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Executive Transitions

Navigating difficult work environments

Exit, voice, loyalty, and optionality

By Dr. Ajit Kambil

OCCASIONALLY, but not too infrequently, in our transition labs we encounter executives who confront vexing relationships. Their environment and relationship issues often sap their energy and lead them to question if they made the wrong choice by joining a particular C-suite. The difficulties frequently arise from how the CEO of the company chooses to operate, how peer executives behave, or a combination of both. After looking forward to and committing to a new C-suite role, these new executives often struggle with reconciling their recent choices to commit to an organization with framing their next course of action in response to difficult situations. This essay outlines some potential difficult and dysfunctional situations and four responses every executive can consider.

Some challenging relationship situations

A number of different factors can drive difficult situations. Sometimes it is the CEOs and how they create or enable organizational dysfunction. At other times, it is the behaviors of peer executives. While there are many pathways to and types of difficult situations that occur in companies, the situations below are among the more common challenges I encounter in transition labs. While these situations are difficult to predict ahead of time, careful due diligence ahead of accepting a C-suite position can be helpful in avoiding them.

THE CONTROLLING CEO WITH UNREALISTIC EXPECTATIONS

A CEO with unrealistic performance expectations can be vexing. This is particularly difficult when the CEO centralizes decision rights, while not listening to or giving executives adequate permissions to deliver performance. This situation often leads to a high turnover of executives in the C-suite who fail to meet expectations and depart. The challenges are doubled if the CEO's management style is passive-aggressive. Then the executives receive very little feedback before the CEO suddenly blows up or turns on them.

THE CONFLICT-AVOIDING CEO

Conflict avoidance can also leave in its wake dysfunction in the organization. Conflict avoiders can enable silo and clique behaviors across their leadership by not demanding team behaviors and collective performance. This can let leadership teams fracture into competing groups that don't share information and resources and create very political environments that drain efforts and executive energy. From excluding an incoming executive in key meetings to put downs and back stabbing behaviors by peer executives, usually a conflict avoiding or narcissistic CEO is a key enabler of these behaviors.

THE NARCISSIST CEO

Similar to the conflict-avoiding CEO, a narcissist CEO can also leave a trail of dysfunction. Typically, they surround themselves with a group of sycophants who are unwilling to challenge them and foster mediocrity over meritocracy.

LEGACY LEADERS PROTECTING STAFF OR INITIATIVES

Another vexing challenge for incoming executives is to find their desired personnel moves blocked by the CEO or other peer leaders who may have previously held their role. Let us imagine an incoming CFO finds his controller is not capable of handling the needs of a growing company. However, replacing the controller is blocked because he is a favorite of the CEO and the COO (who was previously the CFO). Leaders outside your area who prevent you from building the team you want undermine your success.

All of the above situations can lead otherwise high-performing executives to reconsider their relationship and commitment to their new organization. The remainder of this article gives a response framework to difficult situations.

Four responses to difficulty

In 1970, the economist and sociologist Albert Hirschman wonderfully framed three choices a customer or even an employee confronts in a deteriorating and dysfunctional environment. These are to exit, give voice to enact change, or to stay loyal in a difficult environment. To this I have found adding a fourth response of creating optionality valuable to helping CxOs reframe their difficult situations and construct solutions that help them get unstuck and move forward.

EXIT

This is one of the most extreme steps an executive can take when the work environment and relationships are dysfunctional. As I mainly work with CFOs, I find the primary reason for them to choose to exit early in their tenure are:

- *Unrealistic expectations or behaviors that are unethical or push ethical boundaries.* This includes discomfort with the financial promises made by the CEO and other leaders to the market, as they are unattainable or because attaining them may require unethical practices. In this case, exit is probably the most effective long-term strategy to preserve professional reputation, especially if the leadership is not open to modifying their behavior.
- *Betrayal of opportunities.* For example, a CFO may be recruited with the promise of being engaged in critical strategy choices, but is instead not

invited to or permitted by the CEO to engage in these conversations.

- *Peer exclusion and resistance.* The incoming executive is excluded from key forums by peers and their cliques, and the incoming executive's decisions are collectively undermined or constantly resisted by peers.

