Learning's Place During CEO Transitions

Yaarit Silverstone, Neil Lawson and Craig Mindrum

A recent report based on surveys of current and former CEOs discusses ways that executives can make the most of the "golden time" between winning their company's senior position and actually starting work. But how golden is it, really?

As they look at the statistics about the ever-shrinking tenure of the average CEO and the often insurmountable challenges faced at the top level, newly appointed CEOs might be forgiven for looking at that transition time in slightly more ominous ways — perhaps as a soldier reporting for duty or a mountain climber about to begin the last stage of a difficult ascent.

The average tenure for an outgoing CEO now stands at a very brief 5.9 years, down from about 12 years just a decade or so ago. About one-third of the time, the tenure is fewer than three years.

In the United States last year, the number of CEO departures broke all records, and that has doubled in just two years. By the middle of last year, CEO changes were averaging six per day. The health care industry leads in the number of executive transitions, followed by computers and high-tech, then the financial services industry.

Because CEO transitions now occur more frequently, it is especially important for companies to execute those transitions effectively. As with so many types of major organizational change, the first few months of a CEO transition are critical — mistakes made during this period may be difficult to overcome.

To read more about CEO transitions, see the article "Beyond Track Records: Helping Successor CEOs Navigate Transitions," at www.CLOmedia.com/CEOtransitions.

For example, one CEO notes that in his eight-year tenure, he never quite recovered from his "wrong response" to a question from his board about performance reviews. He said he was in favor of performance reviews, and a few board members subsequently suspected him of harboring secret plans to push them out.

More generally, the departure of one CEO and the arrival of another places many stresses on a company. Productivity and morale might suffer, especially if the CEO change comes as a result of business decline or controversy, such as the stock options backdating scandal last year that led to the departure of a number of high-ranking executives.

Boardroom conflict is the cause of a CEO departure more than 10 percent of the time, so an executive change might indicate deeper troubles to employees. Decision making might slow, previously critical initiatives might be tabled and careers might be threatened. Employees might have concerns over the direction a company is taking, therefore, the retention of top talent could be at risk.

All these issues add up to the classic valley of despair — the dip in performance that occurs during the initial periods of major business change. Yet, there are things that can be done — specifically, things learning executives can do — to make the transition less painful and even more productive for the company. It will be up to the new CEO and the board to improve the company's performance over time, establish growth platforms, increase revenues and improve shareholder value. But learning executives and their teams can do a lot to get the company and its people through the valley of despair as quickly as possible, putting the new CEO and the entire company in a position of strength and stability.

Managing Change

One challenge companies face is that their capabilities to manage a major business change usually are not strong. Accenture's most recent High-Performance Workforce Study showed organizations struggle to support their employees adequately through times of change. Of the senior executives surveyed, 57 percent rated their change management support as ineffective or just average. Only 8 percent rated their change management capabilities as "highly effective."

Managing change is a distinctive capability in itself, requiring the disciplined application of leading practices and methods over time as a change program moves through conception to foundation building to deployment to sustained operations. Many organizations find they do not have the expertise required to manage change optimally. Others fail to take heed of received wisdom or might attempt to take shortcuts, leading to problems that have to be fixed down the road anyway.

Effective change management involves integrated programs along four dimensions:

- **Leadership:** Steering the organization with consistency, supported by effective communications programs and change sponsorship planning.
- **Ownership:** Creating demand for the change on the part of the culture rather than simply trying to force change.
- **Enablement:** Providing learning, development and support to help the workforce perform in new ways.
- **Navigation:** Planning and managing major program releases.

A learning department can provide important assistance, especially in the first three categories. Planning effective two-way communications programs, moving an organizational culture in a new direction, helping the new leader understand the existing competencies of the workforce and planning learning events such as town halls can improve the speed at which the company and its people assimilate change.

