

## **Succession Planning: Transitions in Leadership**

**By Tony Hawk**

I call it “courtship”, because bringing on a new senior executive is a lot like getting married. While it may not be lifetime commitment like marriage, you are getting ready to join arm in arm for many years with a person you are hoping will grow your business. We all know the cost of getting a yes from the wrong person. We also know the disappointment of wanting a yes and not succeeding.

Throughout my career as an HR and OD executive and consultant I have been surprised at how quickly some executives on both sides of the equation leap into these significant relationships. Maybe it is because some look at it as more of a transaction than a relationship. Some base these hires on no more than a phone call, a reference and an interview. Some do an “extended” search and include lunch. These “love at first sight” relationships work out for some and make a great story line, but relying on passion and first impressions as a foundation for a successful, long term relationship has disaster written all over it.

These may be same people who tend to be surprised when the person they hired fails to live up to their expectations. They may also be the same ones who blame the person hired for this failure rather than their hiring process. With the “meet & greet” approach being pretty widespread, its little wonder that the derailment rate of leaders is between fifty and sixty percent (according to The Center of Creative Leadership, DDI and Hogan Research).

### **The derailment rate of leaders is between 50%-60%**

So what is the right length of “courtship” for senior executives? Some resist a more lengthy process because they think they have it all figured out, or they believe they have “good intuition” about talent, or because they really don’t have the time. The latter statement always reminds me of what one of my clients, who was a senior executive at a very large company, used to say, “*When you need people really bad, you hire really bad people.*” That tends to be true more often than not.

Consider the marriage metaphor. Shoals and Rodriguez in *Psychology Today* say that a 2-3 year courtship results in the longest term marriages. Ted Houston, Professor of Human Ecology and Psychology at The University of Texas, says couples who begin with a 2.25 year courtship will remain married up to 7 years longer than those with shorter courtships or courtships lasting longer than three years. While such a lengthy hiring process may not seem feasible, there is definitely much more you can do to ensure a greater success rate.

One thing that many organizations are doing is developing and promoting their executives from within through comprehensive succession planning processes. A well-designed succession planning process allows the company the opportunity to “court” the high potential leaders and see them in a variety of situations over a long period of time, sometimes over an entire career. Many high performing companies are being led today by leaders who have come up through their ranks. Walmart, a company in my own back yard, has grown all five of their CEOs from within, and their latest (Doug McMillon) started out as a cart pusher in one of their stores.

I’ll grant that this is easier to do in a larger organization where there is time as well as a variety of opportunities to expose leaders to. So, what do you do if you aren’t a big company with the depth of talent in

your pipeline? Large or small, any time you don't have the time and resources (including talent in the pipeline) to develop talent internally, you have to look outward. **This makes the "courtship" even more critical.**

### **Five Things to Ensures You are Targeting the Right Talent:**

#### **1. Start courting long before you need the talent**

One thing I learned from Sam Walton is that good leaders always keep their eyes open for talent. When you find it, begin the courtship. Begin learning about them to determine if they would be a good fit. Tell them about your business, your vision and your plans and hopes for the future. Ask about theirs. Prepare them and yourself for the day that you will actually pop the question.

#### **2. Define your values for the business**

I have known and worked with a particular client for over 10 years and knew the CEO and the company quite well, but when it came to finding a president, I wanted the CEO to be sure he was able to fully articulate what he was looking for. So before we began the search, we focused on helping him clarify his core values and what he considered to be the foundational pillars of the business. These were the things he believed to be essential to the company's past and future success, things he wanted to be certain his new president would sustain and strengthen into the future. Defining your core values will help you screen candidates more effectively and will allow you to feel more comfortable handing over the reins to a new leader.

#### **3. Define and rank the competencies required for success in the position**

Once this CEO was ready to start the search we began to refine his definition of the core competencies required of a president. We ended up with four broad categories broken into nineteen competencies, with seventy-two statements defining those competencies. I asked the CEO to rank these competencies to help refine the search. His response was, "This is tough. All of these are important." That's the point of the exercise. It's not likely you will find a single candidate with all of these competencies. Ranking them will allow you to select the candidate who is aligned with you on those that are most important to you and your business.

#### **4. Write a compelling position posting and job description.**

This document is intended to describe the company, the opportunity, the position, the competencies required, the required experience and education and a few things about the importance of the role. It will be used to inform people about the opportunity. Once completed, we sent this document to several hundred people within his and my network of business acquaintances, where we surfaced and screened a lot of interested candidates. The posting is designed to help people self-select in and out of the opportunity. There are few things more frustrating than having a boat load of resumes that don't even come close to meeting the job requirements.

