The Newly Appointed Leader Dilemma

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Summary

The newly appointed leader dilemma is a phenomenon that exists because today's organizations have very high expectations for results, and these results need to be achieved in a shorter period of time than ever before. Little, if any, time is allotted for the new leader to learn the job. The fastest and the strongest survive. Based on recent interviews and polling of over one thousand executives, approximately 40% of newly appointed leaders prove to be disappointing, are terminated, or leave the job voluntarily within 12-18 months of their appointment. Based on the reasons for failure, as cited by top executives polled, there are 15 recommendations for newly appointed leaders to maximize their opportunity to succeed. These include:

1. Confirm your appointment charter.
2. Conduct a comprehensive stakeholder analysis in order to build effective partnerships.
3. Intentionally accelerate your job learning process including skills, knowledge, and culture.
4. Build strong first impressions.
5. Establish a clear communications strategy.
6. Deal effectively with unsuccessful candidates for your position.
7. Create empowering relationships and a learning culture.
8. Design your vision and mission with involvement of others.
9. Create a 12-month roadmap to achieve your key business and functional goals.
10. Diagnose and assess your organization's health and effectiveness.
11. Select, build, and train your high performing leadership team.
12. Implement necessary change processes.
13. Decide what key initiatives must be taken and with whom.
14. Seek out and obtain as much help, assistance, and coaching as you can get.
15. Give fill consideration to the cultural issues and power base you will need to accomplish your objectives.

Introduction

The Newly Appointed Leader Dilemma is prevalent in today's organizations. The expectations for results are as high or higher than they have ever been, but the patience of key decision makers to achieve those results is the lowest that it has ever been. It is the executive's blessing and curse of the mid-1990's. Great opportunities—large potential rewards—with little, if any, time allotted to learn the job. Get in, make the necessary changes, and quickly demonstrate results. It is a type of organizational Darwinism. The fastest and strongest survive. However, based on recent interviews and polling of over one thousand executives, approximately 40% of newly appointed leaders prove to be disappointing, are terminated, or leave the job voluntarily within 12-18 months of their appointment.

Case Study for the Newly Appointed Leader Dilemma

Pat has been named president and chief executive officer of a major consumer division of U.S. Financial Corporation (U.S.F.C.). Business is changing faster than ever before and so are the expectations for greatly improved business results. The chairman and the board are committed to major changes in the way the business is managed. The industry is more competitive than it has ever been. There have been numerous acquisitions and mergers over the past decade. The pace of these merger-deals has accelerated in the past five years and has literally transformed banking and financial services. This revolution in the marketplace continues to bring dramatic changes resulting in a need to become a faster, more flexible and agile business.

Pat's challenges are daunting. Pat replaces a very well-liked chief executive officer (CEO) who ran the business in a friendly, benevolent, even paternalistic way. However, market share has eroded. Shareholders have been disappointed and vocal.

The board has acted by retiring Pat's predecessor two years earlier than he had planned. The consumer division needs to be transformed. It lags behind the four other divisions of U.S. Financial Corporation in earnings and in its commitment to the cultural values that have driven the change, growth, and development of the other divisions. The employees are nervous. The industry has experienced well-publicized downsizings.

Pat is the first woman to be named president and chief executive officer and member of the U.S.F.C. Executive Committee. The board has made it clear that it wants a seven percent rise in earnings within twelve months and another 10% the following year. Nothing less will be acceptable. There is also a strong belief within the board that there are significant cost reductions to be realized and that information services and the administrative infrastructure are woefully behind the competition. An important perception at the board level is that of a fat, slow, and under-producing division when compared to the other U.S.F.C. businesses and regional competition.

Pat has been brought into U.S.F.C. from a key competitor where she was Executive Vice President for Marketing and Customer Relations and had developed a well-earned reputation for results. She has a very strong endorsement from the Chairman and a majority of board members. However, the vote was split with four highly influential board members preferring Joe Taggart, the current CFO who campaigned hard for the job and is bitterly disappointed that he was not selected.

Pat is expected to hit the road running. No honeymoon or grace period—just land and do what needs to be done to achieve the results expected of her.

