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# AN EXECUTIVE EXIT: A CLOSER LOOK AT THE FACTORS THAT DRIVE SUCCESSFUL EXECUTIVE TRANSITIONS

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## EXECUTIVE SUMMARY

The construction industry is facing an extraordinary number of executive departures, with 50% of executive leaders in the engineering and construction industry transitioning out in the next 10 years[1]. As executive leaders look toward the next stage of their lives, they have a handful of options to transition the business. Many leaders are choosing to transition the business to the next generation of employees. However, this is easier said than done. C-suite executives drive the vision, strategy and operations of organizations, and a transition from one CEO to the next must be seamless to ensure organizational continuity. For these reasons, it is not extreme to suggest that a poorly implemented executive transition can create companywide chaos.

Given the critical nature of ensuring successful executive transitions, there is surprisingly little pre-existing data on this topic. Extensive research from the succession management domain highlights the initial stages of (a) laying the organizational groundwork for transition and (b) identifying and preparing a successor. Despite this research, there was not a formalized set of guidelines for a successor transitioning into the CEO role. The present study set out to change this.

To better understand the transition from one executive to the next, we interviewed 21 exited CEOs and followed each of their transition journeys. Each one of these CEOs led companies that achieved a level of success within the construction industry and faced the challenging task of exiting out of his or her role as CEO. New insights were gathered from the experiences of all 21 CEOs[2], and five key themes emerged as the main guidelines for a successful transition:

1. Build a Strong Succession Foundation
2. Engage in Transition Planning
3. Cultivate the Ideal Predecessor Mindset
4. Make the Transition
5. Help Predecessors Look Forward

This white paper will explore each of these study themes in-depth.

## THEME 1: BUILD A STRONG SUCCESSION FOUNDATION

> *"**Succession planning can hardly start early enough**. You just never know about life. If you get hit by a bus tomorrow, what's the plan to have your role filled in the company?"*
> – CEO, Construction Management Firm

Planning for transitions does not come easily to most, in business or otherwise. Change is difficult, and human beings prefer to avoid thinking about coming to the end of a successful or exciting life stage. CEOs and other C-suite executives are no exception. However, to ensure continued organizational success, executives must be vigilant in succession planning.

Though acknowledging impending change can be challenging, it can have positive effects too. Considering who in the organization could take over the top executive role in one's absence may force leaders to work on increasing clarity around company strategy and long-term vision.

The following best practices will enable executives to build a foundation for their succession planning efforts today.

### A. Lay the Groundwork

In order to begin succession planning, it is imperative to establish clarity on the company's business strategy and vision. While many leaders may have a general sense of what their vision and business strategy are, these central areas must be clearly established, communicated and embraced by all senior leaders

[1] "Leading as Partners: An Innovative Succession Trend." FMI Article. FMI. 2018.

[2] **Note:** The following sections contain quotes from the 21 CEOs interviewed in this study.

(and, ideally, the entire organization). This may involve exploring the strengths and weaknesses of the organization, creating alignment around the future direction of the company in the near and distant future, and identifying the core values that govern behavior and make up the unique culture of the organization.

One CEO commented,

> *"My partner and I talked a lot about t**he values that we wanted to uphold in our company**. We didn't know the term 'culture' then; we just talked about what our values were. We're going to be the best general contractor in the world, so we needed our people to understand these values internally."*

This stage is essential because establishing organizational vision provides the road map for everything else, from daily operations to leadership to succession planning. Organizations that have already clearly defined their vision are a step ahead because this vision will, ideally, be transferred from one generation to the next. Organizations that haven't clarified their vision should prioritize this and include the current and next generation of leaders in the process.

The most effective executive transitions stem from selecting future leaders who actively support the vision and stay true to the organization's values, even under pressure. In any transition, there is a high level of uncertainty, and employees often worry about what changes will take place. While changes will happen, maintaining and protecting the vision will ensure organizational continuity and stability. Many executives interviewed for this study highlighted the importance of selecting future leaders who aligned with the vision and values:

> *"We looked for people who would embrace those values. People who would not just simply agree to them, because we were looking for more than just agreement – we wanted people to **live those values personally**."*

> *"If your leadership team and the next potential CEO do not align with your values and culture, I would encourage you to look deeper. Look elsewhere, maybe, to find that person, because I believe that the **foundations of success** are the values that a company holds."*

To ensure the next generation of leaders will support this continuity, companies must first have a clear idea of their vision and values.

## B. Build Your Pipeline of Talent

Another vital component of effective succession planning is building the internal pipeline of talent. Companies possess a robust internal talent pipeline when they have pools of internal candidates who are developing toward a readiness to move up and fill more senior roles. Building a talent pipeline should begin as soon as possible and become embedded in your organization as a permanent practice.

One CEO remarked on the importance of developing employees as part of the succession management processes:

> *"In any succession planning process, I think people want to go to the numbers first. They want to talk about the money. That's not what's important. I mean, that's important, but what makes the money work is the people. **It is all about people, people, people**."*

Similarly, another executive said,

> *"The good news is, whether you choose to sell internally or sell externally, you're going to improve your chances of success and your financial reward if you have a strong team, if you have a strong company. So the answer to what you should do is the same: Grow and strengthen your people. You can **use your succession plan, as we did, to help supercharge this process**."*

A strong pipeline of talent is a critical component of succession planning, as it ensures that companies have internal candidates prepared to move into more senior roles. A robust talent pipeline is one with a replacement identified for every leadership position. Organizations often get into trouble by identifying only one potential replacement, which creates unnecessary risk if that replacement decides to leave the organization. The other common pipeline challenge is not having identified replacements for every position. This can result in a potential replacement becoming stuck if no one else is able to backfill his or her current role, which prevents that person from moving into the next leadership position.

