Avoiding Power Failure

How to rule your company strongly and wisely.

By Patricia Seemann

Want to see a CEO blush? Talk to him about power. Suddenly, grown men act like shy girls at a high-school prom. And like young girls who fret about how attractive they are—while never admitting their obsession—CEOs constantly ponder their power, how to keep and use it, and who might be after it, while seeming to maintain complete insouciance about the topic.

The problem with power is that it is a messy concept—unlike, say, leadership. Talking about leadership is virtuous and uplifting, evoking vague associations with King Arthur's Round Table of charismatic, wise, and bold men bringing order and light to a troubled world.

Make no mistake: Leadership matters. Leadership implies values, morals, and ethics; it sets desirable standards and defines worthy behaviors. As a concept, leadership does much to outline what leaders should *be*. But it does little to define what people with great power should *do*.

Leadership is a totally positive, pleasant, and largely straightforward topic. Power is not. Power is like a controlled substance: It enhances capabilities but is addictive and warps perception. It is like a surgeon's scalpel, bringing healing and well-being—or devastation.

Personal power creates its own social microclimate. It elicits strong emotions in the people surrounding it—from devotion bordering on bondage, to jealously leading to cold revenge. It generates trust but also betrayal—a reality ignored by leadership discussions—which must be handled with bracing realism and determination.

Conventional discourse on leadership does little to help those vested with Big Power. Power is a far more ambiguous and difficult issue and, often, not a pretty one. Exercising power is not primarily about virtue. Rather, it is about effectiveness—and how the two should be balanced.

These twelve theses about power, trust, and betrayal represent essential thinking for any CEO—along with some initial ideas about how to think about these concepts. These theses are meant to provoke a strong, spirited, and realistic conversation, with a purpose. CEOs should consider whether or not they agree with these theses—and then develop their own ways of thinking about them. A CEO's decisions about these ideas will go to the core of his identity.

Thinking About Power

Honor and dignity matter. This is the most important thesis, serving as a compass for navigating the dilemmas and ambiguities of great power. Nothing is more disgusting than power without honor; nothing is more ridiculous than power without dignity. Honor begets loyalty, and dignity engenders respect. Without these, a CEO cannot be effective—and certainly does not deserve his position and its privileges.

Morals and ethics cannot be only a personal issue. CEOs, more than anybody else, need an unerring ethical and moral compass. But while most individuals have the right—and the freedom—to act solely on the basis of a moral principle, a CEO is severely circumscribed. He constantly needs to balance what is personally desirable with what is necessary under the circumstances to advance the appropriate interests of the firm or its stakeholders.

For instance, it is admirable to write in your annual report that you will, under no circumstances, engage in bribery. But what do you do in the following (real-life) situation?

You are the CEO of a pharmaceutical firm. You abhor bribery; you publicly denounce the practice and start a strong campaign against it in your firm. But then one

Patricia Seemann is CEO of Sphere Advisors Inc., an international management consultancy based in Switzerland.

Time & Life Pictures

of your drugs is approved for use against a raging epidemic in a Third World country—and the official issuing the import license demands a bribe.

You might forbid the bribe and feel personally virtuous. But thousands of people would die—arguably, as the direct consequence of your virtuous decision. In this instance, the CEO in question did authorize the bribe, even though the decision felt personally shameful. Personal values and the clarity with which they are held are critical for a CEO to chart and maintain an appropriate course in power's turbulent waters. But ethical and moral values often carry practical ambiguities, and managing these is possibly the most difficult thing a CEO does.

Power invariably isolates the CEO and can change—indeed, warp—the CEO's view of the world. This is not necessarily a bad thing. Some observers take an egalitarian view, insisting that the CEO be just like anyone else. And CEOs are sometimes advised to be "one of the guys," more collegial in their style and approach. They are encouraged to abolish all the trappings of corporate pageantry—the three-piece suit, the reserved parking space, the private corner office—and erase as much as possible the lines that separate the CEO from others in the organization.

