

# The Challenge of CEO Succession: Who's Ready and Who's Not

In conversation with Jill Ader

Jill is based in Egon Zehnder's London Office. She is an Egon Zehnder Board Member and co-founder with Mobius, of the Executive Breakthrough Program. In her work, Jill advises international organizations on CEO succession and development. We spoke with her about her insights into what she describes as the widening CEO capability gap.



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Egon Zehnder is a pre-eminent leadership advisory firm to many of the world's most respected organizations. Their core services include executive search, accelerated "integration" (for leaders stepping into new roles), board consulting, leadership assessment and development, CEO and executive committee succession planning, team effectiveness, and cultural transformation.

Egon Zehnder and Mobius Executive Leadership have forged a unique collaboration to provide today's leaders with the development experiences they need. As two of the top leadership firms in the world, this pioneering partnership brings a truly distinctive combination of expertise. Our joint programs, including the Executive Breakthrough Program, equip leaders to rise to exceptional challenges. For more about the year-long Executive Breakthrough Program see *In conversation with Erica Ariel Fox* on page 77 of this edition.

## **Q Tell us about the widening capability gap you're witnessing in CEO succession...**

One of the first things we do when we start work with the Board on succession planning is help determine the specifications for what's needed in the next CEO.

It's worth keeping in mind that it is not uncommon for Boards to be comprised of members whose experience of preparing for a CEO succession is

surprisingly thin. People often don't realize this; whereas at Egon Zehnder we're always working on CEO successions. So, in the first instance, our job is to listen and distill the organizational challenges facing the company, and then to guide, question and shape the Board's thinking on what sort of leader the enterprise truly needs.

Quite rightly, in the context of a world that is being greatly disrupted, the terminology Boards now use is much more about transformational leadership than it

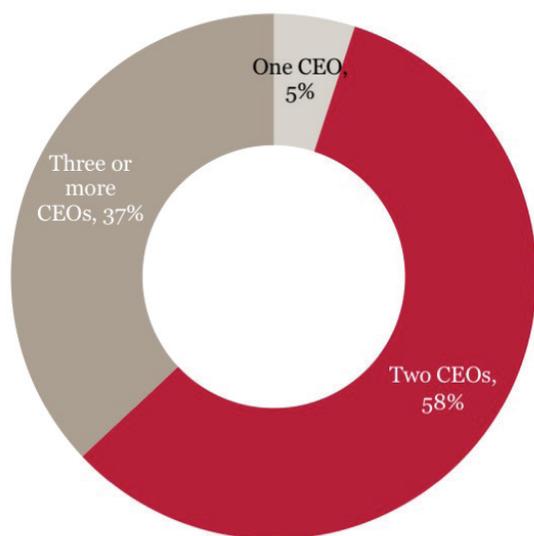
has ever been before. Irrespective of the industry, there is huge demand for leaders who can, for example:

- Understand the digital world and the related consumer trends
- Engage the emotions of a whole organization to drive change
- Really accelerate innovation
- Deal with complexity at a completely different level
- Build and enable new capabilities.

What Boards are describing is very much transformational, but the leaders who are CEO candidates – whether they’re internal or currently outside the company – can’t necessarily live up to these extraordinary demands. We have entered a world with a significant supply problem – too few CEOs are capable of transforming the organizations they lead.

**Nearly 40% of large public companies had 3 or more CEOs between 2007 - 2017**

Number of CEOs between 2007 - 2017



Source: EZ proprietary analysis of 166 companies \$30BN+ in revenue and market capitalization

This is one reason we do more than executive search and assessment; *developing* the CEO and candidates for the role is now an imperative.