The most self-sustaining talent pipelines are rooted in organizational cultures that prioritize learning and development. These organizations intentionally look for opportunities to grow their people, provide extensive formal and informal development opportunities, and provide positive and constructive feedback to employees. These elements promote retention and longevity in the business as employees see the opportunity to advance their career.

Building a robust talent pipeline provides an organization with pools of high-potential leadership candidates who have the knowledge and experiences to succeed at increasingly high levels of responsibility. The interviewed executives' experiences aligned with FMI's perspectives on many of the core components of building a talent pipeline:

### *1. Establishing role clarity*

Develop a clear understanding of the function/role of each person in the company. What are the job's primary responsibilities? What skills and competencies are needed for this role? How will we observe or measure the key behaviors needed for success in this role? How does this role contribute to how the company functions?

### *2. Assessing individual strengths and weaknesses*

Establish a baseline for the abilities of your people. This will help to clarify where individual strengths lie, how they have changed over time, and what tools each person needs for continued improvement. Assessing these areas can take many forms, including performance reviews, personality inventories and leadership assessments.

### *3. Developing skills and abilities*

Once the role expectations are clear and employees' strengths and weaknesses are identified, tailored training and development programs can address skill gaps.

Similar to the assessment phase, a wide variety of programs can be useful for developing talent: internal development programs (e.g., in-person training, mentoring programs, on-the-job training), external development training programs (e.g., leadership institutes, project manager academies), or formal education (e.g., MBA courses, other degree programs, industry certifications). The choice of specific programs will depend on the unique context of the organization, the type of skills that are in need of development, as well as the requirements for success in each position.

The interviewed executives highlighted many different ways to develop their people. While there is not one right way to do this, the following quotes highlight executives' considerations in this area:

> *"**What can we do to ensure people's success?** What assessments, developments, leadership training can we offer on the job, but also in terms of outside help from organizations? What training and leadership development can we provide? Considering these questions is No. 1."*

> *"Our developmental programs were set up around leadership. We used the Myers Briggs [personality] profiles and 360 performance reviews. We were developing the next leaders by sending them to leadership institutes, but we also had in-house training on operations, procedures and our mission statement."*

Theme 2 will highlight how to apply these same pipeline-building actions to transition planning. In fact, many of these same steps will be taken during successor identification, successor development and, finally, successor selection during the transition planning for executive positions.

## C. Establish a Realistic Timeline for Succession Planning

It is easy to underestimate how long the succession planning process will take. Some leaders believe that it's as simple as selecting a successor and an official start date. However, many leaders we spoke with have discovered the truth is much more complicated. In their experiences, succession planning proved to be challenging, convoluted and time-consuming.

### *How long does succession take?*

We asked our interviewees to estimate the time it took to complete succession. Based on the CEO interviews, seven years of preparation are needed, on average, to execute the most effective transition possible.

Many construction companies are looking to sell internally (62%, based on our sample), hoping to pass the company down to family members or the next generation of employees within their organization. We found that this type of executive transition will take the most time, coming in at nine years, on average, based on departed CEO interviews.

### *Why does it take so long?*

Executive transitions take so long because they require a substantial amount of time to:

- Build out the talent pipeline
- Rigorously identify, assess and develop potential successors
- Transfer equity interest
- Facilitate a smooth transition from the predecessor to the successor

This is a lengthy process, requiring considerable effort and planning to accomplish. Many executives discussed in their interviews the importance of accepting that this is not a quick process:

> *"I was surprised it took so long."*

> *"I started transitioning out of the role over a period of about 10 years to date, so it was a slow transition."*

> *"It sneaks up on you."*

> *"It takes time, so don't start too late. Your chances of success are slim, unless you do the preparation, so don't wait too long."*

> *"I'd been planning for this for 10 years."*

## D. Create a "Playbook" for the Entire Succession Plan

Creating a plan, or "playbook," for the succession process will serve several functions. First, a succession playbook will force leaders to stop and consider all the different factors involved in effective succession planning and the stakeholders who must be included in this process. Second, a playbook establishes a series of next steps, for which different stakeholders will be accountable. The creation of a succession playbook also helps leaders consider their succession timeline and enables them to work backward from the ideal time of transition. Lastly, once the playbook has been created, this will allow leaders to track progress and move toward their ideal end state.

One CEO describes what having a succession playbook may look like in practice:

> *"We had a succession plan. That succession plan did not involve the entire company, but it did involve 16 officer positions in the company, maybe a few more in addition to that. It was the obligation of the managers and then, ultimately, the board to approve the succession plan. It identified both a primary and a secondary successor, at a minimum, for each position. And there was, of course, an expected timeline, which turned out to be more of an ideal timeline."*

## THEME 2: ENGAGE IN TRANSITION PLANNING

Once the succession foundation is built, the focus then shifts to transition planning. Transition planning addresses the actions taken to facilitate the best organizational handoff from the departing executive to the incoming executive, which occurs in the final stage of succession.

### A. Invest in the Process

This transition can make or break a company, so an appropriate amount of time and financial resources are required to do it right. The investment in time and money will undoubtedly be needed *within* the organization, but this may involve seeking outside assistance as well.

#### *Invest internally*

As mentioned in Theme 1, the planning for this process will likely take more time than initially expected. While it may feel frustrating or counterintuitive to spend hours "off the floor" in meetings and action planning sessions or to hire additional employees just for this purpose, these investments will pay off if the transition is successful and ensures organizational continuity.

