Chapter 10
Navigating Complexity: Ten Golden Principles for CEOs Assuming Leadership

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Objective

This chapter seeks to help newly appointed CEOs reflect on their priorities and making the best use of their time in their new role. The chapter focuses primarily on their first year, particularly on the first 100 days, since much of a newly appointed CEO's success is determined during this time. Based on our experience of working with CEOs across industries from around the world over the past 10 years, we propose 10 golden principles for new CEOs to reflect on when preparing for this next big step.

Golden principle 1: Do your homework before you start

All CEOs we have worked with agree that their first year of tenure laid the foundation for their long-term success or, in a few cases, their long-term failure. However, the period before the new job starts is crucial and often overlooked, although much can be accomplished during this time. Making the best of the time between their designation and the announcement can decide new CEOs' success or failure. This is when new CEOs still have a great deal of control over their time, but are not yet in the limelight. They can research information and can build relationships more freely. After the announcement, the various stakeholders' demands rise exponentially, and people change their attitudes towards a new CEO. Many CEOs we have spoken to regretted focusing too much on completing their old job, tying up loose ends, instead of preparing for their future challenges. Optimal use of this time depends on a number of factors that vary in each case. All new CEO must set their individual agenda for this time.

Topics to be addressed:

- Obtain your family's support
- Prepare yourself mentally, emotionally, and physically
- Learn about the company by talking to important stakeholders
- Identify the key business challenges and opportunities
- Assess your strengths and weaknesses in relation to the new role
- Prepare a story for day one.

If you are an internal hire, spend as much time with your predecessor as possible. What did this person do to monitor the company's health and progress? How did this CEO spend his or her time in the role? Where did this CEO focus his or her attention? What was this CEO's skills set and profile? Which activities did he or she value most and why?

Beyond needing to be aware that it is more important to use this time to prepare for the future than to complete your past, there is no formula to guide your focus in this time.

Golden principle 2: Find a sparring partner

It's lonely at the top. You've probably heard this before. And while you will be dealing with more people than ever, the solitary nature of some of the major decisions you will need to make might be daunting. A sparring partner, whom you can use as a sounding board for your reflections, will be invaluable in such situations. Many CEOs we have worked with considered their spouse an important sparring partner and a source of emotional support. However, most CEOs relied on other confidants when wanting to talk business, for instance, their predecessor, a board member, high-ranking executives from other industries, and/or former school friends also in top management. In addition, many worked with executive coaches who helped them focus on what mattered, and advised them on building their management team and relationships with the company's key stakeholders. However, building a relationship with your predecessor can come at a price if he or she is still on the board. Such persons might support you, but might equally try to use you to push through their priorities.

Golden principle 3: Start with a mixture of confidence and humility

The biggest challenge is to start as you mean to carry on. It's a common mistake to think that you must have all the answers immediately. True, the pressure is on. You're in the limelight. Different stakeholders will try to pull you in different directions and pressure you into early long-term decision-making. Resist this pressure. You will not yet have the knowledge, experience, or insights to make the best possible decisions at this time. Even if you already have the best answer, you need the most important people in the company's involvement, which will only happen once you have listened to their points of view.

However, you need to project confidence from day one and you need to have some kind of story ready for the people you talk to, without making promises you are unable to keep. This story could be partly about you (what you, as a leader, represents; what you believe in) and partly about the organization (e.g. the values you would like to instill in the organization, or how you want to (further) lead it to success). Experience suggests that you then have six to nine months to come up with the full picture of where you want the organization to go. Our recommendation is that you start by showing humility and showing your team, the organization, and the key stakeholders that you listen first in order to understand before you make decisions about the company's future. This is important when you come from inside the organization, but even more important if you come from the outside. First acknowledge the past and the present (achievements and failures) before you spell out the future. This gives you the opportunity to assess the organization's weaknesses and strengths, build relationships, and assess your potential. What weaknesses should you address and how?

