

Carolyn Dewar,  
Thomas Dohrmann,  
Drew Erdmann,  
Ryan Harper,  
and Kunal Modi

# What CEOs can teach the next US president

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While the scale of managing an entire country differs in a number of ways from managing a company, there are lessons the next US president can glean from the CEO transition period.

**On January 20, 2017**, the next president of the United States will become chief executive officer of some of the most powerful institutions in the world, including the White House, 15 executive departments, the US military, and numerous other federal agencies.

While not all lessons from the private sector are transferable to the public sector, and many successful business leaders find their skills challenged in the unique government environment, there are nevertheless lessons for this transition period that CEOs can offer the next president and other new senior leaders entering the government.

Here are a dozen such lessons, drawn from McKinsey's work with public- and private-sector leaders globally and discussions with current and former CEOs of iconic companies who have undergone similar transitions. These lessons are broadly applicable to leaders transitioning into senior roles in the government, regardless of professional background.

## **Establish your agenda—an overarching aspiration and a limited set of priorities**

### **Get a clear lay of the land**

Understanding an organization's context is vital, particularly in government institutions where so much of the staff is nonpolitical and has been there for many years and so many of the external stakeholders (for example, Congress, state and local governments, the press, and voters) have a say in what you do. In order to grasp the full picture, learn the expectations of the important constituencies and what experiences various institutions or departments have recently been through. Even incoming leaders who are insiders, with past experience in the organization, or possess deep expertise in a particular issue will benefit from assessing anew their operational landscape. In doing so, deliberately challenging any biases that the new leaders may have inherited—such as ideas about who might be your allies or adversaries—is important. After all, as the saying goes, “politics makes strange bedfellows.” Time and again, government leaders have stumbled because they did not take the time to reflect on and understand their institutions' issues and stakeholders. Understanding the past is often the best way to diagnose the present to ensure future success.

### Start with your vision of where you want to end up

Decide what you are trying to accomplish for the American people and what key themes you want to emphasize before setting your agenda. The transition period is the time to refine the goals set during the campaign and then ruthlessly prioritize those that will define your tenure. The former CEO of Juniper Networks, Kevin Johnson, once remarked that this approach does not require that “you translate your point of view into a new strategy on day one,” but that you should develop and prioritize a basic list of your long-term goals fairly quickly. A 2015 survey of executives highlighted that they considered the most important transition activity to be creating a shared vision and aligning their organization around this strategic direction. Then, once you have defined your guiding vision and prioritized your goals, assess the big initiatives and resources required to deliver on each of them. In particular, you should consider sunsetting any inherited projects that are outside the purview of your priorities to free up resources and sharpen the organization’s focus.

### Focus on the next three years, not just the first 100 days

From the start, striking a balance between near-term and long-term impact is important. The media will make you feel like your success is determined in a sprint over the first 100 days. Inevitably, you will hear invocations of Franklin Roosevelt’s first 100 days, when he pushed through the legislative agenda that defined the New Deal. You will want to score a few quick wins that signal your priorities and demonstrate your ability to achieve them. As Convergys CEO Andrea Ayers has noted, it is important to stay focused on what matters and for “your early wins [to] tie back to your major goals. The former has to be connected to the latter.” While a cabinet secretary’s tenure is typically shorter than a CEO’s, you need to prepare for more than just the first 100 days. Indeed, trying to do too much in the first 100 days will not allow the organization sufficient time for buy-in and may lead you and the organization to feel like you are spinning your wheels.

### Act boldly

CEOs who make four or more strategic moves in their first two years tend to outperform similar organizations and stay longer than their more hesitant counterparts. Despite the constraints of government, successful leaders must take risks and act as boldly as the operating environment will allow. Be particularly attentive to this if you’re an insider candidate—that is, one that has grown up in an organization or knows it very well. Our recent research in CEO transitions shows that insiders are much less likely than an external candidate to make the kind of bold moves the organization may need.

