Night Light Series

Handing Over Keys to the Castle

Seamless CEO Transition

Stratexos, LLC
Strategy Execution Solutions

The Situation

A CEO we know was having second thoughts. There was more he wanted to accomplish than could be completed in the timeframe he'd given the Board when he told them he would be stepping down. They had tried to get him to change his mind. He had been grateful for the attempt, which he knew was more than an empty gesture, but had graciously declined. That was then. This was now.

Some time earlier, three internal candidates had been identified as possible successors. Each was given a set of assignments to test their knowledge, skills, judgment, and readiness to step up. One person stood out. The Board identified this person as successor. It wasn't the person the CEO had predicted and he wasn't sure she was the right choice.

The identified successor was. She was a product of the company's High Potential Executive Program. Part of that included completion of a two-week program at Harvard. She had successfully spearheaded strategic initiatives to open new markets and to close operations in lagging ones. She had been overseas—dragging her husband and small children with her—where she engineered the turnaround of a major European division. She was a member of the Executive Team. She had encountered the patronizing comments, the behind-your-back statements of misgiving, and the under-your-breath insults that came along with her growing success. Like other pioneers of her generation, she handled her emotional reactions outside the public eye. She was confident, felt ready, and was anxious to get the transition behind her.

A Perspective on Solutions

Some organizations only think about senior leadership succession when they have to. For example, after a sudden departure of the CEO through scandal or tragic accident. Or when an outstanding senior executive, a person everyone "just knew" would become CEO one day, resigns to take the top spot with a key competitor.

Other organizations plan for senior leadership succession as carefully as they plan their new product line, next strategic acquisition, or market penetration campaign. When the time is right, their goal is to have a *seamless transition*—one in which the organization and its senior executives maintain a winning strategic focus and superior leadership effectiveness, despite change at the top. The approach described below has proven effective in bringing about smooth, seamless transitions between outgoing CEOs and their internal successors across a variety of industries and circumstances.

An Approach to Seamless CEO Transition

"Transition" is the final phase of a succession process that begins with development of criteria for the next chief executive and continues through identification, development and testing of candidates, selection of successor, and the addressing of predictable issues with unsuccessful candidates. Particulars aside, the transition scenario described earlier is fairly common. The parties are at different places in their career life cycles. As one CEO, a country music buff, told us: "You can set this thing to music and call it 'Ballad of the Lame Duck and Eager Beaver.'" An effective transition process must take this difference into

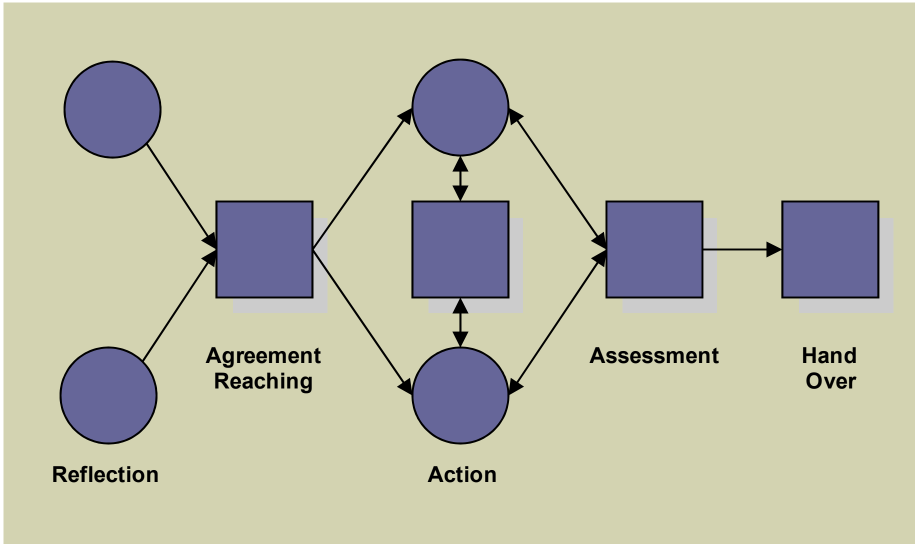

Figure 1: Seamless CEO Transition

account. Figure 1 outlines such a process.