Golden principle 4: Build your high-performing top team as quickly as possible
Research at Harvard Business School (2012) shows that the most successful CEOs are not necessarily the best decision-makers or those with the most knowledge, but are often those with the ability to form high-performing teams to support them. Forming your top management team relatively quickly is critical for the company's performance. While you might have relied fairly successfully on your skills, expertise, and knowledge for quite some time, a CEO's success depends largely on having the right people beside him or her. You cannot run a company with an international presence on your own.
When you come from outside the organization, it's important to first get to know the people in your team, to assess and analyze their personality types before you take action. Interpersonal fit is at least as important as having the right capabilities on board. Identify people you can trust, and complete your team's skills set. If you are from the inside the organization, selecting and building your team can sometimes start before you are in the job. Our advice is that if you're sure you need to get rid of certain people, deal with this as soon as possible. An often overlooked alternative is to do this work with your predecessor. If you have the luxury to know about your designation months or even a year in advance, this could work. Two CEOs we've worked with had it all mapped out and had done all the work before he started! Either way, building your top team is a key priority during the first 100 days.

In Chapter 6, we introduced you to the *Five Success Factors of a High-performing Team* pyramid. We recommend that you use this approach, together with your management team, to agree on the framework of your cooperation. Only then can you grow, learn, and perform together most efficiently.

The Five Success Factors of a High-performing Team pyramid

Golden principle 5: Set the business agenda

How quickly you have to produce a new vision and a new strategic direction for your company (if you do have to) depends on your company's situation. However, a word of warning: We always suggest that you first know the company inside out before setting a new direction. 70% of all major restructuring and change processes worldwide fail, mostly owing to the poor execution of the new strategy. You can lay a solid foundation for your business by improving its operations. If, during the first months, you spend a good proportion of your time with the people and the operation, you'll get to know the company from different perspectives, which will lay the foundation for the new strategic direction. Short-term thinking and long-term thinking must be in balance from day one. You must have a clear idea of where you want to go before you start moving: be sure that you know what the key business issues were in the past and the challenges and opportunities that others foresee in the future before setting out a new direction. The most successful CEOs we have worked with spent their first three months listening to the organization to avoid the trap of jumping to conclusions too early. In the process, they had to make deliberate decisions about whom to listen to and which questions to ask.

One CEO decided to talk to the 50 most important managers in the company, including all the board members. He sent them these questions and asked them to give their opinions within a certain timeframe:

- Which three things must we hold on to?
- Which three things must we change?
- What do you hope I will do as a CEO?
- What advice do you have for me?

After receiving their written answers, he reached out to everyone to discuss their answers in depth and to get to know them better, also at a more personal level. Another executive made it his goal to, in the first three months, talk to all the board members, the 10 most important customers, the 10 most important shareholders, the 10 most important regional leaders, the 10 most important managers, the 10 most important people on the shop floor, etc. to get to know their views of the company and how they saw its future direction.

Whichever approach you take to be fully informed, experience shows that the new strategic positioning should then follow within the first six to nine months of your tenure. It takes confidence to not make any immediate decisions, as everyone around you will be watching you closely; in most cases, however, it is better to resist the pressure. Our golden advice from the CEOs we work with is: first understand, then plan, and then implement. And when you start implementing changes, involve the people in your organization, the key stakeholders outside the organization, and your customers. Remember, it destroys value if your focus as a CEO, is too introspective and you forget about the organization's customers.

Golden principle 6: Define the corporate culture

Cultural intervention should be an early priority of every CEO. This intervention clarifies what your company is capable of, even as you refine your strategy. Coherence between your culture, strategic direction, and performance goals can make your organization more appealing to both employees and customers. According to Jon R. Katzenbach's work, which many of our clients have used to initiate a cultural change that suited their company best, you should be aware of the following aspects before initiating and implementing cultural change in your company.

Match Strategy and Culture

All too often, a company's strategy imposed from above is at odds with the ingrained practices and attitudes of its culture. Executives may underestimate how much a strategy's effectiveness depends on its cultural alignment. Culture trumps strategy every time (Katzenbach 2012).

