

The CEO's Value Test: Think Like an Activist, Deliver Like a Leader

Mastering Value Creation

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*Intensifying competition, expensive capital, rising shareholder expectations, and increasing levels of shareholder activism are forcing CEOs to surface every source of value in their organizations. In this first article in our **Mastering Value Creation** series, we explore how CEOs can think and act like value-creating activists.*

Shareholder activists are more primed than ever to target CEOs whose companies deliver lower TSR than competitors with similar fundamentals. In 2025, record levels of shareholder activism contributed to 32 CEO departures in the United States alone, 16% of which were from S&P 500 firms.¹

Activists aren't drawn in by your strategy. It's your valuation that triggers them. They ask: What assumptions are embedded in your multiple? What levers are underoptimized? What capital is misallocated?

Answering those questions starts with delivering on your quarterly commitments—but it cannot end there. Markets also demand a compelling plan for tomorrow. Consider that more than half of the investors (52%) we recently surveyed expect companies to meet EPS guidance while continuing to invest in growth. When forced to choose, 36% would prioritize growth, compared with just 12% who place greater weight on short-term performance alone.

Keeping activists at bay and shareholders onside increasingly depends on whether a CEO can continuously *grow a great company and a great stock*. Put simply, CEOs need to think and act like activists by identifying every opportunity to create and unleash value across their organization. That means setting bold targets across central value drivers grounded in TSR, capturing value through rigorous operational discipline, and communicating their value-creation narrative and equity story with acid clarity to investors.

“ Sometimes CEOs undermine their own efforts without realizing it.

Conceptually, this approach is not complicated. But the process of aligning business, financial, and investor strategies can go off track at any stage. Sometimes CEOs even undermine their own efforts without realizing it.

Here’s how leaders can avoid some common behaviors that destroy value—and four bold moves to help CEOs take an activist approach to lasting value creation.

CEO Behaviors That Erode Value

Despite good intentions, CEOs can fall into behaviors that quietly erode the very value they are expected to build. These missteps rarely announce themselves as failures. Instead, they creep in slowly, chipping away the market’s confidence in a stock. Consider the following:

The Sandbag Trap and the Narrative Vacuum. When CEOs fear missing their numbers and disappointing the market, they can sometimes stop making bold, measurable value creation commitments. This is a classic sandbag trap. But what might feel like a prudent “underpromise and overdeliver” play can leave investors confused and gradually erode a company’s multiple.

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Setting bold, ambitious goals is the first step for avoiding this trap. CEOs must also clearly explain how strategy, capital allocation, and performance metrics work together to drive tomorrow’s value. They need to spell out how much future value is expected to come from each lever at their disposal: the core business, adjacencies, new growth areas, M&A and partnerships, capital expenditures, and cost efficiencies. This allows the CEO’s value-creation story to unfold in chapters, quarter by quarter and KPI by KPI, with each showing tangible progress.

An ongoing, well-supported story will also help CEOs avoid a similar trap—the narrative vacuum, which leaves investors to fill in a missing value story with their own biases, beliefs, and experiences. When the market is forced to do that, CEOs often find it very difficult to change perceptions.

The Linear Fallacy. Underlying the narrative vacuum and the sandbag trap is a deeper value-corroding behavior: the linear fallacy. It emerges when CEOs approach value creation as a stepwise exercise, first defining the business strategy, then determining how to fund it—and only later communicating to investors the strategy that’s already in motion.

Value, however, is best created not incrementally but through an integrated model in which business, financial, and investor decisions all evolve in tandem and reinforce one another. (See the exhibit.)

Value Creation Is Optimized When Business, Financial, and Investor Decisions Evolve Concurrently



Source: BCG analysis.

Delegation Drift. CEOs wishing to avoid micromanaging their teams can unwittingly slip into delegation drift, being overly “hands off” or disengaging entirely, apparently assuming the business will run itself.

Value creation depends on CEOs having enough involvement to steer the agenda and surface pressure points without stifling execution. They can strike that balance by creating productive tension and running with a “trust but verify” rhythm. They challenge teams, remove obstacles, and help senior leaders unlock more value than they could otherwise.

Calendar Creep. Mounting demands on a CEO’s time such as speeches, board engagements, conferences, and the latest short-term crisis can quietly pull focus away from work that actually

creates value. This is calendar creep—and when it sets in, value momentum can stall.

