

ASLON Chronicle

Dedicated to bringing relevant global leadership trends focused on integrity and values to senior business executives.



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SUCCESSION: Plan on it.

By Timothy Smith

There's no question executive leaders realize the importance of succession planning, especially in light of increased scrutiny in recent years due to changes in federal regulation of financial reporting and CEO succession disclosure rules. So, why are so many companies lacking well-conceived succession plans for their organizations?

1. Many CEOs do not have a great deal of experience in developing such plans.
2. CEOs get too bogged down with more immediate, pressing issues, making it difficult to implement longer-term strategies involving people. That's what succession planning is: ***long-term thinking centering on your team and developing them as leaders.***

A brief synopsis of a succession planning project the ASLON Group helped to create for the financial management group of a global manufacturing company is provided below. It's an example of how an organization intentionally focused on ways to develop several of its leaders, and in doing so, discovered the successor to a key leadership position. Perhaps you'll find some of the elements useful in establishing your own succession plans.

Implementing the process

The project called for crafting individual, leadership development plans for seven

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associates from the financial management group and to identify an internal successor to the CFO position. The company also retained a management consulting firm to conduct psychological assessments and to collaborate with ASLON in writing the leadership development plans after evaluating each of the candidates. Both firms were able to provide an outside perspective, which is critical to the assessment process.

We began by meeting with senior leadership to ask what they were looking for in a CFO five years down the road. This gave us the criteria to write the position profile as if we were conducting a search today. We then interviewed and assessed the internal candidates, two of whom emerged as qualified potentials for the CFO spot.



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The project was wide reaching because it focused on the internal development of all seven people rather than just a horse race to the top job. Now, a few years later, all seven are still there and growing, and one of the finalists now oversees a major global project, and the other is clearly accepting responsibilities to prepare him as the next CFO.

In conclusion, I strongly encourage companies to make it a priority to evaluate and develop their leaders for effective succession planning. (See related articles on succession planning: VIEWPOINT by John DuRoss and the Korn/Ferry survey results.)

Three take-aways:

- Be intentional about creating successors.
- Focus on the development of internal candidates, especially for key positions.
- Retain an outside assessment that provides a market perspective.

VIEWPOINT: Enerco Vice Chair shares insights.

Below is a continuation of commentary by John DuRoss, a member of the ASLON Group Advisory Board. John is Vice Chairman of Enerco Group Inc. (EGI), a privately-held manufacturer of specialty heating products (including the well-known national brands Enerco, HeatStar and Mr. Heater) in Cleveland, Ohio. From 1981 to 2008, John served as President and Chief Operating Officer of EGI and has been instrumental in developing the company into the industry leader it is today.

John shares his views on the importance of succession planning and executive searches.

SUCCESSION PLANNING: you owe it to your customers.

Succession planning is a very big deal. As companies grow and expand, a well-conceived succession plan is necessary for an orderly transition -- a transition that guarantees a transfer of knowledge and company culture.



*John DuRoss
Vice Chair
Enerco Group Inc.*

To ensure an effective transition at EGI, we actually began planning for the leadership changes that took place in 2008 several years before that when we hired my successor as Senior VP of Sales and Marketing in 2001. We brought him in with the idea that he would eventually become president. So when I stepped aside, he was ready.

Orderly succession and leaders with a consistent vision give life to a company for the

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long term. The succession plan should look 5 to 10 years into the future. As executives, we need to ask, “Who will be our new leaders and where will they come from?” To answer those questions, it’s important to think “organically.” By this I mean, develop your people in such a way that they learn the business and help prepare them for growth within your organization.

Proper planning is not only important to the leaders and team of the company, but also to its customers. Continuity of leadership through succession planning provides confidence to your customers. With the economic downturn, along with the failure of a few of the companies we have competed with over the years, our customers are now asking questions beyond pricing and program. Most of our larger retailers are asking, “Who will lead your company in the years ahead?” “Who will drive innovation?” “Why will you succeed when others have failed?”

As our major customers grow, they’re expecting us to continue to innovate new products. In addition to product, our commitment to them means having orderly succession and a consistent vision. Our customers need to know that we’re going to be here 30 years from now.

EXECUTIVE SEARCH: stick rate is critical.

The reputation of a retained search firm is often predicated on how long a leader stays in his or her position at the company. This stick rate, as it’s called, is very important for obvious reasons. As an advisory board member of the ASLON Group, I know its history and can say that it has an excellent stick rate.

This doesn’t just happen. It demands a tremendous amount of work upfront. It requires interviewing the company owners, partners, and senior leaders to learn about the company culture, its vision, and its goals for profit and growth, for example.

We recently completed a search at our company for the Executive VP of Sales. This is the second search ASLON has done for us. Tim’s willingness to really dive in was paramount to finding candidates and ultimately delivering the right leader for our company.

ASLON is a boutique, retained search firm with a very personalized approach that just works. I’m of the opinion that most companies – large or small – get more attention and therefore better results from a smaller search firm.

Executive Coach

Life lessons from Gary Waters

Cleveland State University basketball coach Gary Waters has turned around the once woeful program with a dynamic mix of business savvy, talent evaluation, leadership training and motivational techniques. Here are a few excerpts of his lessons from the hard court. (To read the entire article, go to IBmag.com.)

