

Letter to a newly appointed CEO

McKinsey's former managing director Ian Davis offers to new CEOs advice distilled from his experience supporting executives during their transitions into the role.

McKinsey & Company

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A handwritten signature in dark ink that reads "Dear Frank". The signature is written in a cursive, slightly slanted style.

It was great to meet for dinner yesterday. Once again, congratulations on your appointment as CEO. It's a big honour, and an opportunity that I am sure you will relish.

I am glad that you found our discussion on CEO transitions useful. You mentioned that it would be helpful to you if I jotted down the key points we discussed, so I am putting pen to paper. My suggestions are focused on making a successful leadership transition—not on the role and attributes of a successful CEO, about which so much has already been written. They are based primarily on personal observation of many CEO transitions, as well as on interviews with a number of leading CEOs and chairmen from around the world.

- 1. Context is critical.* As an outside appointment, you must quickly learn about the history, board structure, governance, and national heritage of the company, not to mention its financial performance, morale, and capabilities. Then you must look at this context through the eyes of other constituencies and stakeholders. An early sense of how they might see things is valuable in its own right; it also can help provide a reality check on any assumptions or prejudices, as well as insights, that you may have built up during your interview and recruitment process. Too many CEO transitions get off to a poor start as new leaders learn that what worked in one context doesn't necessarily transfer well to another. Experience is valuable, but it also creates bias. You won't often get such an opportunity or time to step back and reflect, so take it.
- 2. We talked about the alleged importance of the first 100 days.* In my view, this is an arbitrary number to be treated with scepticism. In a crisis or turnaround situation, for example, you would not have the luxury of a 100-day transition. In other cases, like the one you are stepping into, you can afford to take a more measured approach. You don't want or need to make decisions on, say, strategy or people or core control processes when you are not confident in your knowledge. There is a big difference between being undecided and indecisive.

The key is to be thoughtful and purposeful about your transition time frame and to be very clear on what you believe would constitute a successful leadership transition. Set specific transition goals (for example, establishing the trust of your top team and developing a good relationship with your chairman).

Transitions involve leaving as well as starting. Do not overlook the task of disengaging from your prior job elegantly and professionally. Apart from it being

the right thing to do, people will notice and remember. People will also notice and remember how you talk about and acknowledge your predecessor as CEO, and how much respect you have for the past.

- 3. Taking over as a new CEO is exhilarating but can also be overwhelming.* A critical task early on is to establish priorities. On day one, you will be handed a list of commitments and meetings. Many of these will be nonnegotiable (for instance, board meetings and annual general meetings), but some will be driven by history and the preferences of your predecessors. Take time to decide which ones you want to attend, bearing in mind the signalling effect your decisions will have.

Your style in these early transition days and in your first meetings will be watched and noted. It will be important to establish early what you stand for. It will also be important to engage early with employees at all levels to understand the mood and culture and to get a sense of what they actually do and how they feel about the company. People will pay particular attention to how you conduct internal meetings, how you listen, and how much attention you do or do not give to process.

As you establish your priorities you will need to understand the expectations of the different constituents—for example, your chairman, key investors and analysts, regulators, unions, as well as the people in your organisation. You will receive a lot of advice to set bold expectations, but during the transition period it is more important to *understand* expectations. This understanding will help you stress test your emerging priorities and your degrees of freedom. It will also help you establish your communications approach.

- 4. Time will be a big challenge, particularly as your truly discretionary time will be limited.* It will seem that everyone wants a piece of you. This will be

true externally and internally. Be ruthless on the use of your time and on what you will and won't do. Avoid developing a habit of cancelling meetings because of time pressures. This will make you look disorganised and will be demoralising to those you stand up. Don't underestimate the possibility and impact of unforeseen events, particularly when things are going well. Leave space for reflection and for crises—you won't know when they will happen, but they will. The rule of thumb is that you can expect at least one potentially career-threatening event a year.

