Functional managers can focus on the fight with key competitors and give full rein to their competitive instincts as warriors in the battle for business ascendancy. But business leaders must know how to cooperate as well as to compete.

Any business leader will have displayed significant competitive drive to rise to the top. Once there, however, he or she has to learn to find a balance between competition and collaboration, particularly when dealing with the external environment in which the company operates.

Engaging with the external environment is a crucial part of the job. Business leaders must actively seek to shape that environment and manage critical relationships with outside constituencies including governments, NGOs, the media and investors. They need to identify opportunities to help shape the rules of the game for their industries—in ways that are legal, of course.

In short, a business leader needs to be more of a diplomat and less of a warrior, more of a mediator and less of a fighter. This is the sixth of the seismic shifts that we have been discussing in this series of articles on the transition from functional to business leader.

Politics with a small ‘p’

Business leaders should embrace politics, albeit with a small ‘p’, and get over any squeamishness or sense that this approach is not legitimate. Politics is part of how the world works, and both the internal and external environments of businesses are inherently political places.

Politics becomes more intense the higher one goes in an organization. Some may believe that at the top, rationality rules, but that is not the case. At the top there are people with very strong egos, who are trying to get things done, agendas are not so clear and there is more ambiguity.
There are not necessarily right answers to all questions. As Henry Kissinger is fond of saying, not every problem has a solution. So politics is an essential part of how things get done—and if a new business leader is not ready to play the game, then he or she is not going to succeed.

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IMD Business School

Shaping the approach

The business leader shapes the organization’s approach to dealing with governments, the media or the competition. Some may not initially enjoy the intense contact with these institutions, particularly with the media, because their experience inside the business has been no preparation. But they have to get used to it.

Trade associations are often places where competing companies legally and legitimately work together to try and shape the regulatory structure of industries, for example. And if business leaders bring their “warrior” ethos into those meetings, they are not aiding their company.

New business leaders also have to get used to dealing with people within the organization doing jobs with which the new leader is not very familiar. Suddenly the communications, legal, government relations or analyst relations departments become a core part of what the business leader needs to create, shape and lead.
Good understanding

Diplomatic skills come into play in institution-to-institution work, whether it is forming a joint venture to accomplish some limited task or deciding to acquire a company. Overseeing the negotiation that leads to that successful large acquisition requires diplomacy. So does managing the subsequent integration process to achieve some unity of structure, purpose and culture.

Diplomacy is important to the understanding of how government regulators are going to react, or what the antitrust concerns are going to be in different environments in different regions. And leaders also need sound diplomatic skills in dealing with employees.

These are all aspects of corporate diplomacy that a successful business leader must master. And the most successful CEOs spend a lot of time on it.

Michael D. Watkins is Professor of Leadership and Organizational Change at IMD. He co-directs Transition to Business Leadership, a program designed for experienced functional managers who either have recently transitioned or will soon transition into a business leadership position.

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