> *"We had to schedule meetings way in advance to ensure we were tracking on transition initiatives,"* one CEO recalled. *"Otherwise, it was* ***too easy to spend time on more 'urgent' matters and not take the time needed for a proper transition****."*

#### *Invest externally*

Based on our study, nearly all successful executives enlist outside help in addition to leveraging internal resources. The transition from current to future CEO is extraordinarily complicated. Simply put, it represents a "passing of the baton" relative to an organization's most vital relationships, processes and operations. Additionally, this all needs to be done concurrently with the "day job" of running the organization. Consequently, there is high value in leveraging the outside expertise of specialists: investment bankers, accountants, attorneys, financial planners, management consultants, and leadership and organizational development experts. The CEOs interviewed in our study discussed the importance of involving the appropriate external people to ensure that the right tools are in place to support the succession process. These CEOs also spoke to the importance of outside perspectives in helping remove potential blind spots:

> *"We reached out to our legal counsel, our accountant, our bank, our bonding company and started initiating meetings with the new group of leaders."*

> *"First off, my financial advisor put together a transition-type plan. He would sit down with us to figure out what the best course of action was. He, in turn, pulled in a gentleman who worked in small business improvement. We worked with him for a while, meeting about once every week or so. But that kind of came to an end, and we still weren't quite where we needed to be, so I attended a seminar with another consulting group and*

*thought maybe that was a good plan. We hired some outside consultants to come in and do an evaluation of the company, to do some training, and just to get a feel for how our organization was set up and how things worked. At this point, the best recommendation the consultant had was to get my successor a coach. Specifically, to have someone coach him on a regular basis in order to prepare him to take over. That's when we hired a specialist in leadership and business coaching."*

*"We learned some things from each one of these people that was helpful.* ***We wanted unbiased advice****. Using outside people helped us get down the road and pass some of those initial obstacles that were in the way, avoiding some mistakes right off the bat."*

*"****Get the right people around you*** *to help you transition. For instance, we had a good financial team among our banks, the bonding company and our accountants. This is something that is important."*

## B. Timing Is Everything

From the interviews with former CEOs, we discovered that there are four readiness factors that signal the ideal time for the executive transition to take place:

1. The market is in the right place.
2. The business is in good shape.
3. The company's vision and strategy are well-established.
4. A strong presence of internal talent exists.

One CEO said it best:

*"I was looking for a confluence of four different things. First, when the business was in good shape, you aren't facing some big crisis or some big issue and are saddling your successor with a huge problem. Second, when market conditions were good, that isn't always the case as we know we go through this cyclical industry. Try and do this in a time when you think that the prevailing winds will be behind you, not in your face. Third, when the company strategy was reasonably set. Strategy has always evolved, and they're never static, or at least it never should be, but there are periods where you feel directionally confident. Fourth, and most importantly, when you think you've got some sufficient candidates.*

*About three years ago, I concluded that those four conditions were present and likely to be present for a little while at the same time. I didn't know when that was going to happen again. I was 62 at the time, and I thought, well, this is probably a good time, and this may not happen again for several years."*

This sentiment was shared by other successfully transitioned-out CEOs as well:

*"The company has to be ready, the person who's moving into the position has to be ready, and, lastly, I think the economy has to be in the right place, because your successor will be judged on what he brings when the ship comes in."*

*"If you're in a downturn economy, this is not the best time to go through the succession process, although in a 'hit by a bus' scenario, you don't have a choice in that situation. The economy shouldn't be, and this is going to sound strange, but it shouldn't be great or fantastic. It should be kind of average or getting better, because you leave your successor the opportunity to take credit for the groundwork that's been laid."*

In a perfect world, all four of these criteria will be met at the time of the transition. Therefore, if all four of these conditions are present, it indicates that the transition should occur sooner than later, to act while the conditions are right. Several CEOs remarked on the importance of allowing these factors to signal the right time to transition, with comments like:

> *"We knew that if we didn't make the move at the time we did, my partner and I were going to be stuck."*

and

> *"You must strike when the iron is hot."*

Though it is unrealistic to expect all executive transitions will occur at the ideal time, considering these four readiness factors may help organizations know when the conditions are good for an executive transition. The right time to transition will be different for every company. Therefore, organizations engaging in succession planning will benefit from thinking strategically about *when* an executive transition will be most effective. Specifically, companies should take internal and external factors into account. Internally, the company should be relatively stable, contain a robust talent pipeline, and have a well-established vision and direction. The external marketplace will ideally be stable and support the executive transition as well.

## C. Identify Multiple Successors

> *"To use a hunting analogy, you put the dogs in the woods and see if they can hunt. You turn them loose. You let them skin their knee. You see who the meat eaters are. You see who has the 'eye of the tiger,' so to speak. Who knows how to see and seize an opportunity. You watch them. You see who your team builders are and see who your leaders are. You see them interact with your employees, your customers, your vendors; you see who people respect and gravitate toward. Who they will follow. Who will they walk on top of coals for. **It's healthy, I think, that we didn't put all our eggs in one basket.**"*
> – CEO, Construction Management Firm

To many, the most challenging part of succession planning is selecting the successor, since having the right successor in place is so vital to the transition planning process. Selecting only one possible successor creates risk if the successor is not as effective or as ready as initially expected. Identifying several candidates for each executive role will allow an organization to vet multiple potential successors and see who emerges as the best person for the job.