Some Additional Points of Reference

There appear to be a number of reasons why the Newly Appointed Leader Dilemma is a greater problem than it has ever been. These include, but are not limited to the following:

- A recent review of literature indicates that *50%-75% of change efforts fail to meet all their intended objectives*—usually because of human factors. Most newly appointed leaders initiate some form of major change process.
- The *Wall Street Journal* reported in 1994 that "*Many new executives are being discharged with stunning speed.*" Not long ago employers gave the newly hired at least a year to prove themselves. But in a recent American Management Association survey, nearly 22% of the employers questioned said that in the past two years, they had fired a professional or manager after less than three months. Lifetime employment is out. Corporations continue to lower staffing levels, and any thought about permanent employment with employees at any level is a memory. It is a buyer's market with many displaced and highly mobile executives anxious to fill key executive roles, even for short periods of time.
- *Accountability is a prime organizational value and active pressure point in today's organizations.* There appear to be at least three primary reasons for this: (a) Shareholders are much more demanding, (b) the quality movement has established metrics as an organizational expectation, and (c) performance management practices are improving. Fifty-five percent of available stock is now held by blocks such as institutions who can exert significant pressure including voting pressure on boards. In turn, boards have become more demanding of their CEOs with higher results expected over shorter periods of time. The cycle continues when the CEO pushes down on his or her executives. Scorecards of results are more and more apparent. Visible accountability commonly exists down to the individual contributor and team level, which are tied to critical measurements of success much higher in the organization.
- *More pay is at risk than ever before.* New compensation systems have been devised that put executives under the gun for quick and measurable results. The days of high levels of guaranteed compensation that are not tied to measurable results are rapidly disappearing.
- *Today's society is highly litigious.* On the advice of counsel and experienced human resource executives, companies increasingly will cut their losses quickly if they determine an executive is not working out. The argument presented is that it can be legally easier and cleaner if an executive is released before a long employment history develops.
- *A higher than expected rate of expatriated executives leave.* Recent indications are that between 40% and 60% of repatriated executives leave their companies within a year of assuming a position upon their return to the United States. Reasons for this high rate include companies not doing an effective job in managing these difficult

career transitions, the increased value that executives with global experience have in the marketplace, and the targeting of such executives by retained search firms.

Why Do Things Go Wrong So Often and Many Times So Quickly?

It is interesting to note that at least five of the above factors can directly be related to failures of understanding fundamental aspects of the corporate culture. Often the seeds of disaster are sewn before the individual starts the new job. In the case of Pat, what do we know about the culture that may be critical to her future success?

1. We know that the decision about her appointment was far from unanimous, resulting in a divided board.
2. The decision left the CFO frustrated and embittered.
3. The company is having a problem with market share erosion; curiously, though, the company is focused on cost reductions within very specific time frames, and it hires an individual who has an established track record in marketing to resolve the problem.
4. In the midst of a market share problem, the company is focused on earnings instead.
5. The board has a perception that a big part of the problem is that the division's culture (and hence its people) is "fat, slow and under-producing" compared to their competitors or other divisions.
6. The employees are used to a company run by a benevolent, well-liked CEO.

If one stops to think about these few facts, there are some interesting disconnects occurring already, some of which may portend problems in the near future. Should Pat focus more on the market share problem or the earnings problem? Is the board really serious about her fixing both simultaneously? Are they perhaps more concerned with earnings for now while they run the division as a cash cow? What is the inherent message in what she's been told about the culture of the division; is she expected to come in and make the "tough decisions" (a euphemism for firing people) that her predecessor could not? If after her own independent analysis of the situation, she comes up with a different assessment and a different strategy, is she at liberty to employ it? Does the fact that the board was split in its decision to hire her, a marketing person, or to promote the CFO, a financial person, signal profound differences on the board about the future vision of the business?

The preceding questions highlight the minefield a newly appointed executive can walk into, even when all parties are operating with the best of intentions. Pat needs to get answers to the above questions as quickly as possible. She should obviously have overt discussions with the chairman and other key board members as well as the CFO. But the problem is that an overt approach, while necessary, is often not sufficient by itself. People will tell you what they honestly think the answer is, but often that is not the reality of the situation. Organizations are not always rational. Learning and appreciating the irrational aspects of corporate culture can help a newly appointed executive navigate the corporate minefield.

Few executives have the time to become experts on corporate culture, but all too many have plunged into new situations thinking they had a mandate to "sweep the place clean" and have learned to their chagrin that there were limits to that mandate. For most executives, a little understanding can go a long way. Extensive interviews or surveys are probably unnecessary and not immediately practical for a newly appointed executive. What will be enormously helpful will be to observe some key indices of the culture. Some key concepts will help the typical executive to navigate through the minefield.

Values operate at the conscious level of the organization. They include verbally expressed goals, philosophies, and strategies. Values could include the way managers are *supposed* to behave in certain situations, although they may actually behave quite differently. A company may espouse confidence in the future and concern for growth while at the same time not acting to reinvest in the business in any meaningful way. It may say that "people are our most important competitive advantage" while doing little in the way of employee development or succession planning. Ultimately, some of the actions that are driven by values will prove to be successful in the survival of the organization. Those values that prove their survival capacity over time will eventually become so embedded in the culture of the company that they will reach the status of underlying assumptions.

