Every leader understands the importance of the first hundred days or the first year in office—the period during which one must assess and diagnose, formulate a vision and a strategy, and create the early wins that build trust and legitimacy. And dozens of books and articles offer guidance about how CEOs in their final months on the job should approach their primary responsibility: helping develop and select a successor and then smoothly handing over power.

Very little attention has been focused on the time between those stages—on how chief executives can make the most of the middle years of their tenure. How can they build on early successes? How can they continue to have an impact? In what ways should they shift their priorities? Should they spend time with different stakeholders? Should they engage the organization in different ways? And how should their mindsets and ways of working evolve?

To find answers, we identified 146 CEOs of large-cap companies who left their jobs during the period from 2011 to 2016 after serving at least six years—the median term for an S&P 500 chief executive,

HOW SUCCESSFUL CEOs MANAGE THEIR MIDDLE ACT

A STRONG START TAKES YOU ONLY SO FAR.
BY RODNEY ZEMMEL, MATT CUDDIHY, AND DENNIS CAREY

meaning that the CEOs in our group all had a longer-than-average run. Next we pinpointed a subset whose companies outperformed their industries during their time at the helm or who had high overall total shareholder return performance. We conducted detailed, structured interviews with 22 of them, asking, among other things, how their priorities, mindsets, and approaches to leadership had evolved; what strategic and organizational moves they had focused on in mid-tenure; and what they wish they had done differently. (Itai Miller and Harish Soundararajan assisted with the identification of CEOs and the analysis of responses.)

Many of our interview subjects said they hadn't consciously approached their tenure in terms of phases, but after reflecting on our questions, they recognized that it did have distinct acts. And it became clear that, as in a play, a strong first act does not necessarily guarantee success in act 2. "There are significant differences between the early phases of the CEO run, the middle term, and the latter stages," former Cisco

CEO John Chambers (in office from 1995 to 2015) told us—a sentiment echoed by many other leaders. "My management style evolved at each of the stages, and I had to reinvent myself at each one."

At the start of midtenure—typically, two or three years in—high-performing CEOs made a conscious decision to reset by reexamining the company's context, reassessing their agenda, and continuing to actively shape the organization and the strategy. "Organizations tend to be echo chambers," said former Home Depot CEO Frank Blake (2007–2014). "You're not going to mid-course-correct yourself if you don't candidly reflect on where you went wrong and, more important, *why* you went wrong."

Five themes emerged as essential to success in leaders' middle years: the importance of resetting ambitions to avoid losing momentum; the need to attack silos and fix broken processes; the imperative of rejuvenating leadership talent; the value of building internal and external mechanisms for dissent and disruptive ideas; and the need to deploy leadership capital on bold moves that could help the company succeed over a long horizon.

In addition to recognizing these specific themes, leaders can find value in something simpler: viewing their tenure as a series of chapters rather than a single uninterrupted span.

IN BRIEF

THE ISSUE
New CEOs typically focus on implementing an agenda and achieving some early wins. But these opening moves are often followed by an act 2—one that features a different operating style and a new set of goals.

THE RESEARCH
The authors identified 146 CEOs of large-cap companies who exited during the period from 2011 to 2016 and had longer-than-average tenures. They pinpointed a subset of high performers and conducted structured interviews with 22 of them.

THE FINDINGS
During their second act, successful CEOs work to raise the company's level of ambition, attack silos and broken processes, rejuvenate talent, create mechanisms for dissent, and invest political capital in long-term bets. Beyond those specifics, leaders often benefit from viewing their tenure as a series of chapters rather than an undivided span.

1 KEEP RAISING THE LEVEL OF AMBITION

At the start of their tenure, in what can be a tumultuous period, CEOs tend to address the most urgent issues and make their mark on the company. By midterm, as stability sets in, the organization risks sliding back into what former DuPont CEO Ellen Kullman (2009–2015) calls "the old normal." Having assumed leadership during the global financial crisis, Kullman instituted wide-ranging portfolio and operating changes, but once the crisis had passed, the pace of organizational change began to flag. So she traveled to plants and offices around the world to reinforce the new vision and formed a corporate planning group to conduct inside-outside assessments of each business. In the middle years as CEO, Kullman told us, "you've got to infuse people with the will to continue to focus on the changing environment and say that if you aren't moving, somebody is going to run you over."