In our interviews, the companies that fared the worst post-transition were those that had selected the wrong successor, but only made this realization once it was too late to turn back. Take it from the CEOs who have been there:

> *"In any technical field, you end up getting people with good grades from good schools and they can do all the work, but there's very little attention paid to the personality attributes that are going to become important later as they move up. It dawns on you later that, '**Wow, they're fantastic at their job, but they're really not that great at managing**.' You really have to start looking for people who may not be as good technically, but ultimately have the potential to do other kinds of things that are going to become even more important later."*

> *"Obviously, you have to have good technical and operating skills, but if you're missing the right values, then that negates your technical and operating expertise."*

> *"My successor did some things that proved to us that **we were wrong about him following the [company] values under pressure**. It's easy to see in a lower position that you're demonstrating those values, but the higher you get, the more pressure you get, and the more money that's on the table, as far as the future. People change. It's like getting a divorce. You think you know the person, but people change over time. We saw that happen."*

While these examples do serve as cautionary tales, there is a bright side: Leaders can mitigate the chances of selecting the wrong person by being rigorous in the selection process. It helps to select multiple successors to minimize the risk.

### *Select candidates based on the competencies needed for the role.*

It is easy to choose the handful of officers who have been in place for decades, basing choices on intuition and past performance. While these individuals may even be the best people for the job, it is impossible to know with certainty without rigorous assessment and evaluation of their knowledge, skills and abilities, especially as it pertains to leadership (see Theme 1). Numerous exited executives commented on this reality:

> *"We promote people based on performance, which makes a lot of sense, right? But oftentimes, the things that make a great project manager are their ability to be tough, negotiate, basically be 'king of the castle' on their project. However, these same things become their Achilles' heel when it comes to managing people."*

> *"I thought it was important to make sure that there was integrity around the process – that internal candidates were chosen objectively, not just by people that you know best or that you like best."*

> *"If I could have gone back to change one thing, it would have been to assess and evaluate my successors before I selected them, rather than just choosing the people I thought were going to be best for the job."*

FMI has witnessed this many times over the years. Several years ago, a national construction industry association was embarking on succession planning, as the current CEO was retiring, and began by outlining the current and future requirements of the CEO position. This allowed the leadership team to develop a list of 10 core competencies that represented critical proficiencies for the future CEO. These competencies then served as a benchmark for assessing three potential successors. To the association's great surprise, the individual who emerged as the strongest candidate was not the one it had expected. As it turned out, this rigorous assessment process was instrumental in challenging the biases of the executive leadership team and identifying the successor that would be best for the job.

### *Leverage the board of directors (BOD).*

A principal function of a board of directors is to help select CEOs, so it is highly advisable that leaders tap into this resource. Leveraging external board members can be particularly helpful in aiding the selection process with expertise and objectivity.

One CEO commented,

> *"No matter how objective you think you are as CEO, you're not. It's really important to have other people involved in that process. I told the board that it was its responsibility to own this."*

Another said,

> *"Two years before I transitioned out, we created a fully functional and operational board. What I discovered was that the board was a huge, huge help in the transition from one generation to the next. The next generation wants and thrives on accountability. Today, the board provides that accountability and oversight to that leadership team, and it does it in a very organized, very thoughtful, very structured way."*

Lastly, one executive utilized only the outside board members to reduce bias even further:

> *"Our board is a blend of insiders and outsiders. As you would expect, two of the three candidates were actually members of the board, so they clearly couldn't participate in their own process. It was only the independent directors plus me; this was the succession committee. We made it a formal committee."*

FMI has also seen this strategy work in practice. For instance, one prominent construction industry CEO announced at the quarterly BOD meeting that he would be leaving the company in 18 months' time. This declaration caused apprehension across the board, and the directors immediately launched a transition effort, led by an HR subcommittee. This subcommittee jumped right in, effectively taking over and accelerating the entire succession process. Under the board's leadership, the company was able to select the top candidate six months ahead of schedule, leaving ample time for facilitating a smooth executive transition and allowing for continued organizational success.

### *Be transparent about the successor selection process.*

While selecting and developing multiple successors is essential, leaders should also give these selected, potential successors as much information about this process as possible, to maintain the trust of the candidates. This will serve to minimize turnover while allowing time for the best person for the job to emerge.

It is important to identify the top potential candidates and make it clear to these individuals that they are in the running for the executive role but will not be guaranteed the position. Organizations should clearly communicate the process they will go through to select the top person, the timeline for this process, and who will be involved throughout. Lastly, provide information on what it means to be a candidate who is not selected. For instance, will there be another favorable position that the individual will be considered for? During this time, it is important to maintain confidentiality on the information about each candidate specifically and avoid making promises that cannot be kept.

One CEO reflected on this aspect:

> *"**I was as transparent as I reasonably could be**. You can't share every confidence that you have, but I kept the three candidates informed of the process: where they were, what we were doing, why we were doing it, and promised them as much transparency as we could, given the circumstances. Those were guiding principles for the process that we undertook. I think they served us well."*

If there is integrity and transparency in the selection process, this will reduce the likelihood that top leaders leave if they are not ultimately selected for the CEO position.

One CEO addressed his team after choosing his top successor,

> *"I said, 'I hope you don't leave, but I'll be your biggest advocate if you do and help you get a fantastic job, because you're all capable of being CEOs of big businesses.' Remarkably, my selected successor built his leadership team and everybody stayed – not one person left."*

## D. Formulate a Plan for Replacing the Successor's Role

> *"I would emphasize to every organization to spend time thinking about it and challenging your leaders to make sure that they are thinking about, 'who is my successor and is that person on the team today?' If that person is not on the team, what do we need to do to get the person on the team, and when should we get him or her on the team? You need to get the individual on the team sooner than later."*
> – CEO, Construction Management Firm

As the successor is being selected, it is important to consider who will take over his or her role once the successor has moved on. This goes for any top leadership transition. It is likely that a considerable hole will be left as the successor moves into the new executive role, and leaders would do well to avoid scrambling to backfill that position.

