

Getting Succession Right

Your company's next CEO will have a huge impact on your legacy as a leader. Here's how to choose wisely—and avoid the pitfalls that can derail a smooth succession.

Like many companies, global safety equipment manufacturer MSA Safety has always had a contingency CEO succession plan in place in case of emergency. But when Chairman and CEO William M. Lambert started to think seriously about retiring, he knew it was time to also get serious about planning for his replacement.

Recognizing that ensuring a smooth handoff of power would be essential to MSA's future success, Lambert and his board launched a CEO succession plan. "The board and I already knew what we would do in a crisis, but this was a different conversation," recounts Lambert, who has been with MSA for 38 years, 10 of them as CEO. "It was about putting a plan in place that would develop the kind of leader who could become CEO of the company in three years."

During his tenure, Lambert had come to rely on the leadership development expertise of Development Dimensions International (DDI) to identify, assess and develop leadership talent internally, so applying the same approach to succession planning was a natural next step. The process entails creating a "Success Profile (SM)," outlining the knowledge, experience, competencies and personal attributes necessary to succeed in a given role or job level and then using that criteria to identify and develop candidates for that role.

"Over the years, I've leaned on DDI and their assessment data more and more," Lambert says. "I found that they were right far more often than wrong when it came to identifying the strengths and competencies, as well as the 'derailers' and risk factors [that might become an issue] with a particular individual. We would, for example, have a manager ignore a derail and promote someone and then, sure enough, a few years later that derail would show itself, and we would end up having to take action on that leader, including, in some cases, termination."



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Chairman and CEO,
MSA Safety

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The CEO Success Profile

In assessing candidates with a three-year runway for the CEO post, the company knew that it would need to be mindful of the ever-evolving competitive landscape in the safety equipment industry. MSA's future CEO might need very different competencies than those that had served Lambert so well during his tenure.

"We started by getting an understanding of where MSA would be going in the next three to five years, what challenges the CEO would face," explains Tacy Byham, CEO of DDI. "Will he or she need to drive profitability? Enter new markets domestically or internationally? Enhance the organizational talent? Drive innovation? These are what we call the business drivers unique to the organization. We then wire backward from those to determine the competency set and personality factors the candidate will need."



Lambert met with the board to discuss the shifting strategic goals, competitive forces and enterprise risk that MSA's future CEO would be likely to face. "Once we had that discussion, we started to ask ourselves, 'How do we assess the competencies of these candidates and put those competencies in the context of the challenges we see ahead?'" he explains, noting that the prospective CEO candidates were evaluated in four areas:

Knowledge: What do they know? Is his or her background in technology? Accounting? Finance?

Experience: What have they done? Has he or she turned around a unit's performance? Started a global division? Experienced international cultures?

Personal Attributes: What are they like? Is he or she intellectually curious? A risk taker or risk averse?

Competencies: What are they capable of? Can he or she lead change? Develop others? Sell a vision to the organization? Make strong decisions?

"It was in the last area where we really needed outside help," explains Lambert. "We had a pretty good view about the knowledge, experiences and personal attributes of our candidates, but when asked, 'What are they capable of?' that's where we really needed DDI's insight."

Test Driving Top Candidates

In addition to in-depth interviews with key stakeholders, MSA's top CEO candidates participated in DDI's CEO assessment process, an intense two-day leadership simulation process in which candidates are closely observed while they assume the helm of a fictitious company and face various challenges, such as negotiating a deal with a foreign entity and presenting a strategic plan to the board, all while under observation by a team of psychologists.

"Candidates sit in a physical office, meet with direct reports and respond to various scenarios that are tailored to be relevant to their industry," explains Byham, who likened the process to the flight simulator training pilots go through to prepare for disasters. "For example, a manufacturing company CEO might have only 10 minutes to prepare to face the media after discovering that one of its plants is polluting the rivers. Basically, we get to see whether the CEO can fly the plane."

Drawing on those job-relevant simulations and a series of interviews, DDI provided the company with a data-rich picture of each leader, detailing his or her strengths and development opportunities, which was used to create individualized leadership development plans. "This is way beyond anything you can get from a 360 survey," says Lambert. "You get a really clear view of the person."

Ultimately, the process winnowed the prospective CEO candidates down to two potential successors. Both began spending time with the board and were also given feedback on areas where they needed further development to prepare

Gundersen Health: The Early-Start Payoff

When Gundersen Health System's longtime CEO Jeff Thompson was ready to step down in 2015, the company's robust talent development program eased the way. Mary Ellen McCartney, senior vice president of human resources, shares her perspective on how advance planning played for the La Crosse, Wisconsin-based organization, which encompasses five hospitals and more than 50 clinics in three states.

When did you put a succession plan in place?

