What Boards Should Learn from Tom Brady (Tips for Retaining Your Star Talent)

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By Liz Santos, Chief of Staff, Executive Benefits Practice

Before we get started, you should know that I have lived in Washington, DC for more than 20 years and am a loyal fan to our local teams. DC is home to many professional and collegiate sports teams and we've enjoyed our share of ticker tape parades. In a recent 16-month period, we earned the 2018 NHL Stanley Cup, 2019 WNBA Championship, and 2019 MLB World Series Championship. But it's been 28 years and 45 pounds since we've won a Super Bowl. Which means it's hard for me to say this…we can learn a lot from Tom Brady when it comes to CEO retention.

For the folks who prefer the other type of football, let me to bring you up to speed:

- After 20 years and six Super Bowl victories, NFL quarterback Tom Brady left the New England Patriots
- Brady joined the Tampa Bay Buccaneers, who have won one Super Bowl
- Former teammate Rob Gronkowski came out of retirement to play with Brady in Tampa Bay

It's hard to imagine Brady leaving New England, where he is beloved, has a long history of success, and earned more than $350 million. As a 43-year old quarterback, he is in the sunset years of his playing career. Considered one of the greatest quarterbacks of all time, his legacy is secured. You probably know a CEO or leader in your field like this. It's assumed they will finish out their working career at the same organization.

So why would he leave? To date, he hasn't given a reason, leaving the door wide open to speculation. Regardless, there are several retention lessons here.

Don't take retention for granted

Perhaps one of the biggest red flags that a CEO will depart is when the board of directors is not concerned about retention.

He'll never leave. He's been here forever.

She likes it here too much to leave. The kids are in school here.

They're getting ready to retire in a few years. Why would they go elsewhere?

When boards fail to see the value in retention and act on it, they are (1) making it easier for the executive to leave and (2) signaling they do not envision an extended relationship with the executive.

While nonprofit executives tend to focus more on intrinsic rewards and mission orientation than their for-profit counterparts, the need to be valued is the same. Boards can answer this need with open discussions on retention.

The casual New England fan didn't see this coming. If there is lemonade to be made here, it may be that now those fans can finally afford to see a game after a 40% drop in ticket prices.

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Retention is an ongoing effort

Even if you have an executive retention plan in place, you can't set it and forget it like a crock pot. An effective retention strategy addresses organizational goals, succession planning, vesting, performance, and more. These complex elements should be reviewed regularly, especially amid financial, regulatory, and competitive changes in the marketplace.

The COVID-19 pandemic presents an opportune time to review your retention program. After successfully navigating your organization through a dire period, your leadership team has proven its mettle—and increased their marketability. According to Harvard Business Review, bold companies realize this is an unprecedented opportunity to hire exceptional talent, even as they downsize their own ranks. Recruiters won't pass over your high performers just because they happen to be employed.

While you are reviewing whether your retention strategy continues to meet your needs, evaluate the expenses associated with your program. Both employee and executive benefit expenses can be mitigated or even eliminated with certain investment strategies. Restructuring a retention plan to leverage key features of a split dollar plan, could yield several positive changes:

- Increase the benefit to the executive
- Lower the cost to the organization
- Improve the optics of executive pay on your IRS 990 form
- Leverage an excise-tax-friendly platform for covered employees
- Provide tax-free retirement income to the executive

Reviewing benefit program expenses is usually a function of the CFO or CHRO, but often, executive plans are overlooked due to perceived complexity or sacred status. Engage your executive benefits provider to review current expenses and make recommendations, if necessary, on how to mitigate the risk and improve your benefits and retention.

Is money everything?

No, but it's important. At Gallagher, we look at total rewards compensation when evaluating executive compensation: base salary, bonus and incentives, health and welfare benefits, perquisites, and supplemental benefits. The importance an executive places on each of these elements changes over their career. A younger executive may value salary more than retirement benefits. An older executive may be more attracted to scorecard incentives and long-term care. Any benefit should be meaningful to the executive and well-timed to the executive's personal situation. Perks are in the eye of the beholder.

Ensuring compensation is competitive and within your industry's regulatory requirements is critical. Using a compensation consultant for executive positions is often more efficient than your organization's human resources department which is focused on staff positions. The consultant reports to the board, not the leadership team which could be a conflict of interest, and facilitates open discussion between the two groups. A consultant is especially helpful where board members don't have experience with issues around highly compensated employees.

In moving to Tampa Bay, Brady traded pocket warmers for sunscreen, which some of you would place great value on, and received a 9% pay increase. However perhaps we can agree that the 9% increase was not the reason for making the move as Brady and his wife have an estimated combined net worth of $580 million.

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Losing a key leader is costly

The cost of replacing a CEO is estimated to be around 5–7x salary with recruiting fees, relocation, signing bonus, and more. The impact on the organization has several lasting effects:

- Delay in achieving strategic goals
- Negative impact on performance
- Negative impact on morale and motivation
- Poor impression on constituents and potential job candidates
- Lack of leadership in day-to-day operations

The institutional knowledge, i.e. playbook, also departs with the CEO. Luckily for the Patriots' organization, the Buccaneers are in a different division, so they won't face Brady until the 2021 season.

To compound the impact of losing a key leader, it's not uncommon for a CEO's direct reports to depart with them. After all, the CEO will want to bring their dream team with them to their new organization and surround themselves with known talent. Your retention plan should include all executives whom you've identified as critical to the success of the organization, not just the CEO. Brady's favorite tight end Rob Gronkowski came out of retirement to play with Brady in Tampa Bay. Even the most hardened anti-Patriots fan must acknowledge the winning chemistry between the two.

Foster a warm, strong relationship

An open and collaborative working relationship is positive for many reasons, not the least of which that it helps bond the executive with the board. This bond helps retain the executive and ensures the executive and board are of like mind and working in lockstep toward the same goal. When an executive constantly feels friction with their board or has an arms-length relationship, it is easier to leave. When the board views their CEO as a partner—instead of a transactional employee—performance is better.

Fostering a strong relationship is the board chair's responsibility and it behooves them to set a good example for the rest of the board. If another board member has better chemistry with the CEO, they should be engaged to actively build a relationship. Of course, there is a fine line to observe to ensure proper oversight continues.

Rumors about whether Brady's relationship with his former head coach contributed to the break up persist, and for his part, Brady has been most gracious about his former team. It's widely known however that they had more of a business relationship and weren't particularly close off the field. Given two decades of success, clearly they made it work. Not fighting to keep Brady was a business decision although to legions of fans, it was personal.

It's not you, it's me

With a well-defined retention plan in place, boards can rest assured that their expectations are communicated, executive performance is aligned with strategic needs, and the leadership continuity of their organization is intact. Executives can rest assured that their performance is appropriately valued and can focus on the needs of the organization. The recruiters will still call, but it will be easier to dismiss them.

Sure, Brady had a great run in New England. But strong leaders are prone to forward-thinking, not dwelling on water under the bridge. The final lesson here is that it is possible to have gratitude for the past while moving on to new challenges.

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