



Leading Through Disruption

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Boards Need To Find A Way To Bridge To The Millennial Generation

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Conor Kehoe, a veteran business leader,, shared his key leadership lessons with me and my colleague, Adam Bryant, managing director of The ExCo Group. Subscribe [here](#) for future interviews.

Lauterbach: What are key insights for you about the current challenges of being a director?

Kehoe: It's important that boards find a way to bridge to the millennial generation, because their taste and their priorities for what corporations should do in society has changed. I grew up, as did most of my generation, with Milton Friedman's idea that the best way corporations can serve society is through maximizing shareholder return.

That question is being answered differently now by Gen Z and millennials. I've come across a couple of large corporations that have a shadow board of millennials and Gen Z — sometimes drawn from only within their corporation, sometimes drawn from outside — who get the board documents, come to their own conclusions, and present their input to the main board.

That provides very interesting connectivity to a different value set, and in a way supplements the board's experience because they themselves have no experience of leading through an era where ESG and sustainability have such prominence. So they can't rely on pattern recognition to the same extent as they can with more conventional management topics.

The other one would be creating a new consensus where non-executives are more heavily engaged with the corporation — in effect, for public-company boards to operate more like private equity boards. The convention today in public companies is that management proposes and controls all the data, and the non-execs have few resources for responding to management proposals.

It's very different in private equity, where there is much more engagement, in part because the private equity firm has analytical resources to support the non-executive on the board.

Bryant: On your first point, how do you think about that balancing act where, on the one hand, you have to acknowledge and listen to employee input, but on the other hand, you're not running a democracy?

Kehoe: I think the forces are a bit broader than just employees. The younger generation of employees demand a voice in the company's direction, but consumers increasingly won't buy from companies that they don't identify with. Similar pressures are also coming from regulators and investors.

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I'm afraid the laggards here have been boards and the executive. A

balance needs to be struck, of course, but the board and the executive team need to be careful that they keep up with fundamental changes in taste and philosophy. If you start losing employees and you start losing revenue, it soon becomes relevant to investors.

There is a tension there. The board and the executive team may feel inhibited and maybe even unqualified to comment on quasi-political topics. On the other hand, to maintain their top line and their talent base, they're going to have to resolve it.

Lauterbach: In your eyes, what is the impact of ESG on the leadership qualities that boards need to hire for in current and future leaders?

Kehoe: Many companies will be seeking talent from industries that have been leaders in ESG. For instance, the consumer goods industry tends to have been pretty far advanced in this topic because it's under immediate pressure from consumers to do something. So you may find more people being switched from one industry to another — from an advanced industry to a less advanced one. Or you may find boards taking more risk with younger executives who've shown that they are particularly agile.

But I suspect those shifts will also be supplemented by good measurement systems, so you'll find more emphasis on getting decent sustainability metrics that are likely to become a legal or mandatory requirement. So boards will have more of the data and the wherewithal to offer direction and judge progress.

Bryant: What are the other X-factors you're looking for in future CEOs?

Kehoe: If everything else was equal, I would be looking for the man or woman who is more comfortable leading a large group and achieving consensus with them. It would be more like almost a professional services-type organization, a partnership, because the more autocratic leader may not be as susceptible to the profound changes that now need to be taken into account from a younger generation. And they have to be open to having more input from a more empowered board.

So those X-factors are going to be more humility, more of a team player, and more self-confidence and willingness to take in different opinions, weigh them, and then communicate a plan. They can't feel that they have to be able to control everything.

Lauterbach: What is the role of directors in helping build resiliency in an organization?

Kehoe: The most useful tool is a purpose statement because that tends to be a north star when problems hit you. So rather than try to anticipate every single problem, have a purpose statement and a set of values by which you live. The purpose is where you're taking the company and what its role is, and the values are about how you execute and how you behave in achieving the purpose.

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If those are communicated broadly within the organization, you can move more quickly. You don't have to rebuild consensus around core ideas when you're taking a new direction. They're a reference point. If you are changing direction, you say that we're changing direction because of new circumstances but that change is consistent with our purpose.

Scenario planning is important, but reacting to a change situation, even if it hasn't completely been anticipated, involves being able to mobilize everybody quickly, and this purpose approach — which generally has an element of people and planet in it, not just shareholder returns — seems to be a powerful tool in that respect.

Bryant: As a director, how do you pressure-test for whether purpose and values statements are real or hollow exercises?

Kehoe: One is to find out what it means to people, and to ensure that they have real meaning and are lived in the organization. With purpose statements, the pressure test I use is, what are the programs and actions to align yourself with this statement?

Are there resources behind it? Is it incorporated into HR evaluation systems? Are people no longer going to be promoted if they behave outside the purpose and values? Answers to those questions will give you a good sense of whether those statements are translating into things that really matter or whether it is a bit of PR.