Candidates are too busy understanding the nature and rate of disruption – at the expense of making the time to develop themselves into the sorts of leaders who can rise to it. The complexity of the challenges they face keeps them overly focused on *knowing more, doing more*. But – as the complexity scholarship like Doug Silsbee’s work on meta-competencies shows (page 40) and what our own experience tells us, responding to complexity demands that we pay more attention to *being and becoming*. By that I mean leaders need to embrace the work of embodying the role: being more centered and attuned to the present moment; evolving their identities – repeatedly checking for any “stuckness;” and grasping the opportunities to learn and grow.

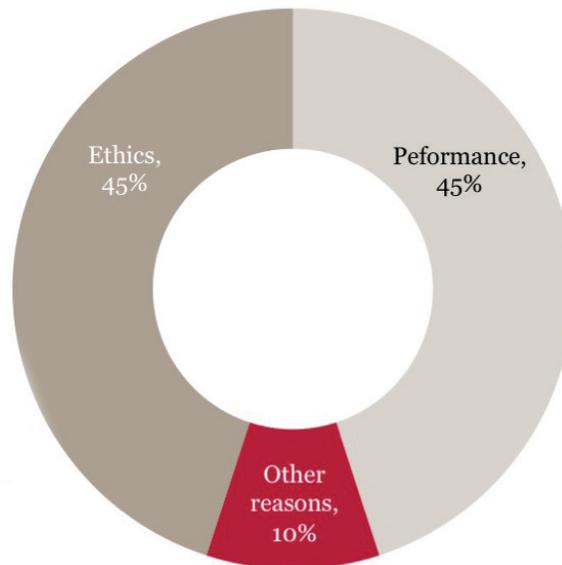
Egon Zehnder and Mobius agree, you must learn to disrupt yourself before you have any chance of being able to disrupt and lead the transformation of an entire organization. CEOs are incredibly busy, it’s impossible to get time in their diaries, but as the poet David Whyte asked at the 2017 Next Practice Institute: “Who are you becoming while you are being so busy?” I think that applies to so many of us, and when I look at CEOs, they think they have to know everything that’s going on.

What they can’t see is that their organization, the people around them, are hungry for *presence*. In that regard, in the “being” sense, there is a great vacuum of leadership which is needed more than ever. Especially during periods of upheaval and uncertainty – people need anchors.

So, you’ve got this dilemma of the widening gap between CEO role specifications, which are demanding transformational leadership, and leaders themselves who are fighting to keep the ship afloat, never mind investing to develop themselves. Most executives who are developing themselves do it on the level of knowledge and skills, and rarely at a deeper level, what we consider the identity level, or from the perspective of Erica’s Winning From Within® approach. So that gap just keeps widening. It’s not a trade-off either: you’ve got to invest in ever-shifting knowledge, expand your skills *and* work on yourself on much more fundamental levels to genuinely increase your leadership capacity.

**Nearly 40% of successions at large public companies were unplanned.  
Of those, nearly 50% of sudden CEO departures were triggered  
by ethical or performance issues.**

### Reasons for CEO Firings (2007 – 2017)



*Source: EZ proprietary analysis of 166 companies \$30BN+ in revenue and market capitalization*

### **Q** What are some of the barriers to CEO development?

Another challenge facing the CEO is that formal development opportunities often end when a person reaches the CEO office. This dynamic is common to many senior leadership positions – even in organizations that are great at developing their people. Investment in development diminishes the higher you climb, which, when you think about it, makes very little sense. In the past reaching the CEO role has been seen as crossing a finishing line (that only an extraordinary few will ever reach). It's regarded as the culmination of a phenomenal career. The truth is, stepping into the CEO role is yet another starting point. It's not a finishing point at all.

The idea that these highly qualified, exceptional people should already have what it takes to rise to the complexity of today's challenges is a barrier to creating the level of the leadership many organizations and the world is calling out for. [See page 73 for more on this.] We must all continually deepen our repertoire, especially the most influential among us. This is obvious to those of us in the professional development world, but it's a mindset shift for many clients.

