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Leading an Effective CEO Transition: It’s a Journey, Not an Event

Having just gone through a CEO transition at Pearl Meyer, I have spent some time reflecting on the outcome as well as what we learned organizationally and as individuals throughout the process. While we have guided numerous clients through the same exercise, I am more keenly aware than ever that leadership transition is an ongoing process and every company is on this journey—whether deliberately or not. It is important for boards and CEOs to acknowledge that they will learn lessons along the way and need to have a plan for incorporating those lessons into their teams’ leadership development.

Here’s what we learned from our own journey:

1. You can’t start too early. We stress this with clients and our experience reinforces this number-one lesson. There is much to do, consider, and prepare for. It's too important to "wing it" or short-change the process.

2. Objectivity is imperative. This goes for outlining the candidates’ strengths and growth areas, creating opportunities to improve any detrimental weaknesses, and assessing the outcomes of their development plans.

3. Coaching is a must. Few organizations, in my experience, appreciate the value of executive coaches. They are absolutely key to both effective development and a successful transition.

4. Get everyone on board. Having broad support for the new leader once a choice is made leads to a smooth transition. The alternative is simply abrupt change.

Plan Ahead

I believe that you can't start developing successors too soon. We have frequently advised clients that the moment somebody assumes the top job, they—and the board—need to be thinking about what's necessary for someone else to succeed them. The development of a successful CEO can take a very long time.

However, you can definitely name a successor too soon. They often become frustrated with the passage of time. Companies lose great succession candidates to becoming CEOs of other companies because they grow impatient. So while you can't start developing too

soon, you can definitely pick one too soon.

And you know what they say about the best laid plans. Often you set out on a particular journey, only to find that adjustments must be made along the way. Plan to course-correct.

Cultivate Objectivity and Bring in the Coaches

A key lesson learned for me in being part of the process, rather than advising on the process, is that an organization can't do its best job at succession planning alone.

Self-assessments or individually managed development is usually not enough. Even the most self-aware candidates don't automatically know exactly what their strengths and weaknesses are, as seen by others. It's especially difficult to have a clear picture of the "soft" things they need to do to be successful in leading others. And the perspectives of the board and the CEO in creating a short list and analyzing those candidates can be helpful, but may also prove to be too subjective or not fully accurate.

This is where organizational development experts can offer the outsider's view and help the organization define the ideal profile for the next CEO and then work with candidates to clearly understand their current strengths and challenges with respect to that profile. Converting this assessment into multi-year development plans helps focus the candidates on how they need to develop and what they need to do to demonstrate that they are ready for the next step in their careers and up the ladder.

An outside advisor can help the organization structure learning opportunities that are appropriate to each candidate and beneficial to the full group, such as moving high potentials into positions that offer a chance to lead new teams and perhaps stretch the candidates' comfort levels or creating an opportunity for the group of candidates to work together on strategic projects and strengthen their relationships as a leadership team. We took both of these development actions; however, I did not appreciate at first that my style of mentoring and developing people did not necessarily help each candidate maximize their learning opportunities. If I had a do-over, I would bring in outside assessment and coaching sooner.

Long term, the most effective leadership development comes about when it is structured in a way that is tailored for each of those candidates as individuals and is not unduly clouded by the relationship and experiences those individuals and the sitting CEO have developed. Finally, it is important for the board to get an impartial assessment of candidates because their impressions of the people they know, possibly on a limited basis, have been formed over a long period of time. In that context, it's not always clear how a candidate may have grown or how they might perform in a different role.

It's my experience that relatively few organizations appreciate the value of executive coaches. In the past, if some in the boardroom heard that the CEO asked for or needed a coach, it was likely viewed as evidence of some inadequacy. However, we may be entering a new era of business culture. New attention to issues such as diversity, equity, and

inclusion indicate that this kind of change is quite possible, and, of course, beneficial. Ongoing coaching is a very effective tool, providing the CEO with an objective and, very importantly, external sounding board and giving directors additional assurance that the transition will be successful.

Create Unity

In the spirit of absorbing and implementing lessons learned, a big part of our own transition has been to provide post-selection coaching to the new CEO and to the other senior members of the management team. This provides continuity for the strong leadership development plans in place, as well as helps everyone adjust to their new relationships. It is a simple fact that when you promote from within, all relationships change and there must be adjustment to the new ways of doing things and new ways of working together. Accounting for—or ignoring—this important aspect of the transition can be the critical, make-it-or-break-it point. Carefully planned, but open and forthright, communication throughout the company about the change sets the right stage.

In our case, the end result from an organizational perspective is that there absolutely is a great deal of change happening, but the change feels purposeful and evolutionary. Naturally, every company will experience changes in leadership style with every transition. One leader may be more intuitive and the next more analytical, but there is continuity in our values and especially in our culture, and I see strong energy and enthusiasm in our firm.

This is what I want for our clients. And thankfully, the renewed energy isn't just internal. As our business evolves to meet the growing responsibilities of our clients, I am seeing an expansion of ideas and creativity among our consulting teams that will help all of us involved in compensation and the broader issues of workplace change and human capital management tackle some very real challenges—ongoing succession planning being at the forefront.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.