5. *You are fully aware that constructing your top team and building relationships with key people will be a fundamental—perhaps the most important—early task.* In your case, coming in as an external appointment, you will need to get to know the current team and to understand their motivations, capabilities, attitude to risk, and ways of operating. Be open minded and take time to reassess initial impressions or previous experiences. (This would be all the more true had you been an internal CEO appointment.) As always, don't be shy of biting the bullet if you feel it necessary: it can be easier to make tough calls early in your tenure as CEO. There is always the temptation to surround yourself not just with people you respect but with people with whom you feel comfortable and who are aligned with your way of thinking. This is important, but it can also be important to have a "bit of grit in the oyster." This diversity should enhance the quality of challenge and reduce decision-making bias and risk. It will also send a message of openness to the broader organisation.
6. *Do not underestimate the importance of building a professional, respect-based peer relationship quickly with your board and, particularly, with your chairman.* It's difficult to overstate the importance of the support and confidence of both—you will need

them, particularly when the going gets tough. This is a two-way street, of course, but it's essential to invest the necessary time and to start this process early. Do not feel that this is solely the responsibility of the chairman. In particular, observe your chairman closely and get a good feel of how he likes to run the board and how he likes to be kept informed.

It's useful to remember that the board consists of individuals, each with his or her own experiences, perspectives, and priorities; it's valuable and rewarding to understand these. Remember, it is the board that appointed you and it is the board that is accountable to the company's stakeholders for your success. They, and particularly the chairman, will be as anxious as anyone that you get off to a solid start and establish an effective working relationship with the board, as well as credibility within the organisation.

As you work on building your relationships with your chairman and board, also make sure that you become familiar with the formal corporate governance principles and company by-laws. Your chairman and key institutional investors will expect it, and you don't want to get caught out on such technicalities.

There will be many other relationships that could merit your time during the transition period when you are establishing yourself as CEO—for example, with customers, investors, external advisers, media, and suppliers. You will not be able to do them all justice initially, so it's useful to draw up a map of whom you will (and won't) contact and when, based on your judgement of priorities. It may be advisable to share this map with your top team and seek their input. Again, the key thought here is to get control and make mindful choices, rather than letting circumstances or your staff dictate your priorities.

7. *The quality and credibility of your direct support team will be key.* Your choice of personal assistant and of the support office and technical infrastructure around you will be among your most important (and sometimes most difficult) early decisions. They should both support and reflect your own style and method of operating and be designed to take as much of the burden off your shoulders as possible. One CEO I know made a big mistake in keeping his predecessor's assistant and support set-up, even though he was committed to a radical change agenda.

8. *It is advisable to develop—early—a clear transition communications strategy, both for internal and external audiences, recognising that what appears in the external media has a bigger influence on internal and board perceptions than you might initially think.* Are you going to be personally visible and accessible to your organisation and to your customers, or are you primarily going to delegate through the line? How are you going to use communication technologies (such as WebEx, blogs, and video messaging) to leverage your presence and reach? How will you use management conferences to build understanding and alignment? What sort of external personal profile do you want or need to have in the media and with investors? What role will your chairman play in the company's communications and external profile?

Consistency of message is key. Over time you will need to develop coherent themes and directions that enable you to “tell the story.” But in the CEO transition period, particularly since you are an outside appointment, you may not be clear on your key messages, and, in fact, people may not want or expect you to be too specific. In this circumstance, it can be highly effective to focus on your beliefs and what you stand for. In time, these can evolve into specific themes that reflect

your strategic priorities and direction as well as your own style and personality. Don't underestimate the damage and confusion that can be caused by saying too much too soon or by making promises (sometimes unintended) that cannot be delivered on subsequently.

