

CEO TRANSITION RESEARCH SUMMARY

PRELIMINARY FINDINGS

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ABOUT THIS STUDY

A CEO transition is one of the most critical and potentially disruptive events in the lifecycle of an organization. Existing studies tend to focus on the succession planning side of the equation, emphasizing the selection process and decision. Rarely is the emphasis on what takes place once the selection decision has been made – the critical period of time before the official change in power occurs - nor is there a good understanding of what happens once the successor steps into the role.

Our current research was focused on understanding the ways organizations support a CEO's transition into the role, where the pitfalls are that should be avoided, and how a company can accelerate the CEO's ability to drive the organization forward.

Methodology

Built on a foundation of over 60 years of experience working with C-Suite executives and CEOs, in addition to a CEO Succession and Board Effectiveness research program initiated in 2004, this study consisted of two separate research studies and was designed to further investigate the factors that go into a successful transfer of leadership at the top from the perspective of CEOs and board members.

The first phase of the research was conducted in early 2011. RHR International and Corporate Board Member surveyed 246 CEOs and board members, predominantly from companies of \$1 billion in revenue and above, about effective CEO transition practices. Of this group, only the responses from 210 non-CEO board members were included in this study for comparison with CEO responses in the second study.

For the second phase of the research, we conducted in-depth structured interviews with 22 CEOs who transitioned into the role within the last 6 years, 70% of whom were from companies of \$1 billion in revenue and above. These interviews were designed to capture both qualitative responses and quantitative ratings about the CEO's transition experience and what can be done by the board, organization, predecessor, and CEO successor to increase the likelihood that new Chief Executives are able to hit the ground running at the start of their tenure.

Through rigorous analysis of the qualitative and quantitative responses from both studies, we gained valuable insight from the standpoints of both CEOs and board members. Questions for both studies were formulated similarly when possible so as to extract consistent data.

EXECUTIVE SUMMARY

RESULTS FROM THIS STUDY REVEAL INSIGHTS ON THE FOLLOWING:

Based on data gathered from in-depth interviews with CEOs and separately via a survey with 210 board members, our research shows that Directors and CEOs agree that two keys to a successful transition are: (a) CEO-board alignment on strategy, and (b) clear board expectations about the CEO's performance. Additionally, there is a shared view that even for the most straightforward of transitions, one of the most challenging aspects facing new CEOs relates to how to get the executive team up and running with the right talent to execute the strategy. Our research also shows marked differences between effective and less effective transitions.

What is notable about the findings, however, is that boards and CEOs have very different views about several important aspects of the transition (including the role that each plays) as well as their overall impact on the success of the CEO's transition. For example, the perspectives of CEOs and directors differ greatly on how much involvement and support is needed from the board for a successful Chief Executive changeover. Survey results indicate that most board members believe they are doing what they can to support the new CEO, yet in our interviews with recently appointed CEOs, the majority was disappointed with their board's contribution to their transition. What is driving this disconnect? Based on our research, there are 4 primary reasons:

1. Lack of alignment between the board and the new CEO on the new strategy and direction is a leading factor in failed transitions, however strategic alignment alone does not guarantee success.
2. The board's potential contribution to a successful leadership transition goes well beyond the selection decision
3. Predecessors have a significant impact, both before and after succession
4. Transitions are challenging for every Chief Executive, but they are exceptionally difficult for first time CEOs – and this holds for external *and* internal successors

INTRODUCTION

Even when the selection decision is made with utmost diligence, the success of the new CEO is determined by more than fit and requisite capabilities. A well planned transition is critical to a smooth transfer of leadership, maintaining business momentum, and meeting the expectations of stakeholders and shareholders.

From the persistently high CEO turnover rate to the declining tenure of those at the top, we are continually reminded that company performance alone is not the only factor that plays a role in failed transitions. In addition, failed CEO transitions are costly: Share prices can decline sharply in response to unplanned CEO turnover, let alone the considerable costs associated with replacement, business disruption and damage to the reputation of the company.

As a result, boards are ever more diligent about ensuring succession plans are in place for their CEO. Many believe, however, that a diligent search and selection process is the critical ingredient of a successful CEO transition. Based on our research and experience working with CEOs and boards, we know that while succession plans are essential to successful change at the top, a well-planned transition, with clearly defined roles for key stakeholders (particularly board members) can serve as the spring board to accelerate strategic alignment between the CEO and board (a critical factor in the CEO transition process) and help to maintain or even build business momentum.

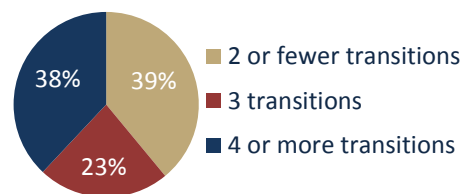
DIRECTOR PERSPECTIVE

The Directors' perspective is based on survey responses from 210 board members from companies of \$1 billion in revenue and above. Directors answered questions about the number of CEO transitions they had been through, the factors that differentiate effective vs. less effective transitions, and the organizational practices in place to support a new CEO.