But do we really want CEOs to be like everyone else and see things the way everyone else does? CEOs must have and keep a unique perspective. Everything they deal with is ambiguous (otherwise, the organization already would have resolved the issue) and urgent, and most decisions will have unintended consequences, for better or worse. There is no routine. It is a life of constant improvisation that demands a broad and sweeping worldview, firm values, the ability and courage to detect and amplify weak signals, a relentless pursuit of the best of several reasonable options, an ease in dealing with uncertainty, and grace in crisis. In all, hardly the personality profile of an average human being.

There is no question that in today's networked, knowledge-based environment, hierarchical forms of power can become problematic. But a certain degree of remoteness and formality has its place.

A recent study showed that many airline crashes are preceded by unclear, vernacular communications that—in a crisis situation—leave a lethal space for undue interpretation and tragic confusion. By contrast, formality imposes a discipline on both sides to move and communicate in unequivocal terms that everyone can understand.

Having said all that, friendship does matter. A CEO who sees human beings around him only through the lens of organizational dynamics, order, and usefulness loses his own humanity, to the detriment of his life and the people with whom he lives and works.

Power represents the ability—and creates the responsibility—to achieve purpose. The CEO is vested with substantial power so that he can fulfill the company's primary purpose: creating value for its shareholders and stakeholders. It is the CEO's responsibility to actually use this power, and to use it for the purpose of value creation. Power is not a license for personal enrichment.

The concentration of power in the person and role of the CEO means that ultimate responsibility for the company can be firmly laid at his feet and no one else's. Everybody knows where the buck stops.

CEOs should delegate just about everything that isn't going to make or break the company.

Using Your Power

A CEO needs to project his power and intent into the company in order to set its direction, determine its style of leadership, and manage its reputation. These three tasks must never be delegated. Setting an ROI target is not the most important use of power. Power is for deciding which goals the company will pursue and for which values it stands, creating and maintaining its measurements of success, sanctioning and rewarding behaviors, communicating the company's direction and role, and attending to the interests of stakeholders.

Note that these are all the things in a company that you can't drop on your foot—the so-called intangibles. The intangibles—brand, reputation, talent, knowledge, ability to innovate, workplace "feel," decision-making—are the attributes that really determine how your company plays the competitive game and how it scores.

Don't confuse the game with the scorecard. The numbers—the scorecard—reveal how your company has done. If the intent is to improve the numbers, you must manage how the company plays the game—not just play with the numbers.

While responsibility for the three goals above must never be delegated, CEOs should delegate many other things—in fact, just about everything that isn't going to make or break the company. Certainly, the CEO should delegate everything that can be codified—that is, everything for which the decision-making process can be recorded for anyone to review and follow, for example, protocols for cost-cutting.

But the more ambiguous and context-specific the decisions become, the closer they need to move to the CEO. Reputation is a classic example: When and how do you react to that *Fortune* article predicting a drop in your earnings per share or, worse, making ominous sounds about the ethical standards of your way of doing business?

Power generates resistance. Therefore, CEOs should keep only as much as they need. Power's presence limits or, at least, confines and directs the freedom of movement of those subject to it. The higher people rise in the ranks, the more their professional and personal goals become one and the same. If a CEO exerts his power, it will likely, and unavoidably, interfere with the personal aspirations and goals of individuals on his team. This generates resistance and can even incite betrayal among the firm's senior people.

Therefore, CEOs need to be careful to limit their power to those areas that they absolutely cannot give away—as above—and leave all possible freedom regarding those that they can.

The greatest risk of power is the reluctance to use it. Everybody wants at least some power, and many resent those that have more than they do. Sometimes CEOs throw a metaphorical *burka* over their power, pretending they have little or none, or shying away from using it in the hope that the jealous will go away.

It doesn't work. A CEO who doesn't exercise his power when needed makes a fool of himself and invites insubordination. Power abhors a vacuum—it will immediately be filled. The CEO's power will be contested, a struggle will ensue, people will get confused or tempted to join power games, and things will become messy. It is the duty of a CEO to exercise his power for the welfare of the company, not to win a popularity contest. Well-exercised power is fundamental to organizational order and consistency.

