

# ADAPTIVE CEO SUCCESSION

## A CASE STUDY

A \$50 billion multinational company undergoing a five-year CEO succession journey worked with search firms and other third-party companies to identify five internal candidates. The company then contacted Merryck to help develop the potential CEOs. That group included, by the company's own description, a "safe pair of hands" (also considered to be the emergency succession candidate), a retention play, and two other leaders who showed great potential but needed to be groomed and demonstrate maturation over the next several years. Merryck's role was to ensure each candidate progressed against both their own development plans as well as the business's shifting strategic needs.

At the time, the industry, marketplace and regulatory environment were changing rapidly. The company faced margin challenges in its mature businesses. Its R&D pipeline was struggling, and acquisitive growth had protected margins but created something of a Frankenstein's monster, both culturally and in terms of a cohesive enterprise strategy. Further, regulators seemed increasingly prepared to nix large-scale M&A options. The board and senior management engaged in a full-scale review of the strategy, with Merryck providing regular reminders that the candidate pool likely needed to change to reflect new and emerging problem-sets that the next CEO and C-suite team needed to address.

### As the enterprise strategy evolved, four facts became clear:

1. The emergency succession candidate was too close in age to the CEO. He desperately wanted to be a CEO and was not going to wait around.
2. The initial retention play was all-in on fixing the company's R&D problem and didn't need a succession prize dangled in front of him in order to motivate him to stay.
3. The two further-out development candidates certainly had CEO potential, but not in an organization of this scale and complexity.
4. Two players further down in the business, and much closer to the market, showed the right nimbleness and comfort with ambiguity that was going to be required of the emerging business strategy.

It became readily apparent to the board, CEO and CHRO that the evolving business model was going to require different approaches to leadership in order for the company to deliver on its promises to the market. Merryck was engaged in this succession discussion and 1:1 mentoring over a five-year period, with the following results:

One of the dark horse candidates, who was viewed as the longest shot, worked with a mentor, showed tremendous development over a two-year period and was ultimately named CEO and Chairman.

The initial retention candidate showed maturity in reinventing R&D's impact. As a result, the product pipeline today is more robust than it has been in the history of the company.

The second dark horse candidate also accelerated his development, formed a strong collaborative relationship with the other long-shot candidate across their respective silos and drove better-than-planned results for the enterprise. At the conclusion of the succession process, he was named chief commercial officer as well as continuing to serve as GM for the largest line of revenue for the company.

As a result of changes in the company's strategy, two major business units spun off as public companies. In each case, Merryck was engaged to work with those business' unit leaders as they navigated the IPO preparation process and then transitioned from BU presidents to first-time public company CEOs. Harvard Business Review profiled one of them and his journey from division president to successful public company CEO.

The emergency succession candidate transitioned out gracefully and is today CEO of a top-ten business in the same industry.

The other two initial potential successors went on to become successful CEOs of smaller companies.

As Merryck helped each of these leaders deliver results to the organization or transition to their next career progression smoothly, we have also been engaged in developing other high-potential leaders within the company. These include the senior-most female executives, business leaders returning from ex-pat assignments and accelerating their reintegration and contribution at headquarters and a range of senior leaders as they moved into, or prepared for, roles the board had deemed "critical" to share price and enterprise performance.

"It's hard when you're at this level – it's a high stakes game," one of the succession candidates said. "I felt I could trust my mentor. I didn't have to filter anything. I could just talk. Taking the time to get out of the swirl and think, talk and ask questions was really important."

### SUMMARY:

Succession is not a static exercise. The most effective organizations and boards adapt their leadership pipeline in alignment with market realities, which are shifting more rapidly than ever. The most successful organizations and their boards are as explicit about the tangible outcomes they're looking for in the development of senior leaders as they are about the financial KPIs for the company. Merryck helps organizations navigate these nuanced challenges by accelerating leadership and developing key succession talent to fully execute on the strategies of both today, and the future.