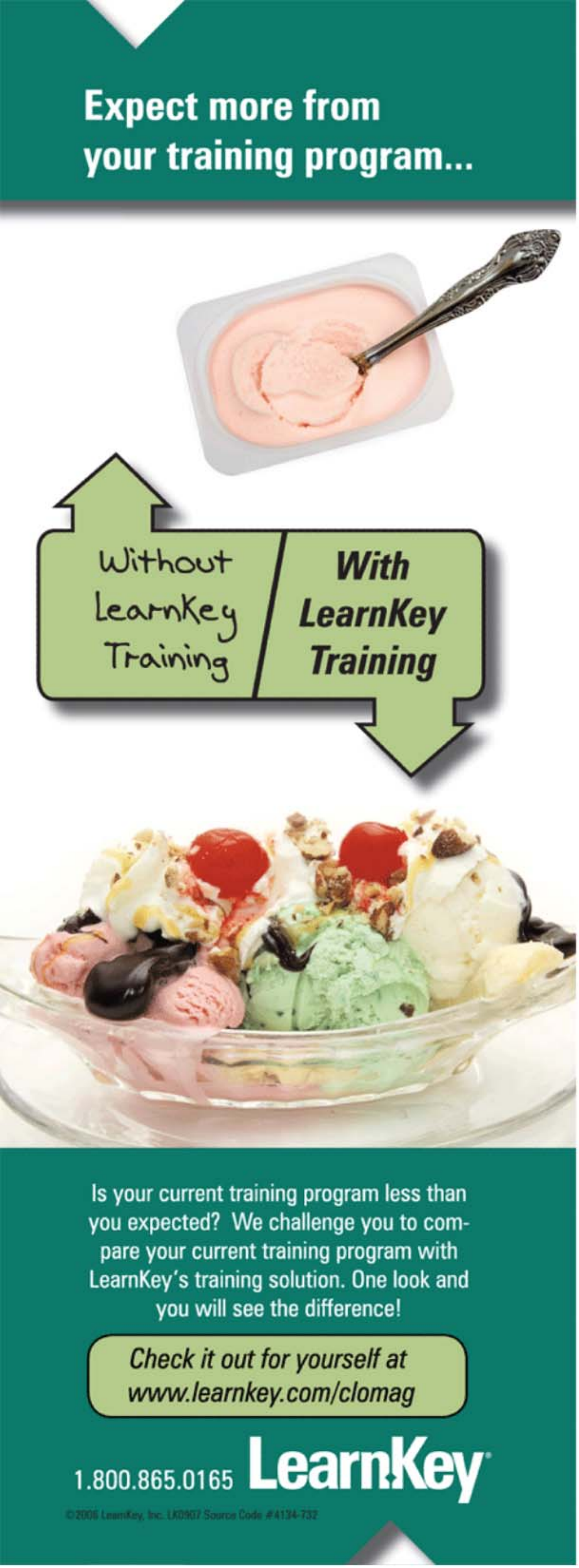
Assurance of Continued Strength in Leadership

For some companies, a change in CEO signals a new strategic and cultural direction, and the learning department can play an important role in helping employees understand new priorities. For other companies, the overriding concern is to assure employees and stakeholders that the management change does not signal major upheaval.

Take JetBlue Airways, where founding CEO David Neeleman recently moved into the chairman position, with former President Dave Barger becoming the new chief executive officer.

The change came at a time of real introspection for the airline, which suffered a serious disruption of service from a severe February 2007 snowstorm that closed several airports, leading to stranded travelers along the JetBlue network. For a company whose employees (whom JetBlue calls "crew members") pride themselves on service, dealing with angry customers was a rare and unwelcome event.

Before moving into his new executive position, Neeleman led the charge to develop what the airline called a customer bill of rights, which detailed JetBlue's responsibility to keep its customers



informed. It also guaranteed vouchers and payments for delays that are the airline's responsibility. (In spite of the setback in February, JetBlue still ranked among the top providers regarding customer service in the most recent *Consumer Reports* survey.)

