Succeeding the Founder

How to Lead a Successful Transition as the Successor

by Ben Anderson-Ray and John Kobasic

ON AUGUST 24, 2011, Steve Jobs resigned his role as Apple CEO and was replaced by Tim Cook. This followed a seven-month period in which Cook was already functioning as CEO while Jobs focused on fighting the health problems that ultimately took his life on October 5.

Many are watching to see how this unique leadership transition will work out for Apple, but it is not the first unique leadership transition they have faced. Jobs, of course, was the cofounder of Apple, but organizational infighting led to his ouster when John Sculley took over in the mid-1980s. Sculley oversaw the growth of the Macintosh and thus the company, but when that growth slowed and new internal issues arose, a series of CEOs failed to get the company back on track. In 1997, a more experienced Jobs returned and drove tremendous growth.

The leadership history of Apple is a good reminder that a leadership transition–particularly one involving the founder–presents both risk and opportunity to any organization. If done poorly, it spawns uncertainty, conflict, and stress, stalling growth and exacerbating misalignment that may or may not have already been there. If done well, it brings new vision and strategic clarity to the organization. Indeed, success for an organization begins with the leader and the culture he or she creates and nurtures.

Much has been written about how to manage effective transition, but most of it focuses on the outgoing founder or CEO. Our work as advisors to midmarket companies has enabled us to closely observe numerous transitions, and we would like to look at this issue from the perspective of the *successor*.

(For the remainder of this article, we assume the outgoing CEO to be the founder, but the principles we share apply to all leadership transitions.)

CLARIFYING THE REASONS

Transitions occur for a wide range of reasons. They are often driven by the personal desire of the founder to retire or take on new ventures. Sometimes, the founder and/or the board may have recognized that the organization has grown beyond the leadership capacity of the founder. Of course, performance issues may also be a factor.

Whatever the reasons, the successor's first task is to clarify them. They directly impact the goals for the transition and the likelihood of success for the successor. They also drive the manner in which the transition is conducted.

DEFINING THE MANNER OF TRANSITION

Transitions occur in a wide variety of manners. At one end of the spectrum is the "hard" transition with no overlap of any kind between the two leaders. At the other end of the spectrum is the "soft" transition where the founder and successor work together for an indefinite period of time. Between these extremes is the transition period during which the founder and successor work together until a predetermined date when the founder exits for good and the successor assumes full leadership. When possible, this approach may enable the most effective transfer of knowledge from founder to successor, thereby maximizing the continued success of the organization.

Each of these manners of transition has its merits depending on the goals of the transition. Let's examine each type in further detail.

The reasons for the transition directly impact the goals of the transition and the likelihood of success for the successor.

The Hard Transition

A hard transition has the advantage of no ambiguity about who is in charge. One day, the founder is in charge; the next day, the successor takes over and everyone answers to him or her. Thus, the hard transition is essentially no transition at all; it is more of a grace period in which the organization gives the successor time to get up to speed.

The hard transition is often the most effective approach when the change was necessitated for performance reasons. In most other cases, however, the hard transition is less effective because it minimizes any benefits that come from the founder's experience. Again, that is why it is so important to clarify the goals of the transition before trying to make it work.

The first key to success for the successor in this situation is to be a quick study. What is the financial standing of the organization? What are its strengths and weaknesses, opportunities and threats? Who are the strongest players, and who needs to be replaced? Why has the organization been successful (or not) to this point, and what stands in the way of it being more successful in the future?

I (Ben) recall a situation in which I had to answer these very questions. I was asked to turn around a group of divisions following the firing of the company's president. It was definitely a hard transition with no overlap whatsoever. Upon stepping into my new role, it was immediately obvious that the former president had surrounded himself with weak players who operated on the basis of "malicious obedience." They knew that what their autocratic leader was asking them to do was wrong for the company, but they yielded to his direction anyway. This culture absolved them of any responsibility or accountability.

I quickly fired the head of marketing and the head of engineering, and within six months, I replaced every member of the leadership team except the CFO (the only strong player on the team and the only one who had been there prior to the former president's arrival). Our new team meshed quickly, and within one year, we had built a culture of newly empowered employees, settled a union contract, restored profitability, and launched a product line that put the division on a growth path.

The second key to success in a hard transition (which naturally follows from the first) is to clarify the vision and make sure everyone is on board. This begins with the senior leadership team. The successor simply cannot afford to have anyone pulling in a different direction. Any necessary changes should be made quickly and decisively.

