

HEIDRICK & STRUGGLES

MOVE FASTER DRIVE HARDER

Few professional experiences can be as overwhelming as taking on the CEO role for the first time. Everything changes in unexpected ways; it's not about climbing the next rung on the ladder, it's a quantum leap into a new reality.

Advice for
new CEOs
from those
who have
been there

by **Mark Nadler**, Partner,
Leadership Consulting
and **Dave Winston**,
Regional Managing Partner,
Industrial Practice

MOVE FASTER DRIVE HARDER



Few professional experiences can be as overwhelming as taking on the CEO role for the first time. Everything changes in unexpected ways; it's not about climbing the next rung on the ladder, it's a quantum leap into a new reality. Brand new CEOs need all the practical, impartial and time-tested advice they can get – and without question, the best source of advice for CEOs is from other CEOs – the select few who can actually say, “Been there, done that.”

With that in mind, we went in search of the best suggestions for new CEOs on how to get off to a successful start, and the people we turned to were CEOs whose memories of their first weeks and months on the job were still fresh. We conducted more than 50 confidential interviews with CEOs from companies big and small; they were divided almost evenly between public and private companies, and between CEOs who had come up through the ranks internally and those recruited externally.

While there were a few differences (in particular, between internal and external CEOs), the lessons they learned were remarkably consistent. Given a second chance to start out again as CEO, they told us, here's what they would do differently.

Move faster, drive harder

In hindsight, most CEOs wish that within their first six months in the job they had narrowed their agenda and quickened their pace. They strongly recommended that you select a very few high impact organizational priorities, stay thoroughly focused on them, and then drive to completion with a relentless sense of urgency.

"As a leader in transition, you have a finite window in which to make a lot of change; after that, the organization's gravity just sucks you in, and you're back into business as usual. There's a period of six to nine months when everyone expects the new guy to make changes, and you have to move quickly to make the best use of that opening...If I could do it over again, I would re-charge that sense of urgency around a change roadmap, and realize that it really is about having a finite amount of time."

CEO of a publicly traded distributor of business products

"My biggest mistake was to not go deep enough fast enough. I took out US\$1bn in operating expenses. I changed major processes. I made major structural changes. But it took me three bites of the apple to get where I should have gotten right away. In hindsight, I wish I could have done everything faster."

Former CEO of a publicly traded technology company

"I would pick one or two essential elements of the company and drive those. Do a lot of maintenance around the others, but pick one or two battles, to align the company behind the leadership. For me, it was the creation of a few centralized departments to create cost savings, and the development of a growth plan with a specific M&A strategy. Find the one or two places where you can really make a difference, and focus there."

CEO of a publicly traded diversified chemical company

Don't drag your feet on the tough talent decisions

Pushing a new agenda is impossible without the right people in the right jobs. By far, the most common specific regret acknowledged by first-time CEOs is that they didn't act faster to remove people in key roles who lacked the necessary skill or commitment. With the best of intentions, new CEOs often delay the difficult moves far too long, at great cost to the organization and to the dismay of top performers. New CEOs – and in particular, those from the outside, who are still learning who's who – need to gather information quickly, seek the best available advice, trust their instincts and then make a decision.

"You're never moving fast enough when it comes to people. You want to be fair, you want to be humane, you want to give them a little more time, another chance – but you're hurting yourself and you're hurting the company, because you end up spending way too much time on the wrong things."

CEO of a publicly traded manufacturing company

"When you first arrive from the outside, you need to listen to people, test the water, but at the end of the day, trust your intuition. There were two or three issues, all involving talent, where I didn't trust my instincts; in hindsight, I should have acted on them in the first few months, rather than waiting as long as I did."

CEO of a private equity-backed global IT firm

"Assess talent rapidly and make the changes instantly...two non-performers weren't identified in the talent assessment; we could have dropped US\$50m to the bottom line if we'd had the right people in those two positions."

Former CEO of a publicly traded technology company

Stop doing your old job

All new CEOs have to establish their own leadership identity – but that’s particularly hard for those promoted internally, who must quickly achieve the requisite escape velocity to be viewed as “a boss, not a buddy.” Start by identifying the specific things you did in your previous jobs that you will now delegate and distance yourself from – even if you’re convinced you can still do them better than anyone else.

“This has involved changing the way I spend my time, who I spend time with, how I behave. People knew me as this hard core numbers guy. I volunteered to go on this mission to provide wheelchairs to people. It was a life changing event for me, and it was a seminal event for our people, seeing me lift people into wheelchairs. It means behaving differently, putting yourself out there a little more, stepping outside your comfort zone sometimes. And it’s an ongoing thing.”

CEO of a publicly traded distribution company

“There’s often some process of re-branding yourself; you’ve got to work harder to change the way people think of you when you come from the inside. People have perceptions based in part on who you used to be, but no longer are. So you have to think about, “How do I prospectively want people to see me as a leader?” I knew, for example, that my new job required me to spend much more time out in the field with employees. So I made a point of showing up on Thanksgiving and Christmas Day.”

