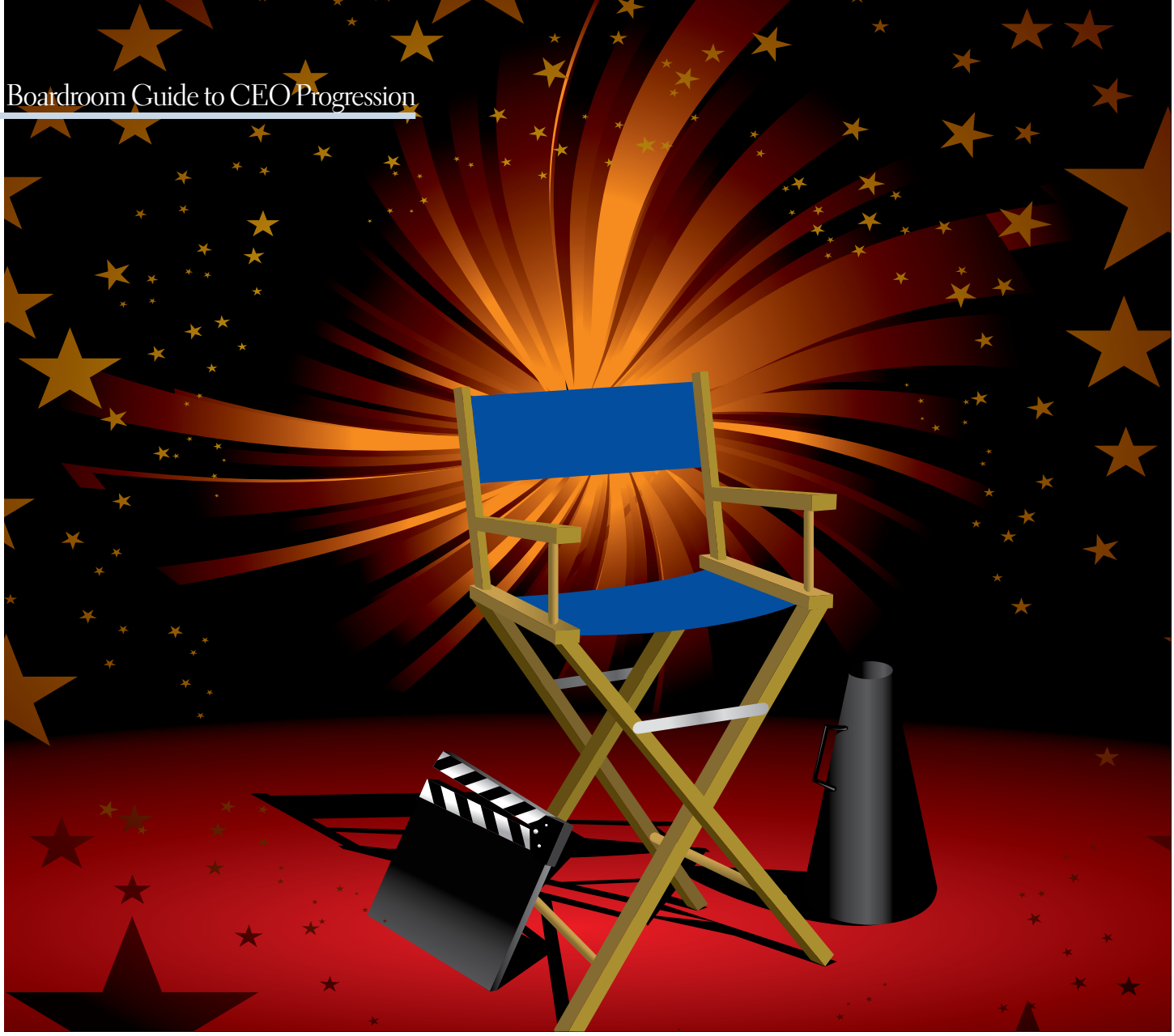

Think CEO Progression, Not CEO Succession

Developing leaders to navigate the disruptors of today and tomorrow is like making a Hollywood blockbuster. By Jane Edison Stevenson and Graham Poston

"How you manage CEO succession is how you manage your business." This bold declaration comes courtesy of a board member who served on a CEO succession panel organized by Korn Ferry. It is not only provocative, or perhaps even audacious, but it has the added virtue of being true. A company is only as good as its leadership, and having the right CEO with the right skills, experience, and temperament in place at the right time is crucial.