PRIOR CEO TRANSITION EXPERIENCE

Given the critical nature of successful CEO transitions, it was important to gain a better understanding of how experienced Directors are in this area. At the time of this survey, responding Directors had an average of three CEO transitions under their belts, and almost 40% had experienced four or more CEO changes as part of their service on current and prior boards. Directors on boards of larger companies (annual revenues greater than \$5B) have generally had more experience than those who serve on the boards of smaller companies (annual revenues equal to, or less than \$5B).

Director Survey Results: Prior CEO Transition Experience



Director Survey Results: Prior CEO Transition Experience by Company Size (Annual Revenues)

Number of Prior CEO Transitions	Annual Revenues	
	≤ \$5B	> \$5B
2 or fewer transitions	46%	30%
3 transitions	22%	23%
4 or more transitions	33%	48%

Note: Sum totals may not equal 100% due to rounding.

IMPORTANT TRANSITION FACTORS

Important Factors in the Success or Failure of CEO Transitions

While many Directors have a favorable view of the transitions they have experienced as a board member, 36% have gone through at least one CEO transition that did not go well. We asked Directors to select the most important factor contributing to the success or failure of the most recent CEO transition they had experienced. Two factors were selected by a combined 53% of Directors:

Director Survey Results: What is the most important factor contributing to the success or failure of the CEO's transition?

- ① CEO and board aligned on strategy and goals, **32%**
- ② Board expectations of the new CEO were clear, **21%**
- ③ CEO addresses pressing issue, **10%**
- ④ CEO built board relationship early on, **10%**
- ⑤ CEO's team up and running, **8%**
- ⑥ CEO communicated a clear direction early on, **7%**
- ⑦ Business strategy established and implemented, **7%**
- ⑧ CEO understood and adapted to culture, **4%**

Note: Sum total does not equal 100% due to rounding.

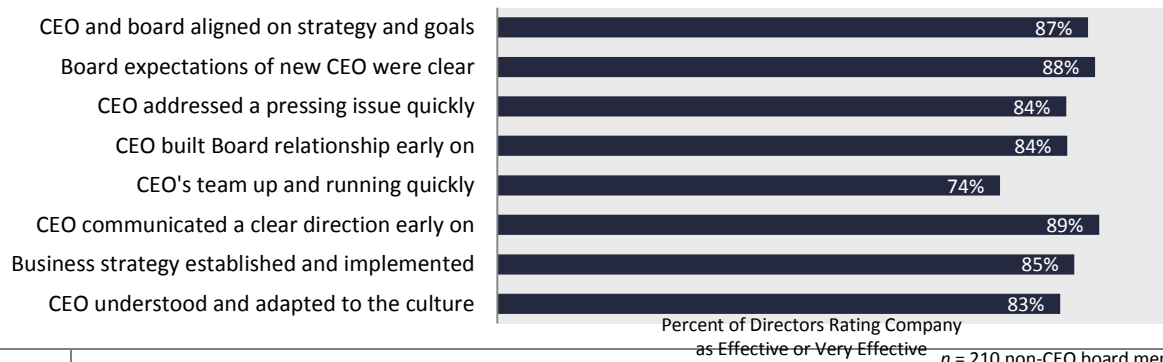
(a) alignment between the board and CEO on company strategy and goals, and (b) clarity of the board's expectations of the CEO's performance. This finding is consistent with recent headlines announcing a lack of CEO-board strategic alignment as a key reason for unplanned change at the top. It is also a theme that runs through much of this research and is supported by what we heard from CEOs during the interviews conducted in the second phase of the research.



Company Effectiveness on Important Transition Factors

To understand how companies are faring relative to each of the transition factors listed above, we asked Directors to rate their companies on each factor, using a 1 to 5 rating scale of effectiveness (1 = not at all effective and 5 = very effective). The results reveal that more than any other factor, getting the CEO's team up and running is the most problematic. This is also a perspective that is shared by many CEOs and is discussed further in the following sections. The second notable finding is that an overwhelming majority of Directors view their companies as effective on almost all transition factors. On average, a staggering 85% of Directors rated their company as effective or very effective on any given factor. An even higher proportion of Directors rated their company as effective on the two factors identified as most important to the success of a transition - CEO-board alignment and clarity of board expectations.

