



Selecting and Developing Successors

Effective organizations and companies have moved far beyond seeing succession as a one-time event that's aimed only at replacing an aging executive. Instead, they've made succession a key organizational process on a par with sales, stakeholder meetings and strategic planning.

Succession planning is about building the organization's future.

Many of America's most-admired companies—GE, Bank of America, Johnson & Johnson, McDonald's and others—have already invested much time, energy and money in this key area. Succession planning, they realize, is about building the organization's future. Selecting and developing the right people is the critical linchpin in that process. Against the background of today's graying executive ranks, they understand that advancing an organization's competitive advantage and effectiveness is all about selecting and developing successors.

Our organizations need to experience a profound change in focus about succession planning. We must make the critical connection between organizational success and leadership sustainability. In the words of one veteran in succession planning, “Acquiring and retaining the right leaders has become every bit as vital as having the right business strategy.”³⁷

This chapter is designed to help you consider how your organization can begin finding and growing the right leaders. If you’re

Advancing an organization’s competitive advantage and effectiveness is all about selecting and developing successors.

already involved in succession planning, it will expose you to new ideas, expand your thinking, or serve as a reminder. Since real leadership is about developing others, we also provide thoughts and strategies for

building your own leadership-development process, regardless of the size and budget of your organization.

Many of the examples that you’ll find here might be from organizations very different from yours, in terms of their size, scope and mission. We believe there’s great value in evaluating ideas and strategies from paradigms that are significantly different. Regardless of their origins, the insights that you gain are equally applicable in sacred or secular organizations.

Selecting a Successor

In this section, we’ll address a number of issues that commonly arise concerning successor selection, including:

- The debate over internal versus external candidates
- Evaluating tangible and intangible qualities

- Considerations for family-owned businesses
- Thoughts about one versus many replacements
- Bridging generational style issues
- Successor naming considerations

Internal versus external candidates. One of the most commonly debated issues in leadership succession is whether there's a significant advantage to selecting an internal or an external candidate. There are convincing arguments and downsides on both sides.

The daily headlines routinely tell us about large corporations filling their empty CEO slots with outsiders. There's no shortage of examples: Ford hired Alan Mulally, a former Boeing exec; IBM hired Lou Gerstner away from AMEX, while Lee Iacocca came to Chrysler from Ford.

Outsiders bring a fresh perspective to an organization, whether it's a church, a non-profit organization, or a multi-national corporation. It's no surprise that troubled organizations in need of a turn-around tend to favor external leaders. That's why approximately one-third of the S&P 500 companies have imported their CEOs.

However, if some critical talents are out-of-balance, an outsider can quickly become a disadvantage. In some cases, ignorance about local traditions and the importance of a strong organizational culture can become serious liabilities. How serious is sensitivity to cultural issues? A mismatch with the organizational culture is widely regarded to be the cause of Carly Fiorina's high-profile departure from computer-maker Hewlett-Packard. This can often be the cause of departures in churches and in other organizations.

**Cultural compatibility
can be the difference
between success
and failure.**

Veterans in succession planning urge us to pay careful attention to our organizational culture. “I feel very strongly that any succession must support an organization’s beliefs, values, and strategies,” says Jack Michaels, CEO of Snap-On Inc. “Boards need to clearly articulate both the culture and values of the corporations in any succession, and decide if they want to maintain them. If they do, then that has got to be a part of the skill set and attributes that the next CEO must bring to the job.”³⁸

Cultural compatibility can be the difference between success and failure. Boards that rely on external candidates risk hiring someone with no knowledge of the organization’s culture. Insiders tend to have more successful track records, says Richard Teerlink, former CEO and chairman of Harley-Davidson, Inc. “In the most successful successions I’ve seen, the candidate came from the same culture and was able to build on that culture,” he says.³⁹

At Bronner Brothers, our higher-level executives are family members. Before we bring anyone else into the upper levels of management, we assess how much they grasp our culture and understand who we are. We look for discernment, which deals with the motives behind an action. It isn’t necessary for them to be born with our DNA if they have sharp minds and their values are in line with ours. Sometimes, there are cases in family businesses where there’s a closer kinship with someone who shares your values than someone who’s actually of your own blood.