Step 1: Reflection

The purpose of this step is two-fold. The first is for each person to identify the issues they want addressed during the transition period. The second is to decide which of those issues to discuss with the other party. A check list of issues for the outgoing CEO to consider includes: outstanding goals to accomplish, outstanding goals to let go, legacy-enhancing actions, strategic and political issues the successor is going to face, feedback and advice for the successor, roles and responsibilities the successor should take on during the transition period, roles and responsibilities the CEO plans to keep during this period.

The successor's checklist includes: developing a vision for the organization, how and when to conduct a strategic organization review, identifying leaders wanted on the executive team, addressing any knowledge and skill gaps in chief-executive-leadership preparation, pinpointing relationships that need to be established, repaired, renegotiated, or severed; listing roles and responsibilities to take on during the transition period.

Both CEO and successor should address the question of what specifically is wanted, and not wanted, from the other person during the transition.

Step 2: Agreement Reaching

For the transition period, the CEO and successor work as a team to ensure the new CEO is prepared for success on the first day of officially taking office. The Agreement Reaching step establishes the foundation for how this team will function during the transition. It also sets the agenda for what the pair will work on together. The *transition agenda* includes such items as: transfer-of-responsibility schedule, CEO and successor roles during the transition, positioning the successor with key constituencies inside and outside the organization, a candid senior leadership review, the successor's own chief-executive-leadership development agenda, and the CEO's role in completing that agenda.

Step 3: Action

The transition can be stressful. There is an organization to run, new roles to adopt, new agreements to keep, and new emotions to manage. In addition, each person has his or her own, personal transition tasks to complete. For the outgoing CEO this involves letting go. Loosening control over direction and strategy. Finishing those projects on which the legacy will be based. Coming to terms with the obvious signs of lessening influence. Coming to terms with goals that won't be achieved and organization problems for which he or she will be blamed.

Often the process of letting go is easier if the outgoing CEO is clear and excited about post -transition life and is beginning to arrange for that. This is especially relevant for heads of professional service firms and academic chancellors, chairs, or provosts who may decide to return to practicing their professions, or to teaching and research.

The incoming CEO also has personal work to do. In addition to gradually taking on the responsibilities of chief executive officer, as per the agreements reached at Step 1, often the person must manage impatience. That impatience can be productively channeled into action on such items as: outlining his or her vision for the organization, conducting a strategic review of the organization that identifies key threats to strategy execution success and deciding how best to use the results, beginning to work with and align the executive team around a reconfirmed, refined, or adjusted organizational strategy; filling-in chief-executive-leadership development gaps through executive briefings and coaching, creating a First 100 Days Plan.

Step 4: Assessment

There is a leadership law that reads: "All plans work until you try to implement them." CEO transitions are not exempt. To ensure seamlessness, dedicated time for assessing transition progress must be built in. Every two or three months, the CEO and successor should meet with the sole purpose of discussing how things are going. At the task level, the questions to discuss include: What issues identified earlier are being adequately addressed? What is being overlooked or avoided? What new issues have surfaced? What is to be done about these? On the relationship level, the questions include: How is working together in the agreed-upon ways working out? Is each person getting what they want from the other? What needs to be different? The assessment discussion results in the appropriate adjustments being made to the transition agenda and to each party's role in carrying it out.

Step 5: Hand Over

At some point, the calendar page turns and the transition is over. Plans have been made and carried out. Or not. The outgoing CEO is celebrated. The incoming CEO is cheered and congratulated—until the first crisis or unpopular decision. That's when the success of the transition is truly tested.

Final Thoughts

A successful CEO transition is not accomplished overnight. Eighteen months to two years before official hand over is the ideal time to begin the process. This assumes the transition has been preceded by a well-designed and well-executed process for involving the Board in creating and approving CEO selection criteria, candidate selection and development, candidate assessment, and successor selection. This process takes time, resources, and attention. Most organizations find it's worth the effort to get it right. After all, what's the cost of getting it wrong?

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About Stratexos

Stratexos, LLC helps senior executives create, execute, and evaluate solutions to the leadership and organizational issues keeping them up at night. Areas of expertise include:

- Chief Executive Transition
- Executive Team Performance
- Sharpening Organizational Strategy
- Designing Organizational Structures
- Aligning Organizational Culture
- Orchestrating Effective Change

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