### Communicate, communicate, communicate

Effective CEOs in transition understand their unique strategic role as communicators. To mobilize your organization, you will need to set clear landmarks that will guide its everyday actions. Leonard Schaeffer, who was the founding chairman and CEO of

WellPoint, and has diverse public-sector experience at the state and federal levels, emphasizes that “a government leader or CEO’s job is to explain the organization to the world, and to explain the world to the organization.” Given this need, it’s important to be trusted as a communicator by being as transparent as possible with your internal staff and external stakeholders early on so they understand your priorities and rationale, particularly if you are an outsider relatively unknown to the organization. Complicating this dynamic, however, is that the scrutiny is on you, especially at the beginning. Ensure, therefore, that communications are at the center of any initiative you take and that you have a story to tell before day one. New CEOs are routinely asked what their long-term strategy is for the company within the first few days. CEOs we interviewed said that the best answers tended to recognize and acknowledge major constituencies, project confidence in the company’s prospects, and have clear ideas about where progress is possible. Your clear vision and priorities are fundamental to your communications. These best practices do not mean you should make promises or that you need to have all the answers as soon as you start, but you should formulate a vision and sense of direction that inspires confidence. If you do not define your overall narrative, it will be defined for you by events, stakeholders, or even opponents.

### **Build a team that will support and challenge you—and help you deliver**

#### **Build a top team with trusted hands and new faces**

While new leaders understandably want (and often need) to bring in people they know and trust, many leaders fail because they are too insular and resistant to including outsiders in key decision-making processes. You will need to retain and rely upon career staff in many positions. It’s essential to gain buy-in early and build a joint leadership team consisting of career professionals, appointees, and outside experts. As former Secretary of Defense Robert Gates once put it, “If [career staff] don’t like what you’re doing, they can just outlast you. They were there before you got there. They’ll be there after you leave. And all they have to do is wait you out.” Although there will inevitably be tensions between incoming and outgoing teams—even when a transition is between administrations of the same political party—it is important to ask your predecessors for their perspectives on the strengths and weaknesses of the career staff.

#### **Surround yourself with diversity**

Research from McKinsey shows that companies in the top quartile for gender or racial and ethnic diversity are more likely to see superior performance measured by average financial returns. Among other factors, more diverse leadership teams tend to improve problem solving and decision making. Sheryl Sandberg, Facebook chief operating officer and author of *Lean In* (Knopf, March 2013), reminds us that “endless data show that diverse teams make better decisions. We are building products that people with very diverse backgrounds use, and I think we all want our company makeup to reflect the makeup of the people who use our products.” In an increasingly diverse and multicultural America, that aspiration is even more important in government.

### Welcome thoughtful internal critics

In any organization, and particularly in government, there is a natural tendency to rely upon a trusted inner circle. Sometimes this is by necessity, such as with national-security challenges where only those with a need to know can be included. But often the circle of dialogue reflects the emotional and psychological pressures of the senior-level jobs themselves. Being a senior executive in either the private or public sector is lonely, and there can be a desire for reassurance. Nonetheless, be willing to include the skeptics within the organization on your leadership team or in your planning meetings. Andrea Ayers urges, “Surround yourself with people who will tell you hard truths.” If you shy away from the criticism or restrict meetings to only those who support your agenda, the criticism within the organization will find its way to you through other channels. In the private sector, it can come through the press, leaks from your employees, or the board of directors. In the public sector, Congress and other agency leaders only add to the potential chorus of critics. To counter this, you could consider developing a person-by-person plan to engage the most influential critics. Many senior government leaders, for instance, ask their staff to convene groups of outside experts of different viewpoints for meetings or informal discussions over meals to ensure that critical voices and creative ideas are shared. You need to manage dissent, not avoid it.

### Make tough decisions on personnel as early as possible

While there may be less flexibility in removing staff from government agencies, cabinet secretaries and agency leaders retain the power to adjust who is tasked with what responsibilities. Use this power as soon as you need to, particularly for important initiatives. In a recent McKinsey survey on executive transitions, respondents noted that they wished they had acted more rapidly on personnel decisions. When doing so, however, make sure you consider the context of the organization. Underperforming companies tend to see improvements when they reshuffle a management team, but the results are more mixed for well-performing companies.

