Chief executive acceleration: How new CEOs can integrate quickly and effectively

New CEOs often struggle to hit the ground running. Executives who follow five steps can accelerate their progress toward becoming effective leaders of their organization.

In a business environment constantly disrupted by everything from politics to climate change to technology, boards of directors are increasingly seeking leaders from outside their own executive ranks. In 2017, our research shows, 44% of S&P 500 companies that hired a new CEO hired an outsider, to meet new challenges. That is triple the share of external appointments during the previous two years, when outside appointments were around 14%, and more than double the average of 21% for the six years from 2011 to 2016.[1]

External CEOs are often chosen to deliver strategic course corrections, such as global restructuring, merger integration, culture change, or digital transformation—often under short timelines to increase shareholder value quickly. Yet succeeding with such fundamental changes—which affect the company as a whole as well as its culture, teams, individuals, and the broader ecosystem—typically requires leaders to have a deep understanding of their own leadership effectiveness as well as the organization's. This sets up an immediate hurdle for incoming external CEOs, but one they can overcome, in our experience, by taking the time to ask the right questions and develop a thoughtful plan before implementing change.

The integration challenge

Most incoming senior executives, internal or external, get off to a rocky start. Research shows that 58% of the highest-priority hires—new executives hired from the outside—fail to gain fit within their new positions within 18 months.[2] Such failure has the highest consequences for chief executives, so it's crucial to plan a new chief executive's integration carefully—and some companies do succeed. Research published by the Society for Human Resource Management shows that 66% of companies that cultivated a strong onboarding and integration approach for all hires claimed a higher rate of successful assimilation into the company culture, 62% had higher time-to-productivity ratios, and 54% reported higher employee engagement.[3]

Acceleration is the solution

What's the key to success? Acting at the right speed at the right time to build momentum across the whole ecosystem, from the day-to-day actions of internal teams to the key decisions made with the board of directors.

Heidrick & Struggles research[4] has identified a set of organizations among the FT 500 that consistently outperformed others based on compound annual average growth rate for organic revenue. These 23 "superaccelerators" differentiated themselves not

[1] Jason D. Schloetzer, Matteo Tonello, and Gary Larkin, *CEO Succession Practices: 2018 Edition*, Conference Board, October 2018.

[2] Michael D. Watkins, *The First 90 Days: Critical Success Strategies for New Leaders at All Levels*, Boston: Harvard Business School Press, 2003.

[3] Roy Maurer, "Onboarding key to retaining, engaging talent," Society for Human Resource Management, April 16, 2015, shrm.org.

[4] Colin Price and Sharon Toye, *Accelerating Performance*, Hoboken, NJ: John Wiley & Sons, 2017.

by industry, geography, or strategic focus (indeed, many were trying to do the same sensible things: put customers first, adopt clear management structures, and so on). Rather, what differentiated the superaccelerators was their ability to mobilize, execute, and transform with agility (what we call META), which at its core means the company's employees help it adapt and pivot faster than its competitors in areas where doing so adds value.

However, accelerating does not mean working at a constant frenetic pace, as we see with many organizations. It means intelligently choosing the speed that will help the whole organization more effectively mobilize, execute, and transform with agility. For new CEOs who are seeking to accelerate their own integration and their companies' performance, a key element of finding the right speed is to understand and proactively manage their own intellectual and emotional reactions throughout their first 100 days; typically, we find these reactions follow a predictable pattern that can present speed traps to momentum. Combining this personal knowledge with clarity on board expectations, and data on the top team and corporate culture, will help incoming CEOs understand when to slow down to gather insights and make fact-based decisions and when and where to execute at pace.

This approach of going slow to go fast will enable new chief executives to be successful within their new context and accelerate performance at four levels: leading self, leading teams, leading the organization, and leading within the ecosystem.

Five steps to chief executive acceleration

In our experience, new external CEOs who take the following five steps have the best chance at successful acceleration.

1. Find new strengths for a new organization

It's well known that the characteristics that have served executives well so far won't always lead to success in a new role, particularly as an external CEO. Success in any new senior role is dependent upon the ability to navigate the organization's current context and quickly gain an understanding of roadblocks to performance. This includes understanding one's own strengths and blind spots.

For CEOs, the challenge is amplified because, over time, organizations tend to take on the characteristics of their leaders. We call this the "shadow of the leader," and it is apparent not just in small, family-owned businesses where the values, habits, and biases of the founders are dominant because everyone knows them but also in the largest of organizations, such as Walmart, where Sam Walton built a unique and lasting culture.[5] New CEOs therefore face the tricky challenge of stepping out of their predecessors' shadow of influence while not alienating the organization as they cast their own shadow.

We have found that executives who are unable or unwilling to change certain behaviors, especially when stressful situations arise in their new role, often derail. In our experience, they are even likelier to derail when their go-to behaviors clash with the company's culture or the prior CEO's shadow.

