RESEARCH & IDEAS

The Seven Things That Surprise New CEOs

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In the newly released book On Competition, Professor ***Michael E. Porter*** *updates his classic articles on the competitive forces that shape strategy. We excerpt a portion on advice for new CEOs, written with HBS faculty* ***Jay W. Lorsch*** *and* ***Nitin Nohria****. Key concepts include:*

- *Most new chief executives are taken aback by unfamiliar new roles, time and information limitations, and altered professional relationships.*
- *The CEO must learn to manage organizational context rather than focus on daily operations.*
- *The CEO must not get totally absorbed in the role.*

Editor's Note: By significantly expanding our understanding of the dynamics of competition, Michael E. Porter's *Harvard Business Review* article "How Competitive Forces Shape Strategy" launched a business management revolution among academics and practitioners when it was published in 1979. In the just released *On Competition*, Porter collects his most influential articles from *HBR*, and adds new work on health care, philanthropy, social responsibility, and leadership.

This excerpt, coauthored with Harvard Business School professors Jay W. Lorsch and Nitin Nohria, looks at common surprises faced by new CEOs.

See a video interview with Porter.

Most new chief executives are taken aback by the unexpected and unfamiliar new roles, the time and information limitations, and the altered professional relationships they run up against. Here are the common surprises new CEOs face, and here's how to tell when adjustments are necessary.

Surprise One: You Can't Run the Company

Warning signs:

You are in too many meetings and involved in too many tactical discussions.

There are too many days when you feel as though you have lost control over your time.

Surprise Two: Giving Orders is Very Costly

Warning signs:

You have become the bottleneck.

Employees are overly inclined to consult you before they act.

People start using your name to endorse things, as in "Frank says…"

Surprise Three: It Is Hard To Know What Is Really Going On

Warning signs:

You keep hearing things that surprise you.

You learn about events after the fact.

You hear concerns and dissenting views through the grapevine rather than directly.

Surprise Four: You Are Always Sending A Message

Warning signs:

Employees circulate stories about your behavior that magnify or distort reality.

People around you act in ways that indicate they're trying to anticipate your likes and dislikes.

Surprise Five: You Are Not The Boss

Warning signs:

You don't know where you stand with board members.

Roles and responsibilities of the board members and of management are not clear.

The discussions in board meetings are limited mostly to reporting on results and management's decisions.

Surprise Six: Pleasing Shareholders Is Not The Goal

Warning signs:

Executives and board members judge actions by their effect on stock price.

Analysts who don't understand the business push for decisions that risk the health of the company.

Management incentives are disproportionately tied to stock price.

Surprise Seven: You Are Still Only Human

Warning signs:

You give interviews about you rather than about the company.

Your lifestyle is more lavish or privileged than that of other top executives in the company.

You have few if any activities not connected to the company.

Implications for CEO Leadership

Taken together, the seven surprises carry some important and subtle implications for how a new CEO should define his job.

First, the CEO must learn to manage organizational context rather than focus on daily operations. Providing leadership in this way—and not diving into the details—can be a jarring transition. One CEO said that he initially felt like the company's "most useless executive," despite the power inherent in the job. The CEO needs to learn how to act in indirect ways—setting and communicating strategy, putting sound processes in place, selecting and mentoring key people—to create the conditions that will help others make the right choices. At the same time, he must set the tone and define the organization's culture and values through his words and actions—in other words, demonstrate how employees should behave.

Second, he must recognize that his position does not confer the right to lead, nor does it guarantee the organization's loyalty. He must perpetually earn and maintain the moral mandate to lead. CEOs can easily lose their legitimacy if their vision is unconvincing, if their actions are inconsistent with the values they espouse, or if their self-interest appears to trump the welfare of the organization. They must realize that success ultimately depends on their ability to enlist the voluntary commitment rather than the forced obedience of others. While mastering the conventional tools of management may have won the CEO his job, these tools alone will not keep him there.

Finally, the CEO must not get totally absorbed in the role. Even if others think he is omnipotent, he is still only human. Failing to recognize this will lead to arrogance, exhaustion, and a shortened tenure. Only by maintaining a personal balance and staying grounded can the CEO achieve the perspective required to make decisions in the interest of the company and its long-term prosperity. WK

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