Director Survey Results: Ratings of Effectiveness on Important Transition Factors

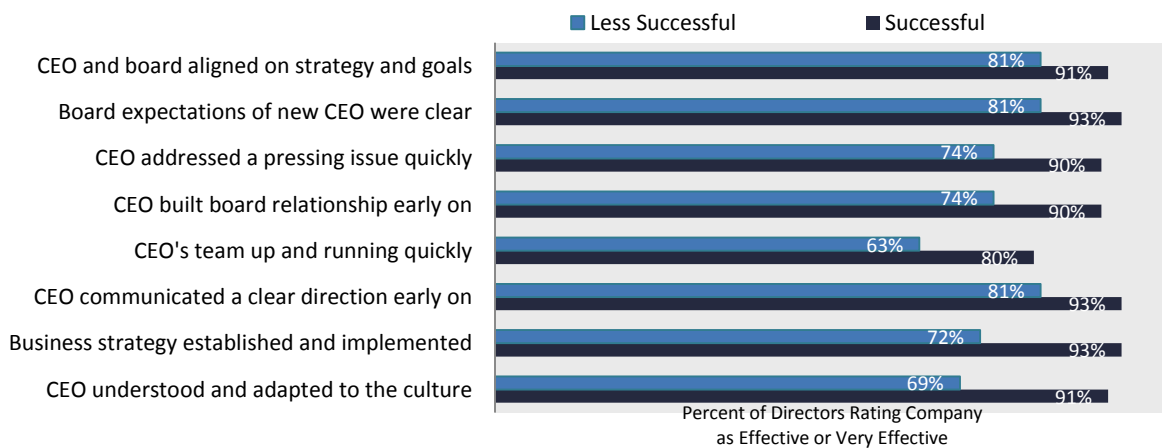


Company Effectiveness on Important Transition Factors, Successful vs. Less Successful Transitions

Although our research and experience shows that these factors are indeed significant predictors of successful transitions, given the high ratings of effectiveness overall, we wondered if there were any factors that would differentiate successful vs. less successful transitions. We created two groups based on the Directors’ responses to the question about how successful their prior transitions have been. We then compared each group’s effectiveness ratings for each of the factors considered important for transition success.

We first looked at the two transition factors identified as most important by Directors, CEO-board alignment and clear board expectations. Given the relatively small difference between successful and less successful transitions on these two factors, we concluded that they are necessary but not sufficient for success. Note that the onus for these two activities often lies with the board. However the next several factors, all of which are CEO-driven activities, showed a more dramatic difference between successful and less successful transitions. Based on what we heard from CEOs during the in-depth interviews, in addition to what we know from our experience working with CEOs during their transitions, we could hypothesize that more guidance as well as more proactive engagement from the board would have helped to improve the “less successful” transitions.

Director Survey Results: Ratings of Effectiveness on Important Transition Factors, Successful vs. Less Successful Transitions



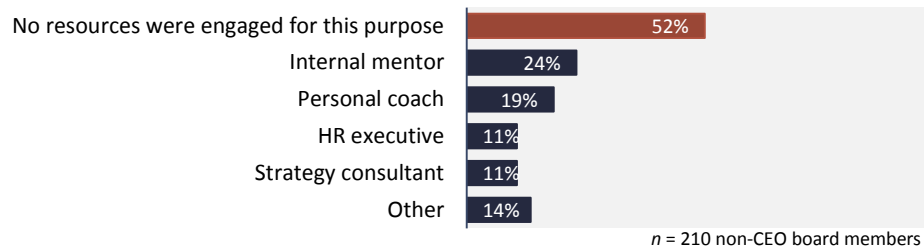
n = 210 non-CEO board members

CEO TRANSITION SUPPORT

Transition Resources

When Directors were asked what resources were made available to support the new CEO's transition, results indicate that one out of every two CEOs will move into their role without the support of transition-specific resources. For companies that do make use of transition resources, access to a personal coach and/or internal mentor were the most frequently selected options. Of the 14% of Directors who selected "other", a majority indicated that board support is the primary resource made available to the new CEO. Additional details on Directors' views of board support are included in the next section.

Director Survey Results: Transition-Specific Resources



Board Involvement

To better understand the role of board involvement, we asked Directors to list the ways that their board provides support to CEOs during their transition. Many Directors reiterated that board support is made available, and their comments frequently emphasized the board's accessibility to the CEO as a defining characteristic. With this type of support, board members extend an open invitation to new CEOs to seek them out for advice or counsel, but they give little structure to the process. As discussed in the CEO Perspective section, the lack of structure for this approach often runs counter to the expectations of incoming CEOs.

Director Survey Results: How do boards support CEO transitions?

- 1 Open, accessible board (32%)
- 2 Designated board liaison provides support (29%)
- 3 Lead Director specifically plays active role (15%)
- 4 Reference to internal transition, no support provided (14%)
- 5 Predecessor overlap with incoming CEO (11%)

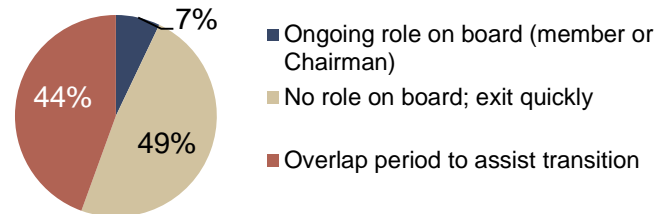
Twenty-nine percent of Directors indicated that a designated board liaison had the primary responsibility of serving as the bridge between the CEO and board, providing guidance and bringing the CEO up to speed on how best to work with the board. In 15% of cases it was the Lead Director who held this responsibility of working with the CEO.

