

The rise and fall of a CEO

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Guido Stein and José R. Pin explain how to become a CEO, how to stay at the top and how to go about succession planning.

Being a CEO entails certain responsibility. It may seem obvious, but preparation is crucial, not only for securing the position and performing the job, but also for staying in that upper tier and safeguarding the organization's survival.

There are many reasons for entering this race: compensation, status and power sit high on the list, as do the opportunities for learning, the freedom involved, and the ability to set one's own ideas in motion. And then, of course, there are the more transcendent motivations, such as the opportunity to improve the organization for the benefit of all stakeholders.

In [CEO: carrera y sucesión](#) (*CEO: Career and Succession*), IESE professors [Guido Stein](#) and [José R. Pin](#) explain how to become a CEO, how to stay at the top and how to go about succession planning.

The ascent

Choosing a CEO is one of the most important decisions a board of directors faces. The organization's continuity is at stake. To keep the selection internal, the authors advocate designing, implementing and steering an in-house executive development program.

The authors recommend [having a succession plan](#) that minimizes the risk of discontinuity in the firm's leadership. This phase entails a set of obligations for both those in charge of picking the CEO, as well as the new executives coming on board.

The [phases of the succession program](#) — design, launch, follow-up of all the various executive development measures — can take years to complete. This might dissuade some companies from making a commitment to internal talent development, and they might opt to hand the task of finding a successor over to headhunters instead.

In order to allow enough time for succession planning, the authors recommend creating training and apprenticeship positions, which allow CEO hopefuls to combine technical and managerial training, and adopt a broad, integrated approach. This requires more than simply devoting energy to specific tasks. There needs to be a rotation among the various departments of the company — a truly internal job market that allows the company to identify, train and evaluate potential CEOs. If not, say the authors, company performance could be seriously compromised.

According to the authors, there must be a structured executive development program to assign specific tasks, create a corporate culture of support, ensure the necessary monitoring by management, and keep the CEO committed.

Being the CEO

Performing a top-level management task is no simple affair. It entails many hours of learning and a lengthy settling-in process.

In order to successfully navigate past this stage, certain key factors must be considered, namely, a defined period for assuming the role, specific stages outlined, industry experience, and good relations with the outgoing CEO.

The new CEO needs time to make high-impact changes. Pursuing stopgap measures and naming interim CEOs are generally exercises in futility, say the authors.

Reasons for failure

A CEO can come up short for several reasons. The possible causes of failure are far too numerous to mention. Furthermore, most companies either withhold information about what led to the firing or resignation of their CEO, or provide only hazy details.

A CEO is generally considered to have failed when he or she is unable to satisfy the expectations of the company's board of directors, shareholders and the market as a whole, i.e., the stakeholders.

The [reasons for failure](#) can be divided into two categories:

- *Endogenous factors* are those that the CEO can influence directly, e.g., holding equity in the company, remuneration, personal background and capabilities, and selecting some board members.
- *Exogenous factors* involve issues beyond the CEO's immediate control, such as the organization size, board composition, institutional investors, past performance of the incumbent and inadequate succession planning measures.

Ultimately, the CEO faces the challenge of managing the expectations of both the board of directors and upper management, while remaining committed to the company's overall strategic vision and winning everyone's support by achieving established objectives.

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