



CEO succession is the one aspect of planning that no board can afford to leave to chance and the more preparation is involved, the better the results

Preparing for the future

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There is little debate about the importance of the CEO's position. The CEO is responsible and accountable for the organisational strategy and every decision stemming from it. Any interruption in leadership or any performance issues at the CEO level can dramatically harm business continuity and organisational viability. For many leaders in the Middle East, especially leaders of large family-owned businesses, succession planning is largely synonymous with estate planning for wealth distribution as the head of the business passes on. Much less attention is given to the leadership talent required to continue leading and driving business success. Therefore, having a structured, comprehensive approach to the succession and development of the CEO is of paramount importance in talent management.

Companies need to know how to choose the right person for the CEO position, how to develop talent with the potential to lead at CEO level and how to create a succession plan that creates the best transitional period possible between leaders.

MAKE THE RIGHT CHOICE

Of any decision a board of directors makes, one of the most important is in selecting the CEO. However, boards often have to make this crucial decision with insufficient information. Often, the selection decisions are based on prior performance at lower leadership levels or, in the case of external candidates, on performance and screening information from search firms.

INTERNAL VS EXTERNAL CANDIDATES

Boards are often tempted to select external candidates who have led other companies at a senior leadership level. However, information about external candidates primarily consists of screening information from a search firm and performance points about the candidate's success at his or her previous business. This says little about potential success at the new company. Because of this, external candidates have a much higher failure rate than internal candidates.

Although internal candidates have proven to be a stronger choice in the aggregate, there is no guarantee of success with that choice either. The primary information available on internal candidates is based on performance in their current role, not their potential for success in the new role of CEO. The competencies, skills and demands of the CEO position may be quite different from the skills needed in their current leadership role.

CONTEXT OF ACCOMPLISHMENTS

Most candidates considered for the CEO level come with a long resume of previous accomplishments. However, accomplishments of internal and external candidates must be viewed in the context they were achieved. What role did the candidate play? What teams surrounded and supported the candidate's actions? What were the business conditions under which the candidate performed? All of these variables complicate an objective view of the candidate's past performance.

What is needed is a strong, reliable set of data points that rate a candidate's abilities, skills and competencies for the specific demands of the CEO position.

CEO ASSESSMENT

To get a more focused view on a candidate's specific skills and competencies and how those skills align with the skills needed in the specific CEO position, a thorough assessment of the candidate should be conducted. The assessment consists of cognitive and personality testing, an inventory of the candidate's experience and a CEO simulation assessment.

The CEO simulation assessment process immerses candidates in a "day in the life of a CEO." This simulation allows all candidates to be evaluated objectively based on their actions and performance during identical simulation assessments. Candidates are given background on the company they will be leading during the simulation. Prior to the full day simulation, candidates are asked to prepare a white paper outlining their vision for the company and strategies needed to complete that vision. Then, candidates go through the "day in the life" assessment and are expected to perform a full day's worth of realistic tasks associated with the job. The simulation allows companies to see how candidates handle certain business issues, balance a day's priorities, react to stressful situations and communicate with internal and external audiences.

Users have found the simulation process provides accuracy and objectivity in measuring CEO capabilities, identifying risk factors, highlighting pivotal strengths and development needs and predicting future success.

What this simulation successfully achieves is viewing the actions of the candidate in the role of the CEO. This exercise proves to have more success in measuring the predicted success of the candidate as CEO while simultaneously uncovering potential risk factors in the individual's success. Additional training in these areas can avoid problems before they occur.

The specific information from the simulation exercise and the comparative nature of the assessment provides the board with needed information to get a clear view of each candidate's abilities and their potential of success in the CEO position.

SUCCESSION PLANNING

With the intense pressure of keeping the CEO position filled with the most capable candidates, a successful succession plan usually involves a process that begins three to five years before the sitting CEO is expected to depart. This gives sufficient time to evaluate a potential pool of internal and external candidates, evaluate which experiences for each candidate may accelerate his or her ability to take on the CEO level in time, and plan for a transition period between the sitting and appointed CEO.

However, as CEO tenures continue to decrease, the need to replace a CEO frequently arises far sooner than expected. Pru-

dent companies continually consider the possibility of having to fill CEO positions unexpectedly and prepare accordingly.

IDENTIFY CRUCIAL SKILL SETS

There is no such thing as a generic set of skills that a candidate should possess to be successful as a CEO. The skills needed at this level are largely dependent on the company's culture, the industry, the business environment, the current market conditions, opportunities and constraints facing the company and several other factors that influence the skills the corporate leader must master.

A board should take steps to investigate the specific skills required for the position and reach a consensus on which skills candidates will need to display to be considered for the position. There should be a disciplined analysis of the competitive environment and the specific challenges the next CEO will face in implementing the company's strategic direction, or change of direction.

In most cases, the best way to conduct this type of analysis is to engage a third party skilled in both business analysis and behavioural science to conduct structured interviews with senior executives. This process yields a summary report designed to help the board identify the future challenges the CEO will face and the skills needed to meet those challenges.

DEVELOP SKILL SETS

In a preferred situation, the succession management process for the CEO position means that a company is not beginning its search for a potential pool of candidates immediately before a decision needs to be made. This allows for some time in preparing or developing potential candidates who may closely match the needed skill sets in some areas but still need work in other areas.

Every candidate has a few set dimensions, such as cognitive ability and personality. These components are largely set and cannot be greatly influenced by training. However, other aspects of candidate's qualifications can be impacted by experience and training. Especially for internal candidates, a company can work to provide more experiences in a certain area to help strengthen a weaker set of skills or work on developing certain competencies through specific training or coaching. Only a small number of CEOs of leading Middle East organisations are actively involved in developing their successors, and yet this is the best way of ensuring a smooth transition.

A PRUDENT COURSE

Although there are no guarantees there are methods to significantly improve the odds of success. Deliberate and objective practices can afford a prudent course of action in CEO succession. With the high stakes at this level, the investment in developing clear succession planning and thorough analysis of candidates is a wise investment to make. **CEO**

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