What was most surprising however, was the number of Directors who indicated that no special efforts were undertaken to increase the level of board support, primarily because the successor ascended from within the organization. The implication is that the successor's familiarity with the organization, people and culture is sufficient and that no board-specific support is needed for an effective transition. However as you'll see in the discussion that follows about the CEO's perspective, a number of internal successors expressed quite the opposite view.

Role of the Predecessor

One of the ways boards support the new CEO is through interaction with the predecessor. However, Directors’ responses were almost evenly split when asked their perspective on the best role for the outgoing CEO. Forty-four percent of Directors indicated that an overlap with the successor would be preferred, while 49% of Directors said that it is best to have a clean break, with no formalized ties left to bind the CEO and organization. Only 7% of Directors indicated that the best role for the outgoing CEO is an ongoing role as board member or Chairman.

Director Survey Results: What is the Best Role for the Outgoing CEO?



BOARD MONITORING

We also asked Directors how their boards monitor the CEO’s progress and performance during the transition. Ninety-three percent of Directors indicated that their boards monitor through discussions and by providing feedback to the CEO about their performance throughout the first year. In addition, 9 of 10 Directors who use this method indicate that it is effective. Similar to the type of support boards offer CEOs during their transition, there is little structure given to this monitoring method. Given what we heard from CEOs, there may be a risk of boards providing far less feedback than what they intend and less than what is useful for CEO and ultimately, company performance.

Boards use more structured monitoring processes such as formal evaluations 40% less frequently than informal monitoring methods. Only 55% of Directors indicate that their company uses a formal evaluation process and even fewer Directors (44%) conduct “pulse checks” with important internal stakeholders.

Directors who have been through more CEO transitions are significantly more likely to use structured methods (formal evaluation at 6 and 12 months and/or conducting periodic “pulse checks”) to monitor the CEO’s performance throughout the transition. They are also more likely to clearly set expectations up front regarding what aspects of CEO performance are important.

Method	Percent of boards that use this method	If used, percent of Directors that rated the method <i>effective or highly effective</i>
Ongoing board/CEO monitoring with feedback provided throughout the first year	93%	94%
A formal evaluation at 6/12 months	55%	94%
Conduct one or more “pulse checks” with internal stakeholders, particularly the senior team	44%	81%

CEO PERSPECTIVE

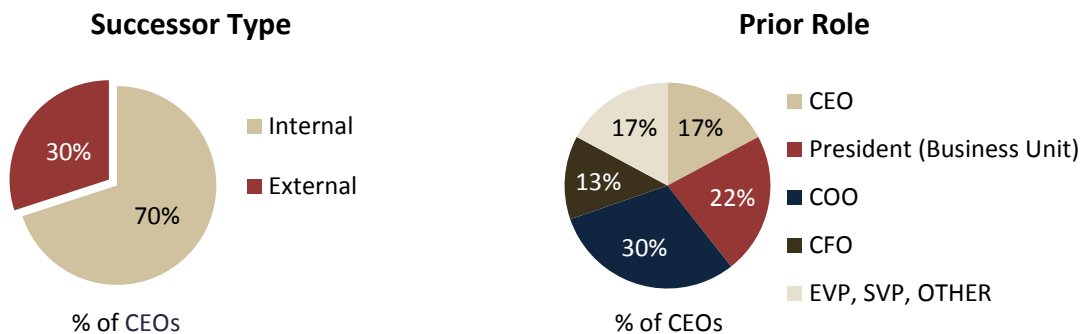
The second phase of the research examined the transition process from the CEO's perspective. It included structured interviews with 22 CEOs about 23 total transitions (one CEO shared experiences from two separate transitions that occurred within the past five years) and included both open ended and rated questions.

SAMPLE CHARACTERISTICS & PRIOR TRANSITION EXPERIENCE

At the time of the interviews, CEOs had been in their role for just under three years on average. Over half of our CEO sample was comprised of prior COOs and business unit presidents. In addition, a surprisingly large proportion of CEOs (83%) had no prior experience in the Chief Executive role.

In an effort to learn from the full spectrum of CEO transition experiences, our sample also included interviews with four CEOs who had transitioned into the role within the preceding six years but at the time of the interviews no longer held the CEO title.

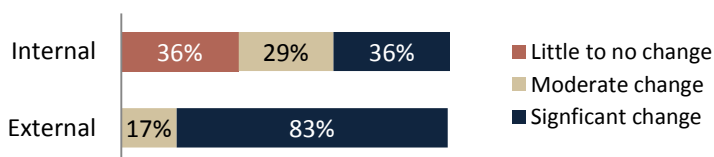
CEO Interview Results: Successor Type and Prior Role



Need for Strategic Change Once in Role

Sixty-five percent of the CEOs we interviewed shared with us that they needed to make a substantial change to the company's strategic direction once they were in the role. As anticipated, over two times as many external successors indicated that they had to drive significant strategic change, while little to no change in the company's strategic direction was needed by 36% of the internal successors we interviewed.

