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Evaluating the CEO

Key ideas from the [Harvard Business Review](#) article By Stephen P. Kaufman

The Idea in Brief

When CEOs stumble, they pull their companies down with them. As chief executive, how can you stay steady on your feet and keep delivering the high-quality leadership your firm needs?

When Kaufman was the CEO at Arrow Electronics, he initiated a formal process for getting performance feedback from the board of directors. Feedback focused on five dimensions:

- **Leadership:** How well do you motivate and energize your organization?
- **Strategy:** Is it being effectively implemented? Is the company aligned behind it?
- **People management:** Are you putting the right people in the right jobs and establishing a succession pipeline?
- **Operating metrics:** Are key metrics such as sales, profits, and customer satisfaction heading in the right direction?
- **External relationships:** How well do you engage with customers, suppliers, and other stakeholders?

Members of the board should systematically gather insights from executives firmwide on your strengths and weaknesses in these five dimensions. They should then use those insights to help you spot and surmount problems *before* your weaknesses can trip you up.

The Idea in Practice

How It Works

Arrow's board members followed these steps:

1. Directors met with executives throughout the company

Late each year, each director met separately with three executives to discuss topics selected by the compensation committee chair. These highly structured conversations focused on the state of the company's strategy, culture, competitive position, and operations.

2. Directors shared their impressions with each other

The night before the board meeting, the directors shared their takeaways. When two or more directors reported a similar concern, the issue was flagged for the compensation committee to address the next morning.

3. Compensation committee members documented their impressions

During the compensation committee meeting, members discussed the flagged issues and rated the CEO's performance along five dimensions: leadership, strategy, people management, operating metrics, and external relationships. As reference, they also had a self-assessment sent in by the CEO, addressing the same five topics.

4. Directors finalized their review

At their year-end closed session, independent directors finalized their review, including an approved compensation.

5. The compensation and governance committee chairs met with the CEO

Chairs of the compensation and governance committees met with the CEO for several hours to give him their feedback. While they talked, he took notes and spoke only when he wanted clarification.

6. The CEO reflected on the feedback

For weeks after the meeting, the chief executive reflected on the discussion. He wrote a memo to the compensation committee chair, recounting what he thought he'd heard to ensure they agreed about major points of the conversation.

Why It Works

This process exposes a CEO's blind spots before he or she can get into too much trouble.

At Arrow, Kaufman had taken charge of an acquisition deal. He assumed that because he knew the target's management well, he didn't need to play the negotiating games investment bankers advocate. Arrow lost the deal to another bidder who put more money on the table.

Through the review process, board members learned that Kaufman had mistrusted and ignored the advice of investment bankers the firm had engaged. They pointed out that Arrow might have closed the acquisition quickly and at the desired price had he followed the bankers' recommended bidding strategy. Kaufman learned a valuable lesson about respecting the skills of Arrow's advisers.

- [Purchase the full-length Harvard Business Review article here.](#)
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Further Reading

Articles

What Makes an Effective Executive

Harvard Business Review

June 2004

by Peter F. Drucker

An effective executive does not need to be a leader in the typical sense of the word. Drucker says some of the best CEOs he has worked with have had a variety of personalities. What made them all effective is that they followed the same eight practices: They asked, "What needs to be done?" They also asked, "What is right for the enterprise?" They developed action plans. They took responsibility for decisions. They took responsibility for communicating. They were focused on opportunities rather than problems. They ran productive meetings. And they thought and said "we" rather than "I." The first two practices provided them with the knowledge they needed. The next four helped them convert this knowledge into effective action, for knowledge is useless to executives until it has been translated into deeds. The last two ensured that the whole organization felt responsible and accountable. Drucker also suggests a ninth practice that's so important, he elevates it to the level of a rule: Listen first, speak last. The demand for effective executives is much too great to be satisfied by those few people who are simply born to lead. Effectiveness is a discipline. And, like every discipline, it can be learned and must be earned.

The Five Messages Leaders Must Manage

Harvard Business Review

May 2006

by John Hamm

If you want to know why so many organizations sink into chaos, look no further than their leaders' mouths. Over and over, leaders present grand, overarching notions of where they think the company is going. They assume everyone shares their definitions of "vision," "accountability," and "results." The result is often sloppy behavior and misalignment that can cost a company dearly. Effective communication is a leader's most critical tool for doing the essential job of leadership: inspiring the organization to take responsibility for creating a better future. Five topics wield extraordinary influence within a company: organizational structure and hierarchy, financial results, the leader's sense of his or her job, time management, and corporate culture. Properly defined, disseminated, and controlled, these topics give the leader opportunities for increased accountability and substantially better performance. The most effective leaders ask themselves, "What needs to happen today to get where we want to go? What vague belief or notion can I clarify or debunk?" A CEO who communicates precisely to 10 direct reports, each of whom communicates with equal precision to 40

other employees, aligns the organization's commitment and energy with a well-understood vision of the firm's real goals and opportunities.

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About the Author

A former CEO of Arrow Electronics, **Stephen P. Kaufman** is a senior lecturer at Harvard Business School, in Boston, and has been a director of six public and four private companies.

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