

New CEO

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Since its founder had retired 10 years before, Aerozod (NYSE: ARZD) had run through four CEOs. None mastered Aerozod's culture and produced rising sales and earnings. Aerozod was profitable but stagnant, its stock at six-year lows and its dividend failing to keep pace with investors' expectations. In addition, Aerozod's board could not agree on a course or support a CEO for long. Directors leaked to the media stories of continuous battles in the boardroom. This made for gossipy reading but poor morale within Aerozod and a perception of rudderless governance. Qualified candidates for CEO had shied from consideration and Aerozod was having difficulty identifying its latest chief executive.

Susan Moyers was director of communications for Aerozod. She was not privy to boardroom discussions but the acting CEO told her that the board appeared near to making an offer. She was not surprised when she picked up the phone and heard the chairman of the board on the other end of the line.

"I'd like you to prepare an announcement release by tomorrow. Keep it confidential. Put X's where the name goes. I'll send you a resume shortly."

"Will I get to speak to the new CEO before the announcement?"

"I'll talk to him."

Moyers received a pdf in her e-mail that showed the new CEO was an outsider. He had run a major division for a competing company. She "Googled" him and found that he was well regarded and was thought to be in a race for the top job in his company.

"Why would he be leaving to come here?" she thought.

In light of the 10-year turmoil at the top, Moyers was concerned that the new CEO be given the best chance to make a positive first impression and give a sense of strategic direction. He would need to take charge to get the company moving forward, to pacify the board and if necessary, to shake company culture. If she had no chance to talk to him before the announcement, she would push for an appointment the day of. Early positioning was critical to success.

That evening, the chairman sent her an e-mail with the new CEO's home number and instructions to call him in the morning. The new CEO picked up when she dialed, and she identified herself.

"This is my first CEO job. Tell me what I should be doing."

Moyers was impressed with the candid admission, but what should she tell him? That morale was low? That key executives had left in the last five years? That the board

interfered with past CEOs and fired them too quickly? That the culture of Aerozod could help him succeed but could as easily cause him to fail? That the company had been without a firm direction for two years?

“It’s important that your first impression be positive and correct. As the cliché says, you never get a second chance to make a first impression. You need to give a sense of direction.”

“So what do you recommend?”

Moyers outlined a two-fold strategy targeted to employees and investors. “We need to reach both in the critical first hours. I assume you will have an introductory analyst call.”

“I’m planning that.”

“How would you state your strategic direction?”

“I’m keeping it general. I respect Aerozod’s culture but it’s essential to ignite growth.”

“Leaves room for change.”

“Yes. Should I talk to the media?”

“It’s a fast way to reach investors and employees.”

“Who should I speak to?”

Moyers said she would draft a Day 1 schedule. She had done this for two previous CEOs. She wanted as large an article as possible in which the new CEO could present the most positive impression and sense of leadership. That wasn’t going to happen on the day of the announcement when the media would rush the news out. The new CEO might get a paragraph with a statement that four had preceded him in the last 10 years. She needed the new CEO to talk on an embargoed basis to a journalist who would write more because he would get a scoop.

She called a contact at Bloomberg and swore him to secrecy. She would give him the name of the new CEO and time to speak to him the day before the announcement but Bloomberg couldn’t publish before 2 am on the morning of the announcement – two hours in advance of the press release. Her contact checked with his editor and agreed. Moyers then set the financial analyst call at 9:30a EST for a half-hour, 5-minute media calls at 10 am for 20 minutes, a senior management meeting at 10:30am to 11 and a town hall in the corporate cafeteria at 2 pm-2:45 pm, to be carried live by phone and internet to all company locations. That evening there would be an informal dinner for the new CEO, directors and company executives. She sent the draft to the chairman and the new CEO.

The chairman was on the line. “I’m not sure we should do a media advance this time. I don’t want to set the new CEO up.”

She stressed the importance of a positive first impression and a sense of leadership.

“We haven’t had much luck in recent years. Give him a chance to find himself. Let’s not do media at all.”

“That’s not a good idea. We need to reach as many people as possible in the fastest way with a positive message and a sense of direction.”

“He wasn’t our first choice.”

“That makes it all the more important.”

“I’ll think about it.”

The new CEO called her an hour later and asked what the chairman thought of the schedule. She told him the chairman was concerned about media interviews.

“I’ll talk to him.”

She glanced at the clock. It was noon and the announcement was scheduled for tomorrow. There wasn’t much time for the chairman and the new CEO to come to agreement. The phone rang, and it was the Bloomberg reporter asking when he could talk to the new CEO. She hedged. There wasn’t a time yet. She would get back to him. He said he was available until 10 pm.

The chairman sent her a revised press release by e-mail with quotes from him and the new CEO. All reference to strategy was removed. The chairman welcomed the new CEO and the new CEO expressed enthusiasm for the company. That leaves everyone in the dark, she thought.

The chairman called with the new CEO teleconferenced in.

“We’ve been discussing the schedule for tomorrow,” the chairman said. “No media calls.”

“There isn’t going to be much pickup that way.”

“The board doesn’t want to make an event out of the announcement. We want the new CEO to have a chance go get a firm footing before he talks to the media.”

“But he can. He makes the point that he will be formulating a detailed strategy over the next few months. The media understand. They’ll give him a break.” She appealed to the new CEO who had been quiet.

“I understand where the chairman is coming from given the recent history of the company.”

“You agree that it is important to give investors and employees a sense of direction.”

“I can do that in the analyst call and the Town Hall.”

Moyers called the Bloomberg reporter and cancelled an interview. She arranged for BusinessWire to send the release at 6 am along with an alert for the analyst call. She turned down all requests for the media to speak to the new CEO on Day 1.

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Question for discussion:

1. Was the chairman short-sighted in his avoidance of the media?
2. Did Moyers push hard enough?
3. Are the media essential to an announcement of a major corporate event such as a new CEO?
4. What would you have done?