CEO Interview Results: Change to Company's Strategic Direction, by Successor Type



65
Percent of CEOs who needed to make a significant change to the strategic direction of the company

CEO VIEW OF TRANSITION PROCESS

Overall, 50% of interviewed CEOs described their transition to the role as challenging and even chaotic. The remainder described the process as smooth but no one described the transition as easy. This finding did not differ significantly by successor type, with a similar proportion of internal and external successor CEOs sharing with us that they had experienced a challenging transition into the role.

50

Percent of CEOs whose transition to the role was challenging and chaotic

This runs counter to Directors, who indicated that transition-specific support and/or resources were not necessary in situations in which an internal successor was taking over. This suggests some boards may not be considering the full set of challenges a new CEO faces, and although some of the issues encountered by internal successors may be distinct from those faced by external successors, they are significant challenges nonetheless.

BOARD INVOLVEMENT MAKES A CRITICAL DIFFERENCE

From the perspective of the CEOs we interviewed, a surprising number are left to navigate the transition on their own, with little or no involvement of the board or in the form of other support structures. In fact, only 57% of interviewed CEOs indicated that their companies provided integration support and an even smaller proportion conveyed that they had an involved and engaged Board.

61

Percent of CEOs who indicate that the involvement of their board did not meet their expectations

It is not surprising then that many CEOs (a full 61%) shared with us that from the onset they had different expectations for how their board would support the transition and help them get acclimated to the post. For many, these expectations included receiving frequent feedback from the board, as well as the board being more proactive and forthright about expectations and strategic priorities. In short, the CEOs expressed a desire for more guidance from their boards.

Our Recommendations for an Involved and Engaged Board:

- ✓ A planned transition process that allows for sufficient time and opportunity for the incumbent to gain alignment with the board on major priorities
- ✓ Board provides support, offers advice and counsel during the preparation phase and throughout the transition
- ✓ Once in role, board supports the CEO's efforts to evaluate the current state of the business and to determine strategic priorities; board is supportive of CEO's conclusions

CEO Interview Results: How was the board's involvement different than expected? What would have been useful? - Sample quotes:

- *I expected more involvement from [my board] than I actually received. I initiated a lot of the reaching out during the first year.*
- *I wanted clarity of the board's expectations, which they were hesitant to express.*
- *I would have liked more substantive check points and feedback. The feedback I got was all very positive and surface level. I didn't get any negative or developmental feedback.*

- *I would have liked more clarity on their views on strategy.*
- *For board members to open doors with external stakeholders and join me in meeting with them. Advocate for me.*

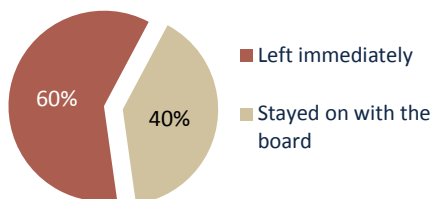
ROLE OF THE PREDECESSOR

CEOs new in the role often have to deal with the legacy of their predecessor, regardless of whether the outgoing CEO remains on the board. Sixty percent of the CEOs we spoke with indicated that their predecessor left immediately after the role change. Predecessors who stayed on as a board member did so on average for eight months – three quarters of the first critical year of the transition process.

8

Numbers of months, on average, predecessors remained on the Board

CEO Interview Results: Predecessor Role Post-Succession



For some organizations, a critical part of the board’s support occurs via interactions between the incumbent and the outgoing CEO. Several CEOs who were promoted from within specifically mentioned the value of having the counsel of the outgoing CEO prior to the

Our Recommendations for the Outgoing CEO

- ✓ Help the incoming CEO anticipate some of the major adjustments he/she will face during the transition
- ✓ Share insights on how the board operates and what kind of issues are on the agenda
- ✓ Give the incumbent “room to run” and lead the business

succession, and that they helped to provide a smooth hand-off and transfer of power. However, while some predecessors can be enormously helpful, our interviews with CEOs and experience show that in certain situations the prior CEO can impede the incumbent’s progress and ability to gain credibility with the board.

- ✓ Offer support as a mentor or sounding board, but be careful not to overstep their advisor status
- ✓ Clarify post-leadership role with the incoming CEO, as well as with the board, shareholders, staff members and employees

IMPORTANT TRANSITION FACTORS

During the in-depth interviews with CEOs, we invited them to describe the factors that helped and/or hindered their progress during the transition. We compared the responses of CEOs who had indicated that they had a relatively smooth transition, to the responses of CEOs who had experienced multiple, significant challenges that either individually or collectively impeded their ability to build momentum.

