**Leadership Succession: *How Good is ‘Good Enough’?***

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**Setting:**

You and Lisa Milgram have been friends for years. She has been a successful Chief HR Officer for several well-known companies but her passion is leadership succession. Indeed, she has a national reputation for helping create structure for leadership succession – and helping Boards of Directors come to agreement on key succession moves. She gives talks about this topic around the country and has written about it in professional publications.

Lisa has invited you to lunch to discuss a sensitive topic. She wants your leadership opinion on, *“How good is good enough when it comes to leadership succession in – a new twist for her - a private owner-dominated company?”*

Lisa is on the Board of Directors for such a company and has a personal/professional relationship with the CEO & Founder. She doesn’t want to damage that relationship, and she enjoys being on the Board. But…the CEO has presented a CEO succession plan that falls far short of what she would think of as even a *basic* leadership succession plan. Lisa wonders if her large company, formal expertise in this space may be “overreach”. And, perhaps, her suggested approaches are too expensive and complex for an organization of this size. She is asking what you believe is the “standard” by which she and fellow Board members could feel they were meeting their obligations – and thereby respond appropriately as a Board member to a succession plan that she thinks is likely “not good enough”.

**Company Background:**

Blake Moeller is thevibrant leader of the technical consulting firm, Moeller TalentWorks, a twenty-five-year old, 20M, privately held Boston LLC. As founder and CEO, Moeller brings superb sales leadership to his in-house team and his personal boundless energy to his business every day, an in-house team that is largely comprised of early-to-mid career recruiters and account salespeople, managing his bench of 120 active consulting technical coders, programmers, project managers and senior specialized computer scientists. Moeller himself has heavy relationships with longstanding customers, even though he has a VP Sales and team of account managers for each significant client. The firm has always tried to have a diverse client base, but through out its history has always had a few key accounts which reflect >70% of annual revenues.

His Board, made up of seasoned executive friends he’s collected over the years, has begun to think a bit more about the exit plan for the firm’s leader and leadership suite, not in a disloyal fashion to their existing, exceptional leader, but in homage to the value their single, hugely impactful leader singularly brings to the firm. Board meetings are a “family” event of sorts, balancing peer contributions, family dialog, external executive sage exchanges – and deep appreciation for Moeller himself and what he has built.

Recently several Board members themselves either structured semi-retirement for themselves or are feeling a bit more mortal, having seen their friend Moeller and peer Board members beat back some minor health challenges – and in the spirit of support for him – asked Moeller to explore seriously his succession plans.

The Board Chair and a few key committee members last year asked Blake Moeller for an updated Succession Plan. And asked again two quarters later. A recent talent review at the Board level categorized the succession potential of the internal senior team as well as their set of direct reports as, “nobody’s ready yet” to succeed Blake Moeller, but at this time there was confidence that the VP Sales could be relied upon for a short term period of leadership.

A few key executives have been poached to competitor firms in the past two years, so Moeller developed in internal retention grant in case of a change of control, which seems adequate for the moment and no further senior staff members have since been lost. The Board also reviewed a Management Succession Plan from Blake Moeller with the following goals, to take effect in case of his long term or permanent incapacitation:

* Goal 1: Take care of my spouse and family members
* Goal 2: Don’t let the business to go to hell

Key terms of the Management Succession Plan included:

* Spouse will be the Executor of the Estate/Trustee and the final decision maker on disposition of Moeller TalentWorks’ business
* One Moeller TalentWorks executive will become Acting CEO, reporting to the Chairman of the Board
* Chairman of the Board will make options/future business recommendations to the Executor/Trustee (Spouse) and control of CEO goals/compensation
* Day-to-day decisions are expected to be made by the Acting CEO
* The management team are instructed to make decisions by voting and majority rules. All votes and decisions will be reported to the Chairman of the Board
* Chairman of the Board can override Acting CEO decisions

Rather than be helpful, these goals left Board members conflicted about how to best serve the firm as well as family interests. What started out as the classic first succession question, “What happens if Blake gets hit by a bus”, has now become an underwhelming glance into structural proposals which every executive on the Board believes would not end well. The loyal Board now feels they must find a way to give feedback to the CEO in such a way to preserve the good working relationships on the Board and prevent a business and family collision course in the future.

**Advisor Input:**

Other Board members are also now seeking Lisa’s input, since this is her area of expertise. What is the most effective response Lisa can make? You have heard Lisa’s story and she and her Board members are now seeking your input. How can she and her Board colleagues be most effective in their roles?