



GETTING OUT OF THE OFFICE

SEVEN ORGANIZING PRINCIPLES TO HELP CEOS EFFECTIVELY SHAPE THE EXTERNAL ENVIRONMENT

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Becoming the CEO of a large organization for the first time is a challenging leadership transition. While the path to the top usually prepares a first-time CEO well for key internal leadership tasks (such as building and leading executive teams, driving execution, and crafting vision and strategy) many organizational leaders have far less experience managing the media, engaging in industry forums, interacting with governments and working with other key external stakeholders. The varying demands can be isolating, and the urge to balance the two worlds overwhelming. As they take the reins, new CEOs can be at risk of falling into some classic traps, ultimately undermining their effectiveness and even putting their organization in danger.

One trap is not spending enough time managing external relationships. It's not uncommon for chief operating officers to ascend to the top spot, and it's easy for operationally oriented, first-time CEOs to focus on what got them the top job – running the business. This is especially the case if they inherit significant operational issues that consume their time in the early months and then fail to pivot and spend more time externally once internal matters are under control. The dangers of underinvesting in external engagement can rapidly come home to roost – e.g., if the organization faces a product or quality crisis and the CEO hasn't built trust with the media and government officials. An executive who has cultivated authentic relationships with the communities outside his or her office will begin to build emotional capital that can buy the time and purchase the patience that is needed to dampen doubts and quell criticism when the organization is in the line of fire. In moments of crisis, time is often the ingredient that can make the difference in a CEO's success or failure.

At the opposite end of the time-allocation spectrum, there are CEOs who get too caught up in the swirl of external activity and don't spend enough time leading the business. It can be completely appropriate for a CEO to focus much of his or her time externally, but only if it adds value to the organization and only if there is a strong team (and, potentially, a capable leader, such as a COO) running internal operations. Even then, a CEO can underestimate the degree to which his or her time and attention makes a difference internally. Ultimately, there is no substitute for CEOs when it comes to articulating vision and strategy to their organization or communicating the rationale for change.

A subtler trap is spending too much time on activities that advance one's own interests or image, and not enough on what really creates value for the organization. New CEOs typically have many opportunities to participate in thought-provoking forums and speak to interesting audiences. Good speakers rapidly get deluged with offers, and it's all too easy to be pulled in many well-meaning directions or become distracted by all the attention. This is not to say, of course, that CEOs should ignore their passions or personal brands; a strong public profile can create value by attracting new clients, opening the door for acquisitions or enhancing the organization's ability to attract top talent. But, as a new CEO, if you find yourself spending a considerable amount of time engaged in external activities that are stimulating and self-affirming but remain of questionable value to your organization, it's time to step back, reassess and reset.

Above all, as a new CEO, you need to figure out how to manage the increased external demands and make the right tradeoffs about how you will spend your time and energy, which are not always renewable resources. To do so, it helps to have a robust and solid foundation to orient you to the external work in the right ways. Here are seven basic principles, starting with adopting the right mindset.

1. ***Your goal is to shape the external environment to support your organization's mission and strategy***

This may seem obvious, but the right framing can help clarify what you should and should not be doing. With all things being equal, you should allocate your time externally to the activities that best advance your organization's mission and strategy (and also, of course, to dealing with crises and emergent external threats that could damage your organization). The activities that generate the most value vary from organization to organization; they should be aligned with the organization's overall competitive strategy and informed by an analysis of its strengths, weaknesses, opportunities and threats. Your primary focus could be on:

- Enhancing the brand
- Building relationships with key customers
- Shaping government regulations
- Identifying potential candidates for acquisition
- Managing crises

Often, it's a combination of several of these and the mix may shift over time. Regardless, the key is to relentlessly focus on what truly creates value for your organization, and to let go of the rest.

2. ***Think of yourself as a "business diplomat"***

While CEOs have substantial authority to make things happen internally, external interactions are all about exerting influence. You need to build relationships but, more importantly, you need to gather intelligence, negotiate with key stakeholders and create alliances on behalf of your organization. In doing so, it helps to think about your efforts as the business equivalent of international diplomacy. One former CEO, who became a U.S. ambassador after he retired, put it this way: "It requires a great deal of diplomacy to run a company. Your employees, your shareholders, and most importantly your customers are all constituencies. You have to be a diplomat in the sense of listening to people, understanding what people want, and finding a way to deliver it." Just as diplomats seek to advance the interests of their nations, you need to engage with a wide range of powerful external players to advance the interests of your organization and create value for all parties. We call this "managing from the middle of the road" because business and life work best if the environment is a positive one and not "us vs. them." Similarly, effective business diplomats are skilled in connecting, tracking developments, negotiating agreements and building coalitions. They reflexively think politically, in terms of understanding interests, agendas and alignments. Critically, they create supportive alliances before they need them, building trust and credibility that can be an essential resource in times of crisis.

