The Post-Pandemic CEO: Navigating Reputational Risks in a New Era

The current business landscape has been exceptionally turbulent, presenting unprecedented challenges for CEOs across industries. With rapid technological advancements and the lingering impact of the global pandemic, CEOs have faced a tumultuous time navigating their organizations. While some leaders have successfully steered their companies toward new opportunities, others have faltered, leaving a lasting mark on the corporate landscape.

Their stories underscore the importance of ethical business practices, prioritizing employee well-being, and the necessity of thorough planning and testing before launching new products. As some CEOs and organizations have faced significant setbacks, their experiences serve as reminders of the challenges and responsibilities that come with leadership.

In fact, the average CEO tenure has significantly decreased from an average of 12 years to 5-7 years post-pandemic. At Ferguson Partners, our CEO succession team continues to see organizations proactively managing their leadership for the future, many opting to build 5–7-year succession plans.

In the first part of 2023, 106 CEOs retired and 25 stepped down. While specific details regarding these exits are typically undisclosed, it is evident that more CEOs are exiting due to the new pressures of their roles, the relentless pace of change, and, in some cases, their own actions.

Be cognizant of the impact on others and monitor responses

With the accelerated pace of change comes an increased sense of frustration among many C-suite leaders. One of the critical factors for leadership success, as we increasingly emphasize with our clients, is how leaders manage their emotional reactions, impatience, and the pursuit of financial objectives in front of their employees.

Furthermore, the rise of call-out culture, media, and social platforms adds to the challenges faced by leaders. Unlike in the past, CEOs can no longer hide behind closed boardroom doors. Their words and manner of communication are scrutinized publicly. A prime example is MillerKnoll CEO Andi Owen, who learned this the hard way. Her Zoom all-hands call went viral, with her intended message of focusing on collective targets overshadowed by perceived frustration and condescension towards her employees.

Andi's response to her employees' needs on that Zoom call mirrors the fear experienced by many in the workplace. People are concerned that their CEOs perceive their concerns as mere complaints about their jobs. Trust between general populations and their leaders has decreased due to the misalignment of words and actions. Today, there are common beliefs that people are overworked and in some cases undervalued, with issues of pay transparency, equity, and accountability in many organizations.

How could Andi have handled the situation differently? Firstly, leaders often engage with employees immediately after facing challenges, without taking a moment to step back, clear their minds, address their own frustrations, and find a healthy outlet before communicating. Andi's impatience with questions about bonuses got the best of her, derailing her intended message. Instead, she could have coordinated smaller group conversations, actively listening to employees' experiences and concerns, rather than admonishing them. Listening, a powerful but often underutilized leadership characteristic, can have a profound impact.

Furthermore, Andi could have demonstrated how she lives her values. By highlighting examples of kindness and client service within her own organization, she could have reinforced the importance of these behaviors. Sharing stories of successful objective achievement through those behaviors would have reinforced their value. Instead, Andi only reinforced the belief among employees that their leaders have a dual personality.

Consistently align your values with your actions

What does the future hold for leadership and culture in the age of Zoom calls and social media? Behavior and communications must be consistently aligned with stated values and a high degree of self-awareness is necessary.

In our experiences working with leaders from all types and sizes of organizations, we emphasize the value of self-awareness. While many intuitively understand its importance, they may still struggle to achieve it. Some leaders still prioritize getting the job done at any cost, disregarding the toll it takes on employees and the work itself. This outdated approach must be replaced with an understanding of human behavior, which may be the most critical factor in a CEO's success in this new era of work.

Let us consider Howard Schultz, the three-time CEO of coffee giant Starbucks. His reluctance to acknowledge employee efforts and focus on the direct employer-employee relationship, instead of supporting unionization efforts, has garnered criticism. Despite being responsible for significant organizational value and pioneering programs for hourly employees, his Senate testimony and failure to recognize employee contributions may overshadow his legacy.

Another notable example is Gregory Becker of Silicon Valley Bank, who, during Senate testimony, failed to take any responsibility for the downfall of SVB. He assigned blame to everyone involved, including regulators, depositors, media, and his Board of Directors. Leaders who lack ownership, fail to anticipate challenges, and exhibit major blind spots are among the weakest.

Be aware of the shadow you cast on those you lead

It is crucial to keep in mind that a CEO's initial and final six months in their position leave a lasting impact on their legacy. While the specific actions they take may fade from memory, the way they make people feel remains etched in their minds. As leaders, CEOs should acknowledge that their responsibilities go beyond implementing strategies and achieving operational goals. They must also possess an understanding of human behavior and adeptly navigate it, as this is a key factor for success in today's evolving work environment.

To avoid facing similar challenges, we offer several considerations for future leaders in navigating reputational risks:

The nature of the CEO role has changed

- While CEOs are responsible for vision and strategy, the definition of success has evolved. CEOs should focus on technology, environmental, social, and governance (ESG) factors, and talent, particularly understanding the psychology behind motivation. Neglecting these areas can result in low employee morale, high turnover, and diminished productivity.
- CEOs must become agents of change themselves, rather than solely expecting it from their employees. This requires heightened self-awareness and a willingness to trust the people they have hired to lead. Additionally, the accelerated pace of change has also heightened the frequency of crises. CEOs must effectively manage crises and guide their companies through difficult times or risk damage to reputation or loss of market share.
- Overconfidence and arrogance can lead a CEO to underestimate risks, dismiss expert advice, and make impulsive decisions with negative consequences. Keeping one's ego in check remains a challenge for modern-day leaders.

Effective communication is tied to broader purpose, which is supported by organizational integrity

- Building a meaningful and purpose-driven business vision, like brands such as Nike and Patagonia, is infectious. CEOs who fail to identify and harness purpose may find themselves at a competitive disadvantage.
- Language plays a crucial role, and CEOs who intentionally develop a cultural vernacular understand the impact of their communication style. Powerful meanings attached to language promote consistency in action and performance. Moreover, the most effective CEOs understand that listening, rather than merely speaking, can mean the difference between success and failure.
- As Artificial Intelligence (AI) continues to advance, businesses will face ethical dilemmas that extend beyond their employees to impact society. While efforts in diversity, equity, and inclusion (DEI) have already showcased this, CEOs must be prepared to take a stand beyond business performance.

Accelerated performance is contingent upon consistent processes that hold up under pressure

- Quality decision-making stems from a willingness to consider different perspectives, access the best available data, and ensure decisions align with long-term strategies. Clear methodologies that define roles and responsibilities within the decision-making process are vital when multiple individuals and groups are involved.
- Many businesses suffer from misaligned priorities, and CEOs must balance the needs of various stakeholders, including employees, shareholders, and customers. Failing to effectively prioritize short and long-term objectives can ultimately harm a company's performance.

Although the post-pandemic years have presented challenges, many leaders have risen to the occasion, role-modeling the behaviors outlined here. As we navigate this new era of leadership, these leaders must continue to monitor themselves and their impact on others.

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