Seven Surprises for New CEOs

by Michael E. Porter, Jay W. Lorsch, and Nitin Nohria

Bearing full responsibility for a company's success or failure, but being unable to control most of what will determine it. Having more authority than anyone else in the organization, but being unable to wield it without unhappy consequences. Sound like a tough job? It is—ask a CEO. Surprised by the description? So are CEOs who are new to the role. Just when an executive feels he has reached the pinnacle of his career, capturing the coveted goal for which he has so long been striving, he begins to realize that the CEO's job is different and more complicated than he imagined.

Some of the surprises for new CEOs arise from time and knowledge limitations—there is so much to do in complex new areas, with imperfect information and never enough time. Others stem from unexpected and unfamiliar new roles and altered professional relationships. Still others crop up because of the paradox that the more power you have, the harder it is to use. While several of the challenges may appear familiar, we have discovered that nothing in a leader's background, even running a large business within his company, fully prepares him to be CEO.

Through our work with new chief executives of major companies, we have found seven surprises to be the most common. (See the sidebar "Learning the Ropes.") How well and how quickly new CEOs understand, accept, and confront them will have a lot to do with the executives' eventual success or failure. The seven surprises highlight realities about the nature of leadership that are important not just for CEOs but for executives at any level and in any size organization.

Surprise One: You Can't Run the Company

Before becoming CEO, most executives have been responsible for a major business or have been COO. They are skilled at running businesses and relish the opportunity to run an entire organization. As new CEOs discover pretty quickly, however, running the business is but a small part of the job. On the second day of our New CEO Workshop at Harvard Business School, we go around the room and ask participants to describe what the job feels like to them. At a recent session, the CEO of a large midwestern manufacturer—an executive whose practiced, confident air bespoke decades of experience—revealed just how unsure he felt as he took his first steps on this new ground:

Imagine serving the same company for 37 years. It is the only employer you have ever known, and this fact intensifies the tremendous loyalty you feel for the firm and the camaraderie you share with your colleagues. Your appointment to CEO was one of the proudest moments of your life. You have been training to run the business for your whole career, you think, and you are really looking forward to doing so.

Now fast-forward a few months. Your calendar is booked solid with analyst meetings, business media interviews (which take ages to prepare for, since you never know where the shots will come from), and sessions in Washington (where you will attempt to explain to politicians the crucial and intricate details of your industry). You have also recently been elected to an outside directorship or two, and the charities that you have long supported are more eager than ever for you to join their boards and raise funds on their behalf. No one will accept a substitute—it has to be you.

Not only do you have external pressures tugging you away from day-to-day business operations; the volume of internal demands is enormous. Before you became CEO, you prided yourself on visiting every unit in your region, you got to know the employees, you spoke directly with customers—you had your hands right on the pulse of the business. Since you have become CEO, you have not been able to do any of these things even for your old region—never mind the rest. You cannot shake the feeling that you have lost touch with the day-to-day workings of your company. To make matters worse, the unavoidable gaps in your own expertise loom larger than ever.

This type of response is typical; a new CEO's comfort and familiarity with internal operations quickly recede as demands on the executive mount. The sheer volume and intensity of external demands take many by surprise. Almost every new CEO struggles to manage the time drain of attending to shareholders, analysts, board members, industry groups, politicians, and other constituencies. CEOs hired from outside struggle to learn how their new company operates, but those promoted from within work equally hard to separate themselves from operations and learn the terrain of their outside constituencies. Some have told us quite frankly that they feel a sense of loss because they're no longer as close to the business as they once were. One participant in the New CEO Workshop who had come up through the ranks at his company told us that he felt as if he were starting all over again—he had to learn new management tools and build new relationships while reframing old ones. Workshop participants complete a forced-rank survey that asks how prepared they feel for their new responsibilities on a number of dimensions, such as dealing with the stock market, working with their board of directors, operating at the center of public scrutiny, building a senior management team, or being the company's chief spokesperson. It is clear from their responses that CEOs are apprehensive about, as one put it, managing the dual roles of Mr. Inside and Mr. Outside.

