The New Director's Chair
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First-Time CEOs Need To Be Prepared For What I Call "Stoplight Moments"

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***Phil Martens*, a veteran CEO and board director, shared smart insights with me and my colleague, *David Reimer*, CEO of *The ExCo Group*. *Subscribe here* to receive all our interviews with board directors.**

Reimer: How did you approach the director role when you first started, and how has your framework evolved over time?

Martens: When I first joined a public company board, there was this sense of, wow, they picked me. And you go in there wanting to be a great director, with the attitude that I'm part of the team, I'm going to be collegial, I'm not going to be verbose at the board meeting, and I'm going to speak when spoken to and be an active listener.

You have to go through a period of maturation and adjustment of becoming more comfortable with saying to yourself, "I was picked for my experience and what I bring to the table, not how actively I can listen or how polite I am by not questioning too much what the CEO and their team want to do."

After two or three years of board meetings, you get to know the management team, and you get an idea of the contributions and strengths of the other board members, because every director brings something different to the table.

By the time I joined my second board, I was able to get up to speed quickly on how the different directors were going to contribute. I understood where I could be effective, and I began to add a lot more value because I could share what worked or didn't work from my experience in a very matter-of-fact way.

Bryant: And how did being a director make you a better CEO when you were running Novelis?

Martens: My ability to work with the board improved dramatically because you're much more comfortable, and you don't feel as much like you're under the "what do they think of me" lens.

Instead, my approach became, I'm here to tell you what we're doing. I'm here to listen to what you have to say. We'll modify if we need to, but more than anything, I want your support or your commentary around the edges. But it starts with having alignment on our strategic framework and performance deliverables.

Reimer: What's your advice to a first-time CEO about establishing the right dynamic in the boardroom?

Martens: It's important that the CEO step back and realize that this is not a performance review. This is about how they can ultimately become a better CEO and how they can utilize the strength and skills of their board. You'll never have total alignment, but you want to work toward closer alignment.

There is no question that a first-time CEO has to develop a strong relationship with the chairman of the board, who plays a very important role. They set the tempo and the tone for getting directors to contribute. At the same time, they are the conduit between the CEO and the board.

You have an executive session with the CEO, then you have an executive session without the CEO, and then the chairperson goes and meets with the CEO. That layering allows for real-time feedback from the board through the chairman to the CEO.

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The other advice for first-time CEOs is that they can often underestimate how much the level of responsibility jumps from the previous role they held before getting the top job. The accountability for the entire company is on your shoulders. You are, like it or not, going to set the culture and the pace, and everybody wants to talk to you, including shareholders and customers.

It requires being prepared for what I call stoplight moments. I always tell new CEOs that you're going to be driving home one day after some big, new challenge came up at the office. You're going to get to a stoplight and you're going to start realizing that you don't know what to do.

And then you're going to realize the stoplight's been green for a while and you've been staring off into oblivion. That's when you realize how lonely the job is. It's another reason why you need a good relationship with the board chair.

Bryant: Other mentoring advice you give to first-time CEOs?

Martens: I will often talk to them about their vision. What do you want to accomplish? This is your time. If you have five years, where do you want to be in five years? Write it down on a piece of paper. It's a fascinating exercise, and I've done it three times with different CEOs. Every time they write down their vision, I look at it and tell them, it's not good enough. I could do that. Are you really excited about that?

Yes, they might be nervous about accomplishing bigger goals, because there is so much day-to-day work of being a CEO. But I will remind them that it is their job to grow the business. You've got to have vision of what you want to accomplish, and you've got to execute on big goals amid all the ambiguity of running the business every day.

Reimer: What is the role of companies today? It seems as if so many of society's challenges are rolling up to the front door of companies to solve.

Martens: There is this incredible complexity of inputs coming in from all different angles. I frame the question as, what is the greatest purpose the business can have? What is the benefit from a business-to-society point of view, rather than for one special-interest group? Companies have to look at themselves as a business-to-society organization, because ultimately the value chain ends up in society somewhere.

What is the benefit from a business-to-society point of view?

At each company I'm involved with, the question is the same: What is your solution for society and how do you make that the core vision and the core driver of your company? That then flows into organizational strategy. That approach can take a while to take hold, because people have to change their framework and realize that there are leadership opportunities, innovation opportunities, margin opportunities that they never thought of before in this broader approach.

Bryant: In your role as chairman, what's the organizing principle you try to bring to discussions around succession planning for the leadership team?

Martens: The No. 1 responsibility and decision the board makes is on CEO succession. It is an art. It is not a science. But the longer-term direction of the business should have a significant impact on the characteristics of the new CEO.

You can't just rely on psychological assessment of leadership qualities and all the feel-good factors of what the next person may or may not be. You really have to be honest with yourself and say, this is where this business is, these are the key success factors of the underlying business itself, and this is where we need to go. And those have to be top-of-mind in the discussion around the next CEO.

But what I have observed is that boards don't objectively have the dialogue around this in a constructive ongoing manner. But creating a roadmap to the future has two key benefits. The first is for the current CEO, who can see gaps in their current approach. And it also forces the board to be aspirational in the leadership qualities they're looking for, and to be realistic that the leading internal candidate may not be the right leader for the next phase of growth.

That's how we've done it, and I have found that you have to actively manage the process as chairman. You have to have a constant pulse on it and orchestrate it in a way that fits with the company. And you have to enforce the standard of what we want the next person to be because a lot of people will water it down if you let them.