That's why a heightened self-awareness is crucial for new CEOs. Gaining such self-awareness requires them to slow down, reflect upon and assess their own strengths and weaknesses as applied to the new mission and environment, gain a better understanding of their leadership style and leadership shadow, and take the time to plan how they will accelerate their strengths and close gaps.

[5] Larry Senn and Jim Hart, *Winning Teams, Winning Cultures*, Huntington Beach, CA: Senn-Delaney Leadership Consulting Group, 2010.

Addressing the following questions—individually and with major stakeholders—is a good start:

- Why was I specifically hired for this role; what is my differentiation?

- What is my vision for this organization?

- What distinctive strengths can I leverage in this context?

- What might derail me within this organization and how do I become more self-aware and plan for my blind spots?

- What shadow will I cast on the organization and what will be my legacy?

2. Build an effective influence base

A CEO of a national property-management company describes the situation he came into: "Prior to my arrival, the company experienced hypergrowth, and it was a chaotic period of time. When you know the people you work with and how to get things done via your network, it is easier to operate. When you grow fast, and suddenly you realize you don't know everyone, it gets harder to do your job and things generally just feel more difficult. There was a general sentiment that things were just harder than they used to be and that the company hadn't done enough to equip its people with new tools and knowledge to keep up." He adds, "As a new CEO walking into a new situation where there is tension in the system, you don't yet know whom to trust for reliable perspectives, you don't yet know the real cause of the pain points and what to do to start addressing them."

Indeed, external CEOs are typically brought in to drive transformational change, yet their every move is evaluated and scrutinized for meaning. To gain credibility and followership, external CEOs need a thoughtful way to learn from select internal and external stakeholders to create shared understanding of the operating situation of the company, the leverage points, and the hidden threats and opportunities, while dealing with legacy challenges immediately. Gaining an understanding of the formal and informal sources of influence within an organization takes time, as new CEOs often have few or no personal connections within the new organization.

This CEO adds, "You need to take your time and be disciplined about talking to enough people across the company, from management to the front line, to get a clear view of what people love, what they hate, what they see as most broken, what they are excited about. As a new CEO, there will be a lot of pressure—from the board, from your leadership team, from the culture itself—for you to show up and make change happen quickly. Don't fall into the trap of making big decisions too quickly—you don't know enough to know if they are the right decisions or not. You need to give yourself some time before making big changes, but use it wisely to do your due diligence. Then you can make big decisions with confidence and clear communications on the what, why, and how."

Our experience shows that it is helpful to take the time to systematically map out how decisions are made, who has influence over key decisions, and where the sources of power reside. This means looking beyond the organizational chart to an organizational network analysis that will offer robust insights into how members of the organization *really* work together to share information, make decisions, and solve problems. Such analysis, which can be undertaken through interviews and diagnostics, should identify the key influencers who are mission-critical to the new strategy, key players who are likely to walk away from the organization, high-potential leaders who will act as catalysts of change, and members of true hubs of the organization below the leadership team.

With a clear understanding of organizational influencers, the new CEO is ready to go on a listening tour to systematically learn and gain feedback in areas important to the change agenda. These early discussions can be opportunities to gain alignment, build trust, and share messages about the CEO's personal story and vision for a healthy, high-performing organization. With information on how the organization really works, new CEOs can meet the challenge of asking the right questions and tell a story that is relevant and engaging to important stakeholders so they feel a part of the new future and can help support and mobilize change.

Knowing the key stakeholders will help new CEOs develop an effective plan to build the relationships that will be most effective in quickly transforming important internal influencers into advocates for their new vision.

Addressing the following questions is a good next step:

- How do I identify the key influencers within my new ecosystem?
- Where are the true hubs within the organization below my leadership team?
- What questions should I ask key constituents to build my fact base?
- How do I effectively structure a listening tour?
- How will I structure my personal story and share my vision for the organization?

3. Define success and priorities—in detail

Incoming CEOs typically have high-level alignment with the board and other senior executives on what constitutes success and what the priorities are. These agreements are often phrased very generally, such as "turning around performance" or "driving digital transformation." But once new CEOs hit the ground, they need a much more detailed understanding of both what success looks like and what to tackle first. Taking the time to define in detail high-impact business opportunities and those opportunities' effect on customers, markets, products, systems, structures, and people *before* moving into action typically increases the speed and effectiveness of the changes CEOs eventually implement. And such early success is the beginning of building a positive lasting relationship with the board.

The president and CEO of a healthcare provider describes his transition challenge: "You are not the CEO who came before you; however, you are being compared to the person who came before you. You are looked at as either a hope for desired change or a threat to the comfortable status quo. It's a pressure zone. You need to dive in while managing expectations from the board and the leadership team and come forward with a plan and set of recommendations."

