



Advice to the New CEO: How to Create Value, Make an Impact and Leave a Legacy

You have just received the good news. You are taking a CEO position. You are excited, energized and eager to start. At the same time, you may be feeling some apprehension. You may be asking yourself: Am I up to the job? Can I deliver? Will I be a success or a failure?

We have seen this mix of emotions many times before. They are perfectly understandable. The step up to the CEO position is challenging. We often advise new CEOs and have identified four critical actions to improve your chances of success:

1. Recognize that leading a company is not like running a business unit
2. Prepare thoroughly before your first day so you hit the ground running
3. Focus on the strategic agenda
4. Build and work with your team — don't try to do everything on your own

Leading a company is not like running a business unit

The CEO's chair can be an uncomfortable place to sit. Understand the scale of the challenge. The expectations are higher, the time for delivering results is shorter. There is a lot of truth in the old adage: "It's lonely at the top." You will be in the spotlight in a

way that you never were when you were the leader of a business unit. The Chairman, the board, analysts, investors, regulators, unions, executive team members and your employees, — will all be watching you, 24 / 7. Some of your closest colleagues may even be hoping for you to fail.

You will face higher expectations of your performance. A recent survey found that nearly half of a company's reputation is now attributed to a CEO's reputation. The departure of a mistrusted CEO can boost the share price of a company by as much as 25% (see Figure 1).

As a new CEO, you have six months to fail and two years to succeed

As well as more scrutiny and higher expectations, you will have limited time to make your mark in shaping the business. In fact, the amount of time that CEOs have to get results has decreased rapidly. The average tenure of a CEO has shrunk by 25% over the past ten years. Given this, your preparatory work should begin as soon as you accept the offer. Any later, and it's too late.

Preparation is key, so make a head start before you begin the job

It has been popular to say that the first 100 days are "make-or-break" for new CEOs. We certainly think that first impressions last. But we have a different metric: you have six months to fail and two years to succeed.

Advice to the New CEO: How to Create Value, Make an Impact, and Leave a Legacy was written by partners **John Goddard** and **Aubry Pierre**. John is based in London and Aubry is based in London and Paris.

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Figure 1
Expectations of performance have increased and time horizons have decreased

Expectations are higher...

- Nearly half (48%) of a company's reputation is attributed to a CEO's reputation¹
- The exit of a mistrusted CEO can boost the share price of a company by 15-25%, implicitly raising enormous expectations for the new CEO's performance²

... and must be met faster

New CEOs are given, on average:¹

- 8 months to develop a strategic vision
- 9 months to earn employees' trust
- 14 months to execute on first-100-days promises
- 19 months to increase share price
- 21 months to turn a company around

Sources: ¹Slate Magazine; ²Burson-Marsteller survey of 1,155 U.S. chief executives, senior managers, financial analysts, institutional investors, business media and government officials; ³CristlKolder Associates – Fortune 500 and S&P 500; ⁴Armstrong Craven



In other words, you need to make significant progress in your first 180 days. If you do this convincingly, you will be given time — perhaps, a further 500+ days — to lay the foundations for future growth and to deliver a sustained increase in the share price.

This is why early preparation is essential. There are four very practical steps that you can take before your first day:

1. Identify and address any gaps in your knowledge of the industry and how the business competes (or should compete).
2. Start developing some strong relationships on the board — you will need them. And your recruiting process, for all its warmth and worth, was only a polite beginning.
3. Find a confidant — someone outside the business — who can provide some broader perspective. This could be a fellow CEO or a trusted advisor.
4. Finally, you should begin to formulate the high-level narrative you will need to inspire confidence in your leadership.

Long-term value-creation is the top priority, so focus on the strategic agenda

With early preparation, you should feel confident that you will be able to make swift progress. But, once you start the job, you need to be careful you do not let day-to-day operational matters distract you from your first priority: long-term value creation. The

company's strategic agenda should be your primary focus. In our experience, you need to spend 2-3 days every week on this — approximately half of your time.

By strategic agenda, we don't just mean the corporate "vision." The vision is important, of course; but it's worthless if it remains just that. Tied to the vision are the integrated set of strategic decisions on where the company should play, how it will win and what capabilities it will need to do so.