*Another CEO explained what it was like to face this challenge: "These selected successors obviously had roles that they were filling, yet we had to extract them from their day-to-day operations, so they'd have time to spend with me and my partners. It was something that had to be worked on, and we found that it's not necessarily identifying the successors that is hard; it's identifying the people that are going to replace them so that they can take that leadership role. It's almost a double-layered quandary that you go through, and sometimes the second one is harder than the first, quite frankly."*

### E. Communicate the Transition Plans Early and Often

*"In any transition, let employees know as soon as possible about the future succession."*
– CEO, Construction Management Firm

Just as maintaining transparency with the potential successors is critical, it is also important to communicate openly and honestly with the entire company. Let your employees know that a CEO or executive transition will occur many years down the line, how the organization will objectively select the best next CEO to lead them, and then eventually let them know who this person will be, why they were selected, and when they will officially transition into the CEO role. Keeping employees up to date on succession planning efforts will help minimize the levels of fear and uncertainty that often arise in the face of organizational changes. Employees will be more confident if they understand that there is a clear succession plan in place, progress is being made on this plan, and, overall, the future of the organization appears bright.

## THEME 3: CULTIVATE THE IDEAL PREDECESSOR MINDSET

Another commonality among CEOs who underwent effective executive transitions: Their mindset was optimistic, strategic, and aimed at maximizing the good of all. This might be an easy-to-overlook aspect of the executive transition process, but an unproductive mindset can create havoc in the transition. Succession is inherently emotional, but consistently maintaining a certain mindset will make the transition much smoother and more effective.

### Mindset 1: It Is Time for the Next Generation to Lead

Predecessors who executed smooth transitions were able to see their transition as timely and positive. These CEOs were grateful to have had their time in that role, to have been able to successfully lead a great company, and to recognize it was time to give those same opportunities to the next generation. Often this was coupled with the acknowledgment that times were changing.

The construction industry is becoming increasingly technologically advanced, recruiting younger generations and necessitating different ways of leading. Many of the CEOs interviewed for this study felt that they were previously able to successfully lead with their own specialized set of knowledge, skills and abilities, but that a different, fresh set of skills would be needed to take the company forward.

Many comments from CEOs demonstrate the importance of this mindset:

*"A company is dynamic, it's growing, and it's vibrant. It's going to outgrow every single position. It's going to outgrow every single individual in any given position, and I think that's the case with the CEO role.*

> *I think a classic example of the business outgrowing me is what has changed in the workforce culture and what is required to motivate the current generation of individuals who are in the workplace today. You can call it millennials; you can call it whatever generation you want. Today it takes a different amount of leadership acumen, both in terms of intelligence and emotional intelligence, to lead the workforce today than it did 10 years ago when it was more of a baby-boomer work environment."*

> *"I felt that youth was needed."*

> *"It's a much tougher business today, and it's harder to make money in this business. Guys like me sit there and say, 'Well, geez, we long for the good ol' days.' The next generation, to them, it's an opportunity.* ***I look at it as longing for the past; they look at it as an opportunity for the future****."*

It is also important to note that this is not necessarily an easy mindset to cultivate. It takes a considerable amount of humility to recognize that the next generation of leaders may be ready to step into your shoes.

> *"This takes a certain amount of humility,"* one executive commented, while another observed that, *"A sense of humility is critical, as our success as leaders comes from all the people we have to serve."*

## Mindset 2: My Successor Will Never Be 100% Ready

Predecessors must carefully monitor the development and readiness of their successor(s). There is a certain finesse to this monitoring, as predecessors and organizations must strike a balance between promoting a candidate who has been underprepared and also losing a great potential successor who simply cannot wait any longer to be promoted, particularly if this candidate receives a similar opportunity elsewhere.

Several CEOs underscored this:

> *"Top talent only stays because it sees the opportunity.* ***If you don't leave, it will, and then you'll be stuck****."*

> *"You're going to have to let the next generation take over. If you get to the point where you don't want to get out of the chair, then the next guy can't get into the chair, and that next guy is going to go someplace where he can get into the chair, and then you're stuck and you've got nobody to step back in. I think these are the things that people have to be thoughtful about."*

Predecessors must be open to and respond to signals indicating a successor's readiness. The CEOs interviewed saw the next generation beginning to step up:

> *"He wanted it."*

> *"I knew there was a younger generation wanting to do it, wanting to come into the business."*

> ***"The next generation was chomping at the bit*** *to take over leadership positions."*

Additionally, predecessors must embrace the reality that the successor will not ever be perfect or 100% ready; he or she must simply be ready enough to take the next step:

> *"No one is ever fully ready."*

> *"The way out is through."*

> *"He was as ready as he could be."*

### Mindset 3: They Will Do Better Than I Did

Exiting CEOs will be more likely to achieve a seamless transition if they expect the next generation to be better leaders than they themselves are/were. As this message is best delivered directly from the source, here is what successfully transitioned-out CEOs said:

> *"You have to believe that your successor will be better than you are."*

> *"I expected the organization to be greater."*

> *"My successor was the right person to take the company forward."*

> *"I expected my successor to be better than me, an important upgrade."*

Ultimately, CEOs must be able to look forward and embrace the transition as an incredible opportunity for the next generation of leaders and for the entire organization. Senior executives looking to exit should welcome fresh perspectives and have the ability to accept that successors will have differences in their approach, but that is typical, and perhaps even what the organization needs.