CEO of a private equity-backed transportation and logistics company

Admit you need help

Be brutally self-aware that you are not an exception to the rule that no CEO is great at everything. Quickly seek out talented leaders to complement your weaknesses so you can focus your personal involvement in the areas where you can have the maximum impact.

“If I had any advice to give to another CEO, it would be to get a clear understanding of the top three items that the board expects you to do. Then, seriously assess your strengths and weaknesses to get those done and don’t be shy about getting help in the areas where you have weaknesses. For example, if improving day-to-day field operations is critical to meeting board expectations, then go get a COO if you are not strong tactically. Don’t try to do it all yourself, because you’ll set yourself up for failure. Good CEOs are either operators or strategists. There are weaknesses on one side or the other that need to be compensated for.”

CEO of a privately held environmental services company

“I was comfortable with the strategic side, but not on how things run. You have to find good people who know more about those things than you do. I brought in a top notch COO. He became Mr. Inside and I dealt with outside relationships. He just got into the nitty gritty of the business; I could then worry about the external stuff.”

CEO of a privately held wine and spirits distributor

Immerse yourself in the board

New CEOs are often surprised by how much of their time is consumed by board-related activities – but they shouldn't be. Experienced CEOs advise spending anywhere from 20 to 30 percent of your time on the care and feeding of your Board. Make it a top priority to get to know them personally, help them get to know you, and recognize that almost nothing is more important than quickly striking the right balance between seeking their guidance and providing them with direction.

"The thing that surprised me most was the fact that I now had several bosses – the board members of the company. I needed to develop relationships with each of these individuals to understand their priorities and concerns. That took a lot of time, but it was important. Looking back on it, I should have invested even more time than I did."

CEO of a private-equity backed environmental refining company

"Your relationship with the board is a constant balancing act. You'd like to get their advice and recommendations, and they want to give it; but if you ask for it too often, they'll think, 'This guy just ain't got it.'"

CEO of a privately held construction supply company

"What everyone tells you is true – it's a good idea to spend one-on-one time with each board member in their hometown. It's important to get to know them, to build a relationship with each of them, to develop a level of trust – it pays dividends when you get into difficult situations. You need to understand who knows what, how they can help you. Certain board members have certain talents that might be particularly helpful."

CEO of a publicly traded distribution company

It's all about leading through teams

New CEOs quickly bump up against the limits of their personal influence, and come to understand the necessity of leading through others. It starts with your senior team; if they aren't aligned – with you and with each other – there is no way your influence will extend past the first row of offices. And in large companies, the CEO has to quickly figure out how to keep hundreds of managers reading from the same page.

"When I came in, there were people who reported directly to the CEO but no management team. I brought together my seven direct reports and told them that from now on, we were collectively responsible for the company's success. That was a completely new approach for them – not one that all of them liked – and it created an entirely different dynamic. It took a while, required a lot of discussion with individuals, but it was the best possible decision I could have made."

CEO of a publicly traded chemical company

"One of the biggest lessons is that the number of people you can directly influence in a big company is too small to make enough difference. So you have to ask yourself, 'How do I create a multiplier effect, where I have a sphere of influence with hundreds of people aligned to achieve the same outcome – where I could step aside and it would go on?' You come to understand that you need the power of the many to get where you want to go. You have to figure out how to influence, coach and train people, so if you're not there, they make the same or better decisions than you would have."

CEO of a private-equity backed logistics company

You are the company's face to the world

Most executives spend years learning how to manage what goes on inside the company. But the moment they become CEO, they need to make a quick pivot and turn much of their attention to the outside world – not just customers, but investors, shareholders, analysts and the media. It's almost like learning a whole new job – including some critical lessons on what you can and can't say, when, and to whom.

"Even though I'd been actively preparing for the role, what I didn't fully understand was that for the first six months or so, you're really doing two jobs at once. First, you're doing all the things you need to do to run the business – that's the part you've prepared for. But then there's the external role – working with the board, meeting with investors, analysts and reporters. I wasn't totally prepared for the time and intensity of that second role... I would also tell new CEOs that the intensity of scrutiny they will experience from investors and analysts will be surprising. They want to know who you are – and what they really want to know is whether you're smart enough to run this company."

CEO of a publicly traded home products company

"The biggest difference between running a big division and being CEO is the whole area of investor relations. It's one thing to say things inside the company; but when you're doing analyst calls, or press interviews, or making an announcement – the minute you finish a sentence, it's out in public and out of your control, and there are very quick consequences in terms of how the company is perceived and how it affects your market value."

CEO of a publicly traded chemical company

Culture is crucial

As you prepare for and then begin the new job, broaden your perspective beyond strategy, operations and finance to understand that one of the CEO's greatest opportunities – and challenges – is to manage and, if necessary, change the organization's culture and social dynamics. That begins with understanding what the culture actually is, versus what people say it is.

