

# Announcing A CEO from the Outside

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Today, a CEO in the Fortune 700 has just a bit more tenure in office than a professional football player – about five years. A CEO coming in from outside a company has little time to impose control, rally troops and produce superior returns. And, if anything goes wrong in the first few weeks, a CEO can face a difficult time making a mark and may not be able to achieve goals at all.

A CEO doesn't get a second chance to make a first impression, and because the CEO is in the spotlight as the designated leader, the CEO's every move and statement is dissected for what he or she is planning to do. "Water-cooler" talk ranges from who's in to who's out to what the CEO will do. Talk is a natural reaction to uncertainty: No one likes uncertainty – not Wall, Street, not employees nor customers. They expect a new leader to show them a credible path even if it is too early for the leader to know precisely what the path might be. The leader's message, optimism and comfort with self and the CEO job are all indicators that buy time. This is especially true for CEOs entering crisis situations, such as a failing company or one that has entered bankruptcy. This is why new CEOs should pay close attention to their announcements. It is vital to make a good first impression on employees, customers and the investment community.

However, making an announcement is not as simple as it seems. It requires strategy and good timing, not just a press release sent to the world. While a CEO controls a release, the CEO doesn't

control what is done with the release after it is sent out. Reporters can ignore it, badly excerpt it, bury it in the news flow or use it as intended. With so much riding on a making a good first impression, trusting the media to handle a release properly is dangerous.

Effective announcements begin with recruitment. An executive recruiter, a common source for CEOs coming in from the outside, must find an individual who can address effectively the needs of a company. The person must manifestly be "right" for the job. No amount of publicity or posturing can make up for the wrong person entering the job. Announcement strategy enhances what a CEO brings and gets information out widely and quickly to key audiences in order to answer many of the questions being asked about the future of a company. It is an element in dampening uncertainty and giving the new CEO time to find a footing.

Announcement strategy continues with collaboration. Gaining a proper first impression for a CEO requires collaboration among the incoming CEO, executive recruiter, the company the CEO is taking over, the PR practitioner and through the PR practitioner, a reporter. Collaboration begins with trust and secrecy.

The recruiter must trust a PR practitioner enough to bring the person into the secrecy surrounding recruitment of an outside CEO. Most CEOs come from other companies. Their departures can be as much a shock to firms they leave as to ambitious executives in companies the

CEOs take over. CEO departures and arrivals affect succession, operations and stock prices. They are material information that requires prompt reporting to investors. A PR practitioner must understand the gravity of the transition and be able to work effectively within strict limits of secrecy.

The PR practitioner has the same challenge with journalists. A reporter can write a news story that states X has left company Y and is taking over company Z. This says nothing beyond the facts and leaves questions unanswered. Or, the reporter can write a news story that says X, who has deep experience in new product introductions, has left company Y and is taking over company Z with the goals of increasing its new product output. This story says X has the experience for the job and will apply that experience as CEO. The PR practitioner knows if the announcement of the CEO's appointment is handled badly or leaks, the news story is likely to be the first one, and if the announcement is managed carefully, the story is likely to be second one. The CEO has enormous vested interest in getting out the second story because it positions the CEO correctly going in.

The most effective way to disseminate broadly a CEO's announcement message is a prominent story in a daily major financial publication such as **The Wall Street Journal**, **The New York Times** or **Financial Times**, but this is not easily done. Reporters from the general and trade media and even analysts on Wall Street are on the hunt to learn who a new CEO might be. They are desperate to be first to get the news out, and they might not understand nor respect personal and business considerations the new CEO must address. Thus, the PR practitioner cannot approach any reporter. It must be a reporter at the target publication whom

the PR practitioner can trust to respect the gravity of the situation and who is willing to keep confidences until the proper time.

Within the company, secrecy is critical to running the organization. An executive passed over might leave before the new CEO has a chance to convince the individual of his or her continuing importance. Rumors running unchecked can destroy an individual's reputation before the individual is formally announced. Unethical individuals might use the inside information to trade the company's stock. Typically, only a handful within a company or on a company's board knows who an incoming CEO is. And, it must be kept that way until the announcement is made.

Announcing a CEO begins before the individual has formally resigned from an existing job. Resignation touches off a sequence of events within the company the individual is leaving that can compromise the force and persuasiveness of the message the incoming CEO needs to send to the new company and its key audiences. When a senior-level manager resigns, the CEO of the departed company must notify the board, other senior executives, employees and investors, and the CEO must state whether a new person will be in charge or announce a plan for succession. This sets up, in effect, a race to the newsroom between departure news and arrival news. For maximum effect, the incoming CEO would like to control the news flow of both stories, but this is usually not possible. The new CEO is ethically obligated to tell the old company of a departure before announcing the new job. Hence, the incoming CEO juggles resignation news and announcement messages that are not entirely in the CEO's control. That means the CEO cannot wait until after resigning to plan the announcement.