9. *A perennial challenge for all in positions of authority is how to get objective, balanced feedback and information.* This can be all the more problematic in a CEO transition. As soon as an appointment is announced, relationships shift in both context and tone. What you hear directly will now usually be filtered in some way. People may be more prone than usual to tell you what they think you want to hear. Conversely others may overemphasise their criticisms and worries in their desire to make an impression or simply to reflect their own temperaments and frustrations.

Successful CEOs use a range of techniques to get around the problem, but all involve some form of triangulation and diversity of perspective. The chairman and board have a role to play as do investors, customers, and suppliers—it's always advisable to keep an external orientation to check that the messages from the market are aligned with the messages from within your organisation. Some CEOs use external advisors to help gain perspective; others use more formal techniques such as surveys and systematic feedback mechanisms. Find some room and time for the mavericks inside and outside your organisation. Find some room and time to talk to frontline staff. Most boards review the CEO's performance annually. In your first year, you may well find it helpful to have a six-month review as well. This may sound like unwanted extra pressure, but in reality it will provide additional objective feedback.

You should aim to build your own bulletproof fact base, so challenge data and information that is presented to

you, particularly in your early days as CEO. How was it collected? How reliable is it? Have there been any definitional problems in the past? Such a judicious approach will increase your knowledge and confidence in the information you receive (and occasionally, but valuably, they will do the opposite!). They will also send a strong message to your organisation about the importance of accuracy and of making assumptions explicit.

10. This note is too long already, but one final thought about personal priorities and ground rules. The CEO role has the structural potential to be all consuming. “The reality is enslavement,” a CEO once said to me. It’s hard to escape and it’s hard to switch off. Nevertheless, there are some tips and techniques that might help. It’s important to establish early on how you are prepared to live your CEO life, at least when you are not in those occasional situations that require a 24/7 commitment. Are you going to be routinely available during weekends for meetings and travel? Will you honour holiday commitments? Do you intend to use air travel as a chance to work or as a chance to relax? Will you routinely go to external functions and dinners? It’s important to establish your own pattern and priorities relatively early—not just for you and your family but also to allow your organisation to adjust.

It can be helpful to develop simple habits and rules that reduce stress and wear and tear—examples include not looking at your Blackberry within two hours of going to bed, controlling your accessibility via e-mail or mobile phone, setting limits on alcohol consumption, planning travel meticulously to avoid continental crisscrossing, and setting aside specific time for exercise or nonwork reading. And, as we discussed over dinner, the nine-hour rule has always helped me put sufficient space between my last appointment on one day and my first appointment the following day—and get a reasonable night’s sleep.

Finally, don't forget that the role of CEO brings an element of celebrity as well as power, with all the attendant benefits, temptations, and dangers.



Frank, I hope this letter is a helpful summary of our discussion. I am attaching a page which summarises the key questions that new CEOs might ask during their transition period. Hopefully it will be a useful checklist for you over the next months. As I have said, there are few absolute rights and wrongs, but it is important to make mindful choices about each of them. I will obviously be interested to hear of your experiences and feedback.

In the meantime, as we discussed, I will set up meetings with a few other CEOs. I'm sure you will enjoy getting to know them and that they will form a useful peer group and sounding board for you.

Best of luck in what I am sure will be a great experience. I look forward to catching up with you in a month or so—my turn to pay this time.

Yours ever

Jan

CEO transition checklist

- 1. Have I reflected on the context of my transition—not just from my own perspective, but from that of all key stakeholders?*
- 2. Have I established in my own mind the time frame and intended outcomes of my leadership transition?*
- 3. Have I established my initial set of priorities with a full understanding of what others expect of me?*
- 4. How will I control my agenda and allocate my time?*
- 5. Have I developed a clear process and time frame for selecting my top team?*
- 6. Have I committed sufficiently to building a relationship with my chairman and board?*
- 7. Do I have a mechanism for building the necessary support office and infrastructure?*
- 8. Have I thought through my communications plan—internal and external?*
- 9. Do I have a mechanism for getting balanced feedback and information?*
- 10. Have I established appropriate personal ground rules?*