

Ordering the CEO Happy Meal

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Succession Planning Is Not Fast Food

In less than a year, McDonald's went through four CEOs which is typically a sign of a company in distress – but not in this case. When McDonald's was stumbling in the early 2000s, it avoided the reflexive instinct to pluck some celebrity CEO from the ranks of another company. Instead, it looked to its own culture and asked Jim Cantalupo, a retired executive, to right the ship. Significantly, one of Cantalupo's first acts was to put a successor in place who would lead the company in the future. The future came more quickly than expected when Cantalupo died of a heart attack a few months later, hours before a major speech to McDonald's franchisees. The succession plan was so solid, that Cantalupo's successor, Charlie H. Bell, was able to give that speech as the company's new CEO. Now that Bell has stepped aside because of colorectal cancer, his own carefully chosen successor, James A. Skinner, assumed the position without confusion. Mr. Skinner said he would continue with the strategies of his predecessors.

Few firms could handle such tumult because few have a real plan for executive succession. Most companies do not experience the tragic end of their leader while on the job. Instead, the proof of the general failure of succession planning can be seen in the frequency with which the revolving door spins at the top of organizations. New CEOs seem chosen for trendiness or popularity rather than by any consideration of the long-term strategy needs of the organization. Naturally, they do not last as long as they used to.

The blame for that failure lies with two groups. First, the current CEO and Executive Board should be held accountable. Making sure that either a few potential successors have been selected and are being groomed should be one of their top three areas of concern from day one. As the time evolves the successor of choice should emerge. Too many CEOs seem to worry that a chosen successor represents a threat to their authority and ego. To leaders like Michael Eisner of Disney, grooming a replacement means relinquishing control – an inconceivable act. When I worked with the chief of police in one of Canada's major cities, I learned how differently succession planning could be viewed. This person believed that the chief of police in any major metropolitan area should step aside after five years. Accordingly, the chief began the succession planning process soon after assuming command; and when five years were up, the chief stepped aside despite a contract renewal offer. To say that the vacating chief was a saint who lacked ego would be ridiculous. But this chief did have pride in knowing that success can be measured by judging the quality of those who continue the legacy. That attitude now permeates the organization's culture and its top administrators. The greatness of leadership should be measured by how you leave the organization, not just what have you done for the company up to the point of departure.

While the responsibility and accountability for succession planning lies with the CEO, the obligation for assuring a good process is in place is too often left to Human Resources. The problem with that is threefold: Human Resources rarely has the power or capability to execute a succession plan effectively; mandating human resources with the process sends the message that succession is not a business tool; and there is no one right way of doing succession planning anyway. There are a number of “benchmark” studies on succession management but the reality is they contradict one another. Succession management is more than a program unto itself; it functions best when it is an integrated aspect of the firm's Human Resources activities, aligned and supporting the corporate business strategy and rooted in the values of the firm. In other words, a firm cannot choose its path to succession from preset options like a customer chooses food at McDonald's. This reality supports the reasons why succession works best when

appointments are made internally. In effect, succession planning is actually effective and successful talent management.

To give Human Resources the power and capability to make a difference in partnering with the CEO and Executive Board in facilitating succession management consider the following:

- ◆ Succession planning has to be seen as a strategic business tool for which the CEO has full accountability, responsibility, and ownership.
- ◆ You will know when succession planning is really integrated into the organization's strategic mindset when promotions into key management and executive positions, regardless of business unit, are made only with the approval of those responsible for succession planning.
- ◆ Every effort should be made to hire from within. Hiring outside often means that the firm has not identified and groomed the right talent. (Hiring from outside is a message to your core performers of the limitations you have for their future.)
- ◆ Succession planning must be understood to be a process that can and should take people over a four to seven year period prior to promotion. (Most, if not all succession plans we have reviewed, are no more than glorified replacement-planning programs.)
- ◆ All promotions must be made based on an individual's alignment to the corporation's values, as commonly defined and understood by all employees.
- ◆ Succession planning should be one of the CEO's key objectives from day one of assuming the top role. The process of succession should be reviewed with the Board at least twice a year for the top two levels of the organization.
- ◆ Boards and CEOs must realize that corporate culture is greater and stronger than any one individual – even the best CEOs. Changing culture by choosing a particular CEO is an arduous, thankless, and probably quixotic task. In fact, I would guess (and could probably prove given the time and inclination) that most CEOs who are forced to leave organizations do so not because of simple performance issues but because the culture rejected them as a poor fit.

Some people absurdly believe that succession planning is an academic exercise with no business impact. Not only is having the right talent in place at the right time critical for the health, competitive ability, and resiliency of the organization – but also succession planning is one of those activities, which can focus everyone in the organization on what leads to success.

A few years ago we worked with a firm to develop a profile of high potentials, which would create a level playing field for talent management activities like succession planning. The ranks of senior managers with whom we conducted focus groups were incredibly excited by this activity because it engaged them in openly defining the meaning of the corporate values in real terms and also set out clearly what leads to success in their firm. Even those who came to understand that they were not high potential still felt committed even energized, to the goals of the process. Unfortunately, top management did not share that commitment and resisted participating. They did not see this as a business tool. Consequently they handed this off to Human Resources, refusing to participate in the process of defining success in terms that would force them to relinquish control of decisions about people. Instead of making objective

decisions on talent they turned to a classic commoditized emotional intelligence testing system, which failed to capture what was specifically unique about the company, especially their values. Today, they have effectively abandoned both systems and still rely on the classic replacement approach to stock their top ranks.

Choosing your organization's top talent is not something you can do at a drive-thru window at a fast food restaurant. It takes the commitment of the CEO and Executive Board to consider what will celebrate the success, maintain the values, and move the business forward. How ironic that McDonald's, of all companies, understands this so well.

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