As the CEO learns how demanding it is to attend to the company's outside constituencies, he also discovers, often to his shock, that he has to let go of a lot of responsibility—not just for operating the company but even for knowing what's going on in it. The CEO can't monitor everyone. It's simply not possible for any one person to oversee every facet of a large company, even if he were willing to put in a 100-hour week. The new CEO may expect this to be true as he begins, but it still feels strange not to know what subordinates are up to, and many executives experience the change as a loss of control. One workshop participant recalled that he was stunned by the realization that he would have to rely on others in areas like operations, where he had previously thrived, and would have to master aspects of the company such as investor relations and regulatory affairs, where he had little experience. To be sure, the new CEO has the final say in hiring and firing, promotions, and compensation, but many of those decisions are, by necessity, in the hands of people closer to operations. Indeed, CEOs often end up knowing less about the operational details of their companies than they did in their previous positions.

While the CEO is responsible for the successful operation of the enterprise, then, they can no longer be personally involved in all the decisions needed to run a large, complex organization. The CEO's greatest influence shifts from direct to indirect means—articulating and communicating a clear, easily understood strategy; institutionalizing rigorous structures and processes to guide, inform, and reward; and setting values and tone. Equally important is selecting and managing the right senior management team to share the burden of running the company.

Surprise Two: Giving Orders Is Very Costly

The CEO is undoubtedly the most powerful person in any organization. Yet any CEO who tries to use this power to unilaterally issue orders or summarily reject proposals that have come up through the organization will pay a stiff price. Giving orders can trigger resentment and defensiveness in colleagues and subordinates. Second-guessing a senior manager can demoralize and demotivate not only that person but others around him, while eroding his authority and confidence. What's more, the need to overrule a proposal indicates that the strategic planning and other processes in place may be either inappropriate or insufficient. No proposal should reach the CEO for final approval unless he can ratify it with enthusiasm. Before then, everyone involved with the matter should have raised and resolved any potential deal breakers, bringing the CEO into the discussion only at strategically significant moments to obtain feedback and support. Ironically, by exercising his power to give orders, the CEO actually reduces his real power, saps his energy and his organization's, and slows down progress.

When CEOs wield direct power, they must do so very selectively and deliberately—and never without a broader plan of action in mind. Usually, power is best used indirectly, through the disciplined processes mentioned above (articulating strategy and so on). Together with tone and style, such processes enable the CEO to make effective decisions consistent with where he wants the company to go.

One of our new CEOs learned this the hard way. Soon after he became CEO, he was asked to approve a marketing campaign for the launch of a new product. The campaign was the result of more than a year's work by a division manager and his team. They had developed advertising, prepared promotional materials, crafted a sales and distribution plan, and assigned responsibilities for different parts of the plan. All that was needed was the new CEO's approval, which the executives assumed was largely a formality.

The CEO saw it differently. He felt that the company's advertising had become stale and that a makeover should start right away—and this would most likely mean hiring a new agency. He put the marketing campaign on hold until a new advertising plan could be developed—a decision that he hoped would send a strong signal about the changes he meant to introduce. Little did he realize that he had sent several other powerful signals as well.

Word of his order spread like wildfire. The CEO's calendar was soon filled with meetings with executives seeking approval of their plans. Some came to obtain consent for new capital expenditures, others for personnel decisions, and others on matters as mundane as whether to host a client conference. They had lost confidence that they understood the CEO's expectations, so they wanted to check with him before proceeding on anything. His calendar became a bottleneck, and organizational decision making virtually ground to a halt.

For a while, the CEO was oblivious to the high cost of his intrusive approach. As an outsider new to the company, he felt good about being part of all these conversations. He was now at the center of all the action. He viewed each meeting as an opportunity to communicate the new direction in which he hoped to take the company. But he began to recognize the impact of his actions when the division manager he had overruled came forward a month later with the news that he had decided to accept a job at another company. This came as a shock to the CEO, who, despite nixing the ad campaign, had been quite impressed with the other elements of the marketing program and the thoroughness with which they had been planned. What he had failed to understand was that he had undermined the manager's self-confidence as well as his authority with his subordinates and peers. As hard as the CEO tried to persuade him to reconsider and stay, the manager felt so demoralized that he was determined to leave.

Chastened, the CEO called a meeting of all his top managers the next week. He reassured them that they enjoyed his full confidence and that he had no intention of undermining their authority as he had done with the departing division manager. He candidly admitted that he might have been too precipitous in halting the marketing campaign, especially since he had not yet fully communicated his new strategy for the company. He identified the areas in which he wanted to make strategic changes, emphasizing that all this was a work in progress, to be completed with everyone's help. He clarified the issues on which he wanted to be consulted and those on which he would fully trust his managers. He created a task force to review some of the company's key management processes—planning, budgeting, performance evaluation, new product rollout, development of marketing campaigns, and recruitment of key employees—to ensure that there would be opportunities for early CEO input. Finally, he spent the next year working hard to make sure that his vision and agenda were clear to all employees, especially his senior management team. (We know this because he stayed in touch with us after the workshop, as many participants do.)