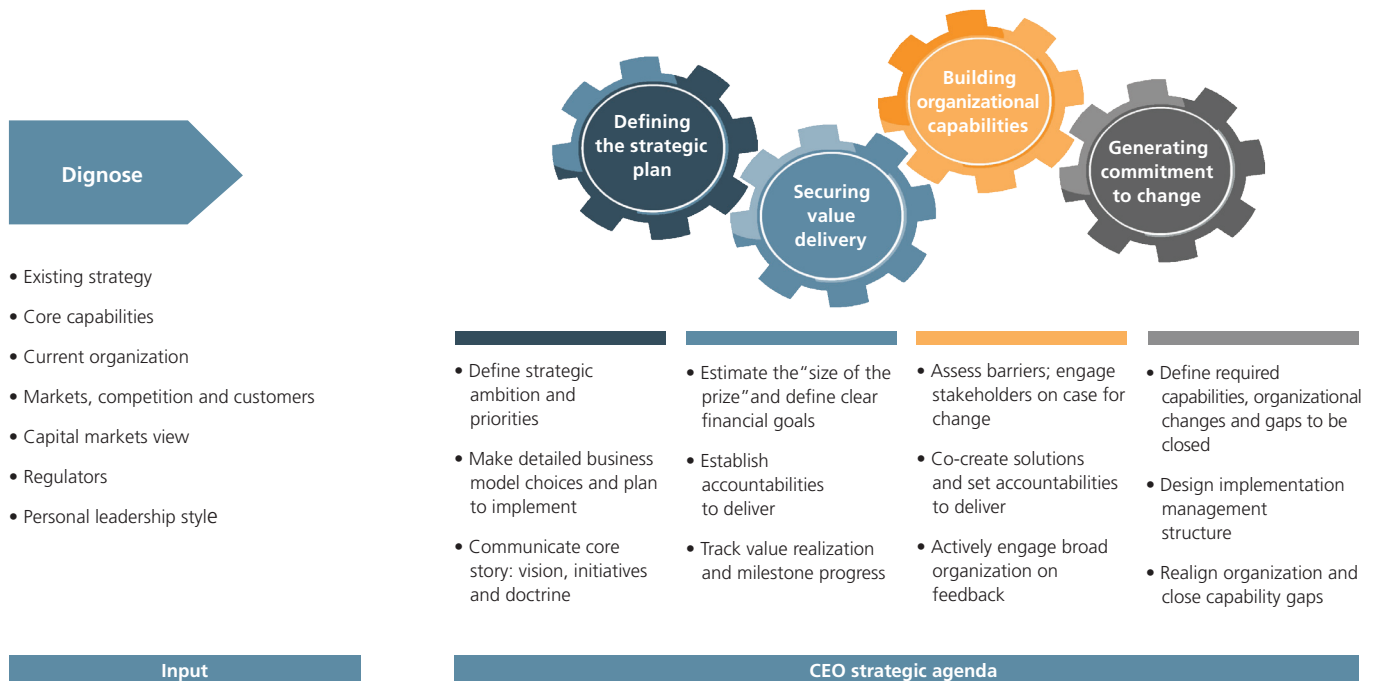
In the course of our work with CEOs, we have developed an integrated approach that is particularly powerful in helping management teams devise and deliver the strategic agenda (see Figure 2).

The key here, beyond the critical decisions that have to be made, is that they have to be made in an integrated manner. This is not a process, but a business system. The strategy cannot be delivered if the capabilities are not aligned, but the capabilities cannot be transformed instantly, therefore the strategy has to adapt.

Don't try to do everything on your own – co-creation is key

You may be tempted to develop the strategic agenda on your own. But our advice is straightforward: don't. Not only do you need others to inform your thinking, you also need them to go through the thinking with you in order for them to accept the conclusions. This will improve your chances of success. And when we say

Figure 2
Develop a clear strategy and activation plan



Source: LEK Consulting

“others”, we don’t mean just the executive team. Successful teams open up and invite key business leaders to participate in the thinking.

When business leaders have been instrumental in analyzing the issues, crafting the strategy and devising the change programme, they will be invested in its success. Your agenda will be their agenda. You won’t have to secure their separate buy-in because you will already have it.

In doing this, the biggest challenge you may face is knowing who’s good and who isn’t. Some of the individual team members may resent you as the newcomer. A few may even have applied for the top job. They may be waiting for you to make your first mistake.

One quick way to get an assessment of the team is to commission an external organization to conduct an executive audit. But, ultimately, there is no substitute for spending significant face time with your team — individually and collectively. This strategic process will force that to happen.

Conclusion

As CEO, your time for delivering results is short. At most, you only have about six months to lay out a winning strategy. After that, you have perhaps another 18 months to start making a tangible impact. In a long career, this is almost a blink of an eye. Few are lucky enough to get a second chance.

This is why we think you should be clear about what makes a successful CEO. As a first step, recognize that the CEO job is quite different to anything you may have done before — the challenge is bigger, the stakes are higher.

After you have fully appreciated the scale of the challenge, start preparing for the task ahead. Start as soon as possible after you have accepted the offer. This way, you will give yourself the best chance of hitting the ground running.

Once you’re doing the job, focus as much as possible on the strategic agenda. This is where you can make the greatest impact. Finally, remember that you will be judged by results. So work with your team — they can help you succeed.

In our experience, if you take these four actions, you can expect to stay in your coveted role for long enough to build and leave a legacy.

Some do's and don'ts of successful new CEOs

We have worked with many CEOs, and we have synthesized the lessons of the most successful into 10 do's and don'ts:

1. Identify and articulate what you want to accomplish as CEO
2. Develop a clear strategy and activation plan
3. Establish how decisions will be made with the Executive team
4. Develop a clear strategy and activation plan
5. Engage key constituencies
6. Distinguish between your brand and that of the rest of the company
7. Avoid replicating your old leadership style in the new company
8. Look for information and insight from outside the company
9. Don't allow lower-level decisions to be delegated up to you
10. Don't let day-to-day business consume all of your time

About the Authors



John Goddard has been a partner since 1995 and has more than 25 years' experience in strategy consulting, performance improvement, transaction support, and business development in the private and public sectors around the world. He has helped clients address issues such as strategic positioning, business plan development, acquisition due diligence, business modelling, forecasting, large scale tender submission development, and dispute resolution support. John has a particularly strong focus on industrial products and services, having advised some of the largest clients in the sector.



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About L.E.K. Consulting

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