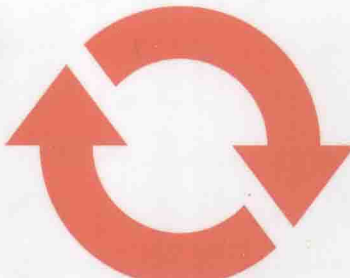


# TRANSITIONS

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What Organizations Must Do to  
Make Sure New Leaders Succeed

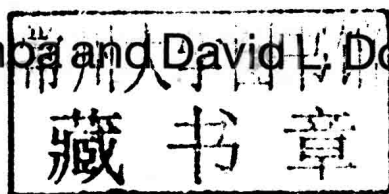
**DAN CIAMPA & DAVID L. DOTLICH**

**WILEY**

# Transitions at the Top

**What Organizations Must Do to Make  
Sure New Leaders Succeed**

Dan Ciampa and David Dotlich



**WILEY**

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## **Praise for *Transitions at the Top***

“Without a doubt, corporations have raised their game on the use of various techniques to improve the likelihood that externally hired talent will succeed in their most business-critical roles. What many companies haven’t done, however, is to spend the same amount of time on building a set of transition practices to further increase the probability these executives will thrive and prosper in their new roles and in their new companies. The cost of a failed transition is monumental, and comes in the form of missed market opportunities, a loss of business momentum, reputational damage, and potential damage to the credibility of the CEO and/or the company’s board of directors. Fortunately, Dan Ciampa and David Dotlich outline a practical, compelling playbook that if properly executed, will substantially increase the chance of success in senior leadership transitions. A timely and important book on a very important subject.”

L. Kevin Cox  
Chief Human Resources Officer  
American Express Company  
Director - Kraft Foods Group  
Director - Corporate Executive Board

“Senior transitions are seminal events but are often botched, at great cost to the company and its shareholders. Too often succession decisions are made by a board, with those crucial first months then left entirely to the new manager to navigate. This book takes a different vantage point and illuminates the critical role of the company, its board, and senior managers in making sure those vital successions work. Written in a straightforward, practical manner, a must read for all involved.”

Ken Leibler  
CEO Liberty Financial Companies and former President American Stock Exchange  
Director - Northeast Utilities  
Trustee - Putnam Investments Funds

*"Transitions at the Top* is a welcome, long-overdue addition to our thinking about leadership and transitions. Far too little attention has been paid to the dynamics and consequences of CEO succession, especially to the critical role the organization plays in driving success or failure. As Ciampa and Dotlich clearly demonstrate, the costs of botched succession processes are very high. And what it takes to make them work is not rocket science, nor is it overly costly or burdensome. It just takes discipline, clarity about roles, and unswerving commitment to the right principles and processes. Follow their advice and the result will be world-class succession planning and implementation. This is a book that every CEO, Board member and senior HR executive should read."

Michael Watkins  
Author "First 90 Days"  
Co-Founder Genesis Advisors

# **Transitions at the Top**

*To Bruce Henderson, Chris Argyris, and Dick Beckhard. Friends who, over the years, took the time to react, challenge, and guide through my various transitions.*

*Dan Ciampa*

## PREFACE

**I**t's never smooth or easy to transfer power from one leader to a successor. The incumbent may not be ready to leave because he believes there's more to do, but his board of directors insists. Or the board may not have the experience or patience to fulfill its accountability of ensuring leadership continuity. Or the search process may not be coordinated effectively by the human resources department, which may also fail to devise a useful, efficient onboarding program for the new leader. Or the organization may not be prepared for the changes that a leadership handoff brings, including the senior managers who may resist the new leader because one of them expected to be promoted or because a leadership change will threaten their power. For the new leader hired from the outside, especially one taking the chief executive officer (CEO) title for the first time, these gaps in thinking and execution by the company she is joining can cause her to fail. And the challenges become even more difficult to overcome when the leadership transition coincides with a change in strategic direction. In fact, changes in leadership are often made to seek changes in company strategy.

Before deciding to write this book, we asked ourselves whether the topic of transitions at the top deserved the effort that would have to go into it and whether another book on leadership was needed. We believe that most books do nothing more than repeat what has already been said and offer nothing novel to the question they pretend to answer. Indeed, most books should be articles. In the final analysis, our readers will be the judges of whether it adds something worthwhile. But, it is important to explain why we believe this book is needed.



We decided to write it (and to write a book rather than an article) because leadership transitions are complex, seminal events that herald a new era in the life of a company, and too many of them fail. As we'll show, when they fail, the costs are enormous—financially in lost revenue, strategically in misguided direction, operationally in loss of stability and predictability, culturally in damage to relationships and coalitions, and perhaps most tragic, personally in derailed careers. Transitions are big deals, and when they go wrong it is a setback for everyone involved.

Some failures happen because the new leader offered the top job was not ready for it yet and didn't have the help needed to overcome his shortcomings. But, we believe at least as often, the transition fails because the company doesn't do its part to ensure it succeeds.