All of the above dysfunctions can disappoint and drain the energy of executives, motivating them to leave despite the costs of exit for both the departing executive and the company. The costs for the departing executive include the time, expenses, energy, and potential loss of reputation from entering and departing prematurely from the role; for the company it is primarily the opportunity cost of an executive not succeeding in the role and the costs of replacing them from a time, expense, and effort perspective. Exit can often be a lose-lose option for all concerned.

VOICE

Choosing to give voice to what is wrong in the relationship and working to improve the dysfunctional environment is another option. For some executives, giving voice to what they really want or expressing organizational problems in a way that drives better relationships can be a challenge. This is especially the case if a CEO is a conflict avoider and permits dysfunctional political behaviors across the leadership team. Voicing problems or concerns can propel a latent issue out into the open and precipitate conflict in the leadership group. Simply put, this can be a challenging and potentially risky strategy that generates more open conflict before resolution.

The first challenge for executives is to determine the likelihood that giving voice to a problem will result in positive outcomes for themselves and others concerned. If this is reasonably feasible, it allows for the executive to exercise a voice strategy to influence change. The second challenge with a voice strategy is framing the conversations that drive change—by whom and in what sequence voice should be exercised and how the conversations will be structured to shape change.

As Douglas Stone, Bruce Patton, and Sheila Heen outline in their wonderful book *Difficult Conversations*, there are three basic challenges to hard conversations. First, the conversation about the situation itself can be difficult and there can be disagreement on what happened. There is a risk that the other party simply has different and equally valid views on what happened, has different intentions than you have attributed to them with regard to the situation, and feel blamed about the situation which puts them in a defensive versus collaborative spot to jointly enact change. Second, the conversation triggers feelings that make it emotionally charged and difficult to continue. Third, the conversation about the situation can challenge their identity, their competence, and self-worth. To mitigate these challenges, Stone et. al. recommend "learning conversations," where the discussion is structured to jointly explore the situation without assigning blame, explore and acknowledge feelings before problem solving, and work with a recognition of the identity issues at hand, so that participants go beyond the all-or-nothing protection of self-image to jointly create a better situation for both parties.

Simply put, a voice strategy requires careful consideration to execute well. One recommendation I make in some labs is to explore how you will have the difficult conversation with a friend or an ally at work, so that you practice it to be aware of how you might be heard and can frame the most constructive conversation you can have. For rational, hard-charging executives, the voice strategy can be difficult to execute well.

LOYALTY

This moderates the likelihood of exit or voice. It can be a strategy not to respond to the situation and wait it out. Imagine you have been promoted to CFO after a long tenure with a company that you like. Shortly thereafter, an interim CEO is appointed as the board undertakes a search and you find the interim CEO insufferable and making decisions that you do not agree with. Yet, as you know the board is searching for a CEO, you may be willing to await the appointment of a new full-time CEO before deciding on your next course of action of either exit or giving voice to your disagreement. Loyalty or the wait strategy may help you gather information and clarify the situation over a period of time. However, unless there is change driven by some other factor, loyalty by itself is not likely to improve the situation.

OPTIONALITY

This is another constructive strategy an executive can undertake in a difficult situation. Optionality refocuses executives away from the difficulties in the organization to what is constructively feasible and personally rewarding for them to do in the organization. Let us say they are blocked politically by some peers and by the CEO from engaging in a number of things that they are competent at or capable of doing. An optionality strategy is for them to refocus on where they can demonstrably add value in the organization, do it, and grow their relationship with peers who are supportive of them. This strategy takes them away or minimizes their interactions with the negative aspects of their work environment, continues to deliver value to their organization, and potentially frames a series of wins visible to peer, board-level, and external stakeholders. Focusing on creating optionality permits them to maintain a positive focus, build future options to exit to a better opportunity, build coalitions to enhance the likelihood of exercising a voice strategy, and provides a constructive strategy in contrast to a passive loyalty strategy.

As both exit and voice can be personally costly strategies, creating optionality over a fixed period of time can provide the executive both with positive opportunities to make a difference and prepare better for exit or voice strategies.

The takeaway: Some time in their careers, executives are likely to face a difficult work environment. Exit, voice, loyalty, and optionality are useful ways of framing responses to such a difficult work environment. Careful due diligence of CEO working styles and the leadership before taking on a new role can help executives potentially avoid dysfunctional environments.

Dr. Ajit Kambil *is the global research director for the CFO program and the creator of Deloitte's Executive Transition Labs.*

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