Focus on a Few Critical Shifts in Behavior

Studies show that only 10% of people who have had heart surgery subsequently make major modifications to their lifestyles. We tend to not change our behavior, even in the face of overwhelming evidence. Therefore, choose your battles: if a few key behaviors are strongly emphasized, employees will often develop additional ways to reinforce them (Katzenbach, 2012).

Honor the Strengths of Your Existing Culture

It's tempting to focus on your culture's negative aspects, but any corporate culture will have many strengths. Acknowledging the existing culture's benefits will also make major change feel less like a top-down activity and more like a shared evolution (Katzenbach 2012).

Integrate Formal and Informal Interventions

As you emphasize new key behaviors, make people aware how they affect the company's strategic performance and integrate formal approaches (e.g. new rules, metrics, and incentives) with informal interactions (behavior modeling by senior leaders, peer-to-peer interactions, storytelling, engagement of motivational leaders, changes to the premises, resources, and aesthetics) (Katzenbach 2012).

Measure and Monitor a Cultural Evolution

Finally, it is important, as one would do with any other high-priority business initiative, to measure and monitor the cultural progress at each stage of your efforts. Rigorous measurement allows executives to identify backsliding, to correct the course where needed, and to demonstrate tangible evidence of improvement, which can help maintain positive momentum over the long haul (Katzenbach, 2012).

Golden principle 7: Manage your stakeholders

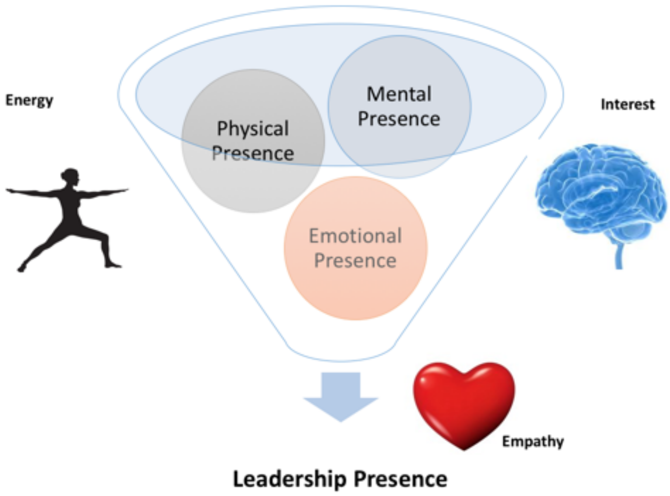
Every CEO has a number of important stakeholders to deal with. Get to know the individual board members as soon as possible. Most of the CEOs we have worked with and whose interviews we have analyzed mention that it is important to spend time with these people, inside and outside the organization. Try to understand their personality types and put yourself in their shoes. They each have a different perspective on how the organization should be taken forward. Get to know all these different perspectives. In addition, there is often a board within the board, an inner circle of power. Try to find out who plays which role.
A simple technique that many CEOs use to manage their stakeholders effectively is to draw a mind-map. Put yourself at the center. Place all the important stakeholders you are dealing with around you: Your board, the employees, your management team, your customers, distributors, industrial partners, media, politicians, and so on. Identify the most important people in these stakeholder groups — people whom you can trust to deliver. As a CEO, you need to be aware of all of these people all the time. Trust and transparency are keywords when managing these relationships.

Golden principle 8: Communicate deliberately

As a new leader, one of your key responsibility is to effectively manage your communication with all the relevant different stakeholders. We urge you to produce a clear communication plan early on in your new role. Work on and adapt this plan continuously. The content of your communication is as important as how you communicate. As human beings, we communicate verbally and non-verbally all the time, whether or not we intend to; consequently, your communication must become more deliberate. Everything you do will be under scrutiny —you are like a rock star whose every move is watched. When you arrive at work, the car you drive, the clothes you wear, the jokes you tell… everything you do matters.

You also need to think carefully about the means of communication you choose for your message and how you can build an image of yourself as an excellent communicator. A key activity in this respect is to work on your leadership presence.