"From an operational and executive perspective, there wasn't a great deal of concern about the transition from David to Dave because Dave had already established himself as an excellent operations guy — the potential impact was more cultural," said Mike Barger, JetBlue University vice president and chief learning officer (as well as Dave Barger's brother). "David Neeleman has really been the inspiration and driving force for the creation of an exceptional corporate culture at JetBlue. He has always been visible and approachable, and he made a constant effort to get out and greet our crew members across the organization. So, it felt to many of our people as if a family member was going away, and they might not get a chance to see him as much anymore. Would everyone still get that same feeling of being a part of something very special from a workforce and culture perspective?"

Consequently, making sure Dave Barger continues that tradition of CEO visibility and accessibility is one of the things on which Mike Barger has been focused. "Dave has been present at almost every one of the new crew member orientation sessions since coming onboard as CEO, speaking to the group in person," Mike Barger said. "He's made it clear to me that he will continue to do that. He very much believes in the importance of demonstrating that we're all just people — we're all just regular folks trying to perpetuate a very special kind of company. It's a pleasure for everyone to be around a CEO who is so committed to every single new crew member."

In fact, Dave Barger kicks off the entire orientation day at JetBlue University. "These are people handpicked from a long list of applicants because we felt they had the right personality and background to join us," Mike Barger said. "They end the day having heard presentations from and having had a nice lunch with seven or eight of the highest-ranking officers of the company."

Further, that senior-level commitment to new crew members can be seen in how the executives fill their calendars.

"When we do our corporate milestone calendar every year, the very first thing that goes in there are new crew member orientation days — before board meetings, before earnings calls, before anything else is committed to on the calendar," Mike Barger said.

Creating an "In Crowd" of Ownership

Learning forums and town halls are well-established means for a new CEO to communicate key changes and strategies to an entire company. One best practice uses these approaches in an especially innovative manner: to create a sort of "in crowd" of more-junior leaders who then own the change and become more personally invested in sponsoring the activities needed for the change to take.

If a company can bring together its highest-potential managers in a more intimate setting with the CEO and management team, the new senior executive can establish himself or herself and also win the hearts and minds of young stars from all around the world.

The new CEO can use these forums to better understand what issues people are thinking about and to refine key messages as time goes on. And because it is such an honor to be selected as a participant in these CEO forums, the events also can strengthen top performers' commitment during a time of change.

Deeper Forms of Enablement

But the role of enterprise learning during a CEO transition also should be more than simply ratcheting up communications from the new CEO and increasing visibility.

"The ongoing issue every learning executive faces is aligning strategies with the needs of the business, and during a CEO transition, that issue is going to become even more important," Mike Barger said. "Regardless of the reasons for a management change, there will be some changes in strategy, so the best thing that the learning function leader can do is find a way to get connected one on one with the new CEO to be able to hear, in his or her words, exactly where the learning organization needs to go to support the current needs of the business.

"In our case, because I am a founding member of the executive team, that has been less of an issue. But any CLO can use that transition time to his or her advantage — maybe moving the relationship between the CEO and the learning or HR organization to an entirely different level."

Because of the CLO's in-depth knowledge of the competencies of the company's talent, the learning perspective can be especially important to a new CEO planning how best to move a company forward.

Bonnie Stoufer is the vice president for organizational development and education at Ascension Health, the largest nonprofit Catholic health care system in the United States. In her previous role as a learning executive in the transportation industry, she has been a part of dramatic and sometimes even difficult business management change.

During one leadership transition, Stoufer's input was critical as to how the new CEO went about selecting members of the new management team, as well as how leadership development programs were designed based on the company's new direction.

"Because my responsibilities included learning services, as well as talent management and succes-