Back in 2009, before Dr. Thompson's departure was even on the radar, we partnered with DDI to develop a Success Profile that identified the skills and attributes leaders in the organization needed to fulfill our strategic imperatives. It was a foundation of our leadership development program at the executive level. It was tied to our strategic plan, and we used it to develop our internal pipeline. And every time we updated our strategic plan, which was every three to five years, we also updated the Success Profile.

Gundersen already had multiple candidates in the pipeline when Dr. Thompson was ready to step down. How did you go about evaluating them?

We had a great deal of information about those candidates, so we were able to take a subset and move them to a more advanced screening and a panel interview. Then we chose three finalists, and DDI helped us design our screening guide based on the competencies and experiences we had already decided were key before the recruitment process began.

All three of our final candidates went through the assessment process so that we could get a current view of their skill sets and competencies and compare that with earlier views.

You've said that the process helped remove bias from the process. How?

It allowed us to focus on *what* the organization needed rather than *who the organization needed*. We knew we wanted an internal candidate who was a physician, knew the organization and would be able to step smoothly into the role. However, when considering internal candidates, there's always a danger of internal biases—of everybody having a horse in the race.

Basing the decision on the strategic direction of the organization and whose skill set could take us to where we needed to go really neutralized individual knowledge. By starting early and working with outside expertise, we were able to focus less on individual people and more on organizational need.



Mary Ellen McCartney
SVP, Human Resources
Gundersen Health System

Six Succession Pitfalls

Over the long term, ensuring a smooth handoff of power may be the single most important thing a company's CEO and board can do to pave the way for its future success. Yet, it's also one of the most challenging. Guarding against these six common pitfalls can help your company pave the way for a smooth transition, says Tacy M. Byham, CEO of DDI.

1. Starting at the Finish. All too often, companies have strong candidates in the pipeline who just won't be ready by succession time. "If they had given themselves the long game, they could have closed the loop by building up one or more of those candidates," says Byham. "Now they're forced into a riskier and more costly external search."

2. Going with Your Gut. Trusting your instinct may work in many situations, but CEO succession isn't one of them—especially when evaluating internal candidates with whom you've developed a strong rapport. A data-informed evaluation coupled with input from outside the organization helps ensure more objective decision-making.

3. Focusing on Past Performance. The stellar track record of a superstar can blind you to a candidate's flaws. "You really need to take an objective measure of how they're likely to perform in the CEO role—not just the fabulous job they've been doing," says Byham.

4. "Replacement" Planning. What your company needed in you is not necessarily what it will need from your successor. Rather than replicating the current CEO skill set, CEOs and their boards should focus on building all-around "athletes" so they'll have access to the competencies they need—whatever those might be—when a succession situation arises.

5. Tunnel Vision. Rather than in an office just down the hall, your company's next CEO might be busy overseeing production in China or motivating workers at a satellite office. Be sure to extend your leadership assessment and development efforts outside your immediate offices.

6. Forgetting the Culture Factor. What works for GE probably won't play well at Walmart. In addition to being a great leader, your next CEO needs to be a great fit for your organization, so be sure to consider your company culture when developing your search criteria.



Tacy M. Byham, Ph.D.
Chief Executive Officer
DDI

for the role, as well as coaching to help them with that development.

"Our goal was to identify someone a year before we made the leadership transition," explains Lambert. "In May of 2017, two years after we began the process, the board chose Nishan J. Vartanian."

Named president and COO, Vartanian was then given broad responsibilities, including exposure to shareholders, a leading role in a strategic acquisition and involvement in the company's operations around the world. "We wanted to continue to watch and develop him and see how others responded to him before making a final decision," says Lambert, who subsequently announced the company's transition plan in December of 2017. The final piece of the succession process—the board's election of MSA's new CEO—will take place in May and will coincide with the company's annual meeting of shareholders.

Confident that his successor has the strategic vision, growth-focused mindset and communication and leadership skills to lead MSA, Lambert credits the rigorous selection process for giving him that peace of mind. Reflecting on MSA's succession journey, he cautions CEOs and boards not to underestimate the time it takes to get succession right. "Fully assessing the candidates requires a great deal of thought, multiple meetings and outside help," he says. "It took us several years to be thorough and do a good job with it."

About DDI

Dedicated to the science and practice of leadership, Development Dimensions International (DDI) has been bringing to life innovative ideas that have changed the way organizations find, grow, and inspire leaders for nearly five decades. Our people are passionate about your solution because we believe that better leaders lead to a better future. Every day, DDI's 1,100 associates around the world work side-by-side with clients across 93 countries to build a pipeline of leaders to meet today's—and tomorrow's—business challenges. Learn more at www.ddiworld.com or email info@ddiworld.com.



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