



The Art & Science of Planning and Managing CEO Succession

By Dora Vell

Executive tenures aren't what they used to be. With decade-long executive stewardships a thing of the past, today some terms are shorter than a NFL season. A sign of the times, boards of directors no longer seem shocked by early exits; for some it's almost de rigueur .

While coping successfully with CEO churn is critical to a company's health and well-being – imagine a ship without a captain - it's still an area that many companies neglect. Overlooking it is easy. There's always a more pressing matter and CEOs typically avoid the topic. Correcting the damage caused when a CEO leaves and there's no clear replacement, on the other hand, is much more difficult. From lack of strategic direction to poor operational follow-up, the consequences can be dramatic and lasting. Indeed, some corporations never recover.

By planning ahead, companies don't just ensure continuity in leadership; preserve intellectual property; and create a seamless transition; they manage their own destiny and – importantly, when you consider the millions of dollars most corporations

today have at stake - avoid falling victim to circumstance.

Equal parts art and science, succession planning and management have always been one of the best investments a company can make. In the current environment, that's even truer than ever.

NINE INSIGHTS TO MANAGE AND PLAN CEO SUCCESSION:

1. Make it a board-owned and driven process

Boards – independent with diverse skills and experience - are best equipped to choose new C-level executives and so their leadership is essential. CEOs, search firms and assessment consultants are vital process participants but responsibility mustn't be abdicated to them. And, in the majority of cases, CEOs must not be “king-makers”.

2. Let strategy drive succession planning

Corporate strategy should dictate the requisite core competencies for the position being filled. The board must determine what's required as the

company moves ahead and how does it relate to the open position? Is the company expanding globally? Then global experience is likely important. An executive who fits the company's long-range strategic plan is essential.

3. Develop a talent rich company

Seeding the management team with the right high potential talent is fundamental to C-level succession planning. Developing a depth and breadth of top performers ensures enough executive potential to fill top posts as natural attrition takes place. Removing low performers and attracting, developing and retaining top talent are key elements to this process.

4. Identify and groom potential CEO candidates within the company

Determining who has C-level potential is a critical step that benefits from outside input. External benchmarking complements and confirms senior management's views, objectively assesses executive performance, evaluates the company's talent vis-à-vis the marketplaces, and ensures cronyism doesn't develop.

Once identified, executive bench strength must be cultivated through challenging assignments, coaching and exposure to different business facets.

Many candidates should be developed, not just a handful. When executives exit, the board needs to have a choice.

5. Avoid overt horse races

An overt horse race is damaging to a company's health, causing good people to leave and depleting valuable bench strength. Absolute discretion – which means that internal candidates names must be kept confidential - is key, ensuring runners-up aren't publicly embarrassed when they don't get the top job.

Runners-up are at risk of leaving due to bruised egos. Avoid losing them by thanking them for their contribution and recognizing their importance through "perks" like additional stock options and choice assignments. Bottom line, make sure they feel attended to and valued.

6. Make it an ongoing process

Don't create a plan and put it on a shelf. Companies evolve over time and with these changes new objectives and strategies develop. As a result, leadership requirements must be modified accordingly and senior managers' performance and potential must be reassessed. As the company and its leaders evolve, so must the plan.

7. Consider the emergency scenario

A key shortcoming of many succession plans is their failure to deal with emergency situations.

Corporate icon and publicly traded Disney, when President Frank Wells died in a helicopter crash and CEO Michael Eisner had to undergo emergency heart surgery, suddenly was without its top two executives. Literally, overnight the company's bottom line and global expansion initiatives were in question. Crises are

always unexpected. When one strikes, having an established plan to seamlessly fill the vacant post with a skilled and experienced executive is imperative.



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8. Follow "right hire" principles

When selecting a new executive, "right hire" principles must be followed. Perform a thorough review and assessment of each candidate's skills and competencies; consider insider versus outsider advantages; check references diligently even of internal candidates; dedicate the time necessary to complete the task; and pay what is necessary to attract the right candidate to the position.

Choosing an outsider doesn't mean your succession planning has failed. Sometimes an executive psychologically removed from the situation is required in order to provide a major shift.

9. Provide support to the new executive

Whether an insider or outsider is chosen, providing support through "The First 100 Days" is essential. Solidify the organization underneath the executive by ensuring star employees do not leave; openly show support for the new leader; and

cultivate acceptance by solidly backing the executive. Boards can provide extra support to outsiders by:

- Helping to diagnose the cultural and organizational environment
- Outlining the key issues
- Detailing expectations and
- Drawing a clear picture of the landscape.

BE PREPARED AND "HIRE RIGHT"

From making it a board responsibility to developing bench strength and ending with providing support to the chosen candidate, the process has its challenges but is clearly worth the time, commitment and focus. As the old saying goes 'failing to plan is planning to fail' so be prepared and when the inevitable happens, "hiring right" will be a rewarding process. 

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