**D**uring planning, the incoming CEO is in charge, not the executive recruiter nor anyone else. In addition, the incoming CEO may elect to work closely with the outgoing CEO, or not. Every incoming CEO is entangled with personal and business ties at an existing job. Unwinding them can be easy or traumatic. Only the incoming CEO knows all the limitations of announcing a departure and arrival. In one case, a manager might be expected to depart because he or she has lost the race to the top. This is what happened at General Electric after Jeffery Immelt was picked as Jack Welch's successor. In another case, the individual might be seen as the successor to a CEO who shows no signs of letting go, so the individual moves on. In still other cases, an individual is plucked from a major division and is a "surprise" choice. In many instances, the incoming CEO has friendships with managers of the company he or she is leaving, and the CEO does not wish to fracture them. While the incoming CEO should be counseled about the best ways of making an announcement, no one should presume to dictate what the new CEO should do.

**I**f the incoming CEO permits the executive recruiter and company to handle the announcement according to a recommended strategy, it becomes critical that the CEO's information be transmitted to the PR practitioner. Up to this point, the PR practitioner is usually kept in the dark about the new CEO's identity to prevent any possibility of a leak. The executive recruiter or company puts the PR practitioner in touch with the incoming CEO, and together they discuss the parameters of resigning from the present job and announcing the new job.

**B**ecause of media deadlines, there are good and bad times for resigning and for announcing a CEO. This is especially

true if the company from which the manager is departing is likely to react swiftly. If the company gets its news release out first, the story becomes first a departure and succession to the outgoing manager's old role. It becomes the CEO's announcement secondarily. If the CEO announces too early in a day, the impact of an announcement might be lost within the news flow and a reporter might not be able to write a before others break the information. Further, to get a major story in a national financial publication, a reporter must often be brought into the loop early enough to report and write a longer story before the news breaks. (It is in a longer story that the CEO has the best chance of delivering a positioning message effectively to employees, investors and customers.)

**T**he positioning message is a theme that permeates company announcements and news stories. The message might be the individual's experience that makes the person "right" for the job. It might be the person's view of the company that sends a clear message to employees and others of the respect held for them. In a crisis, it might be the hint of an action plan that the CEO intends to implement the moment he or she enters the executive suite. The message should be short, clear and memorable because it will be the prime communication that employees, customers and investors take from the announcement. The CEO should avoid specific promises unless the CEO has every confidence they can be met – e.g., "We'll grow the company 20 percent next year." Nor should a message be so vague that it offers nothing to those awash in uncertainty unless, of course, the incoming CEO judges it best to maintain a sense of uncertainty for a time.

**M**aking the announcement itself is a fast-paced effort. There are many levers to pull in a short time. There is the:

- **Employee announcement** -- a letter, notice or press release that goes to every employee. It should contain the CEO's positioning message.
- **Public announcement:** A release for general distribution that contains the CEO's positioning.
- **Media story:** Ideally, for maximum impact this is timed to appear at the same time as the general announcement.
- **Announcement to major investors with CEO's positioning.**
- **Announcement to major customers with CEO's positioning.**

Investor and customer announcements should go out within hours of the time that the formal announcement is made. These can be the press release transmitted to these two audiences, or they can be tailored messages. Because speed is essential, simplicity is key to getting them done. There is no time for elaborate design or production. Contact lists should be prepared and ready to use. It is also important to employ company resources. For example, the investor relations specialist can handle institutional investors and the marketing head, major customers. However, these individuals would not be approached until the announcement is made in order to preserve secrecy.

Once the announcement breaks, the CEO will have a flurry of interviews and reporters calling for quotes. This must be managed carefully because the CEO is working against a clock and enormous pressure to get the job started off right. There are key managers to meet in short order, enormous amounts of information

to digest, new demands that result directly from the announcement and a pent-up demands left by the previous CEO. At best, The CEO will give the PR practitioner a few hours to arrange for print and electronic interviews, and these should be carefully chosen to reach the maximum number of target audiences with a minimum demand on the new CEO's time. It is up to the PR practitioner as well to collect media results from the announcement and to report back to the CEO on the success of the announcement strategy. This is information the CEO needs to know while getting a handle on the job.

It is essential to remember that an announcement is a first step. The CEO's real work begins after. In the first days, the CEO has to show leadership to the board, managers, employees and others who do not yet know the CEO or how the CEO operates. An announcement only positions a new CEO to show leadership effectively: It does not substitute for effective leadership. Given the short time in which CEOs have to show positive results, an effective announcement can provide a first impression that helps the CEO get off to a good start. Smart CEOs won't neglect it.

*James L. Horton has assisted in the announcement of Fortune 500 CEOs recruited from outside companies they took over.*