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# THE ROAD TO CEO

*New Perspectives for Maximizing Performance & Accelerating Leadership*

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## Why Promising Transitions Fail

### Hidden Barriers that Sabotage Succession

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**T**he stakes in a leadership transition are high for everyone involved. While the tangible costs of failed transitions can run into the millions of dollars, these costs pale in comparison to the intangible damage.

Declines in employee morale and productivity, intrusive media scrutiny, and reduced consumer and investor confidence, not only halt forward momentum, but can dramatically reduce a company's standing in the industry.

At all levels of leadership, transition planning and on-boarding receive greater attention today than ever before. Unfortunately however, regardless how carefully you prepare for the task, unanticipated barriers frequently arise and threaten to derail even the most promising and well-planned transitions. While many of these barriers can't be completely avoided, when you are aware their destructive potential, you can address them early on and take steps to minimize their negative impact.

#### **The Succession Dilemma**

Executives who move directly into a senior leadership role, due to the sudden departure of their predecessor, often feel that they are at a disadvantage compared to those who gradually

take over from a seated leader. A sudden leadership change has its challenges, of course. However, in these cases, the challenges are clear. The challenges facing designated successors tend to be more subtle and frequently go unidentified.

These days, more and more leaders take over through gradual, planned transitions. The board carefully selects a candidate to promote to the number 2 spot, with a timetable for advancing him or her to the top position. Or, an experienced leader is hired from outside the company, with the retiring CEO taking on the position of Chairman. In both of these cases, the idea is that the CEO will work closely with the chosen successor, to facilitate his or her integration and ensure a seamless transition.

When well planned and managed, these transitions are a time of high morale and growth potential. When you look at the successes, it's only natural to assume that every organization would benefit from having the current CEO orchestrate the transition to the chosen successor. Yet many new leaders brought in to the number 2 spot, under these circumstances, never make it at the top. Either they are passed over for the final promotion, or worse, they become a statistic among the increasing

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number of short-term leaders, prematurely terminated by their boards for failure to perform.

If the direct involvement of the current CEO in the integration process is the path to a seamless succession, why is the success rate in these transitions still so poor?

While a transition facilitated by an existing leader has many advantages – it's not the presence or absence of the outgoing leader that determines the outcome. It's how the outgoing and incoming leaders, board members, and other key stakeholders relate, how their behaviors are perceived and interpreted, and how they respond to inevitable resistances and setbacks, that ultimately impact the outcome of the transition. The most significant factors in every successful hand-off are the interpersonal and group dynamics involved.

### The Leader Who Can't Let Go

When seeking a successor, it's natural to look for someone most like ourselves. After all, it's easiest to work with and turn over our responsibilities to someone who mirrors our qualities and can carry on our legacy. However, in today's rapidly changing business environment, the most successful companies are those that embrace change.

The leadership talents that brought the organization to its current level of performance may not be the right match for the next round of strategic challenges. For this reason, CEOs and boards frequently look for new leaders with very different strengths.

**A leader, unaware of these dynamics, can go through potential successor after potential successor, never finding the right person for the job.**

Consciously the outgoing leader may recognize the value of the successor's differences and may want to ensure a smooth transition. However, just beneath the surface, the leader may have unspoken reservations about the plan.

This is understandable. Relinquishing the CEO title, in itself, strips away the leader's hard-earned sense of identity. Seeing someone so different at the helm of the organization may represent a threat to his legacy as well.

The CEO is able to keep his ego in check through the preliminary stages of identifying his replacement. However, as the two begin to work together, the outgoing leader starts to find flaws with his successor. Rather than using the transition period as an opportunity for coaching and mentoring, subconscious resistances lead the current CEO to see these deficits in the successor's skills as fatal flaws, rather than deficiencies that can be corrected. He reduces contact and withdraws support.

The incoming leader, unaware of the underlying dynamics, senses that he is somehow not meeting expectations. Or, he may interpret the outgoing leader's withdrawal as a green light to take over more of the decision making. Either way, the successor increases his pace and steps more into the leadership role. However, because he now has little contact with the outgoing leader, his actions are likely to miss the mark.

