

SKIP LEVEL

strategic leadership for leaders ready to think two levels up

EPISODE 135 · WORKSHEET

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The Outsider's Edge

Can you lead a business you have never worked in, or does credibility only come from having done the job yourself? Emma Walmsley takes over at HP having never run a hardware business, and the outsiders who came before her — Alan Mulally at Ford, Lou Gerstner at IBM — show when an outsider helps and when they do not. This episode gives you three checks and four steps for walking into something new.

KEY STRATEGIES & IDEAS

1. The Outsider's Question

Emma Walmsley, who led the drugmaker GSK for nearly nine years, now takes over at HP, a company that makes computers and printers. She has sat on Microsoft's board for years, but she has never run a hardware business. Commentators are already asking the obvious question. Will she restructure HP the way she restructured GSK, where she spun off the consumer health business as Haleon and sharpened the company around specialty medicines and vaccines? That question is the whole episode. When does an outsider help, and when does an outsider just not know enough?

2. Outsiders Are Riskier — and Sometimes Exactly Right

Matthew Bidwell, a professor at Wharton, studied external hires against internal promotions and found that external hires tend to receive lower performance evaluations in their first two years, and to leave sooner. Outsiders are riskier hires. They are not worse people. They are people with less firm-specific knowledge, fewer internal relationships, and a much thinner margin for early mistakes. But averages hide the cases where outsiders are exactly right.

3. The Portfolio Chief Executive

William Thorndike, in his book The Outsiders, studied eight unconventional chief executives and argued that a chief executive's most important job is not operations. It is capital allocation. Deciding where money goes, and where it does not. Reinvest in the business, buy another company, pay a dividend, pay down debt, or buy back shares. The leaders who made those choices with discipline outperformed their peers by multiples. They were allocators. They decided what the company would become, and what it would stop being.

4. Three Checks Before You Prove You Know

Before you try to prove you already know the new area, run three checks. First, what system do you actually bring that this place lacks? An operating rhythm, a portfolio discipline, a customer lens, a way of making decisions. Name it in one sentence. If you cannot name it, you are not bringing an edge. You are just bringing a title. Second, who are your insider translators? Two or three people who know the craft, who will correct you in private before

you decide in public. Third, what will you not pretend to know? Name your learning gaps out loud, so your team trusts your calls on the things you do know.

5. Honesty Makes Authority Believable
Mulally did not walk into Ford pretending to be a car designer. He walked in with an operating system, a weekly review where problems were named in red, and a refusal to let the culture hide behind excuses. Gerstner did not walk into IBM pretending to be an engineer. He walked in asking customers what they actually needed, and he built the strategy from their answers. Both men were honest about what they were not, and that honesty is what made their authority believable. A team can tell within days whether a new leader is learning fast or performing knowledge they do not have. The first one earns help. The second one earns quiet resistance.

The picture: Alan Mulally ran Boeing's commercial airplane business, then took charge at Ford — a company that had never hired an outsider as chief executive in more than a century. He mortgaged almost everything Ford owned, including its famous blue oval logo, to secure credit before the financial crisis hit, and sold Jaguar, Land Rover, Aston Martin, and Volvo to refocus the company on its core. Ford became the only American automaker that did not take a government bailout.

ACTION & REFLECTION STEPS

- [ ] **Step one — name your transferable system in one sentence.** What do you actually bring to this new situation? An operating rhythm, a portfolio discipline, a customer lens. Write the sentence down. If it sounds like a job title instead of a system, rewrite it until it sounds like something a team can use.

My system, in one sentence:

- [ ] **Step two — recruit two insider translators this week.** People who know the craft and will correct you in private before you decide in public. Tell them explicitly that you want the correction early, when it is still cheap, not late, when it is embarrassing. Then thank them the first time they do it, so they do it again.

Translator one:

Translator two:



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- [ ] **Step three — list three things you do not know yet, out loud, to your team.** Not as an apology. As a learning plan. Here is what I am learning. Here is who I am learning it from. And here is when I will decide. Credibility comes from naming your gaps, not from hiding them.

What I am learning:

Who I am learning it from:

When I will decide:

- [ ] **Step four — make one visible portfolio call.** Decide one thing your team will stop doing, shrink, or hand off, and say why. It does not have to be dramatic. It has to be real. A team that sees its new leader make one clear call about what stops will believe the next call about what starts.

What stops:

Why:

Think two levels up. — Maya & Marcus

Joe Dutkiewicz

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