One of the things we do at Egon Zehnder when we're discussing candidates with the Board, is talk about how open the candidate is to feedback, how self-aware they are. Because if they're not particularly open to feedback or self-aware as candidates for the role, then they aren't going to seek development once they're in the role!

**Q How does the Board think about developing CEO candidates?**

The rate of CEO turnover continues to be high – in a recent piece of research we conducted of over 160 large public companies, the average tenure of CEOs in the past ten years was just four years. Boards usually have some internal candidates they want to get ready. More enlightened Boards ask us to start working with these leaders early, years before the next CEO succession, to coach them, bring them to the Executive Breakthrough Program, guide them along their development path.

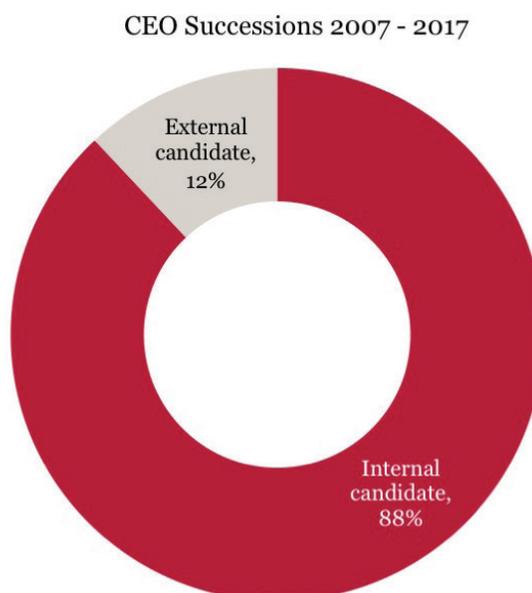
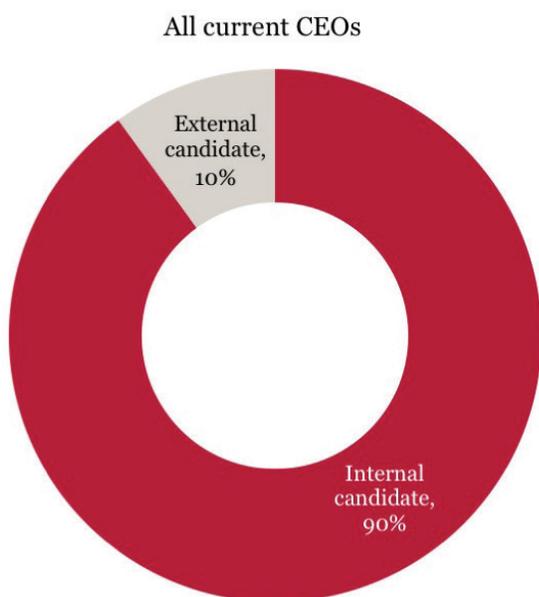
There are other Board directors who say that until they identify the one most probable candidate, they don't want to get people's hopes up by developing them – which, of course, is terrible. Leaders are all in great need of that development. There are situations

where the Board says, well – these people are on our succession list, but we can't tell them that because we don't want to set up an internal competition with too many "crown princes." Sadly, what their own Board won't tell them, other companies will. So, you've got someone in your organization and you're not talking to them about the possibility of the CEO position, but one of your competitors sees no harm in talking to them about exactly that. And because no one in their own company has indicated to them that they're viewed as a potential successor, these leaders come to believe that it's much more likely to happen elsewhere. That's how you lose people. We hear these stories every day of the week.

Some of our more progressive clients see it less as a horse race and more as a case where everyone has to step up, whether they're a CEO candidate or not. Top team jobs are so much more complicated,

**For all the largest public companies in our data sample, the insiders are still preferred for the top job**

**Internal promotions vs External hires**



Source: EZ proprietary analysis of 166 companies \$30BN+ in revenue and market capitalization

everyone has to develop themselves. We have clients who see this clearly and put their full top team onto a combination of the Executive Breakthrough and Discovery programs, and we give every one of them a Development Advisor.