It's easy to see how these forces, if left unidentified and unaddressed, can easily derail

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an ideal step forward for the company. In fact, leaders who are unaware of these dynamics may go through one potential successor after another, never finding the right person for the job.

## Sink or Swim

One of the trickiest transitions to make is when a new leader is brought in from the outside to replace a highly regarded founder or beloved long-term leader. The resistance of the organization to accepting a new leader can be enough to drive away a potentially great successor. In these cases, it takes a serious commitment on the part of the current leader to helping the new CEO succeed.

Unfortunately, all too often, the successor is left to sink or swim in the new environment as a test of her leadership ability. When the current CEO stands back and takes a wait-and-see attitude, to determine if the new leader can “handle it,” he is, in effect, sending a mixed message.

Although the old and new CEOs appear unified on the surface, the organization senses that the new leader doesn't have the full support of her predecessor. A subgroup, feeling intense loyalty to the outgoing leader, consciously or unconsciously undermines the initiatives of the new CEO. This paralyzes execution and sets the successor up for failure.

Under the best of circumstances, a new CEO, with a different style and different skills than her predecessor, can find it hard to win the hearts and minds of employees who find the old style familiar and comforting. Even in the physical absence of the beloved leader, some employees see any attempt at changing direction as a sign of betrayal.

While it takes time for any organization to develop confidence in a new leader, the early

actions of both the outgoing CEO and the successor, play a major role in determining if and when that confidence develops.

It's natural for a new leader to respond to an outgoing leader's lack of support, or to a sense of being tested, with an urgency to prove herself right away. She may make sweeping changes to signify a “new beginning,” or a “new direction” for the company. She may insist on rapid change to prove her capability to get things done. Or she may resort to excessive control in an effort to spur the organization on to unified action. These approaches only alienate people further.

In fact, what is really needed is an understanding of the dynamics of the situation. With the right perspective, a new leader facing this challenge can demonstrate how her strategy for the future will only strengthen the legacy of the past.

## Great Expectations Lead to Great Assumptions

Another problem occurs when an organization seeks new leadership to deliver rapid change. The hiring company wants to enter new markets, develop new strategy, capitalize on an emerging opportunity, or turn around a troubled division. Typically, the new leader is someone with a great reputation in the areas that the company wants to grow. It's anticipated that he will create momentum quickly and deliver the desired results. Expectations are high and the new leader doesn't want to disappoint.

Because the new leader has significant expertise in the priority areas of the company, he enters with a strategy in mind. The new leader believes that his successful track record, combined with his mandate from the board, automatically confers the support of the organization. He focuses attention on the technical aspects of

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implementing his strategy, assuming that a critical mass of support is in place.

The more confident the leader feels in the support of the board, the greater the build-up in the press, and the higher his level of previous success, the more susceptible he is to misinterpreting his impact on the organization. In other words, the higher the expectations, and the more the new leader believes that everyone is behind him, the more likely he is to assume that he's on the right track. This leads him to act first and ask questions later.

In his rush to deliver results, the new leader neglects to take sufficient time to learn important information about the organization... information that can make or break his agenda.

It's understandable that a new leader might feel that he already has all the information he needs about the company. After all, he conducted his own due diligence prior to accepting the position; and he learned a great deal about the company's strengths and weaknesses after being offered the job. He feels fully up to the challenges and expectations; and he continues to stay in close contact with the board and current CEO.

The problem is, politics and culture, how things really get done in the organization, require *experience* and are easy to take for granted once learned. Board members don't often have first hand knowledge of the subtle inner workings of a company. And the current CEO has been living with the organizational dynamics for a long time.

Certainly by the time one reaches the senior executive level, one understands the significance of culture and organizational politics. In fact, navigating relationships and culture has become so second-nature that the experienced candidate often takes this ability for granted.