With this, exiting CEOs should expect their successors will make mistakes and face various challenges along the way. The most effective predecessors will allow room for their successors to experience these obstacles and to address them in their own way. By taking a step back, effective CEOs can take the long view, see setbacks as normal, and still predict that their successor will achieve great things in their role.

> *"I think my successor did a good job.* ***He obviously did it differently than I did; that's part of the transition,****"* a CEO reflected. *"You look back and you say, 'Oh gosh, I wouldn't have done that.' But that's for him to decide now. But I think he was really well-prepared, and it was good for him to move into it."*

## THEME 4: MAKE THE TRANSITION

We have covered how to plan and prepare for the best executive transition possible. Now we will explore what this transition actually looks like in practice. Is it merely selecting a date on the calendar? What is the process? Does the current CEO simply hand over "the keys to the castle" and walk away? Previously, the answers to these questions were unclear. This research has shed a considerable amount of light on these areas.

### A. At the Time of the Transition, It Should Not Feel Like a Transition

> *"If done well, a CEO transition will just be a ripple on the lake."*
> – CEO, GC Construction Firm

Arguably, one of the most interesting findings of this study is that, by the final transition date, there should not be a transition. In other words, the most successful transitions were those that were so seamless that, by the time the predecessor stepped away, there was little or no impact on the organization's functioning. While the following sections will more comprehensively detail how to orchestrate a seamless transition, the primary takeaway is that executive transitions should occur slowly over time. The essential duties and responsibilities of the CEO role should be slowly distributed from the current CEO to the incoming successor. This process should be deliberate, developmental and trust-building.

> *"The transition was pretty seamless,"* one CEO commented. *"****It happened so gradually, but steadily****. Really, it happened in the six months before I left. In fact, even though there was a three-year window, I probably could have left six months earlier, and I don't know that anything would have really changed."*

## B. Shift Core Responsibilities and Let Go of Decision-Making Authority

What we discovered in this study is that the best way to facilitate a seamless executive transition from one CEO to the next is to incrementally transfer the fundamental CEO responsibilities from the predecessor to the successor(s).

One of the CEOs we interviewed illustrated what this process looked like for his company:

> *"We started to give my successor more visibility, and I started to transition into the background more. It was gradual.*
>
> *For example, my successor transitioned into running the executive operations meetings. Then I gave him the responsibility of preparing the business plans and dealing with our CFO in the preparation of those plans. I also had him prepare our five-year business plan, which we do once a year.*
>
> *During that time, he took over those major responsibilities of the CEO, and I took a background position."*

Establishing role clarity (as a succession foundation; see Theme 1) will initially help select and develop the right successor. In the transition phase, possessing a clear list of CEO roles and responsibilities will serve to provide direction on the specific items that must be transferred to a successor. In other words, if the executive leadership team knows the critical tasks that are completed as a part of that role, then it can begin to reassign these tasks to the successor.

> *"We just started transferring responsibilities,"* one CEO remarked, *"and in areas of oversight that were new, it was gradual. It happened over time, and this was quite appropriate. We didn't want to do everything on day one."*

> *"As the CEO,"* another interviewee commented, *"I was responsible for pre-construction, finance and accounting, and business development. I slowly began turning the pre-construction aspects over to him, then I slowly began to turn all of the business development responsibilities over to him, and, finally, it culminated with turning over all of the financial responsibilities in those last 12 to 18 months."*

As CEO responsibilities begin to be transferred, it is imperative that successors are given the space and autonomy to take ownership over these areas. This extends to leadership *and* decision-making authority. If a successor is to succeed in these new responsibilities, he or she must be the one to truly lead these various domains. Additionally, this must be clear to all others on the executive team and beyond. The successor should start leading critical meetings, making critical decisions and "running the show."

In our interviews, nearly all successfully transitioned CEOs were able to slowly step away from these responsibilities and the decision-making authority:

> *"I will say that it was difficult for me during that process because I was much more used to just saying, 'Okay, this is how we're going to do it and if you've got any questions, let's talk about it. Okay, let's get going'."*
>
> *Yet that's not the way that my successor would go about making decisions. Several times I would joke that I would have to take a Prozac to sit through their meetings…but it really was and has turned out to be a great, great succession."*

> *"You've just got to say, '**Okay, you're in the role now, you make the decision**. This is your decision to make. You take the lead. You're the lead dog now. I'm not the lead dog.' You just have to do that slow enough over time so that at the end of the day, the new guy is calling the shots and everybody understands it."*

## C. Transfer Industry Relationships

While the diffusion of responsibilities and decision-making authority occurs internally, there are often many external relationships that must be transferred as well. Often, CEOs and executives have been in the construction industry for decades and have cultivated dozens of important industry relationships. It is in the best interest of all parties to transfer these relationships to the next generation.

This transfer may occur as a natural progression as the successor steps up and takes over CEO responsibilities, but, other times, executives will need to be intentional in this process. This transfer of relationships may occur via an email introduction, through formal lunch meetings or dinner parties, by shifting over industry association seats, or by merely attending work meetings together. The best approach will differ based on the depth and nature of each relationship.

