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Company had established a plan for CEO succession

By Barbara Rose
Tribune staff reporter

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Monday's events at McDonald's Corp. are a wake-up call for companies without second-in-command executives.

Most corporate boards have contingency plans for the sudden death or disability of a chief executive, such as tapping a senior board member as acting chief executive or naming an office of the chairman.

"The plan should be in that sealed envelope in the unlikely event that something happens," said Roger Kenny, managing partner of Boardroom Consultants, an advisory and recruitment firm.

But equally important is the job of long-term planning for when a CEO retires or dies.

McDonald's board met that test Monday, Kenny and others said.

Within hours of James Cantalupo's death, McDonald's promoted Chief Operating Officer Charlie Bell to CEO. Andrew McKenna, 74, the company's presiding director, was named non-executive chairman.

Bell, 43, is expected to assume the chairman's title when he proves himself in his new role.

But a dwindling number of corporations name No. 2 executives with operating responsibilities for the whole company. The reasons are many: faster turnover in the executive suite, a trend toward more "hands on" CEOs and younger CEOs who function more like chief operating officers.

A study last fall by executive recruiter Crist Associates on the "vanishing COO" found that only three of the 10 largest Chicago-area companies based on market capitalization had chief operating officers: McDonald's, Walgreen Co. and Motorola Inc.

There was no clear successor for Bank One Corp.'s Jamie Dimon before the board's recent decision to merge with J.P. Morgan Chase & Co.

And there was no No. 2 executive at Baxter International Inc. when the board decided to replace Harry Kraemer Jr. On Monday, Baxter named Robert Parkinson Jr., 53, a former Abbott Laboratories chief operating officer, to replace Kraemer.

Some other big Chicago-area companies without No. 2 executives include: Abbott, Allstate Corp., Boeing Co., Brunswick Corp., CDW Corp., Fortune Brands Inc., Illinois Tool Works Inc., R.R. Donnelley & Sons Inc. and Tribune Co.

Nationwide, notable examples of major corporations without chief operating officers include Wal-Mart Stores Inc.,

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General Motors Corp., IBM Corp., Home Depot and Procter & Gamble. In each case, the No. 2 post was left vacant after the CEO was promoted from within.

"The stronger the CEO's personality, the less likely you are to have succession well established," said Crist Associates' Peter Crist.

"When the CEO is a younger person, it's even more difficult" because it's tough to entice a strong No. 2 executive to stay without any near-term prospect of promotion.

The shorter average tenure of CEOs--less than five years from an average eight years at the start of the 1990s--makes it harder to keep the No. 2 spot filled.

"Succession is the most important job the board has," said Tellabs Inc. founder and Chairman Michael Birck, 60. "It's the board's job to make sure it's happening.

"We're all in shock at what happened to Jim," he added. "That's why boards have to be prepared."

Companies don't have to have chief operating officers in their management lineups to groom heir apparents, Birck said. He said it is important to look at candidates outside the company as well as within when planning succession.

In Tellabs' case, the company has gone outside twice for CEOs.

Birck was forced to step back into the CEO role in 2002 after Richard Notebaert left for Qwest Communications International.

In February Tellabs recruited Krish Prabhu, 49, as the new CEO.

At Motorola, former CEO Christopher Galvin was getting ready to pass the baton to Edward Breen when the latter bolted for Tyco International Inc. in 2002.

Mike Zafirovski stepped into the No. 2 job but was passed over for the top job when the board wanted more sweeping change last fall and removed Galvin. Motorola recruited Silicon Valley's Edward Zander as chairman and CEO.

Many think it will be tough to keep Zafirovski.

"A lot of companies run the danger of a CEO search, which is very risky, because they can't get the succession right," Crist said.

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