The CEO's 'first hundred days'

Companies need a more formal and open process to let the CEO pick his team. Boards can start by considering several proactive steps.

BY DENNIS C. CAREY AND DAYTON OGDEN

OVER THE PAST YEAR new CEOs have taken their seats at AT&T, Honeywell, IBM, Lucent Technologies, Kodak and several other global companies, and will soon be showing up for work at others. Some of these transitions are part of long-anticipated and well-planned successions. Others a result of a sale or sudden departure of the CEO. Regardless, the new CEOs face a daunting task: how to launch changes and put their imprint on the company in the midst of an uncertain economy.

If they want to succeed, the best thing new CEOs can do is to move quickly and put their own team in place in the first 100 days.

The "first hundred days" is a yardstick usually reserved for a new President in the White House. But it is exactly the type of timetable more CEOs need to follow. While Presidents traditionally use their first hundred days in office to select a new senior team, far too many newly elected corporate chief executives fritter away their honeymoon period without making any significant personnel changes at the top levels. The results are predictable and unhappy: Imagine George W. Bush trying to develop policy plans using Bill Clinton's cabinet.

Imagine George W. Bush trying to develop policy plans using Bill Clinton's cabinet.

So many falter

Personnel is policy, goes a favorite Washington saying. It is no less true in the private sector. Indeed, the reason so many companies falter after a new leader takes charge is usually due neither to flawed management nor leadership style but rather the inability or failure of a CEO to assemble his own senior team that can enthusiastically implement a new strategic direction. The fact that a new chief executive inherits a board someone else appointed doesn't make change any easier.

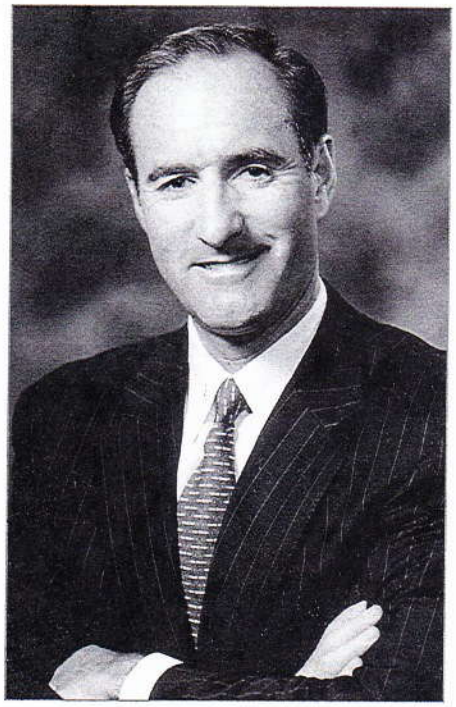
We have seen the scenario played out many times in recent years. Douglas Ivestor at Coca-Cola, Dirk Jager at Procter & Gamble, and Richard Thoman of Xerox all left months after they were installed as CEO, never building a team of their own or enjoying the support of the board or senior management.

By contrast, the most successful executives shake up management soon after they enter the CEO suite. Jack Welch did it in 1981 when he took the top spot at GE. The same pattern could be seen when Louis Gerstner took over IBM or Lawrence Bossidy took the top slot at Allied Signal.

Of course, not every CEO succession process demands a transformation. Many incoming CEOs are already company insiders and have spent a few years jointly shaping the next generation of leaders with the outgoing boss.

But for many of the 300 new CEOs who are hired each year in the U.S. with the intent of forging a new path, the per-

Dennis C. Carey and **Dayton Ogden** have assisted numerous Fortune 500 companies as well as emerging companies in finding new CEOs, presidents, senior management, and board members. Both serve on a number of boards of corporate, academic and charitable institutions. Carey is vice chairman of Spencer Stuart U.S. and Ogden is co-chairman of the firm. They are the co-authors of *CEO Succession*, published in 2000 by Oxford University Press.



'The board ought to pave the way for a new CEO to select some of his or her most trusted advisers as directors.'