At the end of the day, however, CEOs are accountable for the numbers. Being explicit about which issues deserve their time and attention, and regularly assessing whether their time allocation aligns with their strategic intent, can help ensure their attention doesn't drift too far from what truly drives performance.

Four CEO Moves to Unlock Value with an Activist Edge

The best defense against activist investors is strong, durable TSR and a high valuation. The following four moves can help CEOs lead with an activist edge by identifying and unlocking sources of value in their organizations before the market demands it. (See “A Weekly To-Do List for the Value-Creating CEO.”)

— A Weekly To-Do List for the Value-Creating CEO

1. Review not only last quarter's results but also next quarter's leading indicators: pipeline activity, field-force productivity, pricing realization, retention trajectories.
2. Reframe leadership meetings from discussing “Did we hit budget?” to “How will we make next quarter's numbers happen? Are we on track for our longer-term value creation agenda? And what do we need to do now to secure that?”
3. Ensure every senior executive has explicit value-creation accountabilities; cascade them into routines, dashboards, and incentives.
4. Communicate with investors beyond the numbers; share the value-creation model and the milestones that will build confidence. Learn why investors own your stock and cultivate those whose goals and time horizons align with your long-term value creation strategy.
5. Review your multiyear roadmap and ensure a value-creation lens is being applied to the capital-allocation agenda, including dividends and buybacks.

Double-check that reinvestment choices align with the investment thesis and time horizon.

1. Cultivate a deep understanding of what drives TSR. In our experience, CEOs who excel at value creation are deeply curious and clear-eyed about what truly drives TSR in their company. They have full visibility into every value lever and business line, and they understand exactly how, and how much, each contributes to TSR.

This understanding helps CEOs identify initiatives that can really move the value needle and accelerate results. It closes information gaps, helping leaders to catch disconnects early and to pressure test assumptions. It also helps them avoid missteps like investing too much in underperforming areas or mistaking activity for impact.

2. Rally your senior leaders around a single value-creation agenda. If senior leaders do not clearly understand how their role contributes to a value-creating agenda, silos can form, accountability can fade, and capital can be misallocated more easily.

Successful senior leadership teams see themselves as co-owners of the value agenda. That mindset is reflected in how they run meetings, who they report to, and what kinds of incentives they expect. So, instead of CFOs being accountants of value, they become “architects” of it. Similarly, the chief HR officer designs incentives around value drivers, while the COO and CIO prioritize projects by impact on TSR and how they optimize value in the short-term and long-term.

3. Know your investors. Outperforming CEOs have a deep understanding of why people own their stock and how their investment thesis aligns (or not) with the company’s value-creation strategy.

“ Not all investors are equal; their willingness to back a company’s strategy, especially when results take time to deliver or when volatility temporarily dents performance, can vary widely.

In our experience, companies invest far more energy in understanding why customers buy their products than why investors own their shares. But not all investors are equal; their willingness to back a company’s strategy, especially when results take time to deliver or when volatility

temporarily dents performance, can vary widely. CEOs, therefore, need to identify and engage with investors whose goals and time horizons align with their long-term value plan.

4. Hardwire value creation into performance management. CEOs must champion a performance management system that connects strategic value-creation metrics to the financial outcomes they underpin and the operational drivers that deliver those results. Those metrics must then be operationalized and tracked in near real time, enabling active management and real-time capital reallocation, proactive management of leading indicators over lagging results, and dynamic adjustment of the value thesis. Finally, the same measures must be embedded in individual performance reviews, ensuring tight alignment between personal incentives and enterprise value creation.

Mastering value creation is the ultimate test of CEOs, and when they fall short, activists take notice. Value rarely disappears in a single quarter. It erodes slowly—when caution is mistaken for prudence, delegation for empowerment, activity for progress, and when business strategy, capital allocation, and investor engagement fail to evolve in concert.

CEOs who deliver strong and enduring TSR avoid these pitfalls by taking full ownership of the value-creating agenda. They think like activists, operate with discipline, and make measurable progress that's visible to their teams and their investors. Above all, they do not wait for the market to surface hidden value and chase new sources of it. They lead the charge.

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1 2025 Review of Shareholder Activism