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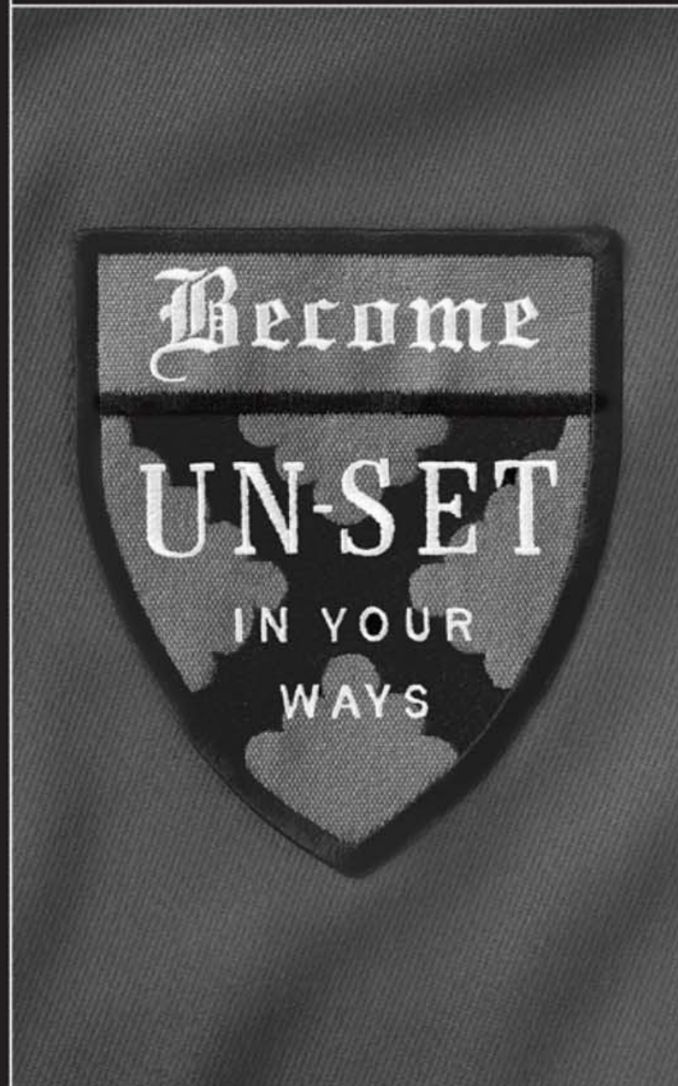

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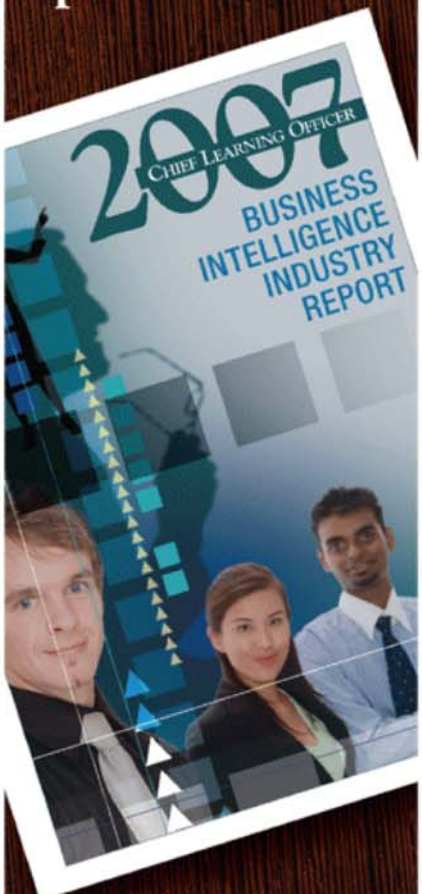

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in practice:

Embarking on a Learning Journey

Times can be tough when a chief executive officer leaves a company, no matter the circumstances — people usually dislike change, and the fear of the unknown abounds. Learning organizations can help navigate potential bumps along the road, as well as assuage stress among employees and the new leader.

In fact, it is during transitional periods that learning takes center stage, said Dr. Kerry Bunker, senior fellow and manager of the Awareness Program for Executive Excellence (APEX) at the Center for Creative Leadership.

"This kind of transition provokes a tremendous amount of learning, both for individuals, including the CEO, but for the people in the organization, as well," Bunker said. "Learning becomes dominant on the agenda."

Additionally, new CEOs tend to be some of the biggest recipients of learning, and they should be one of its most vocal, enthusiastic proponents, said Michael Wakefield, Center for Creative Leadership senior enterprise associate and manager of trainer development. In doing so, the new CEO can build credibility, thereby alleviating some of employees' worries and encouraging them to engage in learning.