Underlying assumptions are the least observable but the most important in understanding how to operate in a new culture. If individuals are asked about these underlying assumptions, they will have a difficult time articulating what they are because they operate at a very deep level of consciousness. Assumptions typically deal with fundamental perceptual issues such as the nature of time, space, human nature, the ways individuals and groups should interact with one another, and the desirable balance between work and family time.

These are profound issues for a new executive to confront early in his or her tenure. In Pat's case, the direction from the board to solve the division's problems by dealing with its unproductive infrastructure and culture may stem from basic assumptions that have developed over many years of handling similar problems in that organization. Basic assumptions about people may have been the reason why her predecessor is now being disparaged or why the CFO was not chosen for her job. If that is the case and Pat wants to solve the problem in another way, she should expect a great deal of resistance. Even the way she chooses to discuss it should be heavily predicated on knowledge about accepted assumptions within the existing culture. It doesn't necessarily mean that she shouldn't try other methods, but she had better be very sure of her strategy and she had better have built up sufficient organizational support for alternate proposals.

This brings us to another related issue called organizational power, that is, the actual or potential ability to make things happen in an organization. Power is closely related to the subject of organizational culture, but it is so important to the newly appointed person that it warrants separate consideration. Often titles and organizational charts do not give an accurate picture of where power really resides. In many organizations, there are trusted colleagues who may not always have elevated titles but who are insiders who can heavily influence the thinking and strategy of the organization.

One obvious insider in Pat's situation is the CFO, who enjoys the confidence of at least a substantial number of board members. If Pat comes up with another strategy for resolving the organization's problems it may be critical to gain the CFO's support. Given the confidence some members of the board have in him, an offhand remark like, "Pat has come up with a strategy that makes a lot of sense," will go a long way toward winning support for her position. Pat will have to determine fairly early whether the CFO will support her and work to be a valuable member of the leadership team. She should begin at the emotional level of his disappointment at being passed over.

Jeffrey Pfeffer has spent most of his career studying the phenomena of power in organizations. He provides some useful guidelines for making a quick appraisal of where it resides in any organization:

1. Reputational Power: Who is talked about consistently as someone who can get things done?

2. Representational Power: Are certain people or functions disproportionately represented in high level activities in the organization? Is the path to the presidency typically through marketing, sales, or finance?

3. Consequential Power: Are there large discrepancies in compensation across certain functions or departments? Are certain individuals or functions allotted a disproportionate amount of company resources, for example, budgets, space, head count, and so forth?.

4. Symbolic Power: Are certain departments or individuals located in the company's headquarters location or in other, more remote locations? How large are their offices? Are they the first or last to receive new equipment?

Considerations of culture and power are always important but particularly so for someone coming into a new organization without the prior experience of an insider. In many instances, perhaps like Pat's, the very fact that one is an outsider may have been a determining factor in his or her selection. Outsiders are perceived to have no preconceived notions, alliances, or prejudices so they will have an easier time shaking up the culture.

But every individual comes from another culture with its own set of assumptions. These assumptions can collide harshly and quickly with the new culture. Even when they don't, the newly appointed leader still has to maintain a delicate balance between engendering resistance to change and being too timid to forcefully drive new initiatives. These cultural issues are becoming only more complex as organizations become flatter in their structure, more virtual in their operations, and more international in their composition.

Unfortunately, learning the culture is difficult because so much of it is typically experienced subliminally, over repeated exposure and time in the company. But considerable operating knowledge can be gained if the above issues are systematically examined.

Recommendations for Dealing with the Newly Appointed Leader Dilemma

The challenges that newly appointed leaders face in contemporary society are extraordinary. They can be simultaneously stimulating, even exhilarating for some, and vexing for most. Managed well, these challenges can lead to high levels of career success. For others, these challenges can turn into a career-derailing experience.

Here are fifteen suggestions that can increase the likelihood of success and minimize the career derailing factors for newly appointed leaders.

1. Confirm your appointment charter. These are the explicit agreements that should be negotiated with one's immediate manager and others with whom there are accountable relationships. Examples of the approximately dozen areas to be confirmed are reporting relationships and primary accountabilities, limits of decision-making authority, and specific ways the immediate manager wishes to be supported.

2. Conduct a comprehensive stakeholder analysis in order to build effective partnerships. Closely examine the full range of key working relationships that must be established, enhanced, or repaired. These can be relationships that are within or outside the immediate organization or company and that frequently include customers. Stakeholders begin with the boss, peers, and direct reports. Areas of needed attention should be identified and action steps put in place in order to ensure that strong partnerships exist.