This CEO concluded, and we would agree, that it is rarely a good idea to unilaterally overrule a thoughtful decision that has cleared several other organizational hurdles. Indeed, a key indicator the CEO subsequently used to judge the health of the company's management processes was how enthusiastically he could approve the decisions that came his way. The need to overrule something is a sure sign of a broader organizational failure. Or, as hard as this is to admit, it may reflect the CEO's own failure to clearly communicate his strategy and operating principles. There are certainly some circumstances in which the harm done by moving forward with a major strategic decision that the CEO considers a serious mistake—a large acquisition, say—is greater than the harm done by issuing orders. But, as this CEO himself eventually acknowledged, the ad makeover could have waited.

A new CEO may need to put a stake in the ground to show that he's in charge and to let the organization know what he stands for. Giving a direct order (and especially undoing someone's work) is rarely the best way to do this, however. Instead, a CEO should look for ways to include senior managers and to promote agreement about decision-making criteria. At an off-site meeting, for example, the CEO can reveal his priorities and concerns by setting the agenda while giving his team a chance to participate and buy in. A new CEO must be willing to share power and trust others to make important decisions. The most powerful CEO is the one who expands the power of those around him.

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

Even when CEOs understand that they cannot oversee every aspect of their companies, they nevertheless assume—wrongly—that they will be able to learn everything they need to know. Certainly, CEOs are flooded with information, but reliable information is surprisingly scarce. All information coming to the top is filtered, sometimes with good intentions, sometimes with not such good intentions. Receiving solid information becomes even more difficult because immediately upon appointment, the CEO's relationships change. Former peers and subordinates who used to constitute an informal channel—those who could read between the lines and who really knew what was happening at the ground level—go on their guard. Even those the CEO was closest to are wary of delivering bad news. Further, because the CEO can have so much impact on anyone's career, each individual's agenda colors the information the CEO receives.

Look at the experience of one workshop participant, whose organization was an equal partner in a poorly performing joint venture. As revenues failed to materialize and costs continued to rise, the CEO tried to better understand the lackluster performance by holding several reviews with key managers involved in the venture. Their explanations for the unimpressive results were not surprising: The managers placed the blame squarely on the JV partner. When it became clear to the CEO that he would not find out what was really going on simply by asking his own team for information, he approached senior managers from the other company—ones who, as it happened, were not directly involved in the JV's operations. Their understanding of the situation was different from what the CEO's own people had been telling him, and the partner's managers offered many constructive observations on the JV's operations. In the end, the CEO recognized that the root cause of the problems was a lack of clarity—on both sides of the partnership—about the JV's objectives. His company eventually bought its way out of the venture, at a loss.

Looking back, the CEO did not feel that his team hid information with malicious intent. For one thing, he realized, his people had a natural instinct to protect themselves, especially in front of their leader. Others who knew how serious the problems were perhaps refrained from speaking up because they were concerned that the CEO would shoot the messenger. Also, it was inherently difficult for operating management to recognize the problem, which lay not in operational details but in the unclear and clashing goals with which the joint venture was established. For the CEO, the biggest surprise was having to seek external feedback to better assess what was really going on within his organization, because a clear picture was so hard to get from his own people.

It is a delicate challenge for a CEO to find reliable sources of information without undermining key reports, who might feel that the CEO is going around them. Many workshop participants recounted their efforts to engage in periodic face-to-face conversations with people at different levels and in various parts of the company. One CEO, for example, invited a group of 10 to 12 employees to have lunch with him weekly. Employees volunteered to participate, and the group included people from all levels and divisions; managers were not allowed to attend with their direct reports. While the CEO recognized that not everyone in these lunches would speak frankly, he found that an informal setting reduced barriers to communication and provided an opportunity to hear the ideas and opinions of a cross-section of employees. Other CEOs described using field visits and town-hall-type forums to pick up relatively unfiltered information.