- The people who succeed in the business world are the ones who work the hardest.
- You’ve got the God-given talent. Now what are you going to do with it?
- This is the biggest lesson I have learned in life: Don’t make decisions on things. You make decisions on people.
- The one thing I can tell about people is their degree of integrity, if they’re value-driven. I’ve taken a chance on a few kids. Some of them have worked out, and some of them haven’t.

A WINNING MATCH

Leaders generate success, benefit companies.



Succession planning actually begins with hiring the right people in the first place. During a search, we pursue individuals who can be winners at any company. Like a great athlete, do they combine their talents with hard work, commitment and tenacity? Are they natural leaders, visionaries, and people of integrity?

Bringing effective leaders to organizations has an obvious ripple effect. When placements work out well, it means success for the individuals, who inevitably experience professional growth and career satisfaction, but also for the company, in multiple ways. *Quality leadership with continuity* can impact product innovation and development, manufacturing, distribution, market share, and ultimately, investment returns.

Listed here are several examples of leaders placed by Timothy Smith, ASLON's CEO, who matched-up well with their employers and subsequent employers, allowing them to play significant roles in growing businesses, while further developing their leadership skills. They have all advanced to become senior leaders of billion-dollar companies.

Current Role: Chairman and CEO, Materion Corporation (formerly Brush Engineered Materials)

Revenue: \$1 billion

Placed in 2000 as VP/GM of division at Brush Engineered Materials.

Current Role: President and CEO, Forest City Enterprises, Inc. (real estate)

Revenue: \$12 billion

Placed in 1986 as a financial analyst, Forest City Enterprises. He served in several positions, including executive VP of real estate operations and President and COO of Forest City's Commercial Group.

Notable: CEO is the first non-member of the firm's founding family to head the Cleveland-based real estate concern in 50 years as a public company and its entire 90-year history.

Current Role: VP Services - IIG at EMC (information technology)

Revenue: \$15 billion

Placed in 1994 as a consultant for Hewlett-Packard, eventually overseeing \$1 billion outsource division at HP.

Current Role: President and CEO of Digital Globe (imagery provider)

Revenue: \$322 million

Placed in 1999 as CEO of Hoovers (business information). Prior to Digital Globe, served as President and COO of IHS, Inc. (\$1.1B revenue)

Current Role: Divisional General Manager, Covidien (healthcare products)

Revenue: \$10 billion

Placed in 2003 as Sr. VP of Sales and Marketing of Source One; then served as a VP and Divisional General Manager GE Healthcare Technologies.

Current Role: EVP and Chief Strategy and Technology Officer, Hewlett-Packard

Revenue: \$126B

Placed in 1995 as CTO for Cadence Design. Christian & Timbers placed again in 2002 as CTO for Compaq (purchased by HP).

Korn/Ferry survey reveals more interest than action in CEO succession planning among top companies.

A recent Korn/Ferry Executive survey indicates that the majority of global companies do not have a CEO succession plan in place, even though they regard CEO succession as an important element of overall corporate governance. The Korn/Ferry Institute surveyed a global sample of corporate leaders. (The institute commissions and publishes research utilizing Korn/Ferry's expertise in executive recruitment and talent development.)

According to the survey, nearly all companies – 98 percent – regard CEO succession planning as an important piece of the overall corporate governance process. Yet, only 35 percent of respondents are prepared for either the unexpected or planned departure of their CEO.

Despite the recent increase of unexpected departures of several high-profile CEOs, the trend has not fully opened the eyes of corporate executives. The survey reveals that 43 percent of respondents have not increased their attention to succession planning in response to recent scrutiny and headlines focused on hasty CEO departures.

Nearly half of respondents, 49 percent, have not put a succession plan in place in the last three years.

“Given the number of abrupt, high-profile executive departures this year {2010}, it's surprising that more companies are not acting with greater urgency to put a CEO succession plan in place,” said Joe Griesedieck, vice chairman and managing director of Korn/Ferry Board and CEO Services Practice. “In today's environment, succession planning should be part of any company's standard approach to governance.”

Recent changes in federal regulation concerning CEO succession disclosure rules have changed the outlook of organizations considering the importance of CEO succession planning. Of those surveyed, 48 percent reveal that CEO succession planning is more important now than in the past, while 51 percent have not changed their attitude toward CEO succession and believe it has always been important.

www.prnews.com is the source of this article.

- **Do you regard CEO succession planning as an important piece of overall corporate governance?**

Yes	98%
No	2%

- **Does your company have a CEO succession plan in place?**

Yes	35%
No	65%

- **Has your company put a succession plan in place in the last three years?**

Yes	39%
No	13% We had a succession plan in place earlier than three years ago.
No	49%

- **Is CEO succession planning more important now than in the past?**

Yes, it is more important.	48%
No, it has always been important.	51%
No, it is not important.	1%

- **Have the unexpected departures of several recent high-profile CEOs heightened attention at your company on CEO succession planning?**

Yes	23%
No, it has always been a priority.	34%
No	43%