should come first on the prioritization scale. Not because they are symbolically more important than the firm's longer-term contribution to society but because they provide fuel for it.

Average CEO Tenure (2001–2017) in years*



CEOWorld Magazine, R. Andrade, CEO Tenures are Under Pressure These Days. Want to Know Why? December 10, 2019.

Finally, this tension raises the question of CEOs' tenure and leadership teams' long-term stability. And while all CEOs may not benefit from the 9-year average tenure of S&P 500 CEOs in the 2001–2017 period—as stated by The CEOWorld Magazine in its Conference Board Study 2018, the longer the CEOs' tenure, the better for balancing the firms' societal and strategic priorities. The shorter their tenure, the heavier the tension of differentiated realization times.

③ INTERNAL LEADERSHIP VS. EXTERNAL FOLLOWERSHIP

The involvement of external stakeholders in the implementation of the firm's strategic purpose leaves CEOs with a two-fold challenge.

Firstly, CEOs need to inspire external followership and failing to create that sense of belonging beyond the firm might lead to tensions.

Indeed, the CEO and the leadership team are responsible for the purpose-driven strategy and its underlying strategic purpose. And while empowering internal resources to achieve the firm's ambitions is a natural leadership call, the firm's leadership team may not have the same levers of power and influence to rally resources from external partners to their agenda, regardless of the terms and conditions of their cooperation. Hence, tensions might occur between the firm's internal leadership ambition and external stakeholders' willingness to abide by it.

Second, in a context of value chain spread over companies and geographies, CEOs must ensure the optimal value chain and business architecture to deliver the firm's strategy.

④ THE STRATEGIC PREREQUISITE OF GOVERNANCE ALIGNMENT

Successfully managing the three aforementioned tensions requires a strong strategic alignment between the C-Suite and the Board. Indeed, board members act as co-creators of the firm's strategy by overseeing it and by providing constructive criticism and advice to the executive leadership team responsible for crafting and executing the firm's strategy. Consequently, '*C-Suite/Board*' alignment about the strategic purpose of the firm—and the implementation milestones to achieve it—is paramount.

In essence, the CEO's role in the boardroom, as a natural leadership point of intersection between the C-Suite and the Board is to mastermind—jointly with the Chairman—this fundamental strategic governance alignment as well as the effective leadership team dynamics that goes hand in hand with it. Simply put, the CEO is nothing less than co-owner of the harmonious character of the firm's purpose-driven strategy definition.

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Ultimately, the journey from the early shadow signs of the gravity center power shift to the spotlight of CEOs' purpose-driven mandate extension has been paved with increasingly higher complexity.

Complexity to balance strategic ambitions and societal aspirations; complexity to manage the tension agenda implied by the pursuit of strategic purpose; and finally, the complexity of an ever-expanding, bigger-than-life role for the CEO.

The Leadership Balance Sheet provides purpose-driven CEOs with a framework allowing them to enrich their strategic leadership repertoire, to rise up to the challenge of our times, and to successfully confirm their timeless stature of *Complex Equilibrium Officer*, for the benefit of their firm, their industry, and our society.

To see how we can help you define, articulate, and implement the strategic purpose of your firm, please feel free to contact us: contact@mpoyostrategy.com.

ⁱ Source: World Bank, *World Development Indicators: Current USD GDP, 1960–2020 Raw Data* (Update of July 21, 2021)

ⁱⁱ Source: *Fortune Global 500 Ranking, 2001 and 2021 editions*

ⁱⁱⁱ Source: *JEUNE AFRIQUE*, N° 3101, June 2021, « Les 500 premières entreprises africaines », pp. 172–185 (*The Top 500 African Companies Ranking*)