#### **5. Refine your expectations (especially critical for an entrepreneurial company founder in transition)**

While going through this process to this point the CEO reflected on and refined what he was looking for in a president. Since he was founder as well as CEO, this transition would result in a new role for him and would require an especially talented president to fulfill their role. At this stage he began to define what his

new role would be when a new president joined the company. It became apparent to him that he needed an experienced business leader with a track record of success more than someone from within his own industry. This refinement made it evident that we needed to reach out more broadly, so we posted the position on a couple of selected job boards target within and beyond his industry. We surfaced and screened literally hundreds more great candidates. The length of this refinement period is greatly reduced, the more frequently you engage in the hiring process. Building a relationship with a trusted recruiter will also help minimize this refinement process as well.

### **Six things that will Increase the Likelihood of Getting the Right Person to say “Yes” when you Pop the Question:**

As previously stated, these relationships are a lot like a marriage and it’s important to take significant time and investment on the front end to maximize the likelihood of long term success.

Now that you have a pool of candidates, how do you determine which ones are “right”, and once you think you found them, how do you get them to say yes to your offer to leave what they are currently doing and join you on your journey? Those questions are best answered by doing these following six things.

#### **1. Drill Deep**

We narrowed the search from a couple hundred to about a half dozen candidates that the CEO would screen through a telephone interview with prepared screening questions. This involved a simple resume review asking the candidate to walk through their experience, and share the research they had done to this point. One candidate that initially seemed ideal was disqualified by the CEO because his phone interview was filled with “I” messages to the point that all the CEO could hear was a sense of ego and arrogance. The process allowed the CEO to identify three of these candidates that he wanted to bring in for face to face interviews.

#### **2. Drill Deeper**

Before these candidates were brought in they were asked to complete a comprehensive selection assessment that would provide insight into their leadership style, personality preferences, potential performance challenges, and motives and values. They were also asked to review the competencies that we had created, and to go through the same ranking exercise the CEO completed. This step was designed to help us determine whether the process was taking us down the right track. These two exercises could tell us if we had missed it completely or not. Thankfully, we confirmed that we had found some quality candidates who were closely aligned with the CEO when it came to business and leadership.

#### **3. Don’t wing it. Develop the right questions to be used in the interview.**

We developed and agreed upon a series of situational and behavioral interview questions based on the position, their resume, their background, and the assessments.

#### **4. Conduct a Comprehensive Structured Interview**

We checked their references, reviewed their social media accounts and then brought each of these three candidates to join us for a full day of interviews that included a meal together. We wanted to get answers

to our questions, but we also wanted to see this person in different settings and situations. Short of a comprehensive and expensive Assessment Center, an in-depth, structured interview will ensure that you ask all the questions that are important to you. The CEO and I prepared for the interview ahead of time. Our multi-person team interview allowed us to alternate asking questions and kept the interview focused and on track.

#### **5. Ask for a Second Date**

This process allowed us to narrow our selection. We asked the primary candidate to return with their spouse for dinner with the CEO and his spouse, and for an extended visit with the executive team they would be responsible for leading. This wasn't designed to give the executive team a vote, though I am sure they could have vetoed the selection, but it was designed to allow the CEO to get to know them further, and in different situations. We also wanted to utilize this trip to provide the candidate and the people who would relocate with them an opportunity to visit the area with a realtor to see if this is a place they might enjoy living.

#### **6. Compensation: Don't lose 'em now!**

You have made it this far, so you don't want to lose them in the negotiation process. In the midst of this process we had conducted a compensation study, and had inquired about their compensation expectations. We wanted to be certain that we knew what the position was worth, and what a person of this candidate's skills and experience would command. We also discussed the process with others who had been through similar processes to help the CEO be as comfortable as possible with the decision he was about to make. The CEO also used this time to prepare his executive team for the leadership transition that was about to occur and to share with them his philosophy of leadership that had developed through the process.

All in all this process took approximately six months. That's a long courtship in today's fast pace of business. Some will say, too long, but not this CEO. This was not the first time he attempted this. His first pass involved the typical "meet & greet" approach. Needless to say, that didn't work out so well. This time he wanted to make sure he did it in a way that would have a greater likelihood of success.

I know you're asking, Is this a success story? Time will tell. A lot will depend on the CEO's ability to adjust to his new role, and on the President's ability to solidify the relationship with the CEO, gain the confidence of his new team, his suppliers and his customers, and then to achieve or exceed expectations as planned. However, we are definitely confident that this process has led to success for others in similar situations, and we are confident that the stage has been set for the greatest likelihood of success here. And that's really about all you can do.