A key to accelerating success is a work plan that helps executives do exactly that: prioritize competing demands for time, including building trusting relationships with important internal and external stakeholders, developing new skills and capabilities relevant to the new role, managing operational challenges, understanding the strengths and liabilities of the culture, and gathering insights around how to build long-term capabilities that bring competitive advantage.

Balancing these priorities requires an integration playbook that outlines key areas of accountability and measurable results. We find careful management of the first 100 days to be critical to the CEO's success, as this is when stakes are highest for both the organization and the reputation of the incoming CEO. Trying to drive change too aggressively can result in organizational resistance, which makes future changes more difficult.

The 100-day playbook should be grounded in an understanding of the company's current state and critical priorities. It works best, in our experience, when it is evidence-based and includes a current assessment and calibration of the leader, the leadership team, the culture, and the organization's fitness to drive the change agenda. Operational and financial data are of course a crucial part of the fact-based plan; new CEOs who have taken the time to learn their companies' influence structures and have conducted a structured listening tour will have context to help them understand the hard data and build a more nuanced, and usually effective, plan.

Ideally, the 100-day playbook will accelerate the new executives' integration into their new environment, while prioritizing quick wins and longer-term, strategic capabilities.

Addressing the following questions will get CEOs started on this step:

- What are the performance indicators for this role?
- How will my performance be evaluated in six months and a year?
- How (and from whom) will I receive feedback?
- How will I get oriented to our markets, customers, and organization?
- How will I get clarity on and manage board expectations?

4. Mobilize the top team quickly

Most often, a new CEO makes changes to the top team. Our research indicates that most new leaders reshuffle the C-suite or bring in their own teams: out of the succession announcements made by S&P 500 companies in 2017, 91% indicated that the CEO change would be accompanied by additional changes at the director or senior executive levels.[6] Such changes make sense, particularly when a company is bringing in an external CEO to manage disruption.

It is worth understanding the dynamics and effectiveness of the new senior team, as Heidrick & Struggles research shows that senior teams are the least likely among all teams to accelerate their ability to mobilize, execute, and transform with agility. In fact, in our study of 3,000 diverse teams at all levels, we found that 12% of senior teams are in the bottom quintile of team performance, compared with 6% of teams below the director level that are in the lowest quintile.

Organizations have a lot to gain by mobilizing the senior team quickly. The senior teams with the highest performance on the META performance factors (among the 3,000 teams we studied) had, on average, a 22.8% higher economic impact than other teams. In other words, they reduced costs more quickly, went to market more effectively, and launched products more smoothly.[7]

Given the change agenda, new external CEOs need to develop a baseline understanding of the senior team's performance—both individual and collective skills and the collaborative capabilities needed to achieve the team's unique purpose—and quickly make decisions on how to bolster the team's effectiveness.

A financial services CEO describes the challenge this way: "Some members of my leadership team had to be replaced and others further developed. I wasn't sure where to start and how to best navigate this, especially while also leading a major acquisition and developing an operating structure and governance."

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[6] Schloetzer, Tonello, and Larkin, *CEO Succession Practices*.
[7] Price and Toye, *Accelerating Performance*.

> *The senior teams with the highest performance on the META performance factors had, on average, a 22.8% higher economic impact than other teams.*

One useful way we've seen to fast-track mobilization of the senior team is to start with a snapshot of its current performance, along with a leader and team assessment that includes perspectives from key stakeholders.

Addressing the following questions will help new external CEOs shape and mobilize their top teams:

- How will I assess my team's baseline level of performance?
- What business goals or outcomes are my team members mutually accountable for?
- How will I determine membership on my top team?
- What operating norms do I think are needed on this team?
- Who will support me on the development of my team to accelerate performance?

5. Shape the culture

Organizational culture is often cited as both a key driver of change and a key barrier to execution. Merging two cultures—or, as in the case of new external CEOs, bringing a new way of working to an organization that often needs significant change—makes the cultural challenge exponentially harder. The CEO of a sustainability and energy-management company faced an even greater challenge. "As a newly arrived expatriated CEO to the US," he explains, "I had the double challenge of adjusting to US cultural dynamics as well as the behavioral norms of the US-based company I was leading."

In our experience, everyday patterns of behavior (both cultural strengths and liabilities) have become so ingrained and automatic that they are rarely questioned. For newly placed chief executives, when the cultural fit is off, execution can feel like pulling a car with flat tires up a hill.