**Q While specifications for the CEO role vary and should reflect where the enterprise needs to go next, are there certain universal requirements?**

The greatest predictor of CEO potential is curiosity. That's curiosity about the world, about business, and about how people think as well as feel. It's also curiosity about themselves. If they're not curious about feedback on themselves, that's going to cramp their development. Curiosity is the biggest flag for us when we evaluate the potential of candidates. Even if a candidate has already been a CEO, we look for levels of curiosity. If someone tells me they've got a 'playbook' that will work just as well in another company, that's an alarm bell.

Increasing pressure leads to increased focus. Even when it comes to mastering high levels of capability, while a rising leader may get curious about that – they may remain blinkered to the dynamics around them. Or they may learn to value and inquire about what other people think, but it almost never occurs to them what people are feeling. These are some of the blind spots limiting expansive and curious inquiry.

In terms of curiosity about themselves, the other big issue that comes up concerns their leadership identity. For example, take the CFO who steps up to the CEO position. As the CFO they had to be a critical evaluator, that's a defining aspect of the CFO function. When they're made CEO, they fail to go through a conscious piece of work on identity development. They continue to be the critical evaluator and they motivate nobody. They don't inspire people. They haven't figured out that they need to physically take off that CFO coat, give it to someone else, and reinvent themselves — evolve their identity.

On the Executive Breakthrough Program it's common to see issues around identity come up. Most of the people coming to the program want to be CEO and the work is about how they need to evolve, think

## Adopting a learning mindset – how curious are you?

We look for concrete evidence that the candidate believes in self-improvement, truly enjoys learning, and is able to recalibrate after missteps.

Questions like the following help surface examples:

- :: How do you react when someone challenges you?
- :: How do you invite input from others on your team?
- :: What do you do to broaden your thinking, experience, or personal development?
- :: How do you foster learning in your organization?
- :: What steps do you take to seek out disconfirming evidence in relation to your ideas?

about purpose, think about followership – do your peers want to be led by you? There are some people who come on the program who it turns out, have half-decided they don't want to be the CEO. Then they come on the program and find that they do. The reality is, leaders just never get the time to reflect. They're either working very hard, with their team, on the road or in an airplane, or they're with their families. They can make so much more progress when given the opportunity to step back for a week and reflect, with people who are peers from other industries, and with such a skilled faculty from Mobius and Egon Zehnder. It's about slowing down to accelerate.

I think the idea of being lonely at the top is very true and part of the antidote is creating safe environments like the Executive Breakthrough Program, which give these senior leaders an ongoing group of peers.

**Q Is the need for a big personality inherent to the role? From what we see in the press, CEOs often display extreme behavior.**

That's to do with the popular culture of hero-leaders. The more infamous CEOs we could name together, who have really big personalities, well, they've lived

in an era where they called all the shots and that's been extremely effective – for them and for their organization. As a new CEO today, you simply cannot take that approach. You're not going to succeed. It's not about being the hero anymore. It's about the heroic journey.

Today, you need a CEO who knows they don't know all the answers; who knows how to get people together and really listen and find out the different views. CEOs who will experiment and who can work with paradoxes – these qualities weren't as vital in the past as they are today. There isn't any question: it's harder being a CEO today.

### **Q How is Egon Zehnder evolving to meet the new reality – how is the firm changing the way it works with Boards on CEO succession?**

Many Boards now want a thought partner on what the future will look like. We have clients asking us to help them understand what the executive committee will look like in 10 years' time, what does the leader of the future really look like, far-reaching questions about reimagining leadership and structures at the top. They want our external perspective, including how organizations are evolving. Increasingly Boards seek real challenge from us, to make their thinking more robust.

