

CareerSmart Advisor™

Strategies & Solutions for Your Career Success

A Note From Dave

John Sumser of *Electronic Recruiting News* is required reading for anyone interested in the staffing world — either as a candidate or recruiter. In a recent article (<http://www.interbiznet.com/ern/archives/070201.html>), John said, “The theory that solid social networking involves giving without the expectation of an immediate return seemed to be hard for some people to understand.”



My immediate reaction was to say, “Right on, John!” as it clearly supports my point-of-view, and my belief is that his theory is not only true but is one of the key differences between being a “member” versus a “subscriber.”

When we started ExecuNet way back in 1988, I can recall the conversations I had with each person who called then; and while the technology and times have obviously changed, the message hasn't: Give first and results will follow; Effective networking is about giving, not about getting; Help each other; Every interaction you have reflects on you first and foremost, but it also reflects on your fellow members; It's about being remembered and referred, so make sure you are remembered for the right reasons.

In 1988, there were no “career-related websites” and now Pete Weddle says there are more than 45,000 of them. As the number grows, I am often asked, “How do you measure your success?” Reading John's article reminded me of what my answer has always been: By reputation. By the fact that the vast majority of our members still come to us by referral from current or former members, and by how many search firms and companies keep coming back to post their senior-level executive jobs with us.

Sincerely,

Dave

Dave Opton
ExecuNet Founder & CEO
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When Your CEO Leaves

By Marji McClure

With CEOs typically leaving their organizations about every three years, it's safe to assume that your organization will experience a vacancy in the top spot sometime in the near future.

Your CEO may resign to accept a position at another firm. Perhaps he will leave amid poor stock performance or scandalous behavior. But regardless of how or why a CEO has left an organization, the future of the company is left in the hands of the remaining members of the executive team.

So if your CEO does leave, what's your next step? The answers depend on a variety of factors, from your own personal career goals to the size and financial health of your company.

Beginning the Transition

CEO turnover is certainly a growing trend. According to Liberum Research, 28,058 executives (from CEO to VP-level) left their positions in 2006, representing a 68 percent increase in year-over-year turnover. Liberum also noted that 44 percent of those vacant positions were filled by outside candidates.

Because boards of directors are typically charged with finding the new CEO, remaining executives should focus on their current responsibilities and be prepared to take on additional duties, if asked. They should also be prepared to help keep overall composure and reassure staff members who are shaken by the CEO's departure.

“Leadership teams have to shore up confidence among staff that the direction of the company is sound,” says Allan Steinmetz, CEO and founder of Newton, Mass.-based Inward Strategic Consulting. “Often they will adopt a crises management approach, which requires a task team to allocate special resources and time to manage the situation. There needs to be an effective internal communications plan that clearly articulates the issues and outcome with a single mouthpiece that talks for the company.”

That plan should explain the reasons for the change and outline what will happen within the organization over the next three to six months, says Carl Robinson, Ph.D. of Seattle-based Advanced

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Leadership Consulting. “It’s important to address the anxiety that people invariably have about changes at the top,” says Robinson. “Communicate clearly, often and honestly to allay employees’, investors’ and customers’ anxiety.”

The message to each of these segments will differ depending on the size of the organization (a high-profile company compared to a small- or mid-size firm. “The media will most likely be involved in a high-profile departure; and the biggest risk will be with the stockholders, who will undoubtedly want to know why,” says Karen Armon, CEO and founder of Littleton, Colo.-based Alliance

Resources, LLC. “In a small- or mid-cap company, customers may feel that there may be supply problems and a crafted communiqué delivered through the marketing and sales force is needed to tap down any questions.”

Maintaining Morale and Company Vision

Keeping company morale high is challenging, but certainly a necessary task when a CEO departs, regardless of the circumstances. If a CEO is fired, it is important not to ignore how the dismissal will affect remaining staff members and the executive team; internal communications are even more important than external ones. Employees will certainly take notice if their outgoing

leader is not treated respectfully, and managers may fear that they will receive the same treatment. “If the CEO is not treated fairly, remaining managers will know about it, assume the same could happen to them, and may wish to seek employment elsewhere,” say Tucker Mays and Bob Sloane, principals and executive coaches for Stamford, Conn.-based OptiMarket LLC.

In some instances, company morale can benefit from a CEO’s exit — regardless of if the leader left on good terms or bad. “On good terms, morale can actually be boosted when staff sees there is an exit strategy where people have opportunities for growth inside and outside the company,” says Steinmetz. “On bad terms, it can also be a morale-booster if the CEO was incompetent, mean-spirited and taking the company into failure.”

Experts agree that a strong succession plan can help organizations remain on-track with their goals and maintain company performance despite this change in the top spot. “For a smooth transition to take place in the aftermath of a CEO departure, there already needs to be a common vision, clear goals as well as a solid strategy in place when the CEO is still with the company,” says David Nosal, founder, chairman and CEO of San Francisco-based Nosal Partners LLC, an executive search and development firm. If an individual outside the company is eventually named CEO, he may decide to revisit the vision, mission and values of the company at that point, says Steinmetz.