Cultural continuity is only one advantage provided by insiders. They’re also cited for better long-term performance. While CEOs brought in from the outside have created higher returns in the first

A capable leader with significant abilities may be unwilling to wait on the sidelines.

agement, we assess how much they grasp our culture and understand who we are. We look for discernment, which deals with the motives behind an action. It isn’t necessary

two years, it's the insiders who did better for shareholders over the long haul.⁴⁰

Outsiders aren't the only ones who can turn a troubled organization around. Insiders who understand how an organization works can also be dynamic change agents. For example, Xerox insider Anne Mulcahy started her career with the company in 1976 as a sales rep. Now the company's CEO and chairwoman, she's credited with reviving the business by drawing on her experience and connections within the firm.

Finding a talented insider can be problematic, however. A capable leader with significant abilities may be unwilling to wait on the sidelines. Losing potential candidates reduces our pool of available talent. In addition, internal candidates who are known quantities are somehow perceived as less capable than external ones. It's also not uncommon for executive search firms to favor external candidates for CEO slots and other high-profile positions. Church boards can find an outsider more intriguing simply because they're unfamiliar territory.

Avoiding the downsides of inside and outside candidates requires time, consideration and investigation. A hastily planned succession can result in the crowning of an outsider who is hobbled by cultural or industry ignorance or "an insider who knows the business but can't lead."⁴¹

Finding an "inside outsider" is one solution that sidesteps the associated downsides of either pole. Joseph Bower, author of *The CEO Within: Why Inside Outsiders Are the Key to Succession Planning*, describes the solution, "The best leaders are people from inside

**Finding an
"inside outsider"
is one solution that
sidesteps the associated
downsides of either pole.**

the company who somehow have maintained enough detachment from the local traditions, ideologies, and shibboleths that they have retained the objectivity of an outsider.”⁴² According to Bower, the right candidate merges an intimate understanding of our processes and people with a firm grasp of the new world that the organization is entering, thus producing a winning combination.

Tangible and intangible qualities. Typically, evaluating potential candidates involves references and resumes. We suggest developing a sketch of where the organization should be in five to ten years and then identifying candidates with the skills needed to get it there.

We hire people for what they can do, but we fire them for who they are.

Some organizations ask candidates to write a white paper or strategy statement describing their approach to leading the organization.

Despite all the time we spend evaluating tangible qualities, these characteristics don't really reveal much about the person. How much can we realistically expect to learn from a professionally written resume? In the end, it's the intangible qualities—interpersonal skills, conflict resolution, family life, and humility—that are important. Ignore these intangible qualities and they'll come back to bite you.

By looking for important intangible qualities, we can get an early indication of how a person will really perform. To discern intangibles, try placing people into a variety of environments, in addition to the regular interview sessions. Observe how they interact over a weekend, while with family, at a reception or at a baseball game.

Remember that we hire people for what they can do, but we fire them for who they are. It's the intangibles that make up who

they are. Attitudes and mindsets aren't qualities that you can discover with a written test; you have to rely upon an intuitive hunch.

Family-owned business considerations. When the board of directors share the same parents or the principals are a husband-wife team, somewhat different considerations apply. Here, decisions about succession can be complicated by emotional factors that aren't present in other companies and organizations.

Sometimes, there are issues of competency. Some say that two-thirds of all family businesses don't require family members to meet minimum qualifications or have related experience before coming to work. More than half of all family-owned companies also lack a written strategic plan.⁴³

Even in family businesses that don't conduct business this informally, it's not uncommon to feel an emotional obligation to take care of someone. This can be especially true when a family member insists on having a certain role but lacks certain competencies or won't pursue the necessary qualifications. In these situations, the bottom line has to be doing what's necessary to keep the company effective for the long run. It can't become a popularity contest; it has to be about ensuring competency.

At Bronner Brothers, we've had to remind ourselves that we're competing against some brilliant minds. We have to meet or beat what other companies are producing. If a family member in an important role isn't contributing, consider shifting them somewhere they will do the least amount of damage.

When it comes to succession in higher-level positions, remember that it's best not to force a role on anyone. Be sure to determine if the person that you're considering wants a particular responsibility. You don't want to be surprised after you've put them into a

key position by discovering that they have other dreams or simply took the job out of obligation. Also be certain that they either have the necessary qualifications or are willing to pursue them. And make sure that they share your vision and values.

One versus many successors. Warren Buffet has already selected a replacement for his CEO position at Berkshire Hathaway, his widely respected conglomerate. The company's 2007 annual report mentioned that he was still searching for a chief investment officer. In the report, Buffet praised the talents and qualities of an associate who managed the investments of the company's GEICO insurance subsidiary and added, "We need to find a younger person or two made of the same stuff."