The Soft Transition

A soft transition maximizes the upside that can be garnered from the knowledge and skills of the founder. Having built the business from the ground up and hired most of the current employees, he or she is, in a very visceral sense, the cultural authority in the organization. In addition, he or she is often recognized in the market as the authority on the products and/or services the company provides. Thus, the founder's continued involvement can be a critical component to the success of the transition. That said, the soft transition can be the most difficult for the successor to manage.

A soft transition poses a number of hurdles. First, the very presence of both the founder and the successor in the organization can foster significant ambiguity and misalignment of leadership. No matter who is taking the reins, the organization understandably continues to view the founder as the "spiritual leader." The successor must find a way to simultaneously honor the founder's contributions while setting a new direction that everyone is expected to follow. It is critical for him or her (with the unquestioned support of the founder) to clearly define each of their roles and communicate that to the organization. Both leaders must be deliberate about demonstrating who is in charge. Any misstep in this, no matter how unconsciously it is committed, can greatly complicate matters.

It can be tempting for founders and successors to try to co-lead. We strongly discourage this. When more than one person is accountable, no one is accountable. The successor will be leading the company for the long-term, so he or she is ultimately accountable for the outcome of the transition. Therefore, while the founder and/or board have a critical role to play, the successor must take charge of the transition process.

In one organization with which we are familiar, the founder hired a new CEO but wanted to remain involved on the new product side of the business. This sounded okay at first, but as the new CEO began clarifying strategy and decision making within the leadership team, the founder's presence became increasingly awkward. The CEO and founder had worked hard to clarify roles, but in practice, the organization was still inclined to listen first to the founder who very much wanted to stay at the center of decision making and frequently second-guessed the CEO's decisions. The successor felt he had no choice: he told the founder that one of them would have to go.

We cannot say it enough: driving goal and role clarity is absolutely essential to a successful transition. If the founder obstructs the new direction in any way, it may be time to force a hard transition–even if that means a new successor.

TACTICS FOR LEADING A SOFT TRANSITION

As we've already indicated, the soft transition can be very beneficial for the organization's future, but it must be managed carefully. Following are some tips for the successor to follow both before and during the proposed transition period (most of which are equally applicable to a hard transition).

We strongly discourage co-leadership. When more than one person is accountable, no one is accountable.

- Get *everything* on the table with the founder. He or she might be reluctant to share a lot of proprietary information, but a clean transition demands it.
- Determine whether or not you align with the organization's core values (assuming the organization has articulated them). These are the company's DNA and will have a huge impact on the overall tone of the business once you assume control.
- Clarify what business you're in and what business you're *not* in. About what is the organization passionate? What makes it best in its field? What drives the economic engine? Your vision may not match the founder's, but this exercise will reveal much about the reasons for the company's performance thus far and contribute greatly to strategic clarity going forward.
- Identify the company's strengths and weaknesses and their impact on the transition as well as future performance. Look at both the "smart" (strategy, marketing, finance, and technology) and "healthy" (politics, morale, communication, turnover) sides of the business.
- Look outside the company for threats and opportunities and clarify your market position. Openly discuss with the founder what short-term and long-term changes might be needed.
- Review your human resources. Do you have the executives that *you* need to be successful? If not, you need to prepare the founder for changes. He may have friends or even family members in the organization.
- Ascertain how the transition might impact key vendors and customers.
- Analyze the costs and benefits of this new role for you–financially, professionally, and emotionally.
- Remember to think long-term. Your plans will take time to materialize.

