New CEOs can raise their social game to keep their jobs, says study

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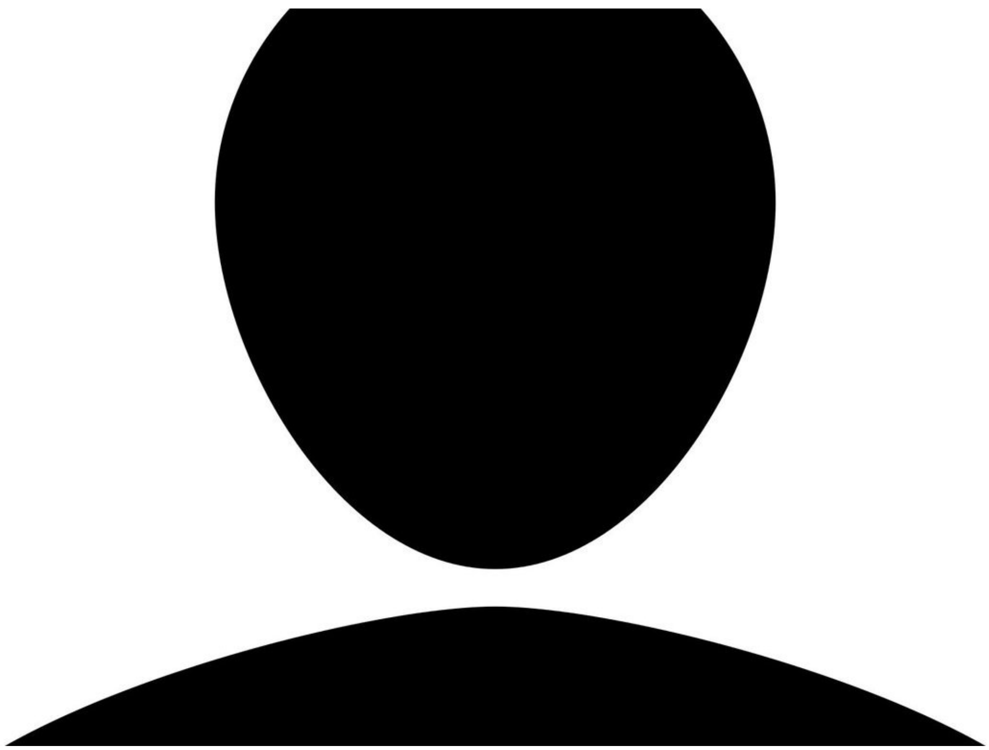

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A new study shows that two key factors can make freshly appointed CEOs more vulnerable and raise the odds they'll get fired.

The job security of a new CEO tends to suffer when the stock market reacts badly or when the previous CEO stays on as board chair, according to the study by Rice University and Peking University management experts. But the study found that the new CEO can overcome these challenges with what researchers call "social influence behaviors."

The study's authors used computer programs to analyze transcripts of new CEOs' conference calls with securities analysts. They found that CEOs who ingratiated themselves with their predecessors reduced the adverse impact of the old boss remaining as board chair. At the same time, the study concluded CEOs who engaged in self-promotion mitigated the negative impact of poor stock market reactions.

But the authors also found evidence that new CEOs' social influence behaviors can backfire. "A new CEO's commitment to strategic continuity—as originated by the predecessor CEO—can amplify the adverse impact of the initial negative stock market reaction," the authors said. "Moreover, a new CEO's self-centered expression may turn off the retained predecessor CEO, thus amplifying the adverse impact of the predecessor's staying on as board chair on the new CEO's early survival prospect."

The study will be published in the *Academy of Management Journal.*

Yan "Anthea" Zhang, professor and the Fayez Sarofim Vanguard Chair of Strategic Management at Rice's Jones Graduate School of Business, along with co-authors Xiwei Yi of Peking University's Guanghua School of Management and Duane Windsor, the Lynette S. Autrey Professor of Management at Rice Business, focused their study on a sample of 440 successions that consisted of newly appointed CEOs in S&P 500 companies who took office between 2001 and 2012.

The language used by new CEOs in conference calls is public language, the authors said. "Public language is endemic to public corporations," the authors wrote. "It is very difficult for a leader to communicate privately with one group while making contrasting statements publicly."

"Taking charge is challenging for new CEOs," they wrote. "Predecessor CEOs remaining as board chairs undermines the authority and discretion of the new CEOs. Negative stock market reactions reflect shareholders' doubt about the new CEOs' job fit."

Social influence theory suggests that people can convey information in such a way as to manage relationships and influence the attitudes of others, the authors said.

"Ingratiation and self-promotion are two important social influence tactics," the authors wrote. "Ingratiation focuses on a target individual with the aim of evoking interpersonal attraction by complimenting that individual or agreeing with that individual. Self-promotion focuses on highlighting one's own experiences and accomplishments in order to generate a perception of competence. Both ingratiation and self-promotion can improve outcomes such as hiring recommendations, promotion and performance appraisal ratings."

Both types of behaviors aim to improve a new CEO's approval by the board of directors and shareholders, but they rely on different mechanisms, the authors said. Ingratiation increases perceptions of similarity and likability, while self-promotion elicits the attribution of competence.

"In brief, while new CEOs' social influence behaviors may alleviate the adverse impact of targeted audiences, such behaviors may amplify the adverse impact of non-targeted audiences on their early survival prospects," the authors wrote.

Provided by Rice University