Buffet's openness to dividing his responsibilities among multiple replacements is rare. Naming multiple successors is not a path that's trouble free. Jesus summarized the problem when He said, "No one can serve two masters. Either he will hate the one and love the other, or he will be devoted to the one and despise the other."⁴⁴

A workable solution has to include clear roles and responsibilities. Problems will arise when that clarity is missing. For example, when Vladimir Putin stepped aside as Russian president recently, his ally Dmitry Medvedev became his successor. Putin didn't disappear, however; he became Russian prime minister, causing newspapers and diplomats to wonder who was really leading the country.

The Russian people seemed equally wary of Putin's action. "Though Russia's state emblem is a double-headed eagle, history has taught its people to view two-headed power as a monster."⁴⁵

An editorial in *The Wall Street Journal* summarized the Russian succession problem. "In planning this transition, the new prime

minister—and still the pre-eminent leader in the country—succeeded in preserving political continuity in the short term. But he has manifestly failed to create a stable political system.”⁴⁶

Naming multiple successors is not always an unworkable solution, however. It can be appropriate in cases where it’s difficult to find the necessary talents in one person. One of my brothers (Dr. Bronner) is multi-talented. He’s the president of his own company, a marketing expert, as well as an extremely talented chemist. Finding a single replacement for him is going to be a challenge.

If we’re only looking for people like us we may be limiting the future growth of the organization.

My brother’s succession plan will likely have to consider the need for finding two or three different people. In each case, the roles will have to be clear. He’ll need a chief marketing officer, a lead chemist, as well as a chief executive. In this case, the roles are diversified enough that conflicts can be avoided. In cases where it’s not as clear-cut, it’s important to clearly state that there’s only one person in charge—one president, one senior pastor or one chief executive.

In some cases, organizations do this by having leaders split their focus between domestic and international business, for example. Churches can do it by differentiating between pastors with a gift in administration and those with a gift in preaching. In this last example, the church elders would need to decide which pastor is going to be the lead pastor.

Generational styles. The communication gaps among the generations currently in our workforce continue providing challenges. We have Baby Boomers, Baby Busters, Generation X people, and Generation Y individuals. Baby Boomers tend to be workaholics.

In some cases, they have problems with expectations from the other generations who appear to want special treatment. Human resources organizations are having difficulty in getting everyone to collaborate successfully.

We've witnessed 60-year old incumbents selecting 48-year old successors. Potentially, that's a problem. Some of these incumbents are picking people who are like them, who represent the closest thing they can find to their comfort zone. This misses the point.

Succession is always about planning the organization's future. In the future, everyone is leaving their respective comfort zones. The future is about change. It's about everyone expanding our circles and our frames of reference. If we're only looking for people like us—in terms of our generation or some other criteria—we may be limiting the future growth of the organization.

Regardless of the type of organization, selecting successful candidates must be a process that's closely integrated with succession planning. Finding an appropriate successor involves always wearing your "candidate selection" hat.

This constant vigilance can provide a number of advantages:

- Watching for potential leaders can provide a longer list of candidates.
- Having a number of choices increases your chances of identifying the right person.
- A longer lead time also means that the organization can pay more attention to developing candidates, which increases their suitability.
- Selecting leadership candidates early offers increased opportunities to evaluate them and offer additional developmental opportunities.

Successor naming considerations. In most cases, you'll either want to recommend someone as your successor or you'll find that person will already be named, perhaps by the board. Each of these situations requires a slightly different focus.

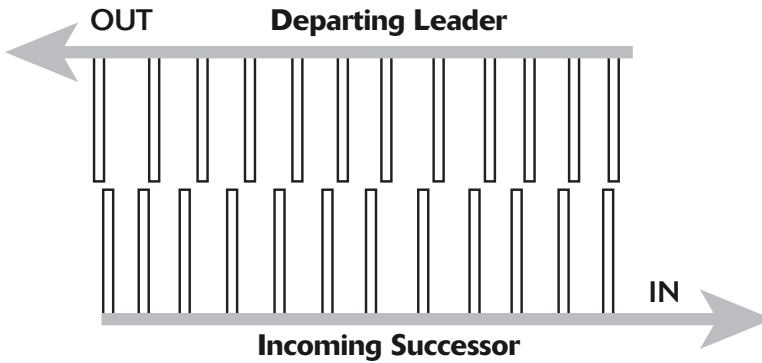
Every leader has a responsibility to develop those who can move the organization forward.