3. ***Build two overlapping but separate support teams***

As a new CEO, you have an executive team to help you run the business. However, you need another team to support you in shaping the external environment, a group of people who focus substantial time on developing and executing a stakeholder engagement strategy. Your external relations team typically will include functions

such as government relations, legal, public/corporate affairs and communications, and may include fully dedicated personnel such as schedulers and speechwriters. Critically, you need someone whose job it is to work with you to orchestrate this work. This could be your Chief of Staff, which is an increasingly critical role in helping CEOs to establish and pursue priorities, and balance internal and external responsibilities.

4. ***Establish a budget for your time and stick to it***

The time you spend focusing on external work will, of course, ebb and flow in response to emerging threats and opportunities. But it's important to set a rough "time budget" for how you will allocate your time between leading internally and influencing externally. Otherwise, it's all too easy for priorities and values to drift out of balance. Having established a budget, your team needs to help you monitor how you actually spend your time and strive to stay within it. If you find this process too challenging on an ongoing basis, then either you need to change the budget (which may mean pulling back on how you lead internally to free up more time) or cutting back on what you are doing externally. Also, allocating your time well is not just about the amount of time you spend; it's also about establishing a rhythm so that you don't end up with a fragmented schedule. For example, you could decide to allocate Tuesday through Thursday of every second week to external activity. Is it always possible to maintain this sort of discipline? No. But as CEO, you have significant control over how you spend your time, even externally.

5. ***Organize and calibrate your "funnel"***

Having established the team, you need a disciplined process – and one that largely doesn't involve you – to establish priorities, process the many potential external activities in which you could engage, and allocate your time. The prioritization, as discussed previously, should flow from an assessment of what activities will add the greatest value, given the amount of time you have budgeted for this work. It's all about making (and critically having others help you make) the right trade-offs. Michael Porter famously said that "the essence of strategy is deciding what not to do." That's true, but the essence of execution is actually not doing what you decide not to do and this takes discipline. What you need is a "funnel" into which flows the wide range of offers and opportunities you will have and out of which comes the focused, coherent, value-added set of activities in which you will engage. It's your job to build the team that runs the funnel, and to provide them with the prioritization criteria that governs its workings. It's their job (with some oversight by you) to make the prioritization and scheduling process run like a proven algorithm.

6. ***Share the load***

You shouldn't be the only executive shaping the external environment for your organization. In addition to your support team, other members of the executive team (e.g., your General Counsel for government regulation, head of business development for potential acquisitions, CHRO for employment branding or CMO for key customer relationships) should help develop the external engagement strategy, leverage their networks to support it and have clear roles and responsibilities in its execution. You also could engage leaders at lower levels in the organization,

especially facility-level leadership, to exert influence in their respective communities. In hospital systems, for example, each hospital is a substantial employer and customer embedded in a specific community. The leader of each hospital, therefore, has the potential to be an influential figure in that community. Thus, leaders at many levels can play valuable roles in helping to shape the external environment in which your company can thrive.

7. *Create a robust system for supporting external-facing work*

Finally, it's a tremendous help if everyone – including the involved executives and the external relations support team – uses the same concepts, terms and tools to guide this work. Identifying and understanding key stakeholders, for example, is an essential foundation for effectively in shaping the external environment. There are good, simple-to-use tools available for mapping stakeholders and understanding networks of influence. Likewise, there is a lexicon of common influence strategies, such as the use of sequencing (deciding the right order in which to have conversations with key stakeholders) to build alliances. It also makes sense to have a system for issue tracking and management. While it is important to have the right tools, the key is to have everyone, to the greatest extent possible, using the same ones. So, you should bring your support team to the table to evaluate which will be the best to use.

We are mindful that there are no guarantees in good governance. In healthcare, especially, we have learned over the years that what works in, say, Des Moines or Tacoma may produce different results in Trenton or Tampa. But by adopting this set of seven organizing principles, you will find it much easier to manage your time and be effective in shaping the external environment. In doing so, you and others on your team will be better able to make a lasting difference in your community and your organization. After all, isn't that what effective leadership is all about?

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