Several CEOs found it challenging to maintain the momentum of the early years. "I recognized that I was beginning to play defense," said former Akamai Technologies CEO Paul Sagan (2005–2013). "There is a risk of being cautious, because the more successful you've been, in theory the more you have to lose by overplaying your hand." Yet especially in high-growth sectors such as technology, where you are one bad product cycle away from losing leadership, constant reinvention is essential.

It helps to regularly review the business with fresh eyes. Gordon Moore and Andy Grove, who led Intel in the 1980s and 1990s, famously imagined getting fired by the board and asking themselves what a new CEO would do. Their astonishing (but correct) answer: Get out of memory chips—the technology that had defined the business. In a similar vein, former Safeway CEO Steve Burd (1993–2013) recalled that the board suggested he come to work one Monday as if it were his first day on the job. "It caused me to dismiss the existing guidance, take out a clean piece of paper, and develop the next leg of the growth strategy," he said. Burd formulated a new plan—centered on remodeling stores to better fit consumers' lifestyles and repositioning the company in relation to its competitors—undertook a large acquisition, and launched several spin-off businesses.

As they stretch their aspirations and those of their people, CEOs should guard against organizational exhaustion. "There's an old principle that if the big gear at the top of the organization makes a half turn, the small gears low in the organization have to spin four times," said Sandy Cutler, a former CEO of the power management company Eaton (2000–2016). "Organizations have to be careful at the top not to constantly change the game plan." At Eaton, whose businesses have long product cycles, units' plans were "certified" at regular intervals according to a central set of processes and benchmarks called the Eaton Business System. "They knew how many years they had between their certifications," Cutler said. "We set that all in place so that people could do multiyear planning in terms of improvement opportunities, resources, and capital expenditures versus having an environment where every 18 months the rules changed."

In short, thinking ever more ambitiously means continuing to make strategic moves that will keep the company abreast of its changing environment—not engaging in perpetual motion for the sake of change.

ATTACK SILOS AND BROKEN PROCESSES

New CEOs generally recognize organizational problems early on and make changes to structure and talent to address them. However, when it comes to tackling ingrained practices—the company's way of working that cuts more deeply and broadly through the organization—we found that leaders devote more time during midtenure.

Tom Watjen recalled arriving for high-level meetings at Unum, the insurance company he led (2003–2015), to find his top 30 executives in cliquish groups with their regional and functional colleagues—"like at a high school dance," he said. It was essential to get the groups to trust one another, share ideas, and focus on external rather than intramural competition. "But you can't just send out a memo that says, 'Hey, you guys have got to talk to one another,'" Watjen told us. "You have to find people for whom it's second nature to work across different businesses."

CEOs sometimes find that to drive big change initiatives in their early years, they need strong lieutenants. But when those lieutenants succeed, they can be protective of their wins, even territorial, creating dynamics that by midterm may generate mistrust among different parts of the organization and reinforce silos. To break down walls and eliminate disparate agendas, several leaders used mechanisms such as compensation structures focused on overall corporate goals rather than on individual unit results.

To shatter the silos delineating Unum's three core businesses, Watjen used his middle years to "cross-pollinate" ideas and experiences. He moved executives across units and worked to connect corporate functions to the needs of the operating businesses. For instance, he pushed finance to create metrics, such as capital allocations and expense structures, that would encourage the business units to push for greater efficiencies. Finance executives' role isn't just to deliver the numbers, he reminded those managers. "Your job is to help your business colleagues get the information to understand what's happening in their business."