If you're going to recommend someone for the position, realize that you're putting a sizeable amount of your "relational equity" at stake. Your relationship with the organization may be put at risk for a number of different reasons:

- People may simply disagree with your choice.
- There may be one or more people favoring another candidate, whether another person is named or is yet unnamed.
- Particularly in churches, your departure might be perceived as a broken promise, simply because people never expected that you'd leave.
- There might be feelings of abandonment associated with your departure.

Regardless of the reason behind the risk, it's important to understand that it's *you*—not the nominee—that's being placed on probation while everyone waits to see the results produced. If your successor does well, those who accepted your recommendation get the credit. However, if your nominee doesn't work out, you should be prepared to take the blame. Also, depending on the degree of risk, recognize that even though you've made your recommendation, this person might never be accepted. Remember, relay races are won or lost on the passing of the baton.

If you're in a situation where a successor is already named, it's important for you to develop your strategic phase-out plan to ensure a proper handoff of responsibilities. We've illustrated the workings of this plan using the following diagram.



Each line represents a “cog” in the inner workings of the succession process. Each time the cogs on these lines intersect, you're moving one step closer to your final transition from the organization. It's important for each cog to have its own well-defined and well-communicated plan for transferring responsibility. In each case, it's also important that you communicate the distance between each of the cogs—which represents the timeline—and to delineate the overall timeframe for the succession process.

It's possible that each cog will have its own separate stakeholders. This will mean that you'll have to consider different questions, different interests, different agendas and provide different responses to address these varying concerns.

As you move closer to the end of the transition, the interactions become more intense for everyone involved. Your successor and the succession team that remain in the organization will begin

feeling the stress of new responsibilities, the incumbent starts recognizing the reality of their approaching departure, and the stakeholders begin the process of releasing one leader while also embracing another.

Developing Leadership Candidates

Greek mythology tells the story of a goddess who sprang fully-grown and armed for battle from her father's head. Wanting to find a successor who is complete in every way is an organizational myth with striking similarities to this ancient Greek fable. In this fast-food world, we shouldn't expect to find a made-to-order successor. Even if we found someone with the right qualifications, some development would likely be necessary.

As this popular quote from Jack Welch reminds us, overseeing the development of others is a necessary part of leadership. "Before you become a leader, success is all about growing yourself. After you become a leader, success is about growing others." Every leader has a responsibility to develop those who can move the organization forward.

**Leadership development
can keep any
organization from losing
talented people.**

Having a leadership-development focus is an effective method for growing the type of successors your organization needs. A well-designed internal program becomes an incubator for precisely the types of leadership qualities that you require.

Any organization with a reputation for developing leaders gains a number of benefits. Companies with highly regarded development programs typically have an easier time attracting and hiring promising talent. Don't underestimate how attractive a development

program can be to potential hires. Attracting new talent is precisely the reason that GE has begun sending high-potential employees to their leadership development center much earlier in their careers. One GE executive told *Fortune* that the program is a “strong selling point” to high-performing young talent.⁴⁷

“Companies that provide people with opportunities to learn and grow become talent magnets, drawing scarce talent in droves,” says Robert Gandossy, from the human-resources firm Hewitt, which worked with *Fortune* on a recent study of world-class leadership development programs.

Dynamic leadership development programs—like the ones at GE and at Procter & Gamble—have a proven track record for attracting talent. Graduates of the P&G program have filled CEO slots at nearly 200 companies worldwide. The list of executives nurtured by P&G include GE’s Jeff Immelt, 3M’s Jim McNerney, eBay’s Meg

Developing human capital doesn’t necessarily require a substantial investment of financial capital.

Whitman, Intuit’s Steve Cook, Steve Ballmer of Microsoft, and Steve Case of AOL.

In addition to helping recruit and develop potential successors, leadership development can keep any organization from losing talented people. New employees at Capital One Financial consistently cited development opportunities as one of the top-three reasons they remained at the credit-card company.

The development programs that keep leaders, managers and employees engaged with an organization can also strengthen the bottom line. One Gallup study demonstrated that organizations with engaged workforces have significantly higher levels of customer satisfaction and financial results.⁴⁸

Developing human capital doesn't necessarily require a substantial investment of financial capital. There are ways that any organization—regardless of its size or its budget—can begin developing its own pipeline of succession candidates.

