



## Tom Friel, CEO Heidrick and Struggles Addresses Alliance of Chief Executives



### Summary

Tom Friel talks about succession planning, market demand for CEOs, and his observations of CEOs. Small company succession issues are discussed too.

### Facts

- Company: Heidrick and Struggles.
- Person: Tom Friel, CEO
- Years at Heidrick Struggles: 26
- Head Count: 1,500
- Product/Service: Executive Search Firm

### It is Never Forever

It's such a waste that we can't know the date we'll die. So many things would be simplified if we did, especially succession planning. We could do it right on time!

But alas, we don't know when we'll meet our maker. Tom Friel, CEO of Heidrick and Struggles, spoke at the December 16<sup>th</sup> meeting of the Alliance of Chief Executives. What came clear to me as I listened is that succession planning is not much different than building a great top

team that allows the CEO to focus on the long term. After all, a CEO that can be easily replaced is free – free to enjoy life, free to grow the business and free to break new ground.

Mr. Friel runs the world's largest executive search firm, with 1500 people and 7 offices in 35 countries. They went public in 1999 and boast annual

sales of \$400 million. If you die, become disabled, get fired or want to retire from a top job at a big firm, he hopes your board will hire him to replace



Tom Friel, CEO

you.

In fact, we CEOs had a great discussion with him about succession at GE as Jack Welch departed. Heidrick and Struggles was heavily involved placing the three GE execs who "lost" the competition. But my mind was stuck on the succession chal-



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**Q. Mark Coopersmith of Addis Group, Inc.:** What are the three biggest weaknesses you see in CEOs?

**A.** Most often, a new CEO fails on the soft side. They're hired for their hard skills, but we find that if things don't gel interpersonally and culturally, they'll fail in 3-6 months. As always, success comes slowly, but failure comes fast.

will be worth more too.

If a great new opportunity

But Could You Get Dumped?

If you're a hired CEO, and you're not needed for the business to run well, won't they fire you? Well, they could, but they won't *kill* you – you'll be free to find a new opportunity. Mr. Friel tells us that good CEOs are in short supply, thankfully. Realistically, though, being “not

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challenges of “little” firms with less than 250 million revenues.

Be Replaceable

As I see it, the real goal of a CEO is to have sufficient talent around him at all times so that he/she is easily replaced. Why?

1. If you suddenly die, the business continues, for the benefit of your estate, or the stockholders

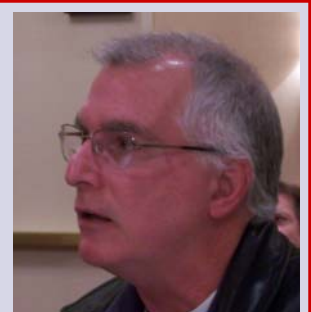
or threat arises, you'll be able to

bring in someone to do your daily duties, freeing you to tackle the new opportunity or threat. Of course, if you're 15 million in revenues or larger, hopefully you already have a top team strong enough that allows

**Q. Jim Ziegler, Professional Association of Contract Employees:**

What if you're too small to have a successor lined up? I've covered the risk with insurance and probate planning. What else can a CEO of a small firm do?

**A.** Take care of your health and well being.



needed” means that you can focus on the future, on growth, and on strategy. Any board you'd want to work for would value this, and recognize that you are playing a critical role. If you really believe you are a good leader, you'll have the confidence that you can add value in many companies – not just the firm you lead today.

If you're an entrepreneur, and you get talent good enough to run your show for you, then let them run it and move on to new

and other stakeholders.

2. If you are disabled, you won't have to watch helplessly as your baby self-destructs.

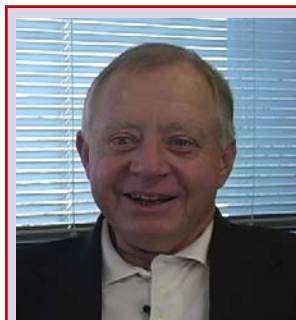
3. If you choose to sell and move on, you'll be able to do it sooner rather than later, and the business

you to do this as part of your daily duties.



**Q. Craig Sardella, Sacramento 1st Mortgage:** Do you find the best CEOs are strong in creativity, or in organization and detail?

**A.** CEOs will be who they are. Some are very strategic, and some are great with details. What is key is their team. They must surround themselves with people that fill in their flat spots. The two biggest mistakes CEOs make relates to this: They try to do it all themselves, and they don't hire smarter than themselves due to personal insecurities.



**Q. Dave Seldon, ACE Director:** Having placed so many top CEOs, what are the three most common characteristics of top CEOs?

**A.** First, they are mentally, physically and emotionally tough. They are strong people. Second, they have a strong compass. By that I mean they are morally grounded, and have a well developed set of values and philosophies about life and leadership. Third, they are by and large smart. Not necessarily geniuses, but smart decision makers. Fourth, they are cool under fire. They just don't panic.

businesses. You're not a product of the business you're in now. You're a product of all the busi-



**Q. Amelia Thornton, ACE Director:** How does one transition from the role of owner/operator to CEO? Is an answer to move your second banana to first banana?

**A.** Often people that are great lieutenants don't make good CEOs. Many prefer being in a support role for a CEO. Often, they are best being the second banana to the new CEO, helping him or her learn the ropes. If you do have a CEO quality second banana, they won't stay more than a year or two after they're ready for the top role. Its best to give them your seat, and then you go off and do something else. Overall, the best way to grow good leaders is my moving them around the organization, gaining experience.

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nesses you'll ever start and run.  
Why stay trapped?

Can't Afford a Quality Successor?

If you're firm is so small that you can't afford a quality successor, what can you do? While I don't disagree with Mr. Friel's comment about staying healthy so you don't die prematurely, there is more to think about. First, if your business is really a lifestyle business, whose sole purpose is to give you a job and/or nice income, don't worry about it. When you die, you'll be dead, and so will your business. No lasting value to worry about. Second, if your business is struggling so badly that without your intense labor (for too little compensation) it would fold up and crumble, then there is no lasting value in the business itself, and no need to try and have it continue without you.

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But if the small business has intrinsic value, there are some stop-gap measures you can take.

1. Have a caretaker at the ready who could step in short term and orchestrate the process of finding the successor after your demise. Make sure your salary will be free to fund the new leader (insurance, estate planning). This could be a semi-retired consultant, a spouse, or a trusted employee.

**Q. Dave Dutton, Mattson:** Are you seeing the search for leadership transcending countries' borders?  
**A.** Yes, particularly in global firms, where they have already witnessed the effectiveness of global executives.



2. Have a buyer or two in the wings who would pay reasonable value for your business if you were gone. Keep your business in a sellable state (always a good idea), and leave instructions for those you leave behind about how to pursue the sale of the business.

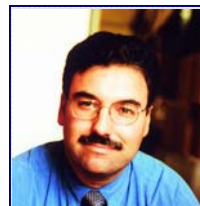
Have your team be capable of running the day to day business for up to a month without needing you. Maybe it won't run as

well, but if they can keep it from crashing for a month, there is a chance that can manage for much longer. It'll give you time to recover from your stroke, or give a caretaker the time to figure out what to do next.

A few key comments from Mr. Friel:

1. You should have a formal succession plan, in writing, presented to the board each year. It should include a "doomsday letter", with your instructions about your replacement, an org chart, and a three year plan.
2. Succession planning is an important part of every CEO's duties. If you're not doing it, you're not doing your job.

Not very many people actually want the job of CEO. Don't assume someone will want the job – talk to your top team about their interest in being CEO someday to confirm their interest.



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