CEO Interview Results: Individual, board and organizational factors associated with CEOs who were able to hit the ground running:

- Involved, engaged board
- Transparent end-to-end succession and transition process in place with preparation phase as a key component
- Key internal and external relationships established or renegotiated
- Trusted advisors/mentor in place
- Role of outgoing CEO is clear

The most frequently cited factor associated with less challenging transitions was an involved, engaged board. Also of importance to a smooth transition was what happened prior to the role change, as this was time for the incumbent to ramp up, anticipate and plan, and to do the homework necessary to hit the ground running. It also included time to begin crafting key messages and establish or renegotiate relationships. For external successors in particular, this period of time provided for additional due diligence on the company, beyond what was done before accepting the role.

For smooth transitions there was also an emphasis on establishing relationships with important stakeholders. Many CEOs mentioned either a predecessor or HR executive who was instrumental in identifying who the successor needed to know, and also helped to facilitate introductions.

In terms of more challenging transitions, one factor to note relates to the economic climate at the time of the transition. Many of the CEOs we spoke with had transitioned right around the time of the downturn, so even for those who felt prepared to take on the role, the economic strain added significantly to the challenges already inherent in the situation.

For challenging transitions, another critical factor was the lack of support from the board. Several CEOs who shared this view indicated that while they were in the midst of trying to figure out what to do for a business hit hard by the economy, there were additional pressures associated with not knowing how to work with and utilize the board effectively. The implication is that the additional pressures could have been avoided or mitigated by a more involved, engaged board.

Another top factor associated with challenging transitions was the role

CEO Interview Results: Individual, board and organizational factors associated with CEOs who encountered multiple roadblocks that impeded progress:

- Limited support from the board
- Adjusting to the role
- Lack of clarity on expectations, combined with managing multiple, new stakeholders
- Significant economic or organizational issues
- Role of the predecessor was unclear

itself. First time CEOs in particular shared with us that simply determining what a CEO actually does was often the first stumbling block. Even as they tried to come to grips with the unfamiliar aspects of the role, they also needed to quickly discover how to deal with multiple, conflicting demands and avoid the propensity to fall back into areas of most comfort, which for many included getting back into the details of day to day operations.

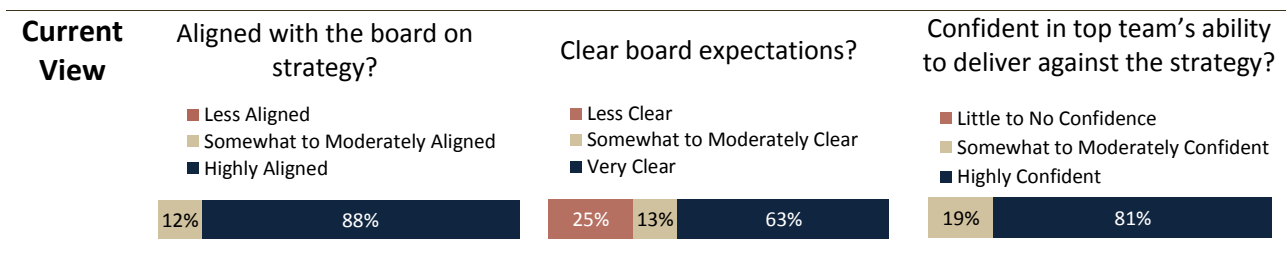
For one CEO, transition issues centered on an inherited senior team that identified too closely with the prior CEO and his leadership style. As a result, the team had a difficult time shifting their alliance to the new CEO and his agenda. Another CEO indicated that the most difficult challenges they faced occurred when the predecessor’s continued influence over the board and senior team made it difficult for the new CEO to set the agenda and attempt to reshape the executive team to match the company’s current business needs.

Important Transition Factors Identified by Directors

In addition to the factors listed in the previous section, we also wanted to get a better understanding of the CEOs’ perspectives on a few of the factors identified by Directors as important to the success or failure of a transition. In addition to CEO-board strategic alignment and clear board expectations of the CEO’s performance, we also wanted to learn about CEOs’ experience with their executive teams, particularly since this was identified by Directors as one of the most problematic aspects of the transition.

To get a sense of CEOs’ current views, we asked them to evaluate how they fared relative to each of the factors, based on their perspective at the time of the interview. At that time, CEOs were highly aligned with the board on the company’s strategy and also expressed a high level of confidence in their senior team’s ability to execute the strategy. As compared to the 88% of CEOs who were highly aligned with their board, 28% fewer CEOs shared the view that their boards’ expectations of them were clear. A full quarter of CEOs indicated that their boards’ expectations of them and their performance were *not* clear.