It's easy for new leaders who are focused on the big picture to overlook key internal processes. Hence, as CEOs enter the middle years, fixing glitches in the "operating system"—which can mean anything from establishing consistent procedures for assessing talent to systematizing the approach to budgeting—needs to become a priority. Former Stanley Black & Decker CEO John Lundgren (2004–2016) worked with his team to refine and formalize the company's operating system, with an emphasis on measuring individual performance and linking compensation to key metrics such as margin accretion and cash conversion. "We gave management the tools," he said. "It was about operational efficiency and eliminating complexity." Getting the systems ingrained took time. Lundgren recalled that a board director told him, "You'll know they're working when you're walking on the factory floor and you ask the first line supervisor what the working capital turns were that week, and he can tell you."

John Chambers noted that in the intermediate phase of his tenure, Cisco built "playbooks" for processes such as M&A. "Having a process that could be repeated quickly and easily enabled us to move fast and to scale," he said. This allowed Chambers and his top team to enter the transaction process at far fewer points. "We could run that play with tremendous speed—we could decide to acquire a company on a Thursday and announce it on Monday morning," he said, adding, "Now the CEO doesn't even have to be involved other than meeting with the other CEO."

This operational fine-tuning, although vital to company performance, is largely invisible to external constituencies, including investors. The impact doesn't quickly show up in the stock price or constitute a visible "win," which may partly explain why many CEOs leave the task to midtenure.

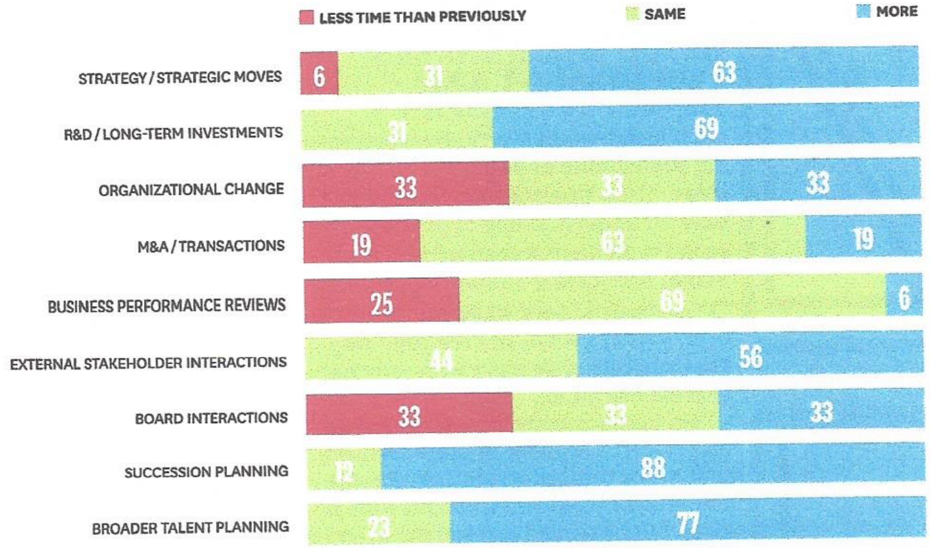
REJUVENATE TALENT

Most new CEOs shake up or recast the top leadership team. Successful long-term leaders recognize that adjustments must continue in the midterm. In fact, some we interviewed made more executive changes then than they had early on.

"A mistake a lot of people make is to get complacent about assessing talent," observed Edward Breen, a former CEO of the security systems firm Tyco International (2002–2012). In the first year or two, a leader focuses on building the right team. By midtenure, "you know everybody, you've gotten to know their families," he said. "But people go through different phases, and that person may not be right anymore or may have lost energy." Breen saw to it that Tyco assessed top leaders annually, asking, "Do I have

HOW CEOs SPEND THEIR TIME DURING ACT 2

The 22 CEOs we interviewed shifted priorities when they reached the middle of their tenure. Almost 90% said they spent more time on succession planning than previously; nearly 80% spent more time on broader talent planning; and almost 70% focused more heavily on R&D and long-term investments. Notably, these CEOs remained vigilant about refreshing the strategy and capitalizing on opportunities. Although the time spent on business performance reviews did not radically change, they reported focusing on different questions during those reviews—concentrating more on long-term direction than on current performance.