Power is best seen as being indirect, but suddenness and decisiveness are critical attributes of power's effective exercise. CEOs do not take up their job in virgin environments; companies have cultures that run in cycles of decades. On the other hand, the average half-life of CEOs seems to be moving toward eighteen months. Corporate cultures are determined by subtle yet very strong currents and are more often felt than known. Within any given culture, the ultimate art of a CEO is to wield his power in a way that is welcome as well as effective.

In the long run, there is no moral behavior without the threat of sanction.

Machiavelli points out that key elements of executive power are surprise and emergency—which can provide extensive room within which to throw your weight around. The CEO needs to make sure that he does not disappear in the regularity of laws and rules; he needs to make sure that people do not rely on his familiarity, that he does not become predictable. Surprise and emergency can best be generated out of "war and foreign affairs." These are the conditions that typically yield emergency powers. How many mergers and acquisitions (the corollary to corporate warfare) are engineered for this reason? Is this the reason why things such as HR initiatives (which can resemble corporate peacekeeping forces) get so little attention?

Protecting Your Power

Betrayal is a risk inherent to power. Power is a much-coveted attribute. Somebody will want to take yours. Betrayal needs to be managed as rigorously, deliberately, and thoughtfully as any other risk.

Not only will you be betrayed—you will betray too or, at least, be seen as betraying. You will change a direction, make a statement, do something that someone will consider a betrayal. The more intense and personal your closest people's emotions are toward you, the more likely this is to happen.

Betrayal is usually achieved through intrigue. The dramatic image of Brutus slaying Caesar in the Senate is the wrong metaphor for corporate betrayal, misleading people in power into paying closest attention to blatant acts of insubordination and subversion. In fact, betrayal is usually a long, slow slide; its early patterns are subtle and far more frequently detected by looking for what is *not* happening.

Betrayal, though subtle, spreads more quickly than loyalty. That is because in a conspiracy, long deliberations are harmful. To rally corporate conspirators to a cause, one must move quickly and threaten to report them to the CEO whom one is trying to betray—while moving with dispatch against the CEO himself.

Betrayal matters beyond the personal injury of the CEO: It makes corporate management dysfunctional. Conspirators never can rely on each other nor test the others; it is too dangerous to the cause. In this way, corporate intrigue with betrayal as the goal becomes the mortal enemy of all responsible corporate processes.

Against betrayal and other corporate misbehavior, "punishments" should be used to good effect—to encourage the right behavior. Many CEOs hesitate to "punish" poor behavior, disobedience, insubordination, and disloyalty. Sometimes the CEO believes that one should not stoop to even acknowledge the behavior, much less make a fuss over it. Sometimes the CEO fears unpopularity—after all, one man's betrayal is often another man's courageous resistance.

But failure to punish when appropriate encourages imitation of the behavior in question. We all know that punishment is often applied for this very reason—and that it can be very effective. (How many "firings" are driven by this principle?)

More importantly, when punishment is withheld, others who at personal cost remain loyal to the CEO are left wondering how much their behavior is really recognized and valued. Indeed, they may end up feeling betrayed themselves. Punishment, then, can be used to purge feelings of frustration among the corporate force—especially those who are fervently loyal to the CEO.

But finally, in the long run, there is no moral behavior without the threat of sanction.

Power is a surprisingly difficult concept to grasp. It is difficult because all too often, in corporate life and elsewhere, it is sought, nurtured, and exercised purely for its own sake—without concern for any larger or worthy purpose.

Power is a messy concept but an urgent one. There is no escaping power's inherent and essential function within the CEO's role—and, for the CEO, no avoiding the need to understand power, and to use it correctly.

These twelve theses, while all about power, are also about responsibility—to the company and all its stakeholders. Failure to use power well invariably spells failure to discharge the CEO's ultimate responsibility—a reality that corporate executives ignore at their peril. ♦