Ten Steps for a Successful Founder Transition

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Odysseus had it easy compared to the successors to most organizational founders. Many successor CEOs end up foundering (pun intended) on the rocks while trying to navigate between their own Scylla and Charybdis. Confronted with such a treacherous path, following these ten steps can drastically improve your odds of success.

#1 **Do your due diligence** – it's very enticing to be offered a role as a CEO, especially your first. Don't let the seduction tempt you into skipping a thorough job of due diligence. Things that appear too good to be true often are. No company ever hires a new CEO unless they really need one! You will be investing a whole lot of time and effort, as well as staking your reputation, in the business you are about to join. Interview board members, ask for detailed financials, talk to customers and former employees. Be sure you know what you are getting into. Even with the best of processes you will never know how bad it really is until your first board meeting.

#2 **Negotiate time** – new CEOs are brought in because the Board or investors have decided they need a change. Change takes time – often longer than the investors' or the board's patience (and memory) extends. Be sure you set an expectation that is sufficiently long to enable you to make the required changes. Write it down and suggest the board review it at each subsequent meeting. Consider that things will likely be worse than they looked during your due diligence (the things you didn't find out until your first board meeting – see #1). Expect to find skeletons in the closet, pissed off customers, unhappy employees, and not quite the financial performance than you were lead to believe. Even under your able leadership things will get worse before they get better. So be sure your written plan provides sufficient time and opportunity to right the ship. Board members and investors have short memories (your written plan will remind them). Founders will be unhappy being replaced. Both will be nipping at your heels if the transition seems to be taking too long.

#3 **Establish Ground Rules** – Boards often do a poor job of setting expectations with founders or existing executives. You will be responsible for ensuring there are clear lines of demarcation. Be prepared for employee unrest, executive unhappiness and a founder squeezing your authority. This won't be easy, but doing the unpleasant work up front can save you from a slow painful torture. One of the most important early considerations is to ensure your founder has a real meaningful functional job with clear responsibilities, goals and metrics or at least rules of engagement (again in writing so they can be regularly reviewed). This will help refocus her mind and keep her from wandering into places that will make your life difficult. If there is no role for the founder, be realistic and help her move on to her life's next chapter. Set ground rules with your board about what will and what will not be expected to be delivered to them. They just came through an experience they would prefer not to relive. As such they may be prone to micromanaging your early days. Establishing a bright line of clear expectations and getting confirmation from all of your constituents will be critically important to your success.

#4 **Show respect for your predecessor** – remember your founder is the one who beat the odds that created this successful entity. Without him or her you wouldn't be here. Successful founders have performed magic so acknowledge their wizardry and show them the respect they deserve. Complimenting your founder's efforts publicly and often is a key to ensuring they know that you appreciate the effort and that you are here to build upon it, not erase it. The loyal troops will realize that your ego does not exceed their esteem for their former leader.

#5 **Establish your Alpha dog credentials** – If your founder sticks around or even frequently visits, no matter what you do there will be confusion as to who is in charge. Be sure that you make it clear who is (and who isn't). Your founder can be quite helpful in establishing your credibility by publicly acknowledging your role and authority and making it clear that she has completely abdicated her throne. Know full well that there will be (sometimes innocent) back door conversations with executive team members that can thwart your changes and put the founder back in the driver's seat. You won't be able to cut off communication, but do your best to ensure that you can attenuate it. Encourage your founder to take a long vacation. Establish boundaries (in writing - see # 2) so that she avoids seagulling in (swooping in and leaving a white gooey mess that is difficult to clean up) or just doesn't hang around too much to attract trouble. Giving your founder a job (see #4) will help keep her out of trouble.

#6 **Take the time to appraise your executives** – not all of your inherited team will be keepers, but not all will be throw-aways either. The ones who are in over their heads will become obvious pretty quickly. Give them a sufficiently long runway to succeed. Then if they don't rise to the occasion – promptly make them available to industry. Treat departing executives better on the way out than on the way in. They are not to blame that they are not right for the next phase of the business. They, like the founder, contributed greatly to the organization's success. But the skills required for the next chapter may not be in their wheel house. Like a snake that must shed its skin in order to grow, so too must a company shed some of its execs to grow. It's not their or your fault; it's inevitable.

#7 **Create pathways to the truth** – During the reign of your founder it is unlikely that many people volunteered to give him the unvarnished truth. Like the emperor parading around with (or without) his new clothes, most executives are beholden to the founder for the wealth and position he bestowed upon them and are reticent to speak their minds. You require something different. Your success will depend upon relentless seeking of the truth. Establish processes and pathways that make it safe for people to share the truth with you. Try different social formats - team meetings, lunches, dinners or perhaps golf, without an agenda, to communicate with your new teammates. Make yourself vulnerable. Be human. Be humble. You might just find that people trust you enough to tell you when there is mustard on your chin.

#8 **Steel yourself** – The job of a successor is hard. Not only will you have to cause things to happen, but you will have to undo some things that have become engrained in the corporate culture. People, processes, and systems that worked fine for the company during its prior generation will likely now need to be ripped out by their roots and replaced. This work is not for the faint of heart. This requires guts, it requires chutzpah, it requires relentlessly asking *why* and not stopping until you get to the core of the problem or opportunity. If you are placid and accept what you are told, you will fail.

#9 Pressure Relief Valve – Most founders have the majority of their wealth wrapped up in their ventures. This compounds their reluctance to hand over control to you. Find a means to relieve that pressure through a partial buyout (perhaps enabling him to sell shares in the next round of fundraising) or other near-term liquidity event that enables him to take some shekels off the table. Then, even if you f**k it up, they still will have secured a win.

#10 **Embrace change** – Make no mistake about it, you were brought in to change things, not to continue to perpetuate what came before you. Changing out a founder who birthed a company and nurtured it through its formative years is like putting a child up for adoption. It is gut-wrenchingly difficult. You can be sure this transition isn't happening because the owners wanted more of the same (see # 2). Change is hard. Change requires careful planning, thought and leadership. Most people in your organization will find it hard to accept change. You will need to help them. Take one step at a time, show them the way, paint the big picture of where you are headed, help them understand *why,* and empower them to be part of it.

Being a successor to a successful founder is a difficult yet quite rewarding role. Not every organization is the same. However, many of these traits are common to organizations transitioning from their founder. Knowing what to expect in advance can help even the most capable executive navigate this tricky course.

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