Several new CEOs stressed the importance of continuing to seek information from deep within the organization—from employees closest to the front line—even though that approach might not sit well with managers in the middle. A CEO of a high-technology firm, for example, went several levels down to determine the status of technical projects by asking those directly involved how the work was progressing. He didn't tell the senior people overseeing the projects that he was taking these surprise "temperature checks." Another CEO took it as a warning sign if senior executives tried to discourage him from speaking directly to their subordinates. He underscored, however, that this sort of contact worked only if it was maintained regularly, so that it was not considered a big event—and if the people who spoke to the CEO felt confident that their candor would not come back to haunt them.

Many CEOs in the workshop find that unbiased information is available from external channels—for instance, through contact with customers, conversations with other CEOs, and affiliations with industry associations. Almost every workshop participant allocated time for such external discussions through a systematic process. Several CEOs also pointed to productive relationships they had with independent advisers who could tell the unabashed truth and had license to criticize the CEO's thinking.

Surprise Four: You Are Always Sending a Message

The typical new CEO knows that his actions will be noticed by those in his company. What he does not generally realize is the extent to which his every move—both inside and outside the organization—will be scrutinized and interpreted. His words and deeds, however small or off-the-cuff, are instantly spread and amplified, and sometimes drastically misinterpreted. (Remember the CEO who pulled the marketing campaign.) Even personal choices are subject to scrutiny. One CEO in our workshop joked that he had to choose the type of car he drove very carefully because the company parking lot would soon be full of the same model.

The first big message is in the CEO's appointment itself. People develop assumptions and expectations based on the CEO's background and previous experiences. This initial profile immediately takes on great significance. One CEO, the first American to take the helm of his major British company, reflected in our workshop that many constituencies expected the "barbaric American" to try to change the firm's centuries-old traditions and culture. A CEO with a legal background recounted how the markets reacted negatively to his appointment, on the assumption that the only reason to make a lawyer CEO was that the company was facing deeper asbestos-litigation problems than previously acknowledged. These sorts of messages are sent before the new CEO even does anything.

Once in the job, the new CEO can no longer afford to have speculative discussions with employees, because any half-baked idea he puts forth runs the risk of being latched onto as a good one. The CEO's microphone is always on, and his message can become distorted. Even an innocent question may be interpreted as a loss of confidence. The aura attached to the executive's words is illustrated in a story we heard from one CEO, who found, to his surprise, that too many people were invoking his name—hoping that simply starting a sentence with "Frank says…" would ensure action, even though, in most cases, Frank hadn't said anything of the sort.

And so new CEOs need to learn quickly what signals they are sending. They can then minimize inadvertent messages and maximize the impact of the messages they want to send, once they understand the multiplier effect of their words and actions. Consider, for example, the experience of one new CEO, whose organization is based in the southeastern United States. The company had avoided racially related class action lawsuits, even though other companies in the region had not. It had clear standards covering employee behavior, including a rule forbidding the display of the Confederate flag. When the local press revealed that one member of the executive team had publicly advocated that the company display the flag, the CEO immediately had that person terminated. As the CEO described it, he did this to signal that behavior inconsistent with company policy would not be tolerated at any level in the organization. No one had to guess the CEO's views on this topic—he sent a clear message.

To take another example, a new CEO of a transportation company wanted to signal the importance of customer and employee safety. While on a site visit, he noticed that a fire switch was disconnected on one rail car, so he shut down all trains in the system until every switch could be checked. He also launched an investigation into why the switch was disconnected, to prevent a reoccurrence. Although there were redundant systems in place, the CEO wanted his actions to send a message—both internally and externally—that nothing short of perfect safety compliance would be acceptable. He also hoped that employees would in turn feel empowered to do whatever was necessary to ensure safety.

A CEO's signals, already subject to misinterpretation, are further complicated by the fact that different constituencies will respond to the same news in different ways. It is particularly challenging when signals are sent to both internal and external groups. While Wall Street might delight in hearing a plan for a struggling unit's spin-off, for instance, employees may be shattered. The task of managing outside and inside constituencies, while keeping the message truthful and consistent to both, is never easy. The important lesson for new CEOs is to consider carefully how their actions and the way these are communicated will be interpreted by different audiences. An executive may be unable to avoid some negative impact on one group or another, but by thoughtfully framing his message, he can minimize the damage.

Finally, to the extent possible, CEOs must strive for consistency in their messages. A simple, clear message, repeated often and illustrated with memorable stories, is the best way for a new CEO to master the communication challenges of the job.

