

# **WJM Case Study: CEO Succession Planning**

## **Specialty Chemicals**

### **Situation**

The CEO of a \$3.5B, global specialty chemicals company contacted WJM Associates and requested a meeting to discuss the organization's goal in identifying and developing a potential CEO successor from a short list of three internal senior executives. All three reported directly to the CEO and were long term employees of the organization.

The CEO and VP of Human Resources met with WJM to present and discuss in detail their goals and aspirations regarding this initiative. At the time of the meeting, the CEO had been in his position for 8 1/2 years and the timing was right to begin the succession planning process.

### **WJM's Pre-Project Approach**

In addition to a comprehensive review with the CEO and VP of HR, WJM met with Board Members - Executive Compensation and Development Committee - to discuss their perspective and expectations. Role clarity as well as confidentiality issues were discussed and agreed to by all meeting participants.

Based on best practices, WJM recommended an external CEO search to the Board in fulfillment of its responsibilities to shareholders. The Board subsequently conducted its own due diligence in this area.

### **Objectives**

- Assess the three senior executives on the short list.
- Create a developmental plan for each.
- Select the right Executive Coach for each.
- Coach each executive towards the goals of the developmental plan.
- Monitor the success of the coaching through periodic check-ins with key stakeholders (midpoint and endpoint).
- Enable the board to make an informed selection of the next CEO based on comprehensive assessment and development objectives of each executive.

### **WJM Associates' Approach**

The WJM Account Director worked with the CEO, the Board and the VP of HR to develop a new competency model for the new CEO that highlighted the core skill sets anticipated to be successful in the position for the next 5 - 10 years. 360° assessment questions were formulated based on the new competencies.

A WJM industrial psychologist administered the assessment tools. Each executive took the online MBTI® and 16 PF® assessment instruments. The Consultant also conducted 360° interviews for each of the senior executives, 8 – 10 executives each, which consisted of peers, subordinates and the CEO.

The Consultant prepared a detailed Leadership Proficiency Evaluation™ (LPE™) for each executive. Each LPE™ included the interpretation of the assessments' and 360° results, and general observations gathered during the Consultant's meetings with each executive. The Consultant met with each executive to discuss and interpret the LPE™ as well as inform each that an abbreviated LPE™ would be shared with the CEO, the Board and the VP of HR with their approval. None of the executives objected.

WJM's Account Director and the Consultant met with the Board to deliver top-line LPEs™ for each executive, answer questions and provide additional detail, interpretation and clarity. The current CEO was not present during these meetings to ensure objectivity.

Based on the developmental needs of each executive, the WJM Account Director provided a selection of 3-4 executive coaches for each executive. Each executive met or spoke with each coach on his short list to evaluate and eventually select for best fit.

Once coaches were chosen, each executive began a 6-month executive coaching engagement. In addition to customized developmental goals, the coaching focused on a set of developmental needs, highlighted in the LPE™, specific to the role of the CEO:

- Strategic Leadership
- Change Leadership
- Inspirational Leadership
- Values Guardian
- Developing Organizational Talent
- Global Leadership
- Personal Leadership Characteristics
- Organizational Knowledge

WJM provided direction to the client CEO in terms of providing support and feedback to the executives during the assessment and coaching process. The coaches also

provided helpful input to the client CEO regarding his role during the coaching engagement.

The CEO needed to understand the overall process and be comfortable in his role. The CEO was involved in the formulation of the coaching agreement, agreed with developmental goals, provided specific and constructive feedback to each executive throughout the process, and met or spoke with each coach for a mid-point and end-point check-in. During the process, the client CEO evolved into an advocate of development and coaching.

WJM's Account Director's role during the process:

- Ensure that expectations were being met.
- Ensure that the engagement proceeded as planned.
- Be a resource for the CEO and the executive coaches.
- Be updated periodically by coaches on non-confidential matters and update the VP of HR accordingly.

## **Results**

One of three senior candidate executives, the CFO, left the firm after the assessment phase. The Board knew of some existing issues with this executive prior to the assessment and thought that the process had accelerated his decision to depart.

The second executive, President of a division, decided that he preferred to stay in his current role. The executive's business unit is considered the growth engine of the company and he expressed his interest in staying in the position to further lead and execute the division's growth plans. Although this executive opted out, he still continued through the assessment and coaching process.

The third executive, President of the company's largest division, in addition to working with his primary coach, also received communication training through a second, specialized WJM coach. Also, a finance professor was brought in at the suggestion of the primary coach to work with the executive to further enhance his financial skills and acumen. The executive also attended executive development programs at Harvard and INSEAD.

He was selected and agreed to become the firm's next CEO, was promoted to President and COO of the company and several months later was nominated by the Board to become the next CEO.

### **Lessons Learned**

Appropriate and timely upfront communication tools and meetings need to be coordinated with the executives going through the assessment and development process as part of a succession. Typically the CEO with the support of the VP of HR sets the stage for this type of engagement. It is important to articulate the goals and desired outcomes of the program to each executive to ensure there is no ambiguity or misunderstanding.

Have a thorough vetting process to build a sound short list. When building a short list for succession planning purposes, an organization needs to take into account unresolved issues, ambition, values and goals of the executives being considered.