One CEO explained,

> *"Any human relationship is professional in its roots, but it's personal in its character. What I did do for important industry associations was to put my successor in the role and withdraw from it, things like the Construction Industry Round Table (CIRT). Or I had been a member of a charity organization for many years. I introduced my successor to this organization and put him in my spot. He's our company's representative, not me. I haven't gone to the last couple of meetings, not because I don't like them -- I care about the organization a lot -- but* ***I want to give my successor a chance to make those relationships his, in his own way****."*

Other CEOs followed similar processes:

> *"We made a list. We went through these and made a plan for each relationship. Sometimes he just took over as a contact person; other ones we had to have a customized approach. I think it's situational."*

> *"We made sure connections were made and handed off. We made personal contact, either by phone or in person or email, depending on what level it was, and made clear that the handoff was happening and what was going on. Wanted to make sure that was really clear and acceptable to them."*

## D. New Focus on Mentoring and Coaching

Giving up these responsibilities and decision-making authority is often challenging and requires predecessors to display humility and the right mindset. Another way past CEOs have coped with this feeling of loss is to take a new outlook on their role and embrace the chance to shape their successor through mentoring and coaching. This focus on mentoring and coaching is extremely beneficial, often even required, as the successor attempts many of these responsibilities for the first time and faces his or her imminent future of running the company.

This shift was mentioned in multiple executive interviews:

> *"My successor and I talked a lot about strategy, and I said: 'This is going to be your strategy. You have to form your own opinions about appetite for risk, and that is a non-delegate-able CEO responsibility. You have to own these things, and you can't give them to somebody else.'*
>
> *This gave me a chance to work with him, to help him develop his own thoughts about strategy, risk and those things, because they only belong to the CEO. I gave him a few months to think and sharpen his focus on where he wanted the company to go, what he wanted to be the same, what he wanted to be different."*

*"My role is to work with my successor together. To me, a transition doesn't work well if you don't trust each other. The pattern we'd fallen into was great; it was also a good indication of trust."*

*"**I was there to listen and support, not to give answers**. You've got to know when to shut up and let them skin their knees. We described this as being the guardrails, not being the track. My job was to help them to not drive themselves off the cliff, but I also didn't want to be the track they ran on."*

## E. Physically Stepping Out

The transition process begins with the slow transfer of responsibilities and relationships and a high level of mentoring and coaching. Yet there comes a time for the exiting CEO to begin to back away. One indication that the executive transition process is going well is when the predecessor begins to no longer be needed. As an exiting CEO, this may feel either exciting or scary (or perhaps both). It is valuable to recognize that not being needed is a positive indicator that the successor is adequately prepared and the organization is close to being ready for your transition out.

This experience of having to physically get out of the way was shared by many CEOs:

*"It was a process of starting to let him take responsibility but with some oversight, to ultimately just sitting there and observing, to ultimately just having to **literally step out of the room** and stop attending meetings."*

*"Not casting a shadow is difficult, particularly at first. Everybody's looking to you in the room, instead of looking to younger leaders, whether that's internal or external. **You've got to know when not to be in the room, to not cast a shadow**. Know when not to be in the room and know when not to speak up."*

*"When I was trying to turn more responsibility over, I literally tried switching different chairs in these big meetings. Instead of the head of the table, I'd sit off to the side of the table. But people would still look at me, even though I was sitting there more in an observer role. I finally realized I just had to stop going to these meetings. There are times when you have to literally, physically remove yourself from the picture."*

*"Nobody had any doubt about who was in charge around here. I vacated my CEO office right away; I took another office in the building down the way. I said, 'There's no reason for me to keep an office in this building. I don't want even a hint of confusion about that.' I took an office not very far away, so we would still spend time together, but I wanted to signal to the board, and everybody, my complete confidence. **I think people watch what you do a lot more than what you say**."*

*"A dynamic CEO casts a huge shadow, and it's the leaving guy's responsibility to know how big that shadow is and get that shadow out of the way of the guy coming in behind him. Get out of the way so the light can shine on the new guy coming."*

## F. The CEO's Job Is Now to Facilitate the Best Transition Possible

*"Transition was the most important job I had."*
– CEO, Construction Management Firm

While an official date on the calendar is excellent for orienting your company to the upcoming executive transition, the best executive transitions take place incrementally over time. This steady transitioning period requires CEOs to let go of their past job responsibilities and accept the fact that now their new job is to create the best transition possible for their organization. This is a job that is vital to the company's future, requires time and attention, and, ultimately, is in every stakeholder's best interests.

One exited leader pronounced,

> *"Overall, the transition was the most rewarding, impactful work of my career, and it has been about continuing my life's work."*

Lastly, it is important to note that this process needs to feel like it's personally customized to fit each departing CEO within the unique context of his or her organization.

> *"My advice,"* one CEO commented, *"would be to listen, read, study and think about how to do this, but in the end, design your own process. I think, especially for closely held companies, it's a deeply personal experience – personal for the CEO, personal for the company. I don't think you just take someone else's approach and just follow it. I think you have to build it and design it yourself and say, 'this fits us, it fits us at this time, and it fits me as a person.'"*

## THEME 5: HELP PREDECESSORS LOOK FORWARD

As alluded to previously, the transitioning out process can be extremely difficult for exiting executives. While maintaining the right mindset and planning to take the appropriate steps will help with this executive transition process, there will often be numerous personal challenges for predecessors faced with walking away from their companies.

One CEO remarked,

> *"The whole emotional transition is something people don't understand, but it is a big part of the deal. You have to transfer not only your responsibilities within the organization and outside of the organization, but also as the face of the company. It can impact your ego and present emotional challenges in letting go."*

Helping predecessors look forward to their next stage of life is not only the compassionate approach, but also essential for the company. If a predecessor is unable to look forward, he or she may have difficulty officially transitioning the CEO role over to the successor, which may lead to potential organizationwide confusion and disarray over who is in charge and who will be running the company in the future. However, if predecessors can look ahead and determine what their life will look like after the transition, they will be more likely to be able to step away and allow the transition to take place.