We always encourage senior leaders on all levels to focus on increasing the problem-solving skills of their leadership teams. You can use the issues and problems that they're facing in their current positions to challenge them to grow to the next level. For example, a large church with its own parking-lot attendants can focus on developing skills in dealing with cantankerous people who insist on parking where they want. By helping the attendants—and the leaders responsible for this job—to think through

Measure a leader's effectiveness and worth to the organization based on their ability to solve problems.

these problems, we're really focusing on people skills, conflict resolution and eliminating chaos. The leaders responsible for these areas can apply the same thinking to dealing with issues facing the ushers, nursery workers and other areas in a church.

We should also work with leaders on developing the ability to anticipate certain issues. We challenge our people to assume that they will encounter resistance, to consider the negative forces that might work against them. We encourage them to prepare for these situations, to find ways to respond in advance of these events. Observing people as they strategize about these situations reveals a lot about their capabilities. Leaders have to be effective problem solvers. We measure a leader's effectiveness and worth to the organization based on their ability to solve problems. Watching them respond to hypothetical problems shows me how they might think in the midst of a storm.

Broadening people beyond their current positions and functions is another simple and inexpensive way to develop leaders. Cross-training is a valuable and frequently overlooked strategy that can help leaders to grasp the big picture about an organization and

Many report that they're enjoying the development activities more than they're enjoying preaching.

its world. Why not consider taking leaders out of their comfort zones by exposing them to unfamiliar areas? Provide cross-training that exposes the financial people to marketing, or the marketing people to information

technology, for example. The point is not to make them uncomfortable, but to broaden their horizons and their potential.

One of the co-chairmen of Harvard Business School's program for high-potential leaders, Das Narayandas, describes what happens to leaders who fail to develop this critical multifaceted outlook. "If they are not trained the right way, they can spend the next twenty years building deeper and deeper skills in a narrow aspect."⁴⁹

Any development program assumes that the organization has some idea about the qualities and competencies that it values. If you haven't already, describe those important qualities and attributes. From there, find ways to provide the necessary training and development opportunities. Many organizations employ some method of assessing where their leaders are in relation to important attributes. This enables them to personalize development.

Growing and developing others is not solely the work of a human resources department. It's vital for leaders from the Baby Boomer generation to realize this and to become more intentional about developing others. Whenever I (Dr. Chand) work with pastors and other organizational leaders, I realize how many of us were not

apprenticed. It's rare that I find someone that was purposefully and closely mentored.

That situation is changing in many top companies, where senior leaders are increasingly more involved in leadership development. The CEO at McDonald's—Jim Skinner—personally reviews the development progress of the company's top 200 candidates. At GE, Jeff Immelt monitors the progress of the top 600 leaders. Other executives report that they devote 50 percent of their time to people issues. Some corporations are encouraging these activities by attaching a percentage of their CEO's compensation to successful leadership development.⁵⁰

Boards are also involved in the development of potential successors. Their focus is on ensuring that their organizations have more than enough candidates, which offers them choices when it's time to actually select the next pastor or CEO. Board members want regular updates on how candidates are being prepared. They want to know about plans to expand their responsibilities to provide needed experiences, find out about their delegation and management skills, and get feedback on their leadership skills. It's also not uncommon for board members to visit a church, branch or a location run by a high-level candidate to get a first-hand look at them in operation.

**You achieve
greater impact by
investing more time in
smaller groups of people.**

Adopting the purposeful development models that we observe in top corporations is not out of any organization's reach. We always tell senior leaders that the first step is to realize that we must find ways to give away what we were never given, to provide a gift to the next generation of leaders. Since we tend to teach like we were taught,

just having that realization is vital. From there, we can begin to take the necessary steps.

When I (Dr. Chand) am guiding a senior pastor or another leader in developing others, I simplify the task for them. I start by asking them to create a list of twelve things they want their leadership team to understand. Once the list is developed, we prioritize the items.

That list becomes a twelve-month development schedule. The senior leader then begins considering the first month's material and looking toward gathering their leadership team together. While many of them are pastors with impressive preaching experience, it's not uncommon for them to be a bit nervous. It's as though they're riding a bike for the first time; when I break it down for them in this way, I'm providing the training wheels. After they introduce the overview of the twelve items and deliver the first session to their team, we evaluate how it went. Then, they get busy working on the next month's development session.