So forget about CEO succession. It is time for a new approach—CEO progression.

CEO progression is not a short-term proposition. Unlike CEO succession, which is often treated as a one-time event, CEO progression, as the word implies, is a process that takes place over time. Much like shooting a movie, it requires time, good strategic planning, and wise governance. Extending the analogy further, think of your board members as a film's executive producers, the CEO as the director, and your chief human resources officer (CHRO) as the casting director. As for your handpicked potential internal CEO successors—one of which will ultimately be tasked with developing, executing, and adapting your business strategy—they are the actors hired to breathe life into the words of the script. Without each of these people and their roles meshing, the movie could very well turn out to be a flop.

GETTY IMAGES

The Perform and Transform Dilemma

The world is continually changing, and the pace of change is accelerating. As a result, businesses face ever-present disruption, with new products, services, technologies, and brands elbowing their way into the market.

Constant digital transformation leaves in its wake a trail of disruptive technologies, new business models, and nontraditional competitors. A start-up or new technology that was once a blip on the radar can suddenly dominate a trillion-dollar market while a century-old blue-chip company may sink into the deep. Geopolitical turmoil disrupts complex supply chains and can wipe out hard-fought margins. Political battles reap regulatory hurdles (think Brexit), which spawn tremendous upheaval coupled with vast uncertainty. Throw in cybersecurity threats with a dash of economic volatility, and we have barely touched on a fraction of the challenges with which businesses must grapple.

Navigating all of this is not for the faint of heart. Recently, the board chair of a large corporation shared an all-too-common dilemma. The company was under intense pressure to deliver on short-term performance in its core business and deliver its dividend commitments to shareholders. At the same time, the company's board and leadership team knew they had to transform the business due to disruptive threats on the horizon—like a hurricane on its way to hit land.

What they didn't know was how fast-moving and powerful this hurricane would be or if they had the right CEO in place to weather the storm. The company was confronted with a paradoxical question: how do we continue to run the business while we simultaneously change the business? How do we simultaneously perform and transform? About the only predictable thing the chair knew was the mass of unpredictability.

Now, overlay a highly combustible business environment with an upcoming CEO change. The board was in a situation that traditional succession planning was not equipped to handle. They needed progression planning, embedded as an essential part of the company's culture and organizational DNA.

Each of these distinctions comes to life in different ways. Above all else, succession planning can provide a false sense of security. You may check off boxes on an organizational chart to earmark people who will be ready to step into that role in three years. But this isn't dynamic information—a year or two later, you will look at the same checklist and make the same conclusions about a person's potential candidacy. This is because the executive hasn't been developed and put into situations where she or he can build needed skills.

With progression planning, those who have been identified as having potential CEO mettle are put into developmental roles creating experiences that help them amass the skills, experiences, and mindsets needed so that if circumstances dictate, they can assume the mantle of leadership with readiness. With progression, you're not just checking off names in boxes, you are actually accelerating and tracking each candidate's progress.

In this way, progression planning is embedded into how you run your business. It isn't separate from your business agenda. It is your business agenda.

"We started working on CEO progression within my first year as CEO, and I can tell you we didn't start a minute too soon," Denise Ramos, former CEO of ITT Corp. and director of Phillips 66 and United Technologies, told us. "It felt like we had plenty of

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Succession vs. Progression

There are key distinctions between traditional succession and progression planning. Here are five.

SUCCESSION PLANNING	PROGRESSION PLANNING
A one-time event	A continuous practice
A one-person event	A team for future success
An assessment exercise	A development catalyst
Names in boxes in today's organization chart	Nimble leaders who can work in a flexible structure
Board or HR initiative (separate from the business)	Embedded in how the business is run

Source: Korn Ferry

time back then, but looking back on it, we used every bit of those eight years to build and leverage the leadership capabilities needed to deliver our business strategy and to ensure a smooth transition. Over time, CEO progression became just a natural way of leading the business. It cascaded from primarily focusing on top enterprise leadership to a consistent, multigenerational approach that directly enhanced our performance."