However, the values and expectations of the workforce, along with the informal alliances and networks of influence, vary significantly from company to company. Unless one becomes familiar with the culture and political idiosyncrasies of each new organization, it's easy to step on people's toes. This can

permanently cripple even the most promising agenda.

Additionally, since technical and strategic information is easy to recognize and quantify, it's far more comfortable to focus

on these areas than on more subtle cultural and political factors.

Of course, no one can focus on everything at once. It's important to ensure that one's A-list items are the right priorities. That's why we strongly recommend that new leaders use the time *before* their actual transition to gain easily quantifiable technical and strategic knowledge. Then, they can focus the first weeks or even months on the job, learning the more subtle, but critical, dynamics of the organization.

New leaders need to know how their specific behaviors elicit responses in the organization. Unfortunately, it's hard to get this feedback directly, and one can't learn it from a book, or put it into a transition plan. This advice can come only from someone who observes the

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new leader in action, at close range, on an ongoing basis, and champions his success.

## The Information Bottleneck

For new leaders who want to make effective decisions and rapidly demonstrate their ability to take charge, access to complete and accurate information is critical. Even the best prepared executive finds that the new organization looks very different from the inside. There's so much more that she needs to know.

Getting the right information during the transition period is vital. Yet multiple factors keep new leaders from accessing the information they need. As early as possible in the transition period, it's important for new leaders to uncover and address the cause of information bottlenecks.

In many organizations, there's a conscious effort to keep bad news from reaching the top. The new leader may have stepped into a culture that takes this to an extreme, discouraging candid reporting and feedback. The uncertainty of the leadership change further discourages people from taking risks.

The new leader's actions may also discourage input. Some leaders feel they can ease their transition by leaning heavily on internal advisors. But a danger exists that these advisors may have an axe to grind, a vested interest in the outcome, or be seen as representing a "special interest" group within the company.

However, you have to be careful how your relationships are perceived. There's a world of difference between seeking input and appearing to be "captured" by the wrong people. Once you are identified as being

on "one side" of an issue, it becomes even more difficult to get objective perspectives.

Another source of information bottlenecks is the reluctance of even the most senior staff to disagree with a leader's ideas or raise objections to decisions. The most effective leaders, of course, welcome and even solicit dissent. However, research consistently demonstrates that, even in cases where people are specifically instructed to voice opposing views, most of us prefer consensus to controversy. Even if widespread agreement doesn't *actually* exist, the very appearance of it can be hard to resist.

Your own preconceptions may also get in the way. Leaders who arrive believing that they know what the issues are and that they already have the answers, not only discourage others from sharing information, but interpret the information they do get in ways that support their preexisting views.

## Ending the Crisis

Despite increased attention to leadership transitions, turnover at the top of today's organizations continues to rise. It's well established that most of these transitions fail because new leaders don't establish sufficient credibility with the board or outgoing CEO, fail to gain workforce confidence, or make serious blunders due to insufficient or inaccurate information.

It's easy for boards to believe that, although the candidate was well matched for the technical and strategic demands of the job, he or she simply didn't have the leadership skills, cultural fit, or other criteria to make an effective transition. In other words, they believe that the new leader was simply the wrong choice.

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This obvious conclusion is extremely costly and, in most cases, attacks the symptom, not the disease itself. It also leads to unnecessary and counterproductive scapegoating. Board members are labeled as ineffective stewards of the succession process. Failed successors are labeled as inflexible or incompetent. Even search firms themselves can be labeled as too eager to place a candidate and bring the search to a close.

While boards and search committees are certainly not infallible in their decisions, the habit of blaming failed transitions on “the

wrong candidate,” does nothing to solve the problem or improve the odds of success the next time around. Rarely is a failed transition the fault of any one entity. It’s far more likely

the result of failure to identify the unique dynamics influencing the transition.

When you understand the potential barriers that can derail any new leader, and take

steps to address them, you vastly improve your chance of a successful hand off.

Considering these factors, as a matter of course, can go a long way to ending the CEO succession crisis.

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