Because CEOs are leaving organizations (under both good and bad circumstances) with such frequency these days, company executives really need to be prepared for a departure before it’s announced. “Things happen and if a company’s top team addresses it before it is a crisis, then when the worst happens, there is a plan and a well thought-out, rational path to take,” says Armon. “The hardest situation is to try to dig the company out of an emotional situation and a rational one at the same time.”

If You Want to Be CEO

If your career goal is to become a CEO, the departure of your company’s chief executive may or may not represent your chance to shine. If you haven’t already expressed an interest in the top spot, you may be able to use this opportunity to formally announce your intentions. However, be braced for disappointment — if you are part of your company’s succession plan, you should already know it.

“It is certainly appropriate for someone to step-up and express interest after a CEO leaves,” says David Nosal, founder, chairman and CEO of San Francisco-based Nosal Partners LLC. “But from a succession-planning standpoint, an executive who is only raising his or her hand after the CEO leaves has missed the boat. This individual should have already been working with the board and CEO to convey interest in one day being considered for the top spot.”

Mark Jaffe, president of Wyatt & Jaffe, a Minneapolis, Minn. retained search firm, agrees. “If that executive doesn’t already know whether or not he or she is part of the succession plan to the big office, it’s safe to assume that isn’t happening any time soon.”

Nosal adds that creating the foundation for a chance at a CEO position has to begin well before a CEO departs. Grooming yourself for such a role must be part of an ongoing process. “Well in advance of a CEO’s departure, a potential successor should sit down with different constituents within the organization to understand whether he or she is even a viable candidate,” says Nosal. “The executive should then start preparing for potential consideration through developmental programs, such as coaching and other key experiences that he or she might need to gain to be considered a contender.”

If you’re not currently a contender within your current company, all is certainly not lost. The CEO’s departure may actually make you desirable to other organizations. Tom Flannery, managing director of the Pittsburgh office of executive search firm Boyden, notes that if current members of the executive team are possible candidates, a company’s board of directors shouldn’t waste any time letting these individuals know they are being considered to fill the vacancy.

“Once the opening occurs, the board should act quickly to confirm that internal candidates are being considered,” says Flannery. “Headhunters are typically all over senior executives in such a situation, so quick action on the part of the board to assure all senior managers that the ship is afloat and on-course, and their standings within the organization are being considered is imperative.”

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Dealing With a Scandalous Departure

If illegal or immoral actions led the departure of a company's CEO, it's important for the executive team to work together with the board of directors to ensure the company survives the leadership shake-up.

Nosal says that organizations must avoid being outspoken in the press, and they can't become defensive. "This is about strong leadership in the toughest of times," says Nosal, noting that such strength must be anchored by the board. "The board members have to discuss the issues. In the case of illegal activities, the board needs to develop a well-thought story, but not talk excessively about the issues. Illegal activities will inevitably end up in a court of law, so board members must be careful about agreeing upon what they say and can't say."

What is eventually communicated to the outside world should also be approved by the company's legal counsel and marketing executives. The message needs to illustrate how the organization is going to move forward despite the actions of the departing CEO. "The story should be concise and supportive of the remaining executives, as well as the company's strategy and business values," says Nosal. "It should also make it clear that the actions of one person are not representative of the culture of that organization."

This is especially important because, when CEOs leave amid scandals, there is a public perception that the remaining executives are also involved. Being proactive is probably the best way to handle it. "Tell the truth and tell what the

CEO Turnover Shines Bright Light on Compensation Issue

Organizations have received much criticism in the public eye regarding exorbitant salaries paid to chief executives. The attention to those salary figures is increased when a high-profile executive leaves an organization and the details of their equally generous severance packages are revealed. This additional publicity may eventually force companies to rethink their compensation structure.

"Most people outside the ranks of senior corporate management think CEOs are overpaid," says Tom Flannery, managing director of executive search firm Boyden's Pittsburgh office. "Situations like this only provide fresh grist for the mill."

These situations are only magnified when a CEO's departure is directly tied to the financial health of the organization. "In today's world of scrutiny of cash and equity compensation, the higher the pay package, the higher the severance package, and the more a CEO is going to come under fire from public opinion and critics who feel that the compensation program is too high," adds David Nosal founder, chairman and CEO of San Francisco-based executive search firm Nosal Partners LLC. "This is especially true in instances where someone who is terminated because of lagging company performance still receives a significant severance package."

One recent example is the attention received by Home Depot's Robert Nardelli, who resigned in January. The former chairman, president and CEO of the home improvement chain, was given a \$210 million severance package. Shareholders were apparently already displeased with his generous compensation package.

The U.S. government is hoping corporate America makes some changes to its current compensation structure. President Bush last month made executive compensation a topic of his State of the Economy speech, calling on boards of directors to structure executive pay based on performance.