We call this challenge the "jaws of culture" because dysfunctional cultural habits—such as resistance to change, passive-aggressive behavior, and working in silos—can chew up any improvement the new CEO is trying to make (figure).[8] This is a key reason why most change efforts struggle; one major study shows that 70% of all change efforts fail to achieve their intended objectives.[9]

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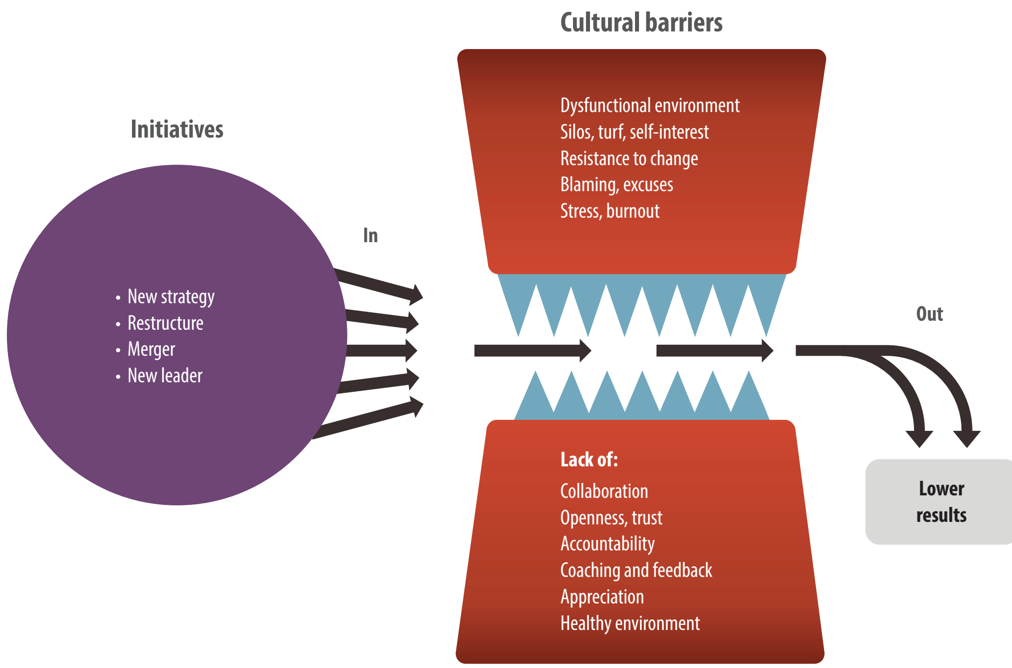
[8] Senn and Hart, *Winning Teams, Winning Cultures*.

[9] John P. Kotter, "Leading change: Why transformation efforts fail," *Harvard Business Review*, May–June 1995, hbr.org.

Figure: **The jaws of culture**



Alternatively, when results come faster and easier, healthy, high-performing values and behaviors are alive within the culture. In research with more than 100 top executives, we found that leading organizations have a set of definable "essential values" that are lived by those organizations, teams, and leaders. These behaviors, such as a can-do attitude, openness to change, and personal accountability, exist within all of us when we are at our best. Organizations that invest in their culture reap the rewards of demonstrating these and other winning behaviors more consistently than other organizations.[10]

[10] Lynne Joy McFarland, Larry Senn, and John R. Childress, *21st Century Leadership: Dialogues with 100 Top Leaders*, Huntington Beach, CA: Senn-Delaney Leadership Consulting Group, 1994.

Given that every company has a mix of cultural strengths and liabilities, it is important that new external CEOs get up to speed quickly on the cultural values, unwritten rules, and informal practices for how work gets done in their new organization, including nuances within subcultures of key business units and functions. New CEOs will get insights on the culture from the board and others even before they are placed in their role. However, supplementing those informal views with an impartial cultural assessment conducted through surveys or wide-ranging interviews and creating a quantitative baseline of business unit and organizational culture will help incoming CEOs fully understand the reality of the current culture and its impact on the change agenda, as well as to track performance improvement over time.

According to the energy and sustainability CEO, "The collective intelligence of my team and the data provided by cultural experts helped me to quickly make sense of the assets and liabilities of my company's culture. This not only helped me to evolve the culture of the company to be in alignment with my change agenda but also helped me adjust my own leadership and communication style to effectively lead this business."

Addressing the following questions will give new CEOs a cultural grounding:

- What are the strengths and liabilities of the current culture?
- How do I shape the culture to align with our new strategic direction?
- How do I improve high-performing behaviors such as accountability and collaboration?
- How can I better understand the shadow of my leadership team?
- What is the execution effectiveness of my organization?

Conclusion

Newly appointed leaders are at risk of underperforming unless they and their new companies actively take steps to address issues that commonly act as speed bumps to the acceleration executives seek. The initial set of decisions and actions that a newly hired CEO makes will create a branding effect that is difficult to reverse. It is therefore important that initial actions and decisions are carefully planned.

Intelligent acceleration requires new CEOs to assess and develop themselves to be most effective in their new context; understand their organization's influencers and culture, and how to leverage both for success; develop a detailed and shared understanding of success and priorities; and mobilize their top team. Those who take the time to do so put themselves on the best path toward lasting success. ■

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