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The Five As

To build an ongoing CEO progression, we have found it helpful for organizations to focus on these 5 As:

1. Align strategically.
2. Assess capabilities.
3. Accelerate development.
4. Access the marketplace.
5. Activate performance.

Align strategically. Many boards look at the attributes they want in a CEO and skip a critical step: what is it that you want the business to be? What are those three to five critical strategic issues and priorities that the future CEO will need to navigate? If you don't know this, then you are evaluating your leadership strategy in a vacuum.

In this phase, boards are often surprised by what they learn. For example, the chair of a company in Asia we have been working with said: "We thought our board was fully aligned…we knew we needed to transform and that digital transformation was at the core of that. What we didn't realize was that 50 percent of our board thought our core business would disappear in two years, while 50 percent saw our current core business surviving for 10 years or more. Had we not aligned on the scope and speed of transformation we would have been looking for two very different CEOs!"

Assess capabilities. Sure, it's important to understand where people are in their career development. But from the perspective of CEO progression it's just as important to be able to judge their potential by what they are capable of doing in the future. We must also go beyond just assessing potential to prioritize how best to help the leader realize this potential. This approach requires boards to look beyond what the leader has done (their past experiences) and how the leader behaves today (their leadership competencies), into who the leader is (their mindsets and attributes), and the leader's why (their drivers, aspirations, and motivations). Leaders generally get appointed for what and how, but they generally fail because of who or why.

Accelerate development: Progression planning does not stop at assessment. Helping leaders progress and realize their potential often involves taking a well-informed risk to move them into new roles. These roles typically either address critical experience gaps, or give the board visibility into the leader's agility or elasticity to succeed beyond their current position in enterprise-wide leadership roles, which are the closest approximations to being a CEO.

For others, addressing a critical mind-set or behavior becomes the primary area of developmental focus. This often turns out to be an overplayed strength, which, if not addressed early, could become limiting or derail a career. Talented executives with the potential to lead transformative change as CEOs often have the biggest strengths and spikes in their leadership profiles. They

also often have flaws that could derail their careers. Having flaws is not the problem—we all have them. Not being aware of them, however, or not developing the mechanisms or methods to manage them, can prove fatal to the progression plan.

Having put a development plan in place, it is equally critical to establish mechanisms that create visibility into the progress leaders are making. This enables the board, CEO, and CHRO to test initial hypotheses and assess real-time progress these individuals are making—especially around the perform-transform agenda of the organization. Few organizations do this part well.

Access the marketplace. As a board, it is not possible to truly understand your company's leadership team without also understanding the marketplace. How does your organization's leadership stack up against the leadership of competitive organizations? Are competitors structured similarly or are they vastly different? What are their strengths and weaknesses vis-à-vis yours? What is the strength of their bench versus your bench?

In best-practice progression planning, organizations are developing potential internal successors while also continuously scanning and confidentially engaging with the best talent in the marketplace. This includes high-potential successors who can be brought in to developmental enterprise leadership roles, as well as having board members casually maintain relationships with individuals who might be capable of stepping directly into the CEO role if or when the time is right.