NOTE BECAUSE OF ROUNDING, SOME CATEGORIES DO NOT ADD UP TO 100%.

a team that can win the Super Bowl?" The process was formalized and cascaded down through the company, and every year the leaders at each level acted on the evaluations. Tyco also conducted monthly operating reviews, which Breen found to be an excellent way of appraising his team's ambition and energy levels.

Frits van Paasschen, a former CEO of Starwood Hotels & Resorts (2007–2015), recalled a moment about two and a half years into his tenure when, having established a more global and digital focus, he felt the need to review his leadership team. It was a kind of "re-recruitment process," he told us, during which he asked himself: Is this person going to help carry us forward, given what the strategy is now? Leaders naturally hesitate to move people out of their positions, but many of those we interviewed regretted waiting too long to make changes.

Several CEOs noted the importance of transitioning during the midterm from a largely directive role to one of support and mentoring in order to unleash their team's latent potential. In essence, they shifted from team captain to coach. Van Paasschen, for example, met often with junior leaders working on long-term projects—not only to provide direction but also to show them that they had his support. He began bringing high-potential employees on trips to Starwood's overseas properties to expose them to the operations and provide opportunities for informal interaction. And he fostered more-casual communication. "We moved from progress and KPI reviews to more of a coaching conversation," he said. "'How's it going? What do you need?'"

Most boards say they start developing leadership succession plans—an important part of talent rejuvenation—as soon as a new CEO comes on board. But in our experience, and in that of many leaders we interviewed, the effort really gains traction in a CEO's middle phase. At midtenure as CEO of McCormick & Company, the spice and flavorings manufacturer, Alan Wilson (2008–2016) undertook a detailed talent assessment one level below the leadership bench. "I saw it as a five-year process," he told us. "You have to look two moves out in terms of the experiences and skills people need to develop. The people you identify in the early years aren't necessarily the ones who will go the distance."

SEVERAL CEOs TRANSITIONED FROM A DIRECTIVE ROLE TO ONE OF SUPPORT AND MENTORING.

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BUILD MECHANISMS FOR DISSENT AND DISRUPTIVE IDEAS

CEOs in midtenure worry about becoming predictable or shut off from new ideas. "After three or four years people have an understanding of how you respond in different scenarios," said Frank Blake, the former Home Depot CEO. "Everybody knows what you want to hear, so that's what they tell you." He—like many others we spoke with—worked to avoid that pitfall.

For instance, early in his tenure Blake had closed a number of store formats that were underperforming. People continued to come up with new format ideas, but he tended to reject them, and by his midterm, employees had stopped making such recommendations. Blake recognized that this was a problem and took steps to emphasize his openness to all kinds of ideas. He began devoting more time to internal outreach, holding skip-level meetings and dinners with store associates. To invite candor, he would ask, "I understand that X isn't going so well. Why do you think that is?" More often than not, he says, the person would offer frank feedback.

Other CEOs also found ways to connect with the organizational grass roots. One relied on a project manager who was plugged into informal staff networks. Edward Ludwig, a former CEO of the medical technology company Becton, Dickinson (2000–2011), told us he would bring together a dozen trusted people from the level below his direct reports, give them a two-page summary of the company's strategy, and invite honest input. "You need to surround yourself with people who are willing to tell you the truth and create mechanisms where they *can* tell you the truth," he said. Just as important, "you need to demonstrate that you can act on their input intelligently and will not shoot the messenger."

It's critical for CEOs to seek new sources of advice at various stages of their tenure. Indeed, many leaders we interviewed changed the people they approached for input during midtenure in a conscious effort to broaden their peripheral vision. "It's about getting exposed and developing pattern recognition in new areas," said former eBay CEO John Donahoe (2008–2015), who spent at least half a day each week with leaders outside his immediate industry and circle. In particular, he reached out to entrepreneurs, bringing their insights to eBay while helping them with leadership concerns. Airbnb cofounder Brian Chesky, for example, gave Donahoe advice on design, product development, and innovation, and Donahoe helped Chesky with management issues. "What emerged was a mutual mentorship," Donahoe told us.

