

Beware the Stealth Mandate

Laurence J. Stybel and Maryanne Peabody

An alarming number of executives fail when they go into a new position; the rate of 40% is generally accepted.

One of the areas that is particularly treacherous is the mandate that they are given...or not given.

This article develops the argument and provides a structure to determine if there is an alternative mandate 'flying under the radar'.

Executives are set up to fail when they are given one leadership mandate while others in the organization operate under a different, conflicting set of directives

Permission granted by Sloan Management Review editor



Beware the Stealth Mandate:

Sloan Management Review: Spring 2006

Laurence J. Stybel and Maryanne Peabody

Executives are set up to fail when they are given one leadership mandate while others in the organization operate under a different, conflicting set of directives

The famous comedian Milton Berle had a standard opening routine. After being introduced he would walk to the front of the stage while everyone cheered. Berle would then bow and extend the palm of his right hand toward the audience to ask people to calm down. At the same time he would raise his left hand and repeatedly extend and curl his fingers to beckon everyone to cheer louder. The audience loved it. Indeed, the use of two simple hand gestures to convey conflicting messages can be the foundation for great humor, but an executive who is given one leadership mandate while others are operating under a different, conflicting set of directives would hardly be amused. Unfortunately that's what happens at many organizations.

Generally speaking, **leadership mandates fall into one of three major categories:** continuity, good to great and turnaround.

- **Continuity**... business as usual—'keep on keeping on': carrying on policies, procedures and strategies. A typical example is the interim CEO, selected to maintain the status quo until a permanent CEO is found.
- **Good to Great** refers to Jim Collins' bestselling book of the same name. A good-to-great mandate is essentially this: we've been doing fine, but we can--- and need to do even better.
- **Turnaround** means dramatic changes a: No business process, job or strategy is sacred.

A single clear mandate is the goal, but that doesn't always happen in the workplace. Here's a classic example a company looks for a CEO to execute a good-to-great mandate. But after that person is hired, the founder of the firm remains on the board as chairman and major stockholder. As it turns out, the founder is willing to accept only marginal changes in strategy and operations, and because the board doesn't want to upset him, it blocks many of the CEO's proposals. In other words, although the CEO was given an explicit 'good-to-great mandate', the Board is operating under a stealth mandate of continuity. After a year of frustration, the CEO is fired and the board begins another search for a new leader to execute the purported 'good-to-great mandate, all while the stealth mandate that doomed the last CEO remains in play.

Stealth mandates can exist for a number of reasons. Sometimes, as in the previous example, organizational politics are a huge factor. In other examples, the senior management of a company simply might be too dysfunctional to agree upon---let alone communicate to others---a clear and consistent leadership mandate. Often, the problem starts when an executive is hired or promoted; here, basic human nature plays a large role.

Specifically, when describing a job or talking about any leadership opportunity, the senior managers at a company often are hesitant to air (rightfully so) air any dirty laundry because this information might make it way to competitors or investors. So, the executive begins in the new position assuming one mandate while the real mandate is kept under wraps.

In complex large corporations, multiple mandates often can coexist. For example, one of our clients displays a classic good-to-great scenario with respect to operating results. But as far as corporate governance goes, the situation definitely calls for a turnaround. Another client has an overall good-to-great mandate, but two strategic businesses are in turnaround mode. The point is that even multiple mandates are present, they should all be explicit. Otherwise, the executive responsible for executing the purported mandate will find himself constantly locking horns with those in the organization that are operating under the stealth mandate.

Three Crucial Questions

To avoid such situations, executives need to ask three crucial questions about the business unit or organization they head:

- (1) What needs to be changed within the next 12 months?
- (2) What needs to be honored or kept within the next 12 months?, and
- (3) What must be avoided at all costs?

The honest answers to these questions will reveal the true leadership mandate for a position. Each of the questions should elicit a discussion about technology, business processes, culture and people.

Unfortunately, most job descriptions focus only on the first question ("What needs to be changed?"), thus giving a picture that is one-dimensional and misleading. Any executive also needs the other two dimensions ("What's to be honored or kept?" and "What must be avoided?"). Here we need to make a distinction between the words "*honored*" and "*kept*." In a turnaround situation, senior management will find little that is worth honoring, but it might want to retain certain things just as a matter of expediency (for instance, "Don't deal with the purchasing system this year. Focus on the manufacturing operations."). In contrast, in a

true good-to-great business, there will be a consistent message regarding which things are worth honoring.

The senior management of a company simply might be too dysfunctional to agree upon — let alone communicate — a clear leadership mandate.

When an executive suspects he's been the victim of a stealth mandate, he should ask his boss and others the three crucial questions. (And job candidates should query everyone during their interviews to get the clearest picture of the true mandate for a position.) Any points of inconsistency should be explored further. Obviously, it's rare that an executive will get an honest response to the question, "what's to be avoided at all costs?"

After all, people don't like admitting that any corporate sacred cows exist. Nevertheless, if an executive doesn't even ask the question, he or she more than likely will never know the answer. In our experience, many companies operate not as much behind a thick wall of secrecy as within a "don't ask, don't tell" culture. If asked, people will tell, although they may use thinly veiled comments along the lines of "Well, that new product line is the CEO's pet project" And if people react negatively to the three questions even being asked, it should raise a red flag.

Mandate Clues

In addition to the responses to the three questions, the true mandate of a business unit or company often can be inferred from various other clues. Two major telltale areas to explore are an organization's employee **compensation system and termination policies**.

Compensation System In companies with a **continuity mandate, reward systems tends to be variations of if it ain't broke, don't fix it.** So, for example, a company continues to tie its salary raises to cost-of-living increases, even if this means the firm is falling behind what competitors are paying. "The prevailing management view might be something such as, "People always complain that they're underpaid, but this doesn't mean we need to change anything. And there's no need to conduct yet another employee survey because our retention rates are just fine." At the board level, when CEO compensation continually rises even as shareholder value plummets, the message is that consistency is of primary value.

In **good-to-great situations, reward systems tend to be "Yes and ..." conversations** that can involve money as well as other nonfinancial benefits, including trips, gifts and recognition. Here's an example: "Yes, we'll pay for the certification program, and when you've completed it, you'll receive a bonus. You'll also be on the fast track for promotion opportunities." Furthermore, people might be rewarded just for taking important first steps because the company realizes that creating positive behavioral momentum can be just as important as any desired business results.