

# CEO Transitions

## How to Smooth the Process

The transition from one senior executive to another can be a smooth, productive, even inspirational process; or it can be a bumpy ride for all concerned. This is particularly true of CEO transitions. A CEO exit and the installation of a new executive is a shock to any corporate eco-system. The event ought to be carefully planned and orchestrated to minimize that shock. From thirty-six years' experience as a consultant to boards and senior management teams, here is some guidance to help accomplish that objective.

A CEO change (similar guidance applies to any senior management position change) may result from a simple, long-planned and scheduled retirement, or it may involve greater complexities. When the board terminates a CEO, the transition planning process presents far more complex issues with which to wrestle. And today in the U.S., we go even a step further when some CEO's are taken for the "perp walk" (handcuffed and led from the building). The unexpected transitions are especially delicate when the outgoing CEO has long tenure and has left a distinctive imprint on the organization.

In the U.S. alone there will be more than 1,300 CEO changes in 2006. With the average CEO tenure being just under six years, this transition process is more common and more important than we tend to think. When orchestrated effectively, the transition process will (a) cause minimal marketplace and internal turmoil; (b) enable the incoming executive to glide smoothly onto the deck of this moving aircraft carrier; and (c) leave all concerned with a good feeling about the people and the company. Managed poorly, the process will undercut all three outcomes.

Facilitating these transitions requires considerable expertise and effort. If managed purely by internal staff, that staff must be at a very high level. It needs access, influence, and clout to arrange the transition events effectively. If a consultant is sought, that person also needs the access and "granted authority" to shape the process.

When you next face a senior management change, consider these points as you plan and execute the transition.

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### ***Tailor the Process Design***

Every organization is different, even within the same industry or segment (consider Apple versus Dell or H-P versus IBM or Nokia versus Motorola). Effective transitions are perfectly customized to match the distinctive culture, structure, priorities, and personality of the organization. The process tailoring must also suit the natural style and predilections of the key players involved (i.e., departing and incoming executives, the senior management team, and key external constituencies such as customers and shareholders).

In brief, there is no one cookie-cutter process that works for all organizations. Some companies are highly disciplined, tightly controlled, methodical, and very structured; others are far more casual, or informal. The transition process should be in harmony with the natural rhythms of the organization. If not, the cognitive dissonance that results helps create exactly the turmoil we want to avoid.

### ***Rituals and Legends***

The employee population never forgets how the company treats its outgoing executives. It also remembers how those executives respond to the transition period. Words and behaviors during this time easily become instant legends – either extremely positive or negative – for employees and others.

- ◆ Should exiting executives remain for several months, in an office “just down the hall,” or should they depart immediately, or is there something in between that makes sense?
- ◆ Will there be a company-wide “farewell tour,” with speeches and parties, or a simple “goodbye-memo”? How high-profile or low-key should the departure process be?
- ◆ Should the incoming executive be part of those events or not?

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- ◆ And what does the exiting executive have to say to the population? Every word and gesture will be carefully combed for hidden meanings and emotions – especially when the departure results from a forced resignation, or termination.

Coaching, rehearsals, and careful orchestration – these are essential for both the incoming and the outgoing executives. The population at large pays close attention to these events.

One large pharmaceutical company conducted a series of “farewell” speeches and parties around the world for a “retiring” CEO. The departure seemed to be one without end: it went on for months. Unfortunately, this CEO had little support around the company. Most were eager to see him terminated and frustrated at what took so long. The board, in agreeing to the process the CEO wanted, misread the tenor of the population. The result was anger and frustration at what was seen as wasted money and time, and undeserved adulation, on a CEO who should simply have walked out the door and gone home. The board’s credibility took the hit as people talked about “that boondoggle and out-of-touch board” for years afterward.

Be careful to avoid the other extreme as well. Employees do not look kindly on a company that under-delivers to the truly deserving who have made great contributions. They will read such events as forecasts for how they themselves will someday be treated.

### ***Communications Plan***

The transition team should work with the new exec to develop and publish a Communications Plan for the first 60-90 days. It is essential everyone knows roughly what to expect: “When will we hear from her/him about priorities, potential changes, what they think after being here awhile?” “Will there be group meetings, or just individual?”

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This Communications Plan is a brief document that can be crafted before the change date and then quickly approved by the incoming executive. The goal is to get it to everyone in the first week of the change. Why? Because uncertainty creates chaos, stress, and rumors – none of these helpful to a smooth leadership transition. The Communications Plan gives people something concrete – dates, events, milestones – which removes uncertainty from the transition environment.