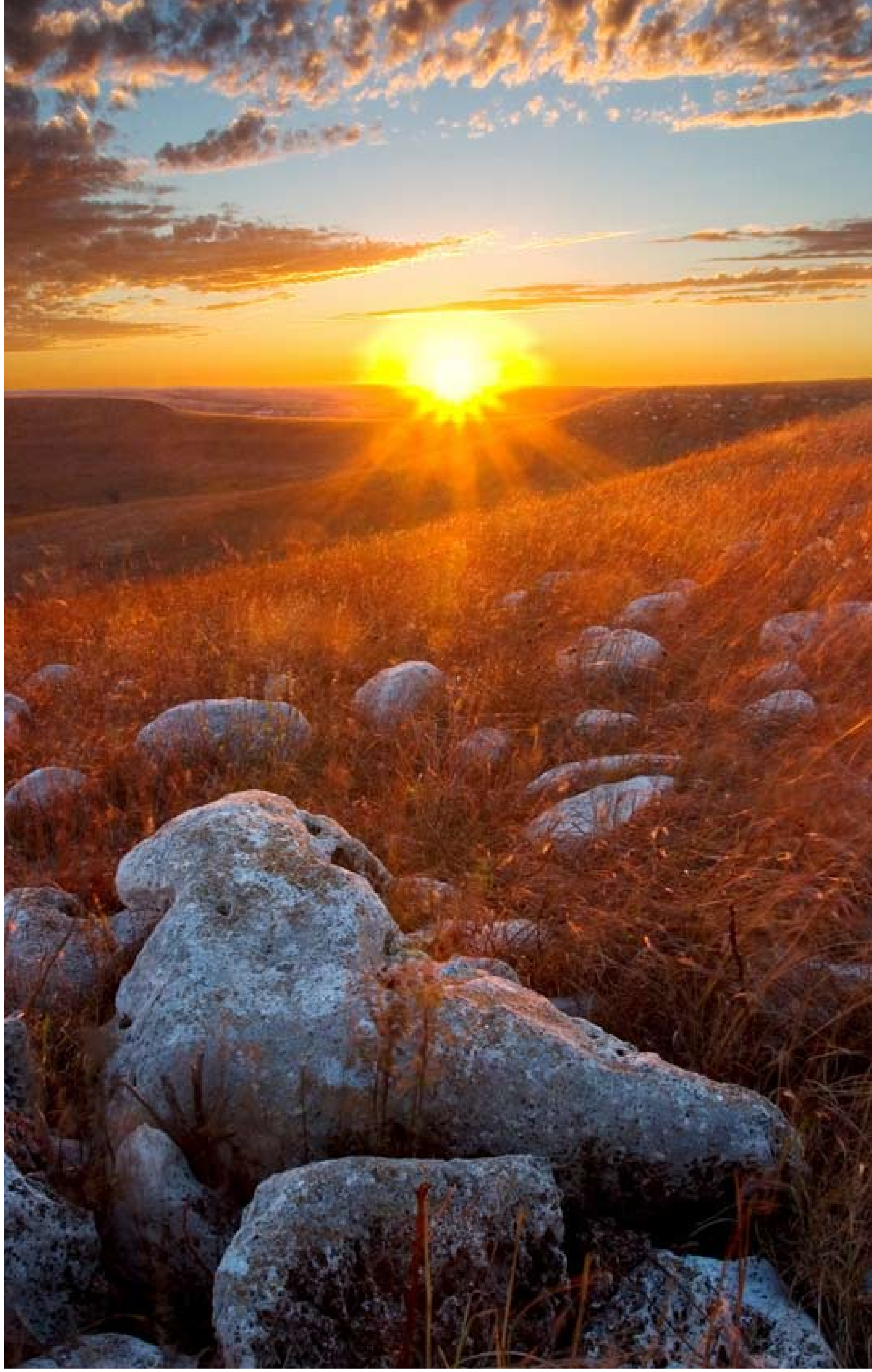
Once the baton has passed, you have a host of issues to manage as the successor. First, the founder may struggle emotionally with the transition. Be sensitive to his or her feelings and exercise as much patience as possible insofar as it does not hurt the organization. Demonstrate and communicate genuine respect and appreciation for the founder's contributions. You may even benefit from creating an ongoing advisory role for the founder to seek counsel when needed.

In one situation, the founder of a transportation company (and a classic entrepreneur) chose as his successor a man who had worked with him for more than twenty years. The transition started out well. The business, which had already been doing well, began to show definite signs of increased growth and profitability. Problems began to arise, however, when the founder began calling regular meetings to work through various issues, causing confusion among the people in the organization as to who was really in charge. The founder's intent was not malicious; he was simply finding it difficult to let go. It was especially hard for him to see the company growing without him. The new CEO sympathized with this struggle even as he confronted the founder with the fact that he *had* to let go.

Second, if you have identified any necessary personnel changes, address them quickly. You need a sharp eye for who is on board with your leadership and who is not. Similarly, connect with your key vendors and customers to quell any concerns they have about the transition.

Third, quickly conduct a strategy review with the executive team and begin a disciplined process of alignment and dynamic strategy execution. Set measurable goals that you can reasonably expect to meet or exceed and communicate that plan to the entire organization. Nothing solidifies a change in leadership as well as a clear strategy and some quick wins. "Generate short-term wins," writes John Kotter in *Leading Change.* "[They are] essential to you as the successor and for the organization as they adopt you as their leader."

In any leadership transition, the ultimate goal is to drive continued success for the organization. As successor, this is your leadership mandate. Establish your leadership, align the executive team and the entire organization around your strategic vision, and execute that strategy with discipline.



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