

# Advice to New CEOs in Tough Times

by **Marshall Goldsmith**

When times are tough, becoming a new CEO from outside the organization is both a blessing and a curse.

About the Author

Marshall Goldsmith is an executive coach and author. His next book is called "Succession: Are You Ready?"

The good news is that the world's not going to immediately blame you for the company's problems. The recession has lowered performance expectations. And the board has confidence in you.

The bad news is that the company does have serious problems you need to fix. And the economy may get worse before it gets better, inhibiting your chances for an effective turnaround.

So what are some of my suggestions for a new CEO entering into a difficult situation?

My first: Don't trash your predecessor. Whatever happened in the past happened. You cannot change that. Your predecessor probably had good relationships with many of the executives who are still in the company and are running key divisions and key functions. Do whatever you can to learn from your predecessor. Although a few CEOs are asked to leave because they engage in immoral or illegal activities, most are asked to leave because they just make mistakes. Your predecessor probably did many things right. Your predecessor knows – perhaps more than anyone – the key relationships that you will need to develop in order to be a success. Go out of your way to build a positive transition.

For instance, I have a colleague who has been working with the Obama team on the transition from President Bush to President Obama. He has been pleasantly surprised at the level of help and cooperation offered by leaders in the outgoing administration. He has found them incredibly helpful in sharing the 'nuts and bolts' of running the government and found them to be grateful that they are being listened to and treated with respect.

My second suggestion is to respect the history and tradition of your organization. Consider my friend Frances Hesselbein, who won admiration from management gurus for her incredible turnaround at the Girl Scouts of the USA in the 1980s. In her thirteen years at the helm, she dramatically increased membership and raised significantly more money. She also focused on the importance of diversity and made an organization that was becoming irrelevant – relevant again. While she worked very hard at creating a vibrant organization that met the needs of changing times, she always respected the history and traditions that had made the Girl Scouts a great organization in the past. (Ms. Hesselbein and I are on the Leader to Leader Institute board of governors, of which Ms. Hesselbein is the chairman.)

My third suggestion is write off whatever you can – now! As an incoming CEO in a tough

situation, you need a brutally honest assessment of the problems faced by your company. Turn over every rock! Let your executives know that they will not be punished for disclosing concerns now – but that they will be fired if you find out later that they did not tell you the truth about what is really happening.

One of my favorite clients, who eventually succeeded in turning around a disaster, tried valiantly to implement this strategy. He thought that he was being clear with all division presidents. By year's end the company had written off over \$1 billion, which was by far the largest write-off in the history of the firm. As it turned out, one key division president, who was near retirement, had "fudged the numbers" in an effort to look good in his last year. When this mistake came to light, the company had to write off another \$200 million the next year. The CEO told me that the \$200 million write-off that occurred the second year did more damage to the reputation and stock price of the company than the billion-plus write-off that had occurred the first year.

My final suggestion: Be a role model for humility and continuous learning. Kent Kresa, who in the 1990s led an amazing turnaround at defense-contractor Northrop (now Northrop Grumman), developed a profile for the desired behaviors of the leaders in the company. He personally received feedback on his own leadership behavior. Kent worked hard at improving himself and set the example for all of his executives – who also did the same thing. If you want others to develop – start with yourself! The positive role modeling by Kent and his executive team did more to encourage other leaders to focus on their own improvement than any amount of 'preaching' or courses on leadership. Ultimately for a company to change, individual leaders need to change. By being a positive example of learning, agility and personal development, you can inspire your leadership team to do the same. (I worked with Northrop and Mr. Kresa as consultant in the early 1990s, helping them with a large executive education effort.)

If you are a new CEO in a tough situation, I cannot guarantee that following these suggestions will ensure your success. But I do believe that following these suggestions will improve your odds in turning around a tough situation.