— *Dennis Carey*

sonnel issues aren't focused on until it is too late. Many of them arrive armed with a strategic analysis prepared at considerable expense by a consulting firm. What they don't know is whether they have the intellectual capital and leadership talent to carry out the strategy.

Looking for the stars

New CEOs ought to spend less time on grand planning and more time on determining whether top managers fit their vision. With this knowledge, the CEO can weed out the disloyal, push aside the deadwood, and pass over ineffective veteran managers to elevate star players several rungs below. These moves always rock the boat and create a lot of internal unease. But the test for most new CEOs is whether they can ignore corporate diplomacy and office politics during their first critical months on the job.

Companies need a more formal and open process to let the CEO pick his team. Boards can start by considering the following steps:

A Human Capital Audit: Ninety percent of new CEOs come from within the ranks of the corporation. While they may be friendly with the senior management team, the new CEO doesn't really know who is good at executing a particular strategy. Complicating things further is the fact that other members of the top executive team thought they deserved his job. Again, Jack Welch is instructive. Soon after Jeffrey Immelt was named as his successor, Welch stated publicly that the other top rivals for the job, Robert Nardelli and James McNerney, should look for jobs elsewhere. Regrettably, few outgoing CEOs pass the baton this cleanly.

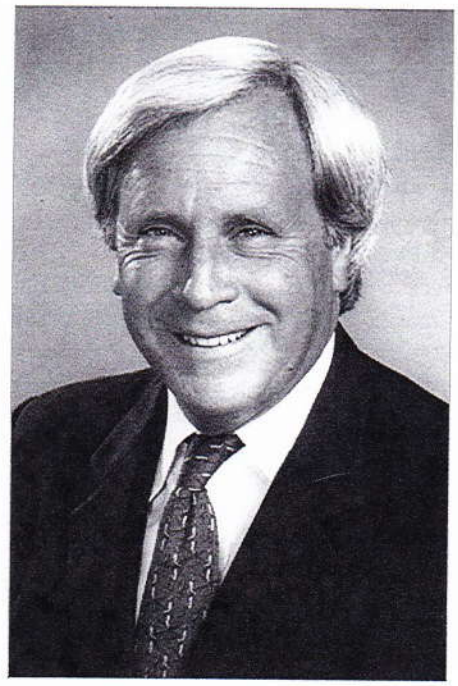
Those CEOs recruited from outside the company don't have it easier. They often have no idea how strong or weak their team is or who wanted their job, making the need for a human capital audit more pressing.

In every instance, the board should encourage their new chief executive to establish an independent audit to discover the talent he has and to make changes to fit corporate goals. Most corporations spend a considerable amount of time and money preparing for a CEO succession. But the notion that the transition process should stop at the CEO is a mistake.

A Board Reassessment: Boards of directors are rarely filled with shy or deferential individuals, but when a new CEO is selected, some humility is important. From a legal point of view, the CEO works for the board. But directors interested in managing the long-term health of a company ought to have their own internal assessment process that encourages some of their members to step down and make room for new blood. This is a delicate matter, especially when a former CEO still sits on the board. But the board should be a check on the CEO, not an obstruction, and its members ought to pave the way for a new CEO to select some of his most trusted advisers as directors.

CEO School: The education world is overflowing with executive management education. Yet forums where CEOs can learn about the job of a CEO are rare. Twice a year an all-day "academy" for a group of new CEOs is sponsored by G100, an association of CEOs of some of the world's largest corporations. The academy provides an opportunity for these newer CEOs to hear presentations from veteran or retired CEOs. The response has been overwhelming. Virtually all of the CEOs confess that it was the first time they had the chance to discuss the challenges of CEO management with those who had firsthand experience.

These steps alone will not guarantee that a new CEO has a successful tenure. But if acted upon, they will ensure that whatever mistakes are made can be blamed on the CEO and his team, rather than the fact that he never had a team to begin with.



'New CEOs ought to spend less time on grand planning and more time on determining whether top managers fit their vision.'

— *Dayton Ogden*