A good plan should explain what the new executive expects to do in terms of communications: orientation meetings, individual meetings, tours and location visits, etc. It should also explain what to expect in terms of media, format, and who will participate in specific events.

This simple communication is often the first substantive contact with the population. Treat it with care as it sends the first real message about how the executive does things (i.e., lots of meetings or few; extensive touring and hands-on versus more office-based; reliance on one-on-one meetings or more comfortable in groups).

Assuming there is a rationale behind the series of events, or steps, be sure to explain it. In one company the incoming CEO began his first week with a global tour of facilities that lasted several weeks. Back in the headquarters the grumbling and sniping were loud and consistent: “Doesn’t he know 70% of our business is right here in this country – why start out all over the globe. Why are we last?” There might be several good explanations for the decision (in this case, actually, the major operational problems were in several other countries and they became high-profile issues for the board. The new CEO was simply responding to that pressure), but without explaining them to people, they will jump to their own, often negative conclusions.

### ***Employee Preparation***

Employees at all levels, but certainly at the senior management level want and need to be prepared for the inquisitiveness (which will seem like an inquisition to some)

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of a new executive. In some instances we have prepared guides, or outlines for these groups so they can pull together a useful picture of their area's current state (size, scope, key accountabilities, and structure), recent accomplishments, near-term priorities, and projected needs or plans. This provides people with a jumping off point for one-to-one discussions with a new executive. It also relieves some natural stress they feel anticipating those meetings. One caution: ensure the incoming executive wants to conduct such one-to-one discussions or the effort will have been wasted and frustration results.

### ***Orientation Strategies***

It's essential to a good transition to design and orchestrate a series of orientation sessions. The new exec will need to meet with the key staff and operating groups. Poorly planned, these sessions are wasteful, if not dangerous to participants' careers (first impressions last forever). Properly planned, these group orientation sessions can be an efficient means of sharing information, getting a sense for one another, breaking the ice, creating the right mix of formality and informality, and identifying near-term priorities.

### ***Briefing Book***

Another useful technique is pulling together a briefing book. This takes some real planning and editing to ensure usefulness. Envision the process you've probably read/heard about that is typically done for an incoming U.S. President by the departing administration, or by the heads of major departments who don't depart.

- ◆ Supply the participants with a template to follow so there is consistency and efficiency to the information packages within the book;
- ◆ Mandate the format and content set, and then rigorously edit to keep the book uniform and readable.
- ◆ Include sections related to the organization's growth history, financials, organization structure, array of services, products, and capabilities. Also highlight what have been the core business strategies, long-term goals, near-term

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priorities and projects, and potential threats foreseen. Biographies of key team members are often part of this package as well.

### ***History and Culture***

A small group with long experience ought to share the history and legends of the organization. How did the company get to this stage of its lifecycle? What were the major inflection points? And from that history, where are we now in terms of organizational DNA – what’s the culture here – what’s distinctive about us versus other organizations? What do we need and value most from a CEO?

In one large company each new senior executive goes to dinner with five or six senior colleagues who have long experience. They sit at a round table in a private room. They spend hours, rehearsed in advance among themselves, relating the major events – both good and bad – that have led this company to be where it is today. The shared storytelling (carefully selected in advance) creates understanding, laughter, and sense of obligation in the new executive to join fully and help develop that history further.

### ***Personal Action Plan***

“Push” or require the incoming executive to produce an organization assessment and a proposed action plan (what he/she sees as the priorities to be tackled). A board would typically expect this within 3-6 months depending upon the organization’s size and complexity. This document can be the primary vehicle for initial strategic discussions between the CEO and the board.

When I work with boards on transition issues, I sometimes get them to provide their own views as a starting point – the straw man to which the incoming executive can react. If you do this, just be sure to keep it at a high level, and not too “granular.”

### ***Conclusion***

Though every transition process should be highly customized, there are a few universals that apply to all.

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First impressions last forever. You know this is true if you consider your own experience with people you've met or organizations you've worked for. It is essential to craft a transition process that puts all participants in the best possible light out of the gate. A poor start, either by the executive or by the surrounding incumbents, only creates a sizable obstacle that must then be overcome before real progress can begin.

The incoming executive is, unfortunately, in the least-best position to craft an effective transition. He or she knows less about the culture, dynamics, personalities, and traditions than anyone (assuming this is an outsider, of course). This is why it is wise to enlist talented insiders to help plan and manage the process. The tangential benefits also include greater support for the executive and the process through wider participation in its crafting and execution.

Executive changes are commonplace, but creating tailored, effective transition processes is not. Yet, they are essential to minimize employee stress and uncertainty and maximize early productivity and a positive start.