"With the advent of a new CEO coming, you have a spectacular opportunity to model what they're looking for," Wakefield said. "It requires a little bit of humility or vulnerability to let go of the 'I'm CEO — I must know all things, and my people should never see me in anything less than an expert' and reframe that to, 'Look, everybody has to be learning with transitions all along.' To the degree they can model that, it's an extraordinary boost to the learning professionals to promote their work and have it trickle down in the organization with a little more validity."

It's not always easy, Bunker said, but the extra effort and willingness to squirm every once in a while often produces the highest payback.

"Here's what we know about powerful learning and powerful transitions: When people look back on powerful learning experiences in their lifetime of any kind, the odds are that sometime during that learning or transition, it doesn't feel good. Powerful learning is rarely wholly fun," he said. "If you have a very active learning and development organization in place, you have the pieces in place to help the organization and the individuals work through the learning process in a productive way such that, at the end of the day, people feel good about it."

Wakefield said employees must recognize that getting through difficulties together will result in a stronger, more effective organization. "To the degree that people can linger and examine what's going on during that ambiguous or uncomfortable period is the degree to which richer learning can take place," he said. "Establishing that general understanding helps people linger longer and, consequently, learn more effectively and even quicker."

As with many things, it boils down to attitude, and it is up to the new CEO to have a positive one. Bunker said a CEO must not pretend to be omniscient and should regard the transition as a group experience.

"A CEO should enter an organization with the mindset of, 'We're on a learning journey together, and we're all going to have to explore this together, and we're going to have to think about letting go of things from the past. We need to examine new things and maybe jump on a new vision,'" Bunker said. "All of those things are windows of opportunity, but they're also major learning challenges."

With the willingness to be vulnerable and part of the learning journey, however, new CEOs must remember that they are in a leadership role for a reason, Wakefield said. "You wouldn't want a CEO preaching a learning agenda to such an exaggerated point that people start to wonder, 'Oh, I thought we hired someone who knew something,'" he said. "It needs to be balanced with some degree of self-reliance on his or her experience, history and background that got that person selected as CEO."

— *Lisa Rummler, lrummler@clomedia.com*

sion planning, I had participated in assessments and in executive coaching sessions," Stoufer said. "Therefore, I knew most of our top talent pretty well, both from a personal standpoint, as well as from the data and assessments. The new executive team relied very heavily on that input in the first months of the transition."

Further, Stoufer said competency assessments at the managerial level also can inform and influence leadership training, making sure it is targeted at the right development needs and helping to move the company in the direction the new CEO wants.

"Without that specificity of knowing where your leadership strengths are and where the gaps are, and then filling gaps in ways helpful to the new business, leadership training becomes merely an event held for its own sake," Stoufer said. "A learning executive can really help give a new CEO a valuable perspective on the organization's talent — what are our strengths from a leadership perspective, and are those the strengths we need going forward? Those are the kinds of things that CEOs need to know."

Rigor Around the Right Levers

Whether a CEO transition represents major upheaval for a company, or it just marks the inevitable march of time, it is a period of change — but not unique change. A shift in management shares characteristics with any major organizational change program. Therefore, companies should set out to capture and apply the best thinking from change management that has been developed over the past couple of decades.

For example, one of the differences between change management today versus 10 years ago is the increased sophistication of metrics and tools.

Technology-based tools can help executives, along with their HR and learning leaders, assess their organizational capacity and measure the progress of a change program. In the case of C-level changes, tools can collect information from an organization at various phases in the transition and measure it against benchmarks so executive leaders can see whether they are on track to achieve high performance.

An organization that has a good sense of where its strengths and deficiencies are will have an easier time managing its way through a CEO transition. By knowing which change levers to hit (and how hard to hit them), companies can invest more wisely and reap results more quickly. ■

Yaarit Silverstone is managing director of organization and change management at Accenture. Neil Lawson is an outsourcing specialist working within Accenture's Learning BPO practice. Craig Mindrum, Ph.D., is a visiting research fellow with Accenture's Learning BPO practice. They can be reached at editor@clomedia.com.