

CEO Succession

Foster systemic strategic change.



by Kevin Cashman

THE CHAIRMAN OF A healthcare organization approached us with a reasonable request: “Help us find our next CEO from our C-Suite ranks or, if necessary, from the external market.” Despite the talent sophistication of the board, their request reflected a superficial understanding of the dynamics of CEO succession. Their real needs were not *transactive* in nature (find the next CEO)—their real needs were *strategic*: “Help us optimize our success far into the future.”

CEO succession, orchestrated right, is not a transaction—it is a major systemic change that navigates to the high performance intersection of top talent, strategy, vision, values and culture. So what are some best practices for World Class CEO Succession?

12 Best Practices

In our global Board & CEO Services practice, we’ve clarified 12 best practices of CEO transitions:

1. You’re always in CEO succession. With the average CEO tenure at four years and best practice CEO Succession Planning within a three-year window, you should treat CEO Succession as a constant, ongoing process to develop the next slate of CEOs internally and externally. Waiting until the incumbent CEO announces they are ready to transition on is a risky way to manage. When to start CEO Succession? Now.

2. Create a valid CEO Model. Evaluating potential candidates is crucial. But evaluating them against a solid, valid, researched set of leadership competencies is more—it’s a fiduciary responsibility. I’m amazed how many knowledgeable boards put together a home-spun, idiosyncratic list of leadership characteristics, brainstormed in a sub-committee working session. The resulting *CEO Model* is invalid, and often unmeasurable! And, it fails to represent the strategy, the vision, the values and where this company and culture needs to go to succeed. Invest in a disciplined process with research-valid competencies and proven assessment tools that can measure leadership

style, thinking style, learning agility, and CEO leadership characteristics.

3. Evaluate both competencies and character. How many disasters could have been avoided over the years had Boards dug deeper into CEO competencies, and clearly understood the values, principles, and character of the leaders? Competencies get us into the CEO suite; character is the crucial variable for building enduring success.

4. Create a culture of leadership development at the top. If you don’t properly invest in an ongoing process for developing your top people, you will be forced to make another investment: finding a new CEO externally. You will have to invest either way. Creating a culture of development at the top has multi-dimensional benefits: retention, engagement, sustained performance,



and having a better chance of surfacing your next CEO. When a culture of development isn’t created, suddenly assessing your top people to be considered as the next CEO can create a competitive “horse race” with the “horses” not in condition! Invest in developing top talent for the long run.

5. Assess top internal candidates against CEO Model and create enterprise/CEO LD plans. With a culture of development at the top, it will be more natural to help key talent to understand how they need to develop to aspire for the CEO job. After the assessment, a comprehensive, challenging, actionable development plan needs to be set. One crucial aspect of the plan is to identify enterprise-wide initiatives that each candidate can lead to demonstrate their strategic, collaborative, and silo-breaking leadership competencies. Stretching top candidates is the key to organizational and succession success.

6. Get key candidates exposure to the board. Arrange one-on-ones, have Board

members visit their business, encourage social interaction with key candidates. For some current CEOs, this can be unsettling or intimidating, but this is what the transition of an incumbent CEO feels like—deal with it! Boards need to have informal interaction to “touch and feel” potential CEOs; it is the Board’s fiduciary responsibility to intimately know the top talent.

7. Consider benchmarking external market. As strong as internal candidates may appear, you need to compare your internal CEO slate with what is potentially available outside. This can be done at a fraction of the cost of a full search and can be leveraged into a full search later if needed.

8. No halos allowed! Develop and onboard your CEO selection. Regardless of whether the new CEO selection is internal or external, avoid the halo syndrome: “We have the best CEO, and life is great.” All CEOs need to develop; all CEOs need to onboard. Helping new CEOs succeed from day one is crucial. Do not wait. Provide comprehensive coaching and onboarding from the start. Well begun is half done.

9. Help the incumbent CEO to transition. The incumbent often needs assistance to move on with dignity, purpose, and discipline. Provide CEO advisory assistance to help the outgoing CEO craft a purposeful, compelling plan to ease the transition stress for the incumbent, their team, their family and the organization.

10. Develop the new senior team. The senior team is in succession too. New boss, new expectations, new ways of working, disappointed team members—it all adds up to a ripe situation to realign and re-engage the senior team. Be proactive and provide best-in-class team development resources to dovetail with the CEO’s development and onboarding initiative. Bring together strategic leadership, team leadership and personal leadership into one seamless process.

11. Cascade I.D to support strategic change. With a new CEO and senior team and refreshed strategy, you have an optimal window to align talent to support the strategy. Leverage this by cascading new leadership and talent programs to re-engage people.

12: Remember Best Practice 1—you are always in CEO succession.

Best practice CEO Succession is a strategic, systemic change process. LE

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ACTION: Engage in best practice succession.