CEO Interview Results: Current Views on Strategic Alignment, Clarity of Board Expectations and Confidence in Top Team



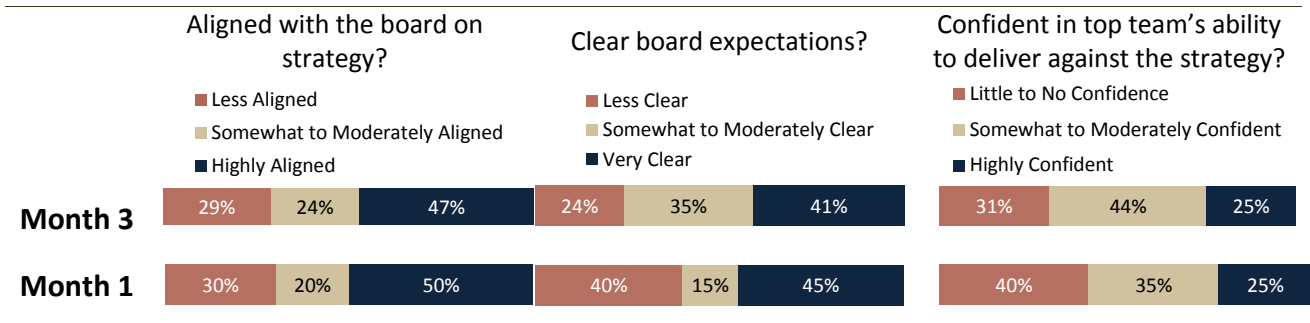
Note: Total may not equal 100% due to rounding

We then asked CEOs to reflect on their experience relative to each of the three factors at two points in time earlier in their tenure: at the end of month one and again at the end of month three. Between month one and month three, there was little change in the extent of alignment CEOs felt they had with their board. Regarding clarity of board expectations, the most dramatic shift occurred with those who initially indicated that they had little to no clarity on the board’s

expectations. As compared to month one, at the end of month three, 40% fewer CEOs were experiencing a lack of clarity and the proportion of CEOs who were somewhat to moderately clear on their board’s expectations had more than doubled.

Although the greatest improvement over time (from month one to current view) can be seen in ratings of the CEO’s confidence in his/her top team, the month one and month three ratings as a whole reinforce the finding that one of the more problematic areas of the transition relates to getting the senior team up and running.

CEO Interview Results: Early Tenure Views on Strategic Alignment, Clarity of Board Expectations and Confidence in Top Team



Note: Total may not equal 100% due to rounding

WHAT CEOS WOULD CHANGE

Hindsight being twenty/twenty, interviewed CEOs were asked what they would change about their integration if granted the opportunity. While they shared differing inclinations, the common denominator was that the CEOs *would have acted sooner*.

For example, one aspect that CEOs would change if they could would be to have more frequent, high quality interactions with the board earlier in their transition. CEOs emphasized the need for transparent and candid communication concerning the board’s view on strategy, role clarity, and the increased engagement of individual board members and the board as a whole.

CEO Interview Results: What would you change about your integration if you could?

- Involve and engage the board earlier on in their tenure
- Initiate people changes sooner
- Transition plan in place prior to role change

On average, people changes were made four months into the CEO’s tenure. However over 10% of CEOs mentioned that they would have initiated people changes earlier in their tenure, particularly as they relate to executives who were not performing up to expectations. Based on CEO responses to this and other interview questions, it is clear that this is an area of difficulty for many CEOs. When describing these situations, CEOs often expressed the desire to provide the underperforming executive with ample time to prove themselves. Yet inevitably during the interview the CEOs stated that this is something they wish they would have moved on much sooner because of the negative impact that this individual had on the executive team, their direct reports and the organization.

Regarding the CEO's integration, there was a desire for a more planful process to have been put in place prior to the role change (for example - to allow more time for due diligence on the existing team and to create a preliminary business plan) as well as for a more planful process once in the role rather than having a transition that was "baptism by fire."

RECOMMENDATIONS

Board members and new CEOs have a responsibility to ensure that the transition leads to an effective transfer of leadership and sustainable business momentum. It demands an active role and open communication for both parties in planning and executing the CEO's transition into this most challenging role.

ADVICE FOR THE BOARD

There is no "one size fits all" approach. However based on this program of research, we conclude that to execute well, the board should first recognize that the process does not stop with the selection decision. Take the initiative to engage the CEO around strategy. Assist with the important connections and provide the necessary support. It is also important to share experiences – help the new CEO anticipate the demands of the role. Finally, the transition plan should be based on an assessment of the organization's needs and the characteristics and capabilities that the CEO brings to bear.

- Clarify expectations of the transition period
- Take the initiative to engage the new CEO around strategy and expectations
- Maintain frequent communication with the CEO to stay calibrated
- Share experiences – help the new CEO anticipate the demands of the role
- Provide the necessary support in the form of coaching, moral support and mentoring
- Make sure that the role of the predecessor is clear

ADVICE FOR THE CEO

Get to Know the Board. Seek opportunities to meet informally with Directors. Discuss how they see the company. Former CEOs on the board will likely welcome an opportunity to share their own perspectives. Put a lot of time and energy into preparing for the formal board meetings, as well. This has to be done right to facilitate strategic alignment and stimulate critical discussions. The knowledge gained through your informal meetings will be invaluable.

Create a Support Network and Find a Champion. Seek a veteran CEO to act as a mentor, find a trusted advisor/HR professional within the organization, and/or take counsel from an outside consultant. This team of experts can help guide your personal transition process, reveal potential derailing events in advance and help you normalize frustrations that are bound to occur.

