



Managing Leadership and Transformation in the Boardroom

For well over a decade, the global landscape of business and commerce has been in the midst of a rapid and continuous evolution. And while ongoing trends toward digital transformation, as well as the more recent emergence of generative artificial intelligence (AI), have opened up a world of exciting opportunities, they have also led to a variety of new and complex leadership challenges for board members. Put simply, being tasked with executing some of the largest change management initiatives of their careers, board members today must not only draw wisdom from past professional experiences, but also actively confront their own situational biases in an effort to embrace curiosity and develop new skills and management strategies.

These challenges were explored in more depth by **Das Narayandas**, Edsel Bryant Ford Professor of Business

Administration at Harvard Business School and Senior Associate Dean & Chairman for Harvard Business Publishing, as part of a session of Egon Zehnder's Directors Development Program. Focused on a popular case study involving the early termination of a high-profile CEO during a particularly urgent transformation, Narayandas challenged an audience of experienced board members to evaluate the board's decision as if it were their own, resulting in a series of insightful revelations around how modern board members can work collectively to lead smart, successful change management campaigns in today's increasingly complex environment.

Here are some key takeaways from the session, including direct, point-by-point guidance from Professor Narayandas on effective boardroom management in 2023.

Incremental vs. Sudden Transformation

While the case being discussed involved the failure of a CEO to successfully transform the business model of a large retailer, much of the conversation centered around the specific strategy of the transformation. More specifically, one of the primary questions explored was whether or not the CEO was terminated prematurely, being let go only 18 months into what was agreed to be a four-year endeavor.

Although the majority of attendees were in agreement that the individual may have needed more time to prove results, they also expressed mutual concern that this individual had ultimately moved too quickly in their effort to replace the traditional business model with a more modern, digital-first approach. In other words, in this person's effort to capture a new market segment, they had inadvertently alienated and let down the existing one.

This is an issue that Professor Narayandas has seen play out time and time again, and one that has only become more common in the age of rapid and widespread digital transformation. "Firms that are failing today are those that are giving up on their traditional business too quickly before they gain traction in the new business," he said. "You need to be able to keep playing today's game, but at the same time, develop the skills to play tomorrow's game, and you need CEOs that know how to do both."

More specifically, Narayandas spoke to the increasing need to hire and manage CEOs that understand the

importance of balancing the top-down enforcement of a new strategy with a more humble, bottom-up approach to understanding the ins and outs of the existing business. By being both insistent on a trajectory of change and thoughtful in how that change is implemented and communicated to customers and throughout the organization, you can avoid the typical pitfalls of brute-force transformation and reap the benefits of a more engaged, experimental strategy.

"A better approach is having time to engage in a series of incremental innovations that actually let you learn. We live in a world in which experimentation is the name of the game. [Transformation] requires agility, and so as board members you should constantly be asking leadership: What are the experiments you're doing?"

Narayandas said.

The Four Dimensions of Change

Elaborating on the strategic aspects of change management, Professor Narayandas noted that there are four unique dimensions of change that all board members should be aware of both at the outset and throughout the entire process of transformation.

The first is the specific *scope* of change. According to Narayandas, when hiring or electing a new CEO, boards often put too much faith into the new hire based on their track record or expertise, without being particularly clear about exactly what they want to get done. To this point,

he again highlights the importance of taking things step-by-step, reiterating that it's "better to think about a series of incremental changes in the short run, because winning in the short run helps build confidence within the organization, as well as the alliances needed to become successful."

Secondly, board members need to identify and communicate the actual *source* of change to the CEO, which he explains will more typically come from within the organization rather than from leadership. "There's a lot of research that shows CEOs are not as important as they are made out to be," he said. "Yes, we need charismatic leaders, but organizations are equally important. So we need both top-down engagement, as well as organizational buy-in in order to achieve alignment."

The third dimension is what Narayandas refers to as the *zone* of change. In addition to scope and source, board members need to determine whether change should happen universally or locally. "Universally is enterprise wide, whereas locally is 'let's do it in South India first then West India,' or 'let's start with the HR function and then let's do it in the finance function'," he said. "Doing things locally, you can learn by figuring out what works and what doesn't work, so local change is again another source of experimentation, but it takes time."

Building on the previous point, Professor Narayandas identifies *timing* as the fourth dimension, stating that board members need to determine whether change should be episodic or continuous. According to Narayandas, sometimes particularly intensive transformation efforts need

to happen over a short timeframe and require an added amount of exertion and commitment throughout the organization to get done. However, at other times it may be better to think about change as a continuous process, in which organizational players are incentivized to improve a system, process, or product over a longer timeframe.

"So think about how to think about scope, when and how to manage the source of change, what's the zone of change and what's the timing of change, and how best to manage that," he said. "And if you do it right, this is really where you are providing not just oversight, but genuine partnership and guidance to the CEOs who make it happen."

Five Factors of Effective Change Management in the Boardroom

Finally, after a thoroughly engaging conversation between Professor Narayandas and various board members in attendance, he left the audience to reflect on the following five factors of effective change management, each of which speaks in its own way to the rapidly evolving nature of the modern boardroom:

Diversity. In addition to being "appalled by how homogenous boards are today," Narayandas stressed the importance of diversity of expertise and experiences in addition to factors such as ethnicity and gender. "If you have a board today where there's someone who's not digitally savvy, you're in an inadequate place."

Communication. Pointing out the need for engagement and communication between board members, leaders, and

organizations to go beyond periodic meetings, Narayandas suggested that more work must be put in if boards hope to navigate this current environment of urgent transformation. And while this may require conversations to be had around additional fees, he maintained his position that board members “need to create an environment where they’re engaged beyond just meetings.”

Education. Speaking to a trend in which boards are curated quickly, and members don’t have time to fully understand the business, Narayandas emphasized the growing need for comprehensive orientation programs, regardless of the added time commitment. “This needs to be done systematically at the firm level where boards can be educated on the business,” he said. “To expect someone to come in and know everything immediately doesn’t make sense.”

Strong Leadership. For the very reason that board members are exceedingly smart people, Narayandas highlighted the perils of operating a board like an Athenian democracy, namely that this tends to result in chaos.

“Boards that do not have a good Chairman are nothing more than a bunch of really talented five-star chefs trying to cook a meal. And that is going to be a disaster because each chef is trained in very, very different ways.”

he said.

Long-term Perspective. Lastly, Narayandas urged board members in attendance to think about how the board operates over the long term, and to avoid being in the business of cycling through board members constantly and in a way that makes it hard to keep track or measure performance. “I worry about that in Indian boards especially,” he said. “People are not paying enough attention to the transitioning of the board over time, and that’s something that needs to be managed.”

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