



**Emerson de Almeida** and co-authors report on a four-year research study in how to plan and execute a successful successions policy

# Seven things to learn about succession in organisations

**S**uccession as it really is: from feelings to political games in organisations is the title of a book prepared by the co-founder, professors and managers of Fundação Dom Cabral (FDC), a world-class Brazilian business school.

The book is the product of a four-year research project that analysed succession experiences and practices in several organisations both in Brazil and abroad. The study included succession cases both in companies and in FDC itself. These organisations are at different levels of succession development and represent unique experiences.

Why do founders and executives not promote awareness about succession? What challenges are specific to this process? How can you conduct a peaceful and harmonious succession?

This article presents seven important things to learn about succession in organisations that may help answer these questions.

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### **1. The continued development of managers is a fundamental factor for good succession**

Three stages have been detected in the development of succession processes within organisations. Some organisations handle succession as an event where a decision is made at some point in time concerning the transition from a predecessor to a successor. Other organisations address succession as a precisely scheduled project.

In other words, a task force is created to conduct a process that includes the long-term plans for the organisation, the construction of the profile of leaders, the assessment of candidates' skills and competences, the choice of the successor(s), the internal and external communication, up to the management of the transition itself. But really advanced organisations conduct succession as a process directly linked to the continued development of their managers at all hierarchic levels.

These organisations are aware that any succession, be that of its highest executive or of the youngest trainee, involving either internal or external candidates, will impact the functions carried out by people at different areas and hierarchic levels.

Knowing that, these organisations make the continued education of their leadership group the foundation for their succession processes. These organisations are continuously pursuing or reviewing their long-term goals, the competences required from human resources and individual performance assessments. This results in a smoother, quasi-spontaneous, succession processes, free from traumas and expectations.

## 2. A planned succession tends to preserve the organisation's stability. Abrupt successions tend to foster instability

In 2015, the world's 100 best-performing presidents occupied their positions for 16 years on average. This fact contradicts other evidence that between the years 2000 and 2010, the average time CEOs remained as head of the 500 largest companies listed by *Fortune Magazine* fell from 9.5 to 3.5 years.

Each succession process shows its own dynamics and is associated, among other things, with the character of each individual organisation, its origins, history and segment of operation as well as with the economic scenario and the current stage the organisation is going through.

It is also recommendable that organisations prepare themselves for "emergency successions".

Top executives may quickly and unexpectedly quit an organisation in search of career opportunities or for family reasons. Examples of serious illnesses or even deaths that had great impact on the succession processes of organisations are not rare, especially involving CEOs.

Studies have shown that abrupt successions are associated with an 18% drop in the operating profits of organisations in the year subsequent to succession. The drop in performance may be even greater, depending on the time it takes to definitely replace the CEO.

All this evidence demonstrates that the lack of preparation for succession, especially emergency successions, is harmful to the performance and the survival of organisations.

## 3. The design of a future profile for the organisation favours the definition of the ideal profiles of successors

Substitution should not be mistaken for succession. It is wrong to believe that the successor must be akin to or assume a "position" occupied by his or her predecessor. Circumstances change as the environment is constantly changing.

New technologies, regulations and competitors compel companies to design their futures and reflect on their own identities, asking themselves "what do we want to be in the future?"

Such considerations may suggest a different future profile for an organisation, recommending the selection of successors that fit this new profile. Therefore, strategic reflection on the evolution of the organisation may be a very useful practice when choosing a successor.

## 4. Good candidates emerge naturally

Executives should prepare their successors through a series of increasingly difficult challenges; in other words, at each stage, the potential successor is challenged to take new responsibilities, always supported by his or her leader.

Visualise a whale challenged to cross an increasingly thicker ice barrier to reach the surface of the water. When it becomes capable of breaking the thickest layer, then it is ready for leading in the ocean. New leaders are not chosen or elected. Just like whales, they should emerge.

## 5. Replacing a founder-president is more complex than replacing an executive president

It is evident that founders of organisations tend to regard their enterprises as the work of their lives, representing a desire for immortality. This quasi-fusion of creator and creature leads to a succession process that differs from that of replacing an executive who has been in office for some time alongside existing an enterprise.

Even if the executive is committed to the dream of perpetuity, his or her main focus will be on the results of his or her term. This means that the relationship of this executive with the enterprise tends not to be that of families in the case of founders, thus rendering the succession process more rational.

## 6. The leader triggers succession at the peak of the career

A founder creates an organisation but may, under certain circumstances, lead it to destruction. Some pioneers seem worried about how frequently this deviation – characterised by a creator's strong attachment to leadership and consequent reluctance in relinquishing control – occurs.

An extended term ahead of operations when physical and intellectual vigour is lacking causes deterioration – sometimes irreversible – of an organisation's rhythm. The conscious leader, on the other hand, triggers his or her substitution when at the peak of their career, assuming a more strategic role that interferes less with the operation, even, when possible, quitting the organisation. For a substantial fraction of the researched organisations, the establishment of an age limit for presidents, be they founders or executives, has made succession processes easier.

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# 16yr

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# 3.5yr

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### **7. The development of new interests makes detachment easier**

The more one is attached to a dream, the more difficult it is to accept succession: this seems to be a rule. Hence the importance of examining how to detach from the work at the organisation; in the case of founders, from their creature.

Many people are afraid of being forgotten after resigning as president of an organisation. The amount of fear depends on each person: some are routine addicts and tend to fill their agendas with innumerable suffocating activities. For some, especially founders of enterprises that enjoy a certain notability, detachment tends to be even more afflictive.

It seems to be easier to create and lead an enterprise to success than to detach from it. It is worth mentioning that, despite the fact that the development of new interests is a useful help, each case requires its own remedy.

Interests may be professional but it is advisable to go beyond that. Many successful top executives of large organisations decided to dedicate more time to family, to sports, to reading and to other hobbies.

### **Succession as it really is**

In such an attempt to describe the reality of the succession process in organisations one frequently faces several political “games”. This is natural. Aristotle once said that the “human being is a political animal by nature”.



Especially in the case of top executives, succession represents a fundamental event for the survival of an organisation. It is a time when everybody's sensibilities are at their highest levels, and this includes predecessors, successors and potential candidates, not to mention supporters and opponents.

Finally, a succession process always involves both objective and subjective factors. The present study is intended to help readers broaden their understanding of the complexities of succession processes within organisations.

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