Put Your Team In. Assess your senior team early on. New CEOs may need to make adjustments to get the right mix of talent and capabilities for the given strategy. Build an environment that encourages open, transparent communication so direct reports are forthcoming with both good and bad news. Nonetheless, it's still wise to take neither at face value. Put trust in your team

but verify your own version of the truth. Gather enough data and information about the financials, culture, customers and competition so that you can make your own informed judgment about the current state and what it will take to move the company forward. The time to find a skeleton in the closet is before an analyst brings it up during your first quarterly conference call.

Get Out There. Leave your office, walk around, connect with employees and initiate relationships with your key constituencies. Learn what is important by preparing and asking good questions. Make sure the process is transparent as you share information. Have a clear idea of the “message” you want to communicate. It is important that this vision be delivered in a consistent way through deeds as well as words. Offer your insights only after you understand the viewpoint of others. Emphasize that you want to get aligned on views and come to some agreement on how to work together.

Additional areas include:

- Create and disseminate a well-crafted message; communicate early and often
- Clarify the agenda with the predecessor and learn from the outgoing CEO
- Maintain frequent communication with the board to stay calibrated
- Seek feedback on key development areas and create a plan to address issues

A Well Planned Transition Leads To:

- Business Momentum: Sustained organizational performance
- Alignment of key constituents on strategic priorities
- Established and aligned senior team; team membership comprised of the right people executing the right strategy
- People issues addressed in a timely manner
- Critical roles are clear, particularly board and predecessor
- Important relationships are established
- Developmental issues for the new CEO are identified and a plan is in place to address issues

CLOSING

CEO TRANSITION AS AN ORGANIZATIONAL EVENT

The CEO transition process is above all else an organizational event, comprised of the interplay of individual (CEO), senior team and organizational dimensions. All three areas must be addressed in an integrated, holistic manner in order for the transition to be successful.

The **individual** component refers to the challenges that accompany the personal transition that the new CEO makes as he/she moves into a role that has a significant increase in scope of responsibility and is much more complex than any position held prior to this move.

- ✓ *Early considerations for the individual:* Arrange for frequent interactions with board members in which they share thinking about strategy as well as their own personal experiences in an effort to help the new CEO avoid many of the common pitfalls experienced during the transition. The new CEO should also have clear expectations of how he/she will be evaluated by the board.

The **senior team** component refers to the movement toward a top team that is aligned with and committed to the strategic direction, collectively capable (has the requisite mix of skills necessary) to execute on that strategy and build the necessary momentum in the organization around change, growth, etc.

- ✓ *Early considerations for the senior team:* The new CEO needs to assess the senior team fairly early in his/her tenure and plan to make the necessary adjustments in a timely manner.

The **organizational effectiveness** dimension refers to the adjustments that necessarily take place as a result of new leadership and shifts in the strategic direction of the organization.

- ✓ *Early considerations for the organization:* The most important issue here is having alignment between the new CEO and the board on the strategic imperatives going forward. The new CEO also needs to assess the cultural and structural adjustments that will be required to meet the demands of the strategy.

RESPONDENT CHARACTERISTICS

DIRECTOR SURVEY

210 Directors

Title With Primary Company	Frequency	Percent
Chair	26	13
President	9	4
Vice-Chair	2	1
CFO	2	1
Retired CEO	12	6
Retired (not CEO)	12	6
Outside Director	126	61
Other	17	8
<i>Did not answer</i>	<u>4</u>	
Total	210	100

Annual Revenues	Frequency	Percent
Under \$500 Million	6	3
\$500 Million to \$1 Billion	19	9
\$1.1 Billion to \$5 Billion	112	55
\$5.1 Billion to \$10 Billion	38	18
Over \$10 Billion	<u>30</u>	<u>15</u>
Total	210	100

CEO INTERVIEWS

22 CEOs; 23 Companies

Tenure	Frequency	Percent
Less than 6 months	1	4
6 months to 12 months	1	4
12 months to < 18 months	3	13.
1.5 yrs to < 2 years	1	4
2 years to < 3 years	5	22.
3 to <5 years	5	22
5+ years	<u>7</u>	<u>30</u>
Total	23	100

Prior Role	Frequency	Percent
CEO	4	17
President	5	22
COO	7	30
CFO	3	13
EVP, SVP, other	<u>4</u>	<u>17</u>
Total	23	100

Transition Type	Frequency	Percent
External	7	30
Internal	<u>16</u>	<u>70</u>
Total	23	100.

Transition Type	Frequency	Percent
< \$50 Million	2	10
\$50 Million to < \$100 Million	2	10
\$100 Million to < \$1 Billion	2	10
\$1 Billion to < \$5 Billion	10	50
\$5 Billion to < \$10 Billion	3	15
\$10 Billion or more	1	5
<i>Data not available</i>	<u>3</u>	
Total	23	100