

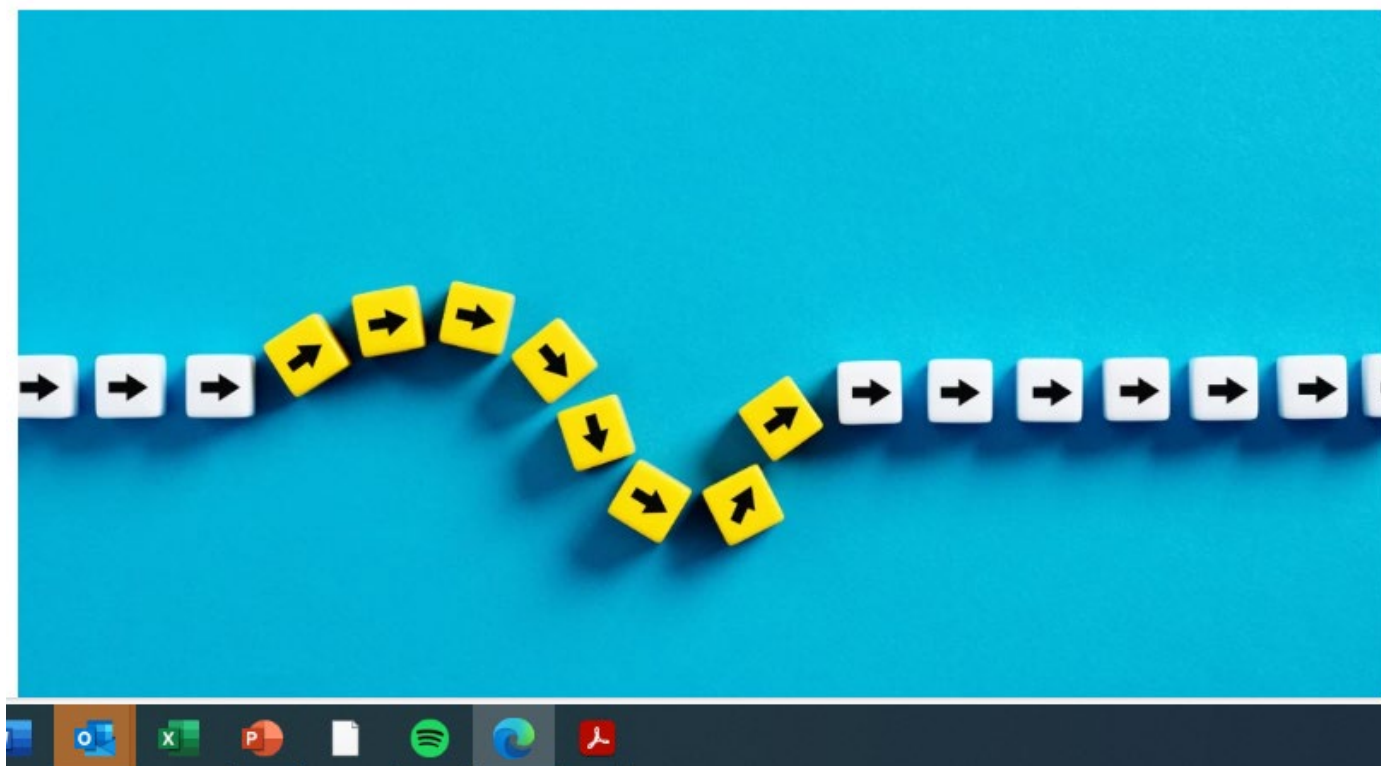
INC. MASTERS

When Transitioning CEOs, Don't Make This Critical Mistake

Ongoing communication leads to more successful business outcomes. 

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As I sit on the other side of the desk, now distanced from the daily operations of the company I once led, I can't help but reflect on a significant oversight I made after acquiring companies. I led the acquisition of three companies over a three-year period, as the CEO of a national private equity- (PE) backed marketing services agency. When we acquired a thriving complementary business, I didn't think it was necessary to keep the communication lines open with the former CEO. I've now realized this created business issues that could have been avoided, or at least minimized.

Business transitions at the top routinely happen swiftly and with minimal communication between the outgoing and incoming leaders. Though common, this practice is misguided. The departing CEO often possesses invaluable knowledge about the company's leadership team, client base, business strategy, and the rationale behind critical decisions. Without this context, the new CEO is left to navigate the company with largely politically-driven and incomplete information from people inside the company, potentially leading to disrupted workflows, client attrition, employee dissatisfaction, and strategic missteps.

The value of communication and respect

Effective communication and mutual respect between outgoing and incoming CEOs are not just a courtesy; they are a strategic necessity. Understanding the context behind past decisions helps maintain continuity and prevents the new leader from repeating past mistakes. Moreover, it preserves the company's culture, ensuring that employees and clients experience a smooth transition without the disruption that can accompany leadership changes.

A well-informed transition allows the new CEO to build on the solid foundations laid by their predecessor, rather than starting from scratch or inadvertently dismantling successful strategies. It fosters an environment of respect and collaboration, setting a positive tone for the new leadership era.

One significant regret from my tenure as CEO is not leveraging the insights and experiences of the leaders we replaced. When we acquired a company, I prioritized inserting new leadership and driving our vision forward, mistakenly believing that the past was less relevant to our future. This approach, while well-intentioned, overlooked the nuanced understanding that only a former CEO could provide.

These past experiences have given me a deeper understanding of the importance of communication during transitions and the value of respecting the legacy left by predecessors.

Practical solutions

To facilitate better communication and smoother transitions, consider the following strategies:

1. **Structured handover processes:** Implement formal handover processes where outgoing and incoming CEOs have dedicated time to discuss key aspects of the business, including strategic plans, major projects, and critical relationships.
2. **Regular check-ins:** Schedule regular check-ins during the transition period. These can be informal discussions that allow the new CEO to seek advice and insights as they settle into their role.
3. **Open communication lines:** Establish clear communication channels that remain open even after the formal transition period ends. This ensures that the new CEO can reach out for guidance without feeling intrusive.

4. **Respect and acknowledge legacy:** Encourage the new CEO to acknowledge the work done by their predecessor. They don't have to "speak highly" of the past CEO, just refrain from making negative comments to employees or clients. This develops a culture of respect and continuity, benefiting the overall organization.

Final words

In business, change is inevitable, but the way we handle transitions can make a significant difference. As someone who has experienced both sides of the CEO transition, I urge current and future CEOs to lead without hubris, ask questions, and be an active listener even to tough questions and criticism. Engaging with the outgoing CEO and understanding the company's history and context can lead to smoother transitions, better strategic decisions, and ultimately more successful business outcomes. The previous CEO must also live up to the same standards.

By bridging the gap between the past and the future, we can ensure that each transition strengthens the company's foundation. It's time we recognize the value of communication in leadership transitions and make it a standard practice for the benefit of our companies and their continued success.