

# EXECUTIVE INSIGHT

A DISCUSSION OF KEY MANAGEMENT ISSUES | VOLUME 27 NUMBER 2 |

## CEO TRANSITIONS II: THE ROLE OF THE PREDECESSOR

The influence of predecessors on the transition of incoming CEOs can be blatant or subtle; positive or negative; cooperative or confrontational. They can be invaluable dispensers of wisdom or obstinate builders of roadblocks. The circumstances will be as varied as the individuals involved. To be successful, the new Chief Executive must quickly learn to manage this powerful presence and make it crystal clear to all stakeholders as to who is leading the organization.

Angel or devil, there is no denying that the lingering shadow of the predecessor affects every freshly appointed CEO. In some cases, this is a legacy left behind by a beloved founder. In others it is the very real presence of a former Chief Executive who has left the office, but not the building. Research soon to be published by RHR International indicates that **50% of previous CEOs stay involved with the company** as a member of the board. On average, those who stayed as a director did so for eight months – three quarters of the first critical year of the transition process.

**STAY OR GO?** Will new leaders have an easier time transitioning without them or **is it healthier for former CEOs to stay on?** According to a recent study conducted by RHR International and The Corporate Board – sitting board members were evenly split on the issue.

Clear cut answers to this conundrum are hard to find. There are times where a clean break is best and others where an overlap is valuable. Often, contractual agreements spell out the terms of departure. **The ideal scenario** would be if the outgoing and incoming leaders could sit down with the board and make a determination of the exit strategy

based on the leaders' respective skill sets, the organization's business needs, and the chemistry between the two executives. But in reality, the CEO-select rarely has a say in the matter.

**HELP OR HINDERANCE?** According to our new study, sitting Chief Executives' perceptions of whether the previous officeholders were helpful or not during their transition into the role were almost evenly split, regardless of the planned departure dates.

Fifty-four percent indicated that their predecessors, who left the company immediately, were still helpful prior to the changeover. Of those who had former CEOs remain on the board, 57% said they were helpful not only before, but throughout the transition period.

**POSITIVE BEHAVIORS** Even if he/she leaves immediately after the changeover, the exiting executive can provide valuable support **prior to the exchange of power**, especially to an internal successor. Our RHR study cited examples such as seeking opportunities to connect the CEO-select with board members on a deeper level; introducing him/her to key external stakeholders; and showing visible support for (and confidence in) the new leader by thoughtfully shifting key decisions and accountabilities to them prior to the role change. Making decisions on poor performers (but leaving the selection of replacements to the incoming CEO) was also deemed very helpful.



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Based on years of experience dealing with the selection, integration and transition of Chief Executives, RHR consultants have also observed the following positive behaviors on the part of the outgoing leader who stays on the board. **The current research also reflects these conclusions:**

- Helping the CEO-select anticipate some of the major adjustments he/she will face during the transition.
- Providing insights on how the board operates and what kind of issues are on the agenda.
- Giving the incumbent “room to run” and lead the business.
- Offering support as a mentor or sounding board, but not overstepping their advisor status.
- Clarifying their post-leadership role in comprehensive communications to the board, shareholders, staff members and employees.

Whether the prior CEO leaves immediately or remains on the board, **the best practice is to literally and symbolically “let go”** at the changeover – providing the new Chief Executive with the freedom and autonomy to lead as the singular source of authority.

**DANGER SIGNS** Warning indicators that the ex-CEO is not “letting go” include: a) **being too involved** in business and key decisions, b) **exerting undue influence** on the board behind the scenes, and c) their **opinions to the board continue to outweigh those of the incumbent**. These dangerous actions can impede the incoming CEO’s growth and development in the role and inhibit members of the board from building a trusting relationship with him/her.

Additional problems center on the new CEO inheriting **a senior team that identifies too closely with its old boss and his/her leadership style**. This can cause confusion and make it difficult for the team to shift alliance to the new leader and his/her agenda, especially if the predecessor is sitting right down the hall. An incumbent may even face resistance from the ex-CEO while attempting to reshape the team to match the company’s current business needs.

**All board members should be aware of these negative situations and take immediate action to neutralize them.** A worse case scenario is if the directors are not even cognizant of being manipulated.

If allowed to continue, this situation can cause contradictory communications, conflicting loyalties and confusion as to who is in command. The final result is a new leader with limited effectiveness, severe damage to the organization and a revolving door of successive CEOs. It may take an external consultant to assess the dynamics among those involved, determine the root cause and suggest interventions to put the organization back on track.

**THE BOTTOM LINE** To ensure a harmonious transition between Chief Executives and to keep the organization operating smoothly during the changeover, the board of directors should:

- **Determine, if possible, whether an immediate departure or overlapping transition is best for the organization.**
- **Be aligned around the role of the ex-CEO, if he/she stays with the company.**
- **Encourage the outgoing executive to think proactively about the specific ways he/she can support the incoming CEO and accelerate the new executive’s integration into the role.**
- **Take immediate action on any signs that the outgoing executive is being manipulative or otherwise hindering the transition.**

Our next *Executive Insight* will offer suggestions on what incoming CEOs can do to help themselves through the transition period.

### ABOUT RHR INTERNATIONAL

RHR International is a firm of management psychologists and consultants who work closely with top management to accelerate individual, team and business performance. We focus on five key areas of client need — CEO Succession, Executive Selection and Integration, Accelerated Executive Effectiveness, Senior Team Effectiveness, and Management Due Diligence. We have been proven difference-makers for more than 65 years, unique in our combination of top management focus, psychologists’ perspective and high-level business acumen.



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