"I was a bit surprised by the importance of the CEO's role as a cultural change leader. Coming out of McKinsey, I was all about the numbers, the initiatives. But along the way, someone told me that the real mark a CEO leaves is on the culture, not the numbers. Certainly, you have to drive great performance and great results – but your real legacy is the mark you leave on the culture."

CEO of a publicly traded wholesale distributor

"Next time I come into a CEO position, I will put much of my due diligence effort in that area – culture, the leadership team, etc. There are a lot of hidden dynamics of the business that people won't go out of their way to tell you about before you take over; it's your responsibility to do your own research."

CEO of a private equity-backed human resources provider

Find a few people you can confide in

Most CEOs tell us the cliché is true: It's an inherently lonely job. As early as you can, identify a select group of confidants, coaches and trusted advisors, including some incumbent or retired CEOs. Every CEO needs some safe outlets – people with whom they can be candid, seek advice, admit to uncertainty, and just let their hair down once in a while.

"You don't realize this stuff until you take the job. 'Company friends' – they don't work anymore. Your friends need to be outside the corporation...You can't get counsel and expect it to stay private."

CEO of a publicly traded provider of packaging solutions

"At the end of the day, it really is lonely at the top – there are so many confidential things that you just can't talk about. You can't think out loud, you have to be constantly on guard against unwittingly making some comment that might send some signal about what you might do."

CEO of a publicly traded security products company

Don't get distracted by flattery and happy talk

As one CEO advised another, "The moment word gets out that you're going to be the CEO, your jokes suddenly are funnier, your wife is prettier and your kids are smarter." Be prepared for how differently people treat you – starting with their reluctance to be the bearer of bad news. Be persistent; get beyond the smoke and smiles and discover what's actually going on inside organization.

"What surprised me was that when I got the title of CEO, there was an automatic sense of that 'power' by those around me. My suggestions were all of a sudden taken as gospel even when I didn't necessarily mean to imply these were mandates. In one day, everyone started treating me differently. People ascribed a power to me simply as a result of the title and not necessarily because I knew the business so well."

CEO of a publicly traded tire manufacturer

"My biggest challenge was getting to the truth...The biggest surprise was how hard it was to get higher level managers to open up to me."

CEO of a publicly traded plastics manufacturer

Conclusion

At the end of the day, the overarching lesson is one that new CEOs will find easy to intellectualize but tough to internalize. Their own effectiveness depends upon other people's performance. That's a hard fact for life-long all-stars to accept. "We are always looking for individual accomplishments for ourselves," one CEO told us, "But as you move up, it's no longer what you do -- it's what your team does." The quicker new CEOs learn that lesson, and the faster they move to put the best possible team in place, the greater their chances of getting off to a successful start. ■

Leadership Consulting

Our Leadership Consulting Practice advises organizations worldwide to help enhance the quality of their leadership talent and performance.

We provide a range of consultative approaches and proven methodologies to increase the effectiveness of senior leaders both individually and collectively – at the CEO, senior team and Board of Directors level. Specifically, we help our clients improve their personal and organizational performance by focusing on these areas:

- CEO and Executive Succession Planning, a deliberate approach to preparing successful leadership transitions
- Board Effectiveness, including assessment and composition
- Top Team Effectiveness, designed to create high performance teams
- Executive Assessment, custom-tailored to fit specific organizational needs
- Leadership Strategy, a holistic approach to assembling the right talent to meet changing strategic requirements
- Leadership Development, a customized suite of consulting, coaching and workshop activities to shape leadership capabilities
- Culture Shaping, partnering with CEOs and CHRO's to develop cultures that improve performance

Our experienced consultants understand the importance of talent management within the broader context of organizational performance. We encourage our consultants to be flexible and creative in customizing our tools and approaches to meet each client's unique needs, and to help each develop the leadership talent to achieve their strategic goals.

Mark Nadler

Partner, Leadership Consulting

+1 312 496 1892

mnadler@heidrick.com

Industrial Practice

Leading industrial companies today increasingly recognize that the quality of their leadership talent will make the real competitive difference in a world of globalization, rapidly emerging markets, off-shoring, outsourcing, and far-flung supply chains. These companies want innovative global leaders who possess the strategic, operating, and financial skills required to win in this complex environment.

Heidrick & Struggles helps industrial companies identify and recruit the leaders they need to succeed. With talent more critical than ever, we understand the unique leadership development challenges that industrial companies face.

Our Industrial Practice has four core sectors, Manufacturing, Energy, Infrastructure & Sustainability (EIS), Transport & Logistics, and Natural Resources, and combines unparalleled search resources with a deeply consultative approach. Our dedicated group of 185 consultants has broad vertical experience in every industry sector. The practice serves every region across the globe, including critical emerging markets such as Brazil, China, Russia, India, the Middle East and Eastern Europe.

Dave Winston

Regional Managing Partner, Industrial Practice

+1 214 706 7724

dwinston@heidrick.com

www.heidrick.com

Copyright ©2013 Heidrick & Struggles International, Inc.

All rights reserved. Reproduction without permission is prohibited.

Trademarks and logos are copyrights of their respective owners.

201301JNTSRG86