"Compensation packages have a way of slipping up to the skies when no one is paying attention; and no one pays that much attention when things are going well," says Mark Jaffe, president of Minneapolis, Minn.-based retained search firm Wyatt & Jaffe. "You can be sure that the old compensation package will be harshly re-examined in the light of the departing CEO's shortcomings. When the new CEO arrives, every penny needs to be analyzed and justified with respect to that individual's previous accomplishments and the board's expectations for change."

company is going to do to rectify the situation," says Robinson. "Take action to be sure that the situation won't be repeated and communicate that to the public. Action will always speak louder than any of your words, so act and report what you've done via PR and media."

Could You Be Next to Leave?

While remaining executives don't typically need to worry about filling the CEO vacancy, they should be concerned about

the recruitment process the board follows in identifying a new leader. This selection could strongly determine their own future with the firm.

So, it's important that each member of the company's executive team takes a closer look at his own personal plan. When a CEO leaves, it is natural for the remaining executives to begin to contemplate their own exit. Experts agree that a change at the top is a strong signal for executives to reassess their own career paths.

For example, if you are a vice president who was hired by a CEO who was fired, your future with the firm is certainly questionable, note Mays and Sloane. Executives need to make the following determinations, advise Mays and Sloane, to assess if they may, in fact, be next out the door:

Expert Resources:

- Karen Armon, Alliance Resources, LLC (AllianceResources.net)
- Tom Flannery, Boyden (Boyden.com)
- Mark Jaffe, Wyatt & Jaffe (WyattJaffe.com)
- Tucker Mays and Bob Sloane, OptiMarket LLC (OptiMarketLLC.com)
- David Nosal, Nosal Partners LLC (NosalPartners.com)
- Carl Robinson, Ph.D., Advanced Leadership Consulting (LeadershipConsulting.com)
- Allan Steinmetz, Inward Strategic Consulting (InwardConsulting.com)

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- A. The CEO was terminated for reasons that could apply to the VP as well;
- B. The termination signals a change in company strategy that may not be consistent with the VP's skills;
- C. This is the first step in a corporate reorganization and/or cost-cutting or downsizing and;
- D. Company performance is so weak that there is a real possibility the new CEO may bring in a new management team.

Mays and Sloane say that executives need to speak with the CEO himself and the head of HR to try to answer these questions. In addition, input from colleagues as well as a self-evaluation of their own performance can also help them determine their current standing and future within the organization.

Because a new management team is such a strong possible next-step for the company, Mark Jaffe, president of Wyatt & Jaffe, a Minneapolis, Minn.-based retained search firm, says it's best to update your résumé.

"You never know what type of chemistry or quid pro quo your future relationship with the next CEO holds in store," says Jaffe. "Assuming the previous CEO left because business conditions were less than ideal, you and your peers may be perceived as part of a fundamental problem."

In addition to updating your résumé, Mays and Sloane suggest making a list of networking contacts, creating a job

:: Noteworthy Stay Tuned...

By Robyn Greenspan

Just like the rest of the working population, ExecuNet members are at different places in their careers. Some are highly engaged and satisfied in their current companies and are seeking executive development tools; others are mounting career upgrades and need the appropriate resources to help them move upward; some are looking to connect with business development and networking contacts; and there are those who are looking to interact with the recruiters who can help them land their next position.

And then there are all the individual variations that make each of us unique.

CareerSmart Advisor provides a professional compass through exclusive content from best-selling business authors, subject matter experts, thought leaders and industry analysts; but some of the information may be outside your immediate needs, so we are going to give you a peek at upcoming articles and programming.

We hear a lot about the first 90 or 100 days on a new job, but the first month really lays the very critical foundation. In an upcoming feature article, we focus on the first 30 days — the "micro on-boarding phase" — with suggestions on how to assess the new landscape; identify the go-to people; and start building a solid team.

You'll also read our exclusive interview with Terry R. Bacon, the author of *What People Want: A Manager's Guide to Building Relationships that Work*. Bacon's survey of 500 employees reveals the management challenges in the workplace, particularly as generational diversity forces new engagement and motivation strategies.

If you are considering life outside the corporate walls, a new online and interactive program, *The Opt-Out Revolt: Why People Are Leaving Companies to Create Kaleidoscope Careers*, could provide you with some viable alternatives. The authors of this book will guide you through an assessment of your needs, value and life choices, which might lead you to a new career.

In addition to these features, you'll find information that is sure to resonate with your ongoing career management needs. If not today, then sometime soon, so you might want to hold onto your issues of *CareerSmart Advisor* for future reference.

We welcome your feedback: RobynCSA@execunet.com

objective, and targeting industries and companies to determine potential prospects. If you eventually find you don't have to leave, all is certainly not lost. "If subsequently fired, the VP has a running

start in the job search process," say Mays and Sloane. "If the VP survives, this effort stands as a valuable career update and assessment." ■

CareerSmart Advisor
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A biweekly publication of ExecuNet, the premier executive job, career and networking organization for senior level executives with salaries in excess of \$100,000.

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