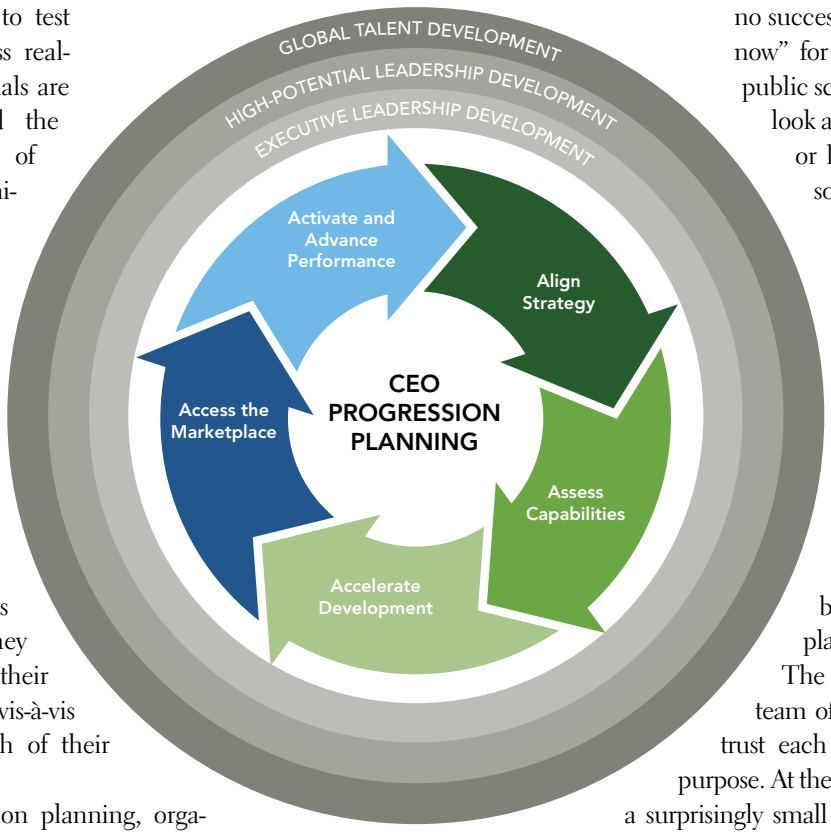
Again, think of directors as the producers of a movie and all the elements that a producer has to juggle: picking the right script, securing financing, and, of course, finding the right director. Any element that isn't up to par ultimately threatens the success of the finished film. In successful progression planning, the board must create and maintain opportunities to meet different business scenarios. And similar to how a producer oversees the many components of a film, the board must make sure the company is simultaneously developing internal successors, accessing high-potential external successors, and accessing leaders who could directly step into the role today if needed.

Activate performance. CEO progression does not end with the selection of the CEO. Indeed, in many ways this is just the starting line. We often see CEO succession plans that denote potential successors with the phrase "ready now"; however, no successor is ever 100 percent "ready now" for both the challenge and the public scrutiny of the CEO role. If you look at a candidate and think of him or her in this way, then there is something you are missing.

It is critical to put support mechanisms in place for even the most experienced CEOs. Assisting them in ways that accelerate the transition into and the ability to perform well in the CEO role is just good sense—like protecting your investment. Our experience shows that this must extend beyond the first 90- to 100-day plan seen in a lot of literature. The successful CEO must build a team of complementary leaders who trust each other and have a common purpose. At the same time, the new CEO has a surprisingly small window of time in which to shape his or her own distinctive agenda or else inertia and the shadow of the previous leader(s) will prevail.

Becoming a CEO is not just a job change, it's a career and life change.

The 5 As of CEO Progression Planning



Source: Korn Ferry

CEOs and Their Teams Must Be Ambidextrous

It takes a special person to simultaneously run the organization and change the organization. Today's CEO must be ambidextrous around these two sometimes competing needs.

Ambidextrous leaders can't just be left- or right-brained. They must be leaders who can effectively leverage their whole brain—both the creative and analytical sides—and have the agility and elasticity to flex across a spectrum of conflicting and competing leadership approaches. For example, they must align a company's

strategy execution while also anticipating the future and shaping the company's vision and strategy. They must communicate with clarity yet inspire through purpose and authenticity. They have to evoke accountability even as they empower and coach. They drive financial discipline while simultaneously creating a culture that facilitates building prototypes, failing, and learning fast—all while quickly scaling the best ideas.

Generally, potential CEO successors have only 70 percent to 80 percent of the necessary characteristics and experiences needed for success. Organizations must then make some key choices and trade-offs. First, they must prioritize which of the attributes within this spectrum of leadership are most critical to the CEO directly and which can be addressed through ensuring that the CEO has a diverse team with complementary strengths. Trust and a common purpose become the critical ingredients to fully leverage this diversity of talent over time.

"The board and the CEO must recognize that the company's next candidate for CEO may require a different profile from the current highly successful CEO."

—ELLEN MARRAM

After surveying and working with hundreds of CEOs, we see a number of common traits in ambidextrous CEOs. They are curious, bringing creative insight to new problems. They are courageous, remaining committed and resilient in the face of setbacks. They are also quick to build trust and to connect with others.

