

**LEADERSHIP LESSONS**

## 5 reasons CEO successions fail

### **Picking the next leader is arguably a board's most important job.**

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CEO succession is without a doubt one of the most important events in any corporation. Yet a large fraction of CEO successions fail with often detrimental effects on all parties involved. Billions in shareholder value can be destroyed, thousands of jobs lost, and the high-flying career of the appointed CEO potentially destroyed too.

While corporate leaders are used to conducting post-mortems on failed projects, seldom does anyone make an honest review of what went wrong with a CEO succession and therefore mistakes are often repeated.

Here are five aspects of succession failure to look out for.

## **1. DISENGAGED BOARDS**

Boards have many crucial decisions to make, but selecting the CEO is the most important. However, many boards are disengaged in the process. Our research shows that CEO selection tends to be dominated by a single director, or the board may rely on a limited set of candidates sourced exclusively from limited personal networks, or the process may be run by headhunters who prioritise their own interests. As a result, the board often ends up relying on limited or partial information, filtered through the view of not enough board members, or through the eyes of advisors that are not always neutral.

## **2. UNCLEAR MANDATE**

A second common problem is that the relevance of the mandate tends to be underestimated. Should the new leader continue executing an existing strategy, evolve that strategy gradually, transform the company, or manage a turnaround under financial distress? Without defining a clear mandate, boards often end up hiring the candidate with the most charming personality and the best selling capabilities, from a relatively limited pool of candidates who are often offered indistinctly to various organisations, rather than the one with the best capabilities to lead this particular company into the future.

## **3. CORPORATE AND CULTURAL MISFIT**

Besides the mandate, companies exhibit very different characteristics depending on their industry, size, footprint, culture or history. Often succession fails because the background and experience of the candidate is too different from the hiring organisation and the new CEO may have a mindset, knowledge or skills that are of limited applicability in the hiring firm. This does not mean that CEOs should remain within known territory and sometimes a very diverse background can support a needed disruption, but attention should be paid to these elements and how the different background and experience can be leveraged to make a net positive impact.

## **4. MISGUIDED ACTION**

Alongside succession failures linked to the selection process, and therefore to a problematic appointment, the process of the new CEO taking charge of the organisation also plays a key role. When a new CEO takes charge, the pressure for action coming from internal and external stakeholders is immense and some new

CEOs end up falling for the folly of the first 100 days, before they have understood the corporation or have been able to build a personal platform that would allow them to drive their vision.

## 5. CEO ISOLATION

Finally, driving performance is always a team sport that requires creating a dedicated, trustworthy and capable management team, but also motivating the entire organisation to buy into the vision and go the extra mile. Instead, often CEOs isolate themselves relying mostly on a small group of trusted lieutenants, creating a communication vacuum between the C-suite and the rest of the organisation. New CEOs need an organisation where everybody is truthful and faithful to the business itself and not just to their C-suite leader.

Failure of CEO success may arise from either the board or the new CEOs actions. Success can be more likely achieved when the board takes a rational approach toward the hiring process, and the new CEO builds a trusting relationship with the board and with the organisation at large.

*Thomas Keil and Marianna Zangrillo are co-authors of *The Next CEO: Board and CEO Perspectives for Successful CEO Succession* (Routledge, £29.99)*

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