Pearl Meyer

CASE STUDY | MAR 2024

Case Study: CEO Evaluation Facilitates Dialog and Development

The Company

The company is a global entity headquartered in the US and listed on the NYSE. It provides a range of business and consumer services, has more than 10,000 employees, and revenue of more than $10B.

The Leadership Challenge and Strategic Approach

The steadily growing company had recently promoted a new CEO from within the organization. The board felt highly invested in the new CEO's success and had collectively discussed a desire to "start off on the right foot." The compensation committee and the chair of the board also held a general philosophy that they had a vital role to play in guiding the development of executive talent.

> *In particular, the CEO wanted something that identified clear development priorities.*

Public company boards have an obligation to oversee an annual CEO evaluation. This board's evaluation of the new leader's first year, conducted by an outside vendor, yielded a 30-page report with a considerable amount of data. However, thorough interpretation of that data and a synthesis of the information into a high-level, value-add executive summary was lacking. Both the board and the CEO expressed frustration and a need for something more tailored, qualitative, and actionable than the vendor's report. In particular, the CEO wanted something that identified clear development priorities.

The board determined that additional—and possibly new—outside guidance might be necessary for gaining a level of insight that would both satisfy the annual requirement while also allowing for substantive development of the CEO.

Concurrently, in the course of designing and administering the compensation plan, the board had numerous occasions to broadly discuss executive attributes, capabilities, and performance with the committee's compensation advisor. In one such conversation about the previous year's annual evaluation and its resulting limitations, the advisor suggested a colleague known to take a custom approach focused on leadership development as well as assessment.

Initially, there was some concern among the management team about bringing in a second consultant from the same firm. Questions about potential independence of both board and management advisory services were raised and addressed through several open and frank conversations. Ultimately, the board, senior HR management, and the consulting firm agreed to pursue a framework that would gauge the CEO's performance and provide a roadmap for future development.

The Solution

The leadership consultant worked with the chairs of the board and the compensation committee to create an evaluation model. It was based on the unique criteria for success as the CEO of this company and was aligned with the business strategy. The model would determine how close the current CEO comes to fulfilling these criteria, and it would provide a baseline from which to evolve future expectations as the company's strategy and the associated focus of the CEO grow and change over time.

The model was populated with qualitative and quantitative data on the identified key competencies, gathered from ratings surveys with write-in commentary and individual

board member interviews.

> *The board noted that it went further than most assessments in also providing clear direction for the CEO's further growth and alignment with the company's strategic priorities.*

The resulting detailed report also included an easy-to-digest executive summary and a scorecard that was initially delivered to the compensation committee and then to the full board. The consultant (an organizational psychologist) also used the scorecard and the 360-degree assessment report in a debrief meeting with the CEO to ensure they fully understood the feedback and the associated development plan. This laid the foundation for the CEO and the board to have constructive, well-informed discussions about performance results and alignment on future actions.

Results

Subsequent conversations between the consultants and the board revealed that the CEO evaluation process gave directors a better grounding in the true performance of the CEO. They noted that it went further than most assessments in also providing clear direction for the CEO's further growth and alignment with the company's strategic priorities.

The CEO also disclosed their appreciation of the process and a willingness to engage in future leadership development.

The compensation consultant observed, "It's easy to judge a CEO on profit, growth, and total shareholder return, but so many other aspects of executive performance are critical and can be difficult to quantify. Investing the time to identify what other dimensions of leadership help propel a specific company forward and build its version of a positive, performance-oriented culture can pay off in the long run. This approach has the added benefit of building productive dialog between the CEO and the board, which is critical as time goes on and they face difficult or unexpected issues together."

Under the current CEO's leadership, the company continues a profitable growth trajectory, while also accumulating numerous accolades for innovation, employee engagement, and sustainability.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.