

MDA Guides Major Industrial Manufacturer through CEO Succession

Challenge

With CEO succession, it can pay to promote from within. Internally hired CEOs are 45 percent less likely to be dismissed, and on average stay at their jobs a year longer than external hires, according to consulting firm Strategy& (formerly Booz & Co.).

Fortunately, the board of a major industrial company knew its CEO intended to step down within a three-year timeframe, giving the board time to help four internal candidates become better-prepared as potential CEO successors. But the board faced the challenge of how to fairly and objectively assess these internal candidates in a consistent and transparent way that would help the company retain these executives. The board and CEO turned to MDA Leadership to craft a succession planning strategy and build long-term leadership continuity.

Solution

MDA Leadership began by discussing criteria for a future CEO with the current CEO and board. Specifically, what kinds of experiences and skills would the next CEO need to bring to the table, given the organization's strategy and challenges? Once the board aligned itself on future leadership needs (a conversation the board now holds each year), MDA Leadership designed and implemented a rigorous assessment and 360-degree review initiative with the four internal candidates who could be CEO successors.

This process revealed gaps between the board's vision for the CEO role and the competencies of the potential CEO candidates. From this input, a picture of the company's overall business, growth plans and culture emerged. MDA then helped the CEO create development plans and coaching opportunities for each of the four identified senior leaders.

Results

Based on MDA Leadership's process, which complemented the board's own talent review and leadership succession efforts, the board named a CEO successor from the ranks of the four internal candidates. More than five years later, this CEO still leads the company.

Since the beginning of this new CEO's tenure, the company has significantly exceeded its growth goals and the company's stock value has more than tripled. Two of the other three potential successor candidates who MDA assessed remained with the company. Along with the board, these executives credit that continuity in part to the thoroughness and fairness of MDA Leadership's assessment, development and succession initiative.

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Team up with MDA to build your leadership talent today and equip your organization to take charge of tomorrow.