As you can see, a lot of this relates to who the leader is. They operate from a clear, consistent purpose, which sustains both their own energy to perform and transform and also inspires others to bring their best to a mission beyond themselves.

Ambidextrous CEOs also develop a practice of pausing to recharge, reflect, and tap into their best thinking. This is no mean feat in today's dynamic, fast-paced, disruptive world. We're not talking about a long weekend here and there. These mental reboots are built into their lives and are a key part of their leadership rhythm. They help the leader to step out of running and working *in* the business to work more *on* the business. They also enable the leader to consistently stay connected with and be driven by their purpose or mission. Having described the perfect CEO—a Prince or Princess Charming if you like—we'll let you in on an important secret: this perfect person does not exist.

Hsieh Fu Hua, former CEO of the Singapore Stock Exchange and current chair of the National University of Singapore and the National Gallery said, "I have been directly involved in a number of CEO successions over the last 10 years, including my own succession at the Singapore Exchange. In the earlier efforts, the main attention was on assessing and selecting the best-fit CEO candidate. I am increasingly clear that the right approach is not just to focus on selecting the CEO. Instead, we should address our efforts towards developing a team of enterprise leaders with a common purpose and a deep level of trust."

Always Be Close-up Ready

"The success of the CEO progression, and of the board's ultimate selection of the right candidate, requires the board's full understanding of the anticipated future needs of both the company and the business environment," said Ellen Marram, president of Barnegat Group and lead director of Eli Lilly & Co. and Ford Motor Co. "The board and the CEO must recognize that the company's next candidate for CEO may require a different profile from the current highly successful CEO. Ongoing robust discussion and full

transparency between the board and the CEO on all aspects of the business as well as the candidates are critical to ensuring a successful outcome."

Returning to our Hollywood analogy, traditional succession planning is like watching a direct remake of a classic movie—you have the same plot and characters, but a different cast of actors.

With progression planning, though, every company has its own unique story and distinct cast of characters: the chair and board (the producers), the CEO (the director), and the potential internal and external successors (the actors). Just like making a movie, each has a critical role to play to ensure that progression planning is embedded in the DNA of how we run our businesses and all our talent practices.

Done right, it not only has a happy ending, it is a box-office smash.

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An Example of CEO Progression

John Lechleiter ran Eli Lilly and Co. as CEO and chair from early 2008 until the end of 2016. He believed from the beginning of his tenure that it was imperative the pharma giant manage a process consistent with CEO progression and not wait until a leadership transition was imminent.

"With a few important product patents expiring," Lechleiter recalled, "Lilly faced a dramatic loss of revenue in a span of only a few years. Unexpected late-stage pipeline failures meant that the new product pipeline would have to be rebuilt even as revenues began to decline. We had very few other options and little margin for error. The task was clear: we had to perform in difficult circumstances and transform toward a new future with agility."

Lechleiter and the Lilly board knew that they couldn't just focus on a single person as they looked ahead. "The future for Lilly was uncertain by definition," he said. "We had to develop a pipeline of leaders—a team—that improved our odds of winning, regardless of which of several potential next agendas emerged."

Possible "next agendas" included:

- commercial development that took full advantage of the emerging pipeline and strategy;
- the need to adopt a whole new strategy and retool to meet it; and
- maximize profitability and operational effectiveness to survive until the company could regain its footing.

Each agenda required a different leader, however, and Lilly's board had to understand who in the candidate pool had best capabilities for which scenario and how they might use key roles to further develop each of the candidates for potential readiness when the time came.

Lilly had woven progression planning into the fabric of its business. A board that does this well makes sure that a potential pool of CEOs is cultivated and carefully developed. Disciplined boards will also establish a talent pipeline, cultivating executives with the right stuff for upper management. These candidates are identified early and assigned important initiatives and responsibilities, like building a software business or overseeing European operations.

John Lechleiter

"The leaders who were being developed then are making a key difference today," said Lechleiter. "This has made Eli Lilly's transformational agenda a reality. The progression approach was good for the future, but it also changed the outcomes at the time. These leaders made a difference short- and longer term."

For Lilly, at the point of transition in late 2016, the board was fortunately able to focus on the first agenda. "That said," Lechleiter observed, "we had to be ready for any of the three scenarios, and we were."