

Six Most Common CEO Exit Types—The Czar

Because it is very difficult to do so, very few CEOs choose to exit by becoming the lead agent in the multi-year transition known as succession. However, transition czars can add significant value to succession across generations, particularly when family companies are complex and multi-national and owning families are large multi-generational.

CEOs may choose the role of transition czar out of a desire to consult during the managerial and political processes that a complicated transition requires. While some CEOs enjoy being an ambassador for the company, others prefer being the shuttle diplomat, or the “Henry Kissinger,” of the company and its shareholders.

Samuel Curtis Johnson III, retired CEO of SC Johnson: A Family Company, took this responsibility on as much to ensure a successful succession as to begin his process of transition out of the CEO role. In this role, he both coached the next generation and supported their development in unique and differentiated ways. Eventually, as a skilled architect would, he crafted a succession and continuity plan that structurally divided the business in such a way that the siblings in the next generation would remain united in friendship.

Transition czars need to be aware of the difficulties inherent in being at the center of changing what they created. It often helps to seek outside advice from both a board and family business consultants. Because of the propensity for blurred boundaries among family, management, and ownership, transition czars need to be sure that they are wearing the CEO hat when dealing with a management or ownership issue and the father/mother/uncle/aunt hat when a family matter is at stake. It is difficult leadership at work.

Transition czars often carry out the succession and continuity responsibility with significant assistance from the CEO spouse. This team effort allows the CEO to concentrate on codifying the institutional memory of both the business and the family (through a family constitution, for instance) and building the institutions that will ensure effective family business governance (like boards and family councils). Meanwhile, the CEO spouse works to create trust and family unity in such a way that visions about the firm’s future are further understood and agreed upon and the unique and complementary contributions of different family members and key nonfamily managers are better appreciated.

Heirs to a transition czar need to be patient and very self-aware in their relationships with the CEO. Whether the person they are relating to is in the CEO role or the parent or relative role makes a huge difference in how they should act. Keeping the right “hats” on the right people is particularly tricky but also particularly worthwhile for an heir to a transition czar.

Transition czars realize the risks posed by a power vacuum and provide active leadership of the entire succession process with family members, key nonfamily managers, customers, and suppliers. Through boards of directors with independent outsiders, advisory boards, family meetings, and family constitutions, they help build institutions and legacy principles that will govern the family enterprise after succession.

Poza, Ernesto J. Family Business. Mason: South-Western, 2004.