



# LETTING GO

*Perspectives For A CEO*



BattaliaWinston

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# CEO SUCCESSION TO A NON-FAMILY EXECUTIVE IS PARTICULARLY CHALLENGING TO A CEO WHO IS A FAMILY MEMBER. FOR EXECUTIVE RECRUITERS, "WILL THE CEO REALLY LET GO?" IS ALWAYS AN EXPRESSED CONCERN BY THOSE AROUND THE INCUMBENT. THIS ARTICLE DISCUSSES FACTORS THAT HELP FAMILY CEOS LET GO AS PART OF A SUCCESSFUL LEADERSHIP TRANSITION.

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The Chairman/CEO of a substantial, family-run company once asked me, "What are the five most important things for a successful transition to a non-family CEO?"

One key issue is that the incumbent needs to "let go". To do that successfully, we know that the current CEO needs to have something to go to, a worthy substitute for his or her natural focus and energy. That said, the family CEO's comfort in letting go is built upon confidence that the company will be secure and in good hands going forward. My response to the chairman's question was a combination of Fit, Structures & Processes and Mindset. These factors are also important for a family-owned business to become a successful client of executive search services.

## FIT

**1. Culture:** *Since you can never separate the family from the business, the non-family CEO must be comfortable with and embrace the family's "core values"; they underpin the culture of the company. The new CEO becomes a steward of those values. What are they?*

**2. Competency:** *At the same time, the successor needs to have the competencies that will be called upon to do the job successfully, so identifying and prioritizing a competency model is an important exercise. Then candidates must be judged against these competencies.*

Experience further tells me that the best candidates for family-owned business leadership tend to be somewhat overqualified. They don't need to prove that they know how to be a CEO; they know it. The best candidates also have the capacity and high EQ (Emotional Quotient) to deal with family dynamics without becoming embroiled in them. A corollary: Autocrats need not apply.

## STRUCTURES & PROCESSES

To let go, the incumbent CEO must be comfortable at a deeply emotional level that things are in place to ensure a successful business and protect the family legacy. Key elements are:

***3. Board Governance:** A well-functioning and independent board (one that is not too deferential) and good governance processes will serve the family and business well going forward. While a family company board may be described as fiduciary, carrying legal responsibilities and liabilities, most still have an advisory feel to them. But it can quickly turn into a full fiduciary role if the family company leader gets hit by the “proverbial bus” or a fight develops among shareholders.*

***4. LTIP:** The non-family CEO will want to share in the financial value he or she creates through a long-term capital accumulation program that enables the non-family CEO to feel, act and think like an owner. This means being involved in strategic planning and major decisions. There are ways to structure LTIPs without giving away stock.*

## MINDSET

***5. Respect and Rapport:** To complete the fifth part of the response, I called a former successful candidate who came in as COO of a \$600 million NYSE traded conglomerate (family-controlled) with a contractual commitment to be named CEO one year later. He was promoted on time and was CEO for over a decade before stepping up to a non-executive chairman role. I asked him what made it work. He responded, “It’s about Respect and Rapport.” Of course, there must be rapport between the old and the new CEO. But the old CEO needs to respect his or her successor and understand that the new CEO will come to the game with a “different toolbox”; he or she will do things differently. There will inevitably be times of disagreement and some tension. Good respect and rapport will help them get past those pressure points.*

Respect and rapport also are foundations of a successful recruitment process. Candidates will look for signals in interviews to understand what it will be like to work at the company. To recruit a good successor, the CEO should hire someone at least at his or her own level in terms of role, scale and complexity of experience. In a recent search I heard the comment, “You need

to hire for the job five years into the future; then let the successful candidate drag you there.” If the CEO sends signals that he or she is looking down at candidates, things do not usually work out. If the family CEO doesn’t demonstrate genuine respect for the candidates, good candidates will withdraw.

Recruiting executive leadership can never be done without some risk, but if you pay attention to Fit, Structures & Processes and Mindset, you can build foundations for success.



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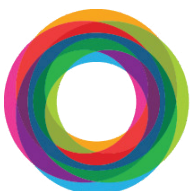
## Partner

Bruce Walton joined Battalia Winston in 2010 as a Partner in the firm's Boston office. Bruce has more than 30 years of executive search experience and primarily recruits CEOs and their direct reports to mid-cap industrial, technology and family-owned businesses. He is co-leader of the Family-Owned Business Practice and a decade long member of the Family Firm Institute (FFI).

Before joining Battalia Winston, Bruce was a Managing Director at Conley & Company, a boutique executive search firm in Boston. Prior to that, he was a Partner with Heidrick & Struggles and a Recruiter at Russell Reynolds Associates. Before entering the search industry, Bruce spent 7 years in sales and marketing roles with IBM after he was Dealer Sales Manager for Hood Sailmakers.

A former Deck Officer in the U.S. Navy, Bruce has a bachelor's degree in Sociology from Princeton University and an M.B.A. from Harvard Business School. He is a past-president of the Harvard Business School Association of Boston.

Bruce lives with his wife, Nancy, in Needham, MA. He enjoys golf, tennis and spending time on Cape Cod with his family, including his two grown children. Bruce volunteers his time on the board of the New England Water Innovation Network (NEWIN).



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