By about the fourth month, it starts flowing fairly well. They typically have fallen into a rhythm by then. When I ask them about

Find someone who's serious because once your time is wasted, you'll never get it back.

their progress, most of them are excited. Many report that they're enjoying the development activities more than they're enjoying preaching. At about the sixth or seventh

month, these leaders are beginning to discover who are the eagles in their team. As they are teaching, they can often see it on their faces.

By the sixth month, I'm providing them with the necessary guidance and support needed for the next step, which is having their senior leaders cascade the same material to their teams. We can't do

that in the beginning of this process; we first have to get a few months of experience.

These development steps actually follow a Biblical pattern. Joshua worked with the leaders, who told the officers, and the officers told the congregation.⁵¹ Jesus had the multitudes, developed the twelve disciples, and was closely mentoring three of them. Likewise, the higher your leadership position, the fewer people you can mentor directly. You achieve greater impact by investing more time in smaller groups of people.

All good leaders recognize their limitations.

Formal development is not sufficient. It's critical that we also begin mentoring one or more leaders to fully develop competent successors. Mentoring is different from development because it provides a level of accessibility between a senior leader and a protégé. It offers the opportunity for more individualized conversations that can be more personalized than group sessions.

Top organizations are realizing that they cannot rely completely upon classroom training, regardless of how stellar these training sessions might be. Many are beginning to rely more on this formula: "About two-thirds of leadership development comes from job experience, about one-third from mentoring and coaching, and a smidgen from classroom training."⁵²

At Natura, Brazil's largest cosmetics company, top leaders might spend three to six months shadowing a high-level executive. CEOs who have been blessed with mentors praise the effect that it's had on them. "I am here today in part due to a handful of people who, before it was in vogue, provided coaching and mentoring to me early in my career," said Whirlpool CEO Jeff Fettig. "They helped me to develop."⁵³

Our organizations have high-potential leaders—including our successors—who need to be mentored. Many of them are looking for someone to take an interest in them, to help them to develop to the next stage.

It's important to know what's involved in mentoring and what qualities to look for in a protégé. In my book *Pass The Baton*, I (Dr. Bronner) describe important considerations on both sides of this relationship. It's vital for the mentor to define the parameters of the mentoring relationship. They shouldn't have to worry about getting phone calls at home if they don't want them. They should begin

Every leadership development program must challenge and inspire leaders to achieve new limits and push beyond their boundaries.

by actually setting the limits on the relationship. This can include what mode of contact they prefer, whether email is appropriate, and what hours they'll take phone calls.

They should also find a way to sensitively help the protégé to understand that they're providing developmental coaching. They're not providing monetary loans, which can quickly ruin the relationship, or acting as a caretaker. If they find someone who needs caretaking, it's a sign that this person is not ready to be mentored.

We will all encounter people that aren't ready yet. Because they're not committed to the process, we shouldn't invest our time in them. When people who are not fully committed ask for your time, tell them that you cannot commit yourself to anyone who is less than fully committed. If a potential protégé isn't hungry enough to pursue the relationship, they don't respect your wisdom and they won't respect your time. Find someone who's serious because once your time is wasted, you'll never get it back.

There has to be a mutual searching and readiness on both sides.

In the words of the old Chinese proverb, “When the student is ready the teacher will appear.” Both the mentor and the protégé must be at a point in their lives and their careers where they’re ready for this sort of relationship. In some cases, a leader won’t seek a mentor until they realize some deficiency in themselves. Until something creates a need in them, most people don’t accept someone coming into their lives to develop them in this way. They begin to realize that they need help and develop the very necessary quality of a teachable heart. All good leaders recognize their limitations.

Once a protégé realizes their limits, they may begin searching for someone who has been to places that they have not, someone with the vision to see what’s needed, someone to guide them along the path that they’re traveling. A mentor may begin to realize how different their life might have been if they’d had personal guidance. They look back and wish they had someone to provide guidance and answer tough questions early in their career. The mentor is now in a position to help a pastor just beginning a church, for example. He’s ready to provide counsel and pour years of wisdom into that expectant young leader. As you begin working together with a protégé, perhaps you’ll realize that you’ve found your successor.

General Electric calls its leadership development program “Inspirational Leadership.” That’s an appropriate mission statement for any leadership development activity. Every leadership development program must challenge and inspire leaders to achieve new limits and push beyond their boundaries.

When our successors are experienced in moving forward in their own leadership journeys, they’re ready to provide this level of visionary leadership to our churches, our organizations and our companies. Once they have been developed and challenged, they’re ready to begin creating the future.