Given that the world is now not just complicated, but complex, and as you know adult development theory states we really need a different type of leader to handle complexity, our role has shifted. We now need to start much earlier in preparing for the next CEO. To ensure we're helping to build a bench of candidates, there is no such thing as "too soon." This is what we're committed to – working with Boards on leadership challenges in time to do something about them. We want to avoid the all-too-common scenario where finding the next CEO is an emergency situation, where the organization has missed the opportunity to be strategic about really developing their leadership bench. It's not just about preparing for the inevitable event of a CEO succession, it's about ensuring the organization has the critical mass of leaders needed to succeed.

### **Q How do you develop that leadership? Across the repertoire of developmental experiences, which ones really make all the difference?**

Certainly feedback is crucial when it comes to development and Boards should be much more candid and specific about their feedback to the CEO or aspiring CEOs. (Our recent CEO Survey revealed the very worrisome finding that only 28% of CEOs turn to their Board for feedback.)

As for the increasingly vital periods of reflection, when people push back and say they can't afford to take a week for the sort of work that the Executive Breakthrough Program provides, it's worth keeping in mind the more generic leadership programs out there, for example IMD or Harvard, take people off the job for months. On top of that, these programs focus on skills and knowledge and ignore the deeper identity work that's required — the deeper work from within that's really transformative.

Also, development needs to be bespoke. It's not about going on a generalized program. You need something that's really tailored to where you are. The Executive Breakthrough Program is like none other I've seen in that the entire program is based on the specific needs of the fifteen or so individual CEOs and CEO candidates who come together for a specific program.

The model of "a coach for the CEO" is also outmoded. If you're a CEO or a candidate and working on your mindset or relationships, that's great, but you might also need to work on investor relations, or how to involve more of your colleagues and adopt a less directive style, or you might need to do more to understand the digital world, or what transformational leadership really entails, or getting your personal brand and your communication style in sync (so that you're an embodied form of what you say) – all sorts of things ...

No single coach is best qualified to help the CEO on all of those dimensions, no matter how brilliant the coach may be. Even the coaches we have at the Executive Breakthrough Program – they can't do all of that. We need to ask ourselves, what does this particular CEO need? And then how do you access the different types of developmental support? With

**“It’s not about being the hero anymore.  
It’s about the heroic journey.”**

this model we tap into a variety of deeper experts. Within Egon Zehnder there’s Friedrich Kuhn in Germany, an expert on transformational leadership, Ricardo Sunderland in San Francisco, an expert in digital and cultural transformation, and then with our strategic alliance with Mobius, we’ve got access to people like Jen Cohen for somatic leadership and Erica Ariel Fox who leads aspiring CEOs through the week-long intensive that’s a core part of the Executive Breakthrough Program. We act as a gateway to a wealth of development experts and integrators.

Across our two organizations, the Egon Zehnder Development Advisor can access and importantly, *integrate* this rich array of very deep expertise. For one coach to provide all of that to the CEO — that’s no longer possible. True leadership development demands an entire *ecosystem* of deep expertise. Within this support system, it’s really important for coaches to be clear about what type of coaching work they do, and what issues they’re best suited to working on, rather than positioning themselves as generalists.

Finally, when it comes to their development, CEO candidates need an ally, someone to go on the journey with them, who will help them process and absorb what they need to learn. By accompanying so many through internal and external role transitions over the years, we realized we needed to create a specific role to support each candidate on their development path. That’s the job of the Development Advisor. We work with candidates, the CEO, the Board, and HR to create the development path. We help the candidate select and access the most useful learning experiences available to them. We observe progress and importantly, we help that person integrate what they’re learning. Really, when you think about it, we could all use one of those! ■



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*Jill Ader was interviewed by Nathalie Hourihan. For the last several years Nathalie has served as Mobius Global Knowledge Manager with wide ranging responsibilities for the firm’s thought leadership, including serving as the editor of its transformational leadership magazine, the Mobius Strip. She is a former global knowledge expert for McKinsey & Company, and has set up Wolf Knowledge Ltd to offer knowledge creation, codification and curation services.*