We have compiled the advice of all the CEOs who have lived through an executive transition and recommend that exiting executives take the following actions:

### A. Enjoy the Newfound Free Time

Approaching a new phase of life can be an exciting time. As a CEO, letting go of all the risk and obligation that comes with holding a CEO position can be liberating. Specifically, having the free time to say yes to many of the opportunities that were previously turned down because of the constraints of a demanding work schedule.

Almost every person interviewed for this study mentioned how much he or she enjoyed his or her new morning routine, extolling the luxuries of being able to leisurely wake up, have a cup of coffee, and peruse the daily paper before jumping into the day. There was also consistent mention of enjoying having plenty of time to play golf and travel. Similarly, many transitioned-out CEOs appreciate the extra time to visit with family and loved ones, especially to frequently travel to those who live out of town.

### B. Identify and Follow Passions

The previous section is perhaps unsurprising; it is likely that we would all love more free time and the ability to travel, to be outside and to see our loved ones. Yet, what may be surprising is that there can be too much of a good thing. While a select handful of exited CEOs were content to spend their days golfing and traveling, for most CEOs, this was not the case:

> *"I always thought it was golf, that I would go out and play golf and just do this.* ***Now I don't even look forward to playing golf****."*

> *"I can tell you that my personal preparation was probably zero. I'm still searching for that. I do want to do something, but I haven't decided what that is. There's a little bit of humor to it – I might write a book on boredom."*

> *"It's hard to have free time if you're not used to it, and I don't really want it, if I am honest with myself. I need to find something to do. The board anticipated this and pushed me to hire a consultant to help me think through that, and they said, 'The company will pay for it, but you need to hire a consultant to help you think through this.' But I said, 'I'm just not able to do this, I can't dedicate the thought to it.' I didn't do what the board asked me to do. In hindsight, I should have, but I just didn't."*

> *"I started to figure out what my life was like a year ago.* ***I just felt like I needed to wake up with a purpose****."*

> *"I look forward to doing a few things, going a few places, but you can only do so much of that. I'll have to figure that out, I'll just have to figure it out. That's all there is to it."*

Many also found that family, friends and their own spouses were not as available as they had initially anticipated:

> *"Unfortunately, my wife is as busy as I was. Her primary question was, 'Your life's changing; how does mine have to change?' I said, 'That's the thing, not a bit; I'm not going to force you to disrupt things that make you happy just because I've got time to kill. Do nothing different unless you want to.'"*

> *"You find that friends and family do not have the time that you do."*

To avoid falling prey to feelings of boredom and purposelessness, we encourage transitioning and transitioned-out executives to re-examine their own personal values and passions, and then use these to identify the work, activities or hobbies that will bring the most meaning, engagement and satisfaction in this next life stage.

Here are just a few compiled suggestions from transitioned-out CEOs:

- Create a list of known hobbies
- Create a list of possible interests that you haven't been able to pursue previously
- Say yes to new opportunities
- Say no to anything that is not working for you
- Identify which skills and activities leverage your strengths
- Identify which skills and activities you enjoy
- Identify which skills and activities are in accordance with your personal values
- Once identified, begin to pursue the skills and activities that leverage your strengths, are enjoyable and are in accordance with your personal values
- Join the board of directors for companies that you care about
- Identify individuals or organizations to whom you could offer coaching/mentoring
- Begin to leverage your expertise in community/volunteer settings
- **For all these items, begin to focus less on money and more on your pure interests**

From the interviews, we found that, overall, the CEOs who are the most content with their life post-transition are those who devote approximately 20 hours a week to "work" (paid or unpaid) that is congruent with their values and passions. Working 20 hours a week appears to be the "sweet spot" for exited executives to feel fulfilled and productive, while also allowing them the flexibility and time to enjoy life.

We also found that the next-phase action planning does not absolutely have to occur while the CEO is still CEO. In fact, effective CEOs are often in the tumult of transitioning and simply cannot devote time to thinking about what their life will look like after this executive transition process.

Executives should have a plan for engaging in this thinking shortly after they transition out. This may involve hiring a personal coach, attending a retreat, joining a peer group, seeking out a mentor or even just reading and doing self-work. If there is no strategy in place to plan for the next phase, it will be easy for a CEO to get stuck in the past and stuck in the business.

## CONCLUSION

Whenever an executive looks to exit his or her organization, the company's future rides on the executive and broader leadership team's ability to execute a seamless transition. This executive transition ensures the company's continuity and a bright future for all employees. This transition is also an excellent opportunity for the organization to grow from the next generation of leaders, as these future leaders build on the foundations that have been established by their predecessors.

> *"Executive transitions are like a relay race. You have one shot to pass the baton. You must hand off the baton within the right section of the relay track, and you only have one chance to do it. You don't want to miss this opportunity, but you also don't want your successor to begin where you began. You want the individual to start where you left off, where you stopped being the CEO. You want that person to go on beyond where you could."*
> – CEO, Construction Management Firm

The best executive transitions are the ones that have extensive planning and preparation, leverage multiple perspectives, and are based in objective processes. In addition, they have departing CEOs who are able to let go of key responsibilities over time, transition core responsibilities, and look toward their next stage of life. For this reason, all companies are encouraged to begin thinking seriously about these executive leadership transitions. The reality is, whether your next top executive will be leaving in one year or 10, building the foundations for succession success starts now. This process does take time, energy and resources. But with a concentrated effort, the transition from one generation of leaders to the next can go smoothly. When done well, this process can set up an organization to build on its previous wins and achieve even greater success in the future.