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Breaking Generational Curses in Corporations

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Shinichi Matsuda, Senior Management Consultant in Executive Team Coaching at NRI, led a lunchtime discussion titled “Breaking Generational Curses in Corporations” on February 28, 2019. Mr. Matsuda discussed how to avoid the phenomenon where corporations often decline after great CEOs, like Jack Welch of GE or A.G. Lafley of P&G, step down. “Tenure disparity” between a CEO and his senior executives is a common habit in which the CEO’s term is longer than that of the other senior executives. Matsuda’s statistical research on top corporations in both Japan and the U.S. found a strong correlation that the larger the tenure disparity during the predecessor CEO's term, the larger the decline in corporate value during the succeeding CEO's term. A large tenure disparity means that the senior executives are frequently replaced during the CEO’s term. In that situation, the top management meeting becomes a mere formality, and creates a “Monster CEO” who makes all of the decisions by himself and also creates a strong “silo mentality” among the senior executives, which ultimately undermines corporate culture. Mr. Matsuda highlighted Carlos Ghosn as a particularly relevant example of a “Monster CEO,” and pointed out this corporate misfortune was not only Ghosn’s fault but also a structural fault. Good corporations in both Japan and the U.S. have realized sustainable growth over generations by maintaining a comparable length of tenure between the CEOs and senior executives in each period. Mr. Matsuda concluded that the keystone habit for sustainable growth for corporations is appointing top management as a team, not an individual.