### Recruit ‘doers’ as well as policy experts

There is a temptation in government to hire a team of the best thinkers and policy experts rather than those focused on internal management or the implementation of policy. Developing policy initiatives is indisputably important—it is why we have elections and where you will undoubtedly spend much of your time. But a good management and operating team is also essential. John L. Thornton, executive chairman of the board at Barrick Gold, emphasizes that “a leader needs to ensure that government gets more ‘doers.’” Likewise, our research has underscored that leaders need a team of managers who can both deliver performance today and build the foundational organizational health that enables their institution to sustain that performance over the long haul. Given the various demands, when considering your top team, the appointment of the right chief of staff will be critical to striking the balance between policy innovation and getting things done. The chief of staff role can take on several

forms, including serving as a proxy for your office to other stakeholders, acting as a counselor to you personally, playing a targeted analyst role, or, more likely, some combination of the three. You should encourage your chief of staff to embrace an ethos of being more staff than chief and to focus the right amount of his or her energies on ensuring effective management to deliver results.

### **Define your personal operating model to manage the demands of your job over the long haul**

#### **Manage your energy**

A new presidential administration will feel like being on call 24/7. You and your staff will experience the acute time pressure to deliver rapidly. And delivering is complex, demanding, and at times depleting—physically, emotionally, and psychologically. Your senior-executive commitments will also place demands upon your family and friends, some of which they may not have expected. As CEO experience attests, you should decide early on what your cadence will be, set that culture for your leadership team, and then ensure that you trust people to execute. Although it may appear to be a luxury as you try to launch your agenda, preserve time from the start for activities that help you recharge—whether that is exercising, reading, spending time with those closest to you, or sleeping. Sustaining your energy is perhaps more important in the public sector because, unlike in the private sector, most senior leaders in government—even cabinet secretaries—are not only CEOs of their organizations. Rather, they both lead their organizations and serve as advisors to the president, who is the ultimate CEO. Therefore, there are times when even cabinet secretaries must support the president directly in a staff-like capacity, and that places extra demands upon your time and shapes your schedule. For example, in the national-security domain, the secretary of defense is in charge of leading and managing the largest organization in the country, with millions of employees, but also has to devote significant time to preparing and then advising the president when he or she is making major national-security decisions.

#### **Set ground rules**

Ensure that any action you take could appear on the front page of a major newspaper without embarrassment. Warren Buffett, CEO of Berkshire Hathaway, once warned, “It takes 20 years to build a reputation and five minutes to ruin it. If you think about it that way, you’ll do things differently.” Your role brings celebrity and power with all the attendant benefits, temptations, and dangers, but the scrutiny you and your family will face in public service will be unprecedented compared to any previous position you have held. Familiarize yourself with the many new formal rules and regulations with which you must comply to avoid any missteps. At the same time, set your own rules with your staff, particularly your administrative support, on how you want to conduct your public events, travel, finances, and interactions with friends and past business associates.

The peaceful transition of power from one administration to the next is a reaffirmation of one of the great hallmarks of American democracy. It is a unique opportunity to chart a new course for the country—and the planning and preparation during the transition period can greatly improve a new administration’s ability to succeed. The 12 foregoing suggestions, based upon diverse leadership experience and spanning many different types of organizations, should help the next president and his or her senior-leadership team define their path forward. □

This essay is part of *First Year 2017*, a project of the nonpartisan Miller Center at the University of Virginia focusing on the key issues the next president must confront, viewed through the clarifying lens of history and amplified with actionable advice from leading scholars, former administration officials, and policy experts.

**Carolyn Dewar** is a partner based in McKinsey’s San Francisco office, where **Kunal Modi** is a consultant; **Thomas Dohrmann** is a senior partner in the Washington, DC, office, where **Drew Erdmann** is a partner and **Ryan Harper** is a consultant.