3. Intentionally accelerate your job learning process including skills, knowledge, and culture. Few executives today have ample time to fully learn a new, complex, management job. There is now evidence that the first 80% of that learning process can be accelerated considerably. Executives should access some of the learning options available to executives that have been developing in recent years. These options build on existing learning strengths and styles but also address learning gaps and underdeveloped capabilities. Highly trained consultants and university-based executive education programs are good sources of support in this area.

4. Build strong first impressions. First impressions are made in a matter of seconds. Be careful of the verbal and nonverbal messages that you send. Watch your pronouns. Use *we* and *our* versus *I* and *me* and mean it. Reach out and be inclusive of others.

5. Establish a clear communications strategy. How and what one communicates is a vital factor in executive success. Communications reflect much about the executive and what he or she stands for. The executive should prepare or at least review the announcement of his or her appointment. Every action that the executive plans or implements has communication implications which should be well considered. Key message bits should be carefully selected.

Communications experts are frequently available in larger organizations. Others can be accessed on a need-to-know basis on the outside.

6. Deal effectively with unsuccessful candidates for your position. The newly appointed executive should meet with unsuccessful candidates individually and as early as possible. Their expertise can be of great value if you can gain their support and commitment. If they will not be considered for an important role or continued employment, they should be told so privately and managed very professionally. Career transition services should be made available if the executive is being released.

7. Create empowering relationships and a learning culture. The ability of executives to help others to feel important and part of the action is an essential leadership skill. Empowering others to feel able, valuable, and responsible will go a long way to building a high performing and learning-based work culture.

8. Design your vision and mission with involvement of others. Vision is the defining of what kind of business and organization we wish to become (future). Mission is the definition of what type of business and organization we are in (present). The executive should involve members of his or her team and others in the organization in defining and confirming both.

9. Create a 12-month roadmap to achieve your key business and functional goals. One of the key factors that should be identified in the Appointment Charter is the two or three most important accomplishments that should be achieved during the executive's first year. A plan should be established by month three to ensure that these accomplishments are achieved. This roadmap should be revisited at least once a week.

10. Diagnose and assess your organization's health and effectiveness. Some executives get so busy focusing on results that they neglect to examine what is and isn't working well in their organization. Work processes, quality of employees, and teamwork are examples or areas to examine. This can be done alone or preferably by involving others in the organization. Professionals who are well trained in the field of organizational development can also assist in the diagnostic process.

11. Select, build, and train your high performing leadership team. Leaders are able to accomplish work by choosing the right people, who are trained well and who work together effectively, for important responsibilities. This rarely happens by accident. Effective leaders are deliberate about surrounding themselves with others who are dedicated to the mission and vision of the organization and who are skilled at achieving desired results.

12. Implement necessary change processes. Today's world operates in fast forward. Contemporary leaders have to be skilled as change masters with an ability to involve and excite others in the process of rapid, often transformational, change.

13. Decide what key initiatives must be taken and with whom. There is always more to do than there are available resources. Executives must choose from a host of possible initiatives including those involving business results, superiors, peers, direct reports, multiple functions, external stakeholders, personal development actions, and work/family balance issues.

14. Seek out and obtain as much help, assistance, and coaching as you can get. Assuming a new leadership role is hard and hazardous work. Seek the counsel of trusted advisors. Involve those in your organization whose opinions and perspectives can complement yours. Consider utilizing a professional with expertise and experience in making a successful leadership transition.

15. Give full consideration to the cultural issues and power base you will need to accomplish your objectives. This is especially true if your objectives will challenge basic cultural assumptions of the organization. Building your power base is not necessarily a Machiavellian activity. It is merely a concession to the reality that in every organization there are competing interests, and to get things done power must be exercised in an appropriate way. If issues of timing, stakeholder commitment, use of formal and informal structures, and interpersonal commitment are fully considered, the outcome is likely to be a more successful one.

Some of the Most Frequently Cited Factors That Derail Newly Appointed Managers/Executives

1. Being unclear or confused over the Appointment Charter which should include key expectations, agreements, and ways of working to support the immediate manager and others to whom one is accountable.
2. Failing to identify *stakeholders* and build key partnerships.
3. Learning the job too slowly.
4. Failure to mesh with the existing culture or, conversely, to build the type of culture that is needed.
5. Key interpersonal differences with others.
6. Failure to achieve the necessary balance between work and family life.
7. Overusing or over-reliance on existing professional or managerial strengths.
8. Previous untested skills and existing problems or flaws begin to matter much more than they did previously.

Conclusion

Nothing succeeds like success. If an executive can achieve some early successes, he or she is likely to win even greater confidence and support from the organization. That will give the individual even more leverage to focus on more ambitious goals. But it can sometimes be impossible to recover from an early failure.