Surprise Five: You Are Not the Boss

Many new CEOs initially assume that they have finally reached a position where they have ultimate authority. They soon learn that the situation is much more complicated than that. Although the CEO may sit at the top of the management hierarchy, he still reports to the board of directors. The board hired him and can also fire him; it has the power to evaluate his performance, set his compensation, overturn his strategy, and make other major decisions. CEOs must attend to this relationship more today than ever before as new laws and regulations, court decisions, and shareholder activism have empowered and emboldened boards. As one new CEO told us, "We no longer have a clear picture of how to work with the board." Even if the relationship isn't contentious, it's become a bigger drain on the CEO's time and energy.

Just when new CEOs think they can finally stop managing upward, the need to do so grows in complexity. Instead of reporting to a single boss, the new CEO has 10 or 12 bosses, one of whom is often a "lead director," who, by virtue of that position, is meant to balance the CEO's authority. And although the board is likely to comprise experienced and capable people, many members will have limited knowledge of the company's industry. This means the CEO (along with the management team) has to educate the board about what is happening in the company and the industry. While the CEO may have problems in getting information, the worst thing for his relationship with the board is for the directors to feel uninformed or surprised. Because board members have many demands on their time, information must be transmitted to them in a way that is easy to understand.

Moreover, most board members may have had little previous contact with the new CEO. Even if he was promoted from within and was previously on the board, their interaction with him was probably infrequent and brief. He has to spend time letting members get to know him and develop confidence in his ability and judgment. Should the new CEO's predecessor remain involved, in the chairman's seat or on the board, the challenge becomes even greater. The former CEO brings board relationships and a legacy of decisions that the new CEO may wish to reconsider. All of this creates awkwardness in the boardroom and makes it difficult for the successor to work with the board. In our experience, it is almost always a bad idea for a predecessor to remain on the board.

For one new CEO, the first few weeks in office were a trial by fire. The board had ousted his predecessor and the entire management team, and the company was undergoing an SEC investigation. The new CEO arrived amid falling employee morale, defecting customers, and media scrutiny. He resolved to quickly reinvent the company with new accounting policies, a new management team, and, eventually, a new strategic direction. But he soon realized that the company's directors, having been burned by the previous management, were keeping the company (and him) under much tighter control. It became evident that the board wanted to temper and closely monitor his actions. He immediately concluded he had to work carefully with the directors, trying his ideas on them early to get their support. Although this took more of his time than he had ever anticipated, he gradually earned their trust and was then able to move more quickly. While this example may be extreme, its lesson is applicable to all CEOs: At the end of the day, the board—not the CEO—is in charge.

As the CEO develops his boardroom relationships, he must view the directors as neither friends nor confidants (though some of them may eventually play those roles), but as bosses who hold him personally accountable for the success of the company. By actively investing in director knowledge and relationships—through one-on-one contacts, email updates of corporate progress, and distribution of background material, for example—the best CEOs turn board meetings into participatory discussions rather than show-and-tell sessions by management. A new CEO who is open with—and creates the opportunity to collaborate with—his directors will be more likely to garner support from these bosses.

Surprise Six: Pleasing Shareholders Is Not the Goal

Upon taking office, new CEOs often mistakenly believe that their primary responsibility is to keep the shareholders happy. After all, shareholder value is the mantra that has defined corporate goals for many years. Courting the favor of analysts and shareholders seems natural, and every CEO (especially a new one) likes an endorsement of his leadership through a higher share price.

The problem is that defining one's goal as shareholder approval may not be in the company's best interest. Actions and strategies favored by shareholders (and analysts) may not benefit the ultimate competitive position of the company. Shareholders come and go—the average share of stock in the United States is held for less than a year—and they care only about what happens to the stock during the period they expect to own it. Analysts are naturally concerned with moving in and out of a stock, not holding it. They tend to reinforce trends—and love deals—rather than reward a long-term focus. In fact, both shareholders and analysts are prone to take a short-term view. CEOs, however, need to concern themselves with creating sustainable economic value.

Sometimes the pressure from analysts and shareholders can get so strong that it becomes destructive. One CEO in our workshop said he'd felt compelled to spin off a major division—a dramatic step that appeased analysts in the short term. Unfortunately, it hurt the longer-term performance of the company because the sale of this division drove away some customers who were vital to the growth of other divisions.

