

Weak Signal Leadership

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Key Concept

Weak signal leadership is the ability to be forward-looking and understand when change is necessary and then having the conviction to 'initiate on' it even if it is not obvious to anyone else. This is a crucial, but often overlooked, attribute that Boards should evaluate in CEO candidates because ultimately, they will decide and drive the organization's strategy and must have the fortitude to keep moving forward despite resistance from every direction.

Impact

As every company inevitably enters the succession planning process, the work begins on defining the 'criteria' for the next CEO. Characteristics such as strategic thinking, stakeholder management, communications, financial acumen, and now, becoming a digital native, find their ways into most CEO profiles.

However, the crucial attribute that Boards rarely (if ever) include in CEO key selection criterion or evaluate in candidates is 'no or weak signal leadership' – when leaders initiate on something that is not obvious to others. Most leaders can initiate and make decisions when the signal is a forest fire, but far fewer can when it is just a 'whiff of smoke.'

The challenge of initiating on weak or no signals is that because they are not obvious, leaders will face high levels of resistance and push back. This may look like people saying, it's a "bad idea", "you have the timing wrong", "we have other competing priorities", etc. And in the CEO role, the pushback they receive from their Board and investors, who are in positions of great power, elevates the stakes even further.

In this note, we illustrate the importance of weak signal leadership through a couple real-life examples.

Initiating on a Weak Signal as a CEO



Initial Detection Creates Uneasiness & Questioning

CEO must absorb the stress alone and fill the context void while maintaining conviction



Strong Pushback from Those in Positions of Power, Elevating the Stakes

(e.g. Management Team, Board of Directors, Investors)



Taking on a "Nothing is Too Hard" Mindset

Fixing wicked hard problems requires a company-first mindset & a willingness to do whatever it takes



Requires Lots of Work to Gain Buy-In & Create Awareness

Persistent, redundant context setting & communicating to bring everyone on the journey

Examples of CEOs Initiating on Weak or No Signals

David Glass, CEO of Walmart, Entering the Grocery Business

- Early in his tenure, David Glass, the first non-family member to lead Walmart, made the decision to 'enter the grocery business.' At the time, this was a 'no signal' to most people, and he faced a fury of blowback and criticism (even including a *Fortune* article questioning his strategy and the Board's choice of selecting him as CEO).
- In a recent *Fortune* interview, "Walmart's Mr. Fix It," the current Walmart CEO Doug McMillon references David Glass's move into the grocery business when asked about the criticism he faces for his strategic decisions, specifically mentioning the 1996 *Fortune* article:
 - "When his changes draw criticism, McMillon thinks back on one of his predecessors. David Glass, the first CEO to succeed Sam Walton, was under intense scrutiny, and critics accused him of trying to change Walmart too much by entering the grocery business. Today, groceries account for 60% of Walmart's sales (390B). On his office bookshelf, McMillon keeps a copy of a 1996 issue of *Fortune* that includes a piece questioning Glass's strategy. At the end of our interview, he cheerfully shows off the magazine, not unlike a winning athlete pointing to the scoreboard. "What would our revenue be now," he says of Glass, "if he hadn't done those things?"

The CEO role has no flight simulator. It requires you to learn and unlearn on the job to be able to perform at a high level. In every other role, you have a driving set of forces pushing you to initiate and activate; however, in the CEO role, especially at a company performing well, there are few forces at play tensioning and pushing for initiation. Typically, any obvious force will push you to stay on course instead of for change. David Glass is an example of a CEO being able to lead with no or weak signal and have the courage to face the skeptics and fury of criticism to continue with the strategy and set of decisions while others could still not understand it.



Examples of CEOs Initiating on Weak or No Signals

CEO of a Large FMCG Company Restructuring Entire Operating Model

- Early in his tenure, the CEO of a large FMCG company recognized that the company's operating model, focused on being hyper local in the broad geographic footprint, was dated and would not support the future ambitions of the company. The model was designed around country specific leadership, with those leaders having significant local autonomy and operating under a more command-and-control style.
- He proposed to change the operating model to a hyper local AND hyper global model, implementing a "center of excellence" to build a more horizontal organization. The center of excellence would provide global input and support across activities that were better suited to be hyper global rather than fractured (e.g., marketing, supply chain, technology, people, etc.).
- For the leaders operating successfully in the previous model, the restructuring would transform every aspect of how they operate and came with high execution risks. The response to the CEO's proposal was that this change was a bad idea or that even if it made sense, now was not the time to introduce this level of execution risk into the company. Individual directors even intervened, doing anything to stop him from initiating.
- The amount of push back was alarming, but the CEO saw the weak signal clearly and was able to convince those around him that the new model needed to be implemented. Now, more than a year later, the signs of green shoots are everywhere, the organization is winning, and those around the CEO are saying how much this was needed, and even taking credit for the decision to move forward.

As the CEO, it is invaluable to have **an internal focus and relentlessness to continue initiating** when it is not obvious to other people. This takes massive commitment, motivation and energy, because you will need the utmost conviction to keep moving forward against external and internal resistance. And if you don't activate on a weak signal that later becomes a forest fire, your organization will not only be behind, but you will also face scrutiny and criticism for not acting earlier from the same people who would resist you if you tried to initiate on a whiff of smoke.