That said, the need for more outside input and the search for disruptive ideas should not mean carte blanche to spend time externally. Several CEOs cautioned against allowing such outreach to dilute the focus on the business. "A lot of times, people take a victory lap," said former Delta Air Lines CEO Richard Anderson (2007–2016). "Once you add the roundtables, chambers of commerce, the sell side [analysts], speaking engagements, suddenly you're part-time at your CEO job." Anderson asked two questions when choosing his external commitments: How will this help Delta? And what are the alternatives for how to spend my time? Every week he would review commitments for the year with his secretary. "You have two things: your wits and your time," he noted. "I got really good at managing the calendar."

5

SPEND LEADERSHIP CAPITAL ON BOLD, LONG-TERM MOVES

For certain major endeavors, such as big acquisitions lacking a quick payback, only a seasoned leader can marshal sufficient support. Having used their early years to build credibility with the board, investors, and employees—and gain confidence in their own leadership—successful midtenure CEOs can make those bold strategic moves. "It's your job to spend the political and leadership capital you've built to take more risks," said John Donahoe. "Pretend you've got only three years left. What do you want to get done? And what things can you uniquely do?"

Several CEOs placed large strategic bets or completed transformational deals in their middle years. Joe Papa, a former CEO of the pharmaceuticals manufacturer Perrigo (2006–2016), recalled having an epiphany while driving to work and seeing a Perrigo delivery truck headed to a customer site. "I realized it was all about getting more products on the truck, and it forced me to think about how to do that," he said. This insight led to the acquisition of PBM Holdings, an infant formula manufacturer, which Papa considers one of Perrigo's most successful deals. "I was able to do bolder things like this deal in year three because I had a better understanding of the real source of our competitive advantage," he said.

Susan Cameron, who served two terms as CEO of Reynolds American (2004–2011; 2014–2017), used the middle of her first stint to introduce products such as smokeless cigarettes and acquire a nicotine replacement therapy company. "In midtenure you have the opportunity to envisage a different enterprise and then to make some disposals and acquisitions to support that," she said. "Once you have developed confidence in yourself and your top team and are satisfied that the priorities became clearer," said John Russell, a former CEO of Consumers Energy (2010–2016). "When you first take over as CEO, a lot of things have to be done. You pull and push levers all the time. After two or three years it was very clear to me where those levers were and how to use them most effectively."

As our interviews demonstrate, a CEO's middle phase isn't just about reaping what was sown in the early years—nor is it about continuing to do what brought success then. Leaders need to look at the organization and the markets in which it plays with fresh eyes and keep evolving their strategy and approach to their team. They can't take their foot off the gas—if anything, they need to push down harder.

New CEOs who see their tenure as a series of chapters and calibrate their approach to each phase will most likely proceed in a methodical manner. "At the start, I had the view that we had to get everything

MANY CEOs CHANGED THE PEOPLE THEY ASKED FOR INPUT IN AN EFFORT TO BROADEN THEIR PERIPHERAL VISION.

with the business plan and operating model, you need to dream and strategize about what could be."

Indeed, we've found that the longer a CEO's tenure is, the more he or she tends to shift attention to the kinds of bets that will involve longer paybacks but could help the company get ahead of trends and engage with a broader set of stakeholders. "Geoffrey Moore talks about making sure that things further out report much higher in the organization," said Paul Sagan, the former Akamai CEO. To ensure that such initiatives didn't get sidelined by shorter-term priorities, he explained, "I made sure the longer-term bets reported to me."

IN HER SEMINAL book *Passages,* Gail Sheehy described the distinct phases adults go through in their lives. A similar process happens during a CEO's tenure. "When I think about the midterm versus the early term, I see done in two or three years, but then I realized it is a longer journey," said Brett White, a former CEO of the real estate brokerage CBRE (2005–2012). "So I developed more patience. It is generally an evolution, not a revolution." Having that patience may make your company more successful—now and after you leave—than the firms of counterparts who treat the job as a single undifferentiated span.

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