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Microsoft, Apple, Jay Leno... They All Needed A Succession Plan And So Do You



A lot of companies and corporate leaders spend the bulk of their time worrying about growing or surviving. They don't have time to think about who's going to take over for them when they retire, assume a board-only role, get pushed under the bus by an ambitious underling or die in a Singaporean opium den—they're not prepared to entertain a reality in which *they* are not in charge.

They probably should, a strong succession plan can mean the difference between continued success and possibly years of missteps and uncertainty. FORBES took some time to speak with Peter V. Handal, CEO of Dale Carnegie Training, on why a proper succession plan is good to have (and sometimes dangerous when you don't).

“What succession is about is building the bench strength so that the people that are in the company now, or that will be brought in, will be able to carry the company forward in the future,” Handal said. “It's not just a nice thing to have—it's really the essence of any [business](#).” Since people are the most important element in a company, filling open positions – be they leadership roles or others – is a way of continuing the corporate culture.

Knowing when to find a successor can be a key decision point, allowing continuous or accelerated success, says Handal. “Some people can start a business but then when it gets to a certain size they don't know what to do with it. Other people couldn't start a business but, boy, they really know how to lead it once it's going.”

There are also retirement-fueled succession plans, where a board must choose who will lead when the old leader departs. “Who are the candidates? Are they internal? Do we need to look outside?”

Mistakes To Avoid

One mistake companies make when contemplating tomorrow’s key managers is not doing a realistic self-audit that questions what they’re all about. Who are we and where are we going? What does our marketplace want? Who is the customer and how do we adapt to changes? “It’s always a mistake to try to clone a current CEO,” Handal said. “That’s a very common mistake that people make.” In other words, he added, change is good.

Another pitfall is not being open or communicative enough when choosing successors, says Handal, pointing to NBC’s failed attempt to replace [Jay Leno](#) with Conan O’Brien. “Apparently, from what I read in the papers, Jay Leno didn’t know what was going on,” Handal said, laughing. “He just found out NBC wanted him out.” The latest attempt to let Leno step away from The Tonight Show studio has differed in that the parties involved – including successor Jimmy Fallon – are in a more transparent loop of communication.

***Side Thought:** England’s King Edward the Confessor would have done well to be more communicative about his succession plan back in the 11th century. Had he been more decisive about whom he wanted to take the thrown after his death, the Battle of Hastings May never have occurred.*

Finding The Right Character To Succeed

Trying to find an exact replica of an outgoing manager or worker can be a mistake. What works now or worked in the past may be useless in the future. Though hesitant to speak at length about Microsoft’s latest executive moves (Microsoft is a client of Carnegie), Handal said incoming CEO Satya Nadella’s experience in cloud computing shows the company board had an eye on the future. “They also are bringing [Bill Gates](#) back to be his advisor. Clearly the board thinks that their product is an issue that they really need to be addressing. So their picking a person and setting up a structure that is really going to focus on the product.”

Though Handal would not comment specifically on whether Apple” type=”organization” subtype=”company” active=”true” key=”apple” ticker=”AAPL” exchange=”NASDAQ” natural_id=”fred/company/280”] Apple[/entity]’s 2011 succession plan involving Tim Cook has been a success, he did say that a manager following a figure like Steve Jobs may have to fill a different type of role than the predecessor. “If a company says ‘this is a visionary, a founder—this is a great leader we need to find somebody else like that,’ that’s almost always not going to work,” Handal says. After the tenure of a profound visionary and founder, a leader more adept at growth and execution is needed. Apple may be a different case, as Jobs was one of a kind, but clawing for a visionary 2.0 could well leave a company forgetting who it was in the first place. “A major mistake is trying to replicate the past.”

Create An Inner Lab For Successor Candidates



Peter Handal, chairman and CEO of Dale Carnegie Training.

One way of making sure that you choose the right person to fill an opening spot is to watch several of the most promising candidates operate over time. This doesn't mean locking them in a room with a two-way glass mirror and asking them to do a 2,000-word puzzle together, rather do what G.E. used to do: track personnel within the company. "They're not just shooting blind, they're basing their judgment on an observation of how people have progressed." Though hiring from outside a company is common, it can be risky in that it's difficult to truly know how those possible successors will react to the new position.

Don't Make It a Public Gladiatorial Match

Though G.E. should be commended for hiring from within based on rich data, when it came to hiring a successor for Jack Welch, the company dropped the ball. Jeffrey Immelt – Welch's replacement – was selected from about three executives up for the position. The two others left behind left the company. Had G.E. been more fastidious at keeping the process hush-hush, they may not have felt too shamed to stay on with the company, says Handal. "That's not a good way of retaining good executives for a long period of time."

Family Business

Family-run businesses add the element of emotion to a succession, making drama a factor. The family connections bring drive but the realities of a

longstanding family business are grim. “I think that only 12% of family-owned businesses survive to the third generation,” says Handal. “The advantage of family members is that they put their heart and soul into the business—they really believe in it, it’s who they are. That is really an enormous strength.”

But what if a succeeding family member doesn’t have the expertise to run things? If company prosperity is paramount, the succeeding leader would be a non-relative – or even an outsider – that’s most qualified for the job. “It’s a huge mistake to try to fit a round peg into a square hole.”

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