Our experience suggests two core propositions. First, company missteps are a significant contributing factor to the high failure rate of executives at the top. They are as potent a reason for failure as what the incoming leader does or does not do. Second, the success rate of leadership transitions will not improve until CEOs who are preparing to pass the reins, boards that hire or promote successors and oversee the handoff, and the senior managers most involved in the hiring and assimilation of new leaders more fully understand what the hiring organization must do and avoid to improve the chances of success.

*Right from the Start*,<sup>1</sup> which Dan coauthored, was published in 1999 to introduce the topic of the new leader's role and responsibility in a transition at the top. It broke new ground as it offered a framework, examples of successes and failures, and advice to those hired as the number two expecting to succeed the CEO or those entering directly into the top position. In that book's conclusion, a section called "Implications for Future Research" suggested that the company's role be a topic that should be included in the responsibilities of the board, CEO, and the human resources department. The success of *Right from the Start* spawned other books on related topics, including principles of leadership succession, details of the transition process,

and models and programs for senior-level onboarding. In 1999 there was no substantial onboarding market; today, it is a multibillion-dollar market for consultants worldwide. But, while these areas have been explored, there has been nothing written on the company's role in leadership transitions, at least from the literature searches we have done. So, we decided to write this book because it's time to explore this issue in a serious way. We also wrote this book because in our years of experience advising boards, CEOs, and senior teams, we continue to observe many implicit obstacles to the successful transfer of power, which are neither surfaced openly nor dealt with directly. Inherent in the pages that follow is our belief that even though companies state they want new leaders to succeed, they lack a working model of support, feedback, openness, and continuous improvement necessary for those new in a top position to succeed. Such a working model is required to counter an environment of competitiveness, silos, and more concern for enhancing one's own power than for what is good for the entire organization—conditions that characterize day-to-day life in most organizations and have the effect of rejecting the assimilation and contribution of new executives. We also recognize that, once embedded in the organization's culture, they are not easy to change. Indeed, in addition to years of advising others, we have experienced firsthand how difficult it is to change behavior and comfortable habits as members of boards of directors and as chairmen and CEOs. Our own attempts, frustrations, successes, and mistakes at getting top-level transitions right are embedded in the model we've proposed.

We hope this book sparks a host of new conversations among boards and executive teams about how to improve leadership transitions in their organizations. We hope also to add significantly and importantly to the literature so that the major players involved in a senior-level transition and those to whom they turn for help are better prepared. We do so first by detailing the problems associated with leadership transitions that lie within or are created by companies that hire or promote new leaders into the most senior position. Second, we

define the roles and responsibilities of the key players involved and explore the interaction between them. Third, throughout the book we offer principles, guidelines, and specific actions that companies should employ to have the best chance for their leadership transitions to succeed.

As important as why we wrote this book is to point out that it is not a how-to manual for transitions. Neither all the potential hurdles that can block a successful handoff nor all the ways they can be overcome are provided here. It would be disingenuous for us to attempt such a thing because it would suggest that transitions at the top are simple. In fact, they are very complex in ways we explain in the chapters that follow.

This book concentrates on “planned transitions.” By this we mean the handoffs that occur from an incumbent executive, usually the CEO, to a successor while both are on the job. We stress, however, that most of the issues confronting CEOs and successors during planned transitions emerge in similar form for other senior-level transitions, such as chief operating officer, division president, or executive or senior vice president. As a result, we hope to interest the broadest audience of readers who may be involved in various ways in the transitions of their organizations.

Our opinions are offered primarily to the following groups of readers:

- Members of boards of directors, especially lead directors, nonexecutive chairs, and heads of compensation and nomination and governance committees who must oversee and ultimately be accountable for top-level succession.
- CEOs and executive chairpersons, whose legacies in large part depend on the management of a successful transition.
- Chief human resources officers (CHROs) who are usually called on to manage the transition, coordinate its various parts, and provide the necessary in-house staffing and counsel.

- Senior managers who form the execution cadres that will make the agendas of new leaders in their organizations work and who must prepare the organization for the transition.
- New leaders who, in addition to how they must prepare on their own, need to know what they should expect from a well-run transition.
- Senior partners in private equity or venture capital firms who want to ensure the highest quality of execution by the individuals hired to lead businesses in which they invest and the boards that oversee them.
- Consultants and academics will find much of interest and relevance about the company's role in transitions and related issues of leadership, governance, business policy, strategy, organization culture, and human capital/talent management.

We hope we have provided the most authentic and seasoned portrayal possible of senior leader handoffs. In that we have seen successes and failures of many transitions from inside executive suites and boardrooms, including our own, we cite a host of actual examples to make our points. In a few cases we identify companies and executives by name. In most cases, however, we agreed not to identify individuals or their companies by name. We believe this approach permitted the leaders with whom we talked to describe their experiences and emotions, both positive and negative, with candor. Even so, none of the cases are fictional. Each example happened just as we have recorded it. One or the other of us participated in, witnessed, or discussed directly with key participants everything we have described.

## Note

1. D. Ciampa and M. Watkins, *Right from the Start: Taking Charge in a New Leadership Role* (Harvard Business School Press, 1999), 3.

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Dan Ciampa

Boston

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