An involved, informed board can be the CEO's best ally in staying focused on the long run. The CEO of a major retailer described the perfect storm he was stepping into when he took office: a mature industry, the seemingly unconquerable Walmart, and a lackluster economy. As the CEO described it, the business was badly broken, and he needed time to restore it to its former success. He worked with the board to develop a new strategy focused on regaining market share. After two quarters of heavy lifting, results began to improve. The board was pleased and employees were energized, but the analysts remained conspicuously bearish. They saw the new strategy as being too slow and drawn out. After a number of time-consuming and fruitless meetings with them, the CEO came to understand that the analysts were interested only in immediate, dramatic change—regardless of the long-run effects on the company. As he told us, "There comes a time when you just don't give a damn what the analysts think." This CEO was able to keep the focus where it needed to be because he had worked hard to ensure that his board bought into the long-term merits of the turnaround strategy.

Rather than attempt to please all shareholders through the inevitable ups and downs, CEOs must recognize that, ultimately, it is only long-term profitability that matters, not today's growth expectations or even the stock price. A high stock price will eventually collapse without the underpinnings of fundamental competitive advantage. Instead of looking to shareholders for strategic direction, the CEO must develop and articulate a clear strategy to distinguish the company from others and address industry fundamentals. A key CEO role is to sell the strategy and shape how analysts and shareholders look at the company. CEOs should not expect that their strategies will be immediately understood or accepted; a constant stream of reiterations, explanations, and reminders will likely be necessary to affect analysts' perceptions. Success in this process may be slow. But a CEO with the courage to develop and articulate a sound strategy, even if it is currently unpopular on Wall Street, will eventually attract the right shareholders—those who buy and hold the stock because they believe in the big-picture strategy.

Surprise Seven: You Are Still Only Human

Too often, we view CEOs in the cinematic image of indefatigable superhero. Yet they remain bound by all-too-human hopes, fears, and limits. The attention and adulation that come with the job make introspection difficult and vulnerabilities inadmissible. Workshop participants told us again and again that they needed to make a conscious effort to resist the illusion of self-importance, omnipotence, and omniscience. The executives in our workshop have been remarkably forthcoming about the personal impact of being a CEO. Invariably, they have had to come to terms with the fact that they can't do everything well. They have found it difficult and ego-bruising to accept gaps in their expertise and admit that the job is more physically and emotionally taxing than any others they have held.

Maintaining some balance between the personal and the professional is another theme that comes up repeatedly in our workshop. It's easy for a new CEO to underestimate the number and magnitude of demands that will be placed upon him. Many new CEOs are confident that they can balance their new challenges with their personal lives without too much trouble—after all, they've managed to do so in other senior management positions. However, the CEO role, with all its demands and its public nature, can significantly intensify this tension. As one CEO concluded, "In the end, there is no such thing as balance. There are only trade-offs."

The difficulties don't arise solely from time constraints. Many aspects of a CEO's life become public that most of us would prefer to keep private. One CEO told us that his teenage daughter approached him after she read a high-profile newspaper article disclosing his compensation. He had never before discussed his income with his children. Even though his pay was quite modest compared with that of his peers, he had to explain to his family why he earned what he did. Another CEO said that he was dreading the first family holiday gathering after he'd become CEO and the reactions of his siblings now that his success was so public. Virtually every new CEO reports that relationships with friends and family have changed.

It surprised us that many new CEOs—even in the early days—were already thinking about their legacies. While this can lead to a long-term focus, which is desirable, it can also lead to bold (and even reckless) attempts to make a mark on the company by changing what should be left unchanged. With such goals, it is easy to be seduced by major deals and tempting to create an organization that is three times larger even if it is less profitable.

It is essential for new CEOs to make a disciplined effort to stay humble, to revisit their decisions and actions, to continue to listen to others, and to find people who will be honest and forthright.

Otherwise, the rewards and praise bestowed upon a CEO can tempt him into acts of hubris. A capable and active board can also provide a check on such temptations.

Workshop participants recognized that they needed connections to the world outside their organizations, at home and in the community, to avoid being consumed by their corporate lives. Many found personally fulfilling outlets for their human needs through public service commitments. CEOs needed and wanted some relaxation too. Regular exercise, family vacations, and golf seemed to be the preferred avenues, though one CEO even took up race car driving as a hobby. He explained that he knew he would never be Mario Andretti, but he could occupy and challenge himself by trying.

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.

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.

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.

The Seven Things You Need to Know

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.

A version of this article appeared in the October 2004 issue of Harvard Business Review.