Three Levels of Your Leadership Presence



You will find more information on how to build your leadership presence and become a more charismatic communicator in Chapter 2.

Golden principle 9: Manage your energy sustainably

Managing your energy is a critical task for a CEO. It's going to be a challenging time emotionally, mentally, physically, socially and, in some ways, even spiritually. You will soon not only feel like a corporate citizen, but also like a corporate athlete. Manage your resources and energy sustainably, or run the risk of paying the price sooner than you may think. Almost all the CEOs we know who have succeeded in doing so, took this task of finding a balance seriously. Many made an effort to spend enough time with their families, since a good work-life balance can be the key to overall wellbeing. Having said this, it's no secret that the job is very time-intensive. Spending quality time with your family, switching off from work, and being fully present with the people you care for most can make all the difference. Healthy eating and regular exercise should be part of every busy CEO's toolkit. If you neglect your overall wellbeing, the pressure can become too much.

Golden principle 10: Broaden your leadership capabilities continuously

The best CEOs we have come across had one outstanding quality: they learnt more quickly and more consciously than others. They continuously made an effort to develop themselves further, because they knew that what had taken them to one career position would not be enough to get them to the next one. They understood that, during each leadership transition, they had to adopt a new mindset, to polish their leadership and management skills, and to spend their time at work differently (with a larger set of different stakeholders).

Mindset
As a new CEO, you need to develop a CEO mindset quickly. For instance, if you were a CFO previously, you might have primarily focused on costs, but, as a new CEO, your focus will probably need to switch to revenues. You might need to start looking for products and portfolios, and you might realize that you need to develop a more holistic approach than the one you had previously. Innovation and change management might be new activities for you. Regardless of the career path that led you to this new challenge, you need to start thinking more holistically and comprehensively to succeed in your new post.

Leadership Skills
There are various leadership concepts that team leaders can use to polish their leadership capabilities. We suggest the concept based on the work of Daniel Goleman, who became famous with his bestselling book on emotional intelligence. Goleman (2000) differentiates between six leadership styles, which we briefly describe in the following table.

Directive leadership style This *do what I say* approach can be very effective in a turnaround situation, a natural disaster, or when working with challenging employees. If over-used, a commanding leadership blocks the organization's flexibility and diminishes employee motivation.	**Visionary leadership style** A visionary leader takes a *come with me* approach: He or she states the overall goals, yet gives people the freedom to choose their own ways to achieve results. This style works especially well when a business is in a difficult situation. It is less effective when the leader works with an expert team more experienced than the leader.	**Affiliative leadership style** The affiliative leader has a *people come first* attitude. This style is particularly useful for building team harmony or increasing morale. But its exclusive focus on praise can allow poor performance to go uncorrected. The affiliative leader rarely offers direct feedback or advice, and thus leaves employees unclear about their performance.
Democratic leadership style By giving workers a voice in decisions, democratic leaders build organizational flexibility and responsibility, and help generate fresh ideas. Sometimes the price is endless meetings and confused employees who	**Pace-setting leadership style** A leader who sets high performance standards and exemplifies them, has a positive impact on highly competent and self-motivated employees. However, others may feel overwhelmed by the continual demand for	**Coaching leadership style** This style focuses more on personal development than on immediate work-related tasks. It works well when employees are already aware of their weaknesses and want to improve, but not when they are resistant to changing their ways.

feel under-led. There is a positive impact on the organizational climate, but not as high as one might imagine.	strong results and high standards; some will resent this leader's tendency to take over.	

In Chapter 6, you will find a diagnostic tool that can help you assess your current leadership practice and can provide ideas on how to develop yourself further.

Time Application

Every leadership transition brings a new set of task and challenges. You can deal with these successfully by spending your time more deliberately focusing on the topics that matter most. The day only has 24 hours, which means that CEOs must quickly learn how to best use their time. Our recommendation is to discuss these issues with other seasoned businesspeople. Time is your most valuable resource, and you need to spend it well.

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