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Succession obsession; Musical chairs among CEOs has become an everyday event. That can't be good for business

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Not that the world of late-night television talk-show hosts has anything to do with real—let alone corporate—life, but who didn't have a chortle a few weeks ago when it was announced, straight-faced, that Jay Leno would allow Conan O'Brien to succeed him as host of The Tonight Show in (drum roll please) five years time? That followed Michael Eisner's similar attempt to fend off a revolt by Walt Disney shareholders by declaring his own intended retirement when his contract expires (heraldic trumpets please) in 2006. What both absurdly long-range announcements had in common is that they tap into the new mood of succession obsession.

Pick up the papers these days and you'll see a seemingly endless stream of premature CEO departures. In the past year in the U.S., those have included the heads of PeopleSoft, Office Depot, Boeing, Computer Associates, Charles Schwab and Coca-Cola; in Canada, there was Nortel's Frank Dunn, Sears Canada's Frank Cohen, and Conrad Black. The reasons behind these exits ranged from scandal and intrigue to plain old shareholder frustration and “strategic differences” with the board. But the bottom line is that job security in the corner suite no longer seems any better than it is for Biff in finance or Madge in marketing.

In fact, there is now a cottage industry in monitoring the comings and goings of CEOs. The headhunting firm Challenger, Gray & Christmas tracks CEO departures with the fervour of spot oil prices or box-office returns (September departures were up 20.6% over August!). The PR spin-factory Burson-Marsteller runs www.ceogo.com, which reports that 73% of U.S. CEOs thought about leaving their jobs in 2003, up from 54% in 2000. Of course, business has not exactly been a walk in the park in recent years, what with shareholder revolts, accounting scandals, and lawyers and regulators breathing down your neck, pushing you to do wacky things like make sure financial statements are actually accurate.

I recently visited the CEO of a nearly $1.5-billion (U.S.)-a-year company in Manhattan who had been in the job just over a year. The previous CEO was, as they say, subjected to “de-succession.” The new guy's corner suite overlooking Central Park still had unpacked boxes and few personal touches. He admitted that his wife and kids continued to live in a different city, and that he hopped a plane and commuted every weekend. He figured he's working 12- to 14-hour days anyway during the week. Plus, it seemed he was waiting to see if his turnaround of the company was going to take hold before uprooting his life. In today's climate, that would be a wise choice.

Even though the days of the celebrity CEO supposedly expired with the retirement of General Electric's Jack Welch in 2001, employees like to think that top dogs and board members have planned for all contingencies. That hardly ever turns out to be the case. One reason, according to **Peter Crist** of the Chicago consulting firm **Crist Associates**, is the “vanishing COO” phenomenon, in which the number two gets bumped upstairs but doesn't see the need to fill his or her old job, which means there is no ready successor if things go amiss. Wal-Mart, General Motors, IBM and Procter & Gamble are all recent examples. Another quite tragic case was McDonald's, where CEO James Cantalupo died suddenly in April, and was replaced by COO Charlie Bell, who has resisted pressure to name a replacement for his old position—even after it was announced that he's battling colon cancer.

The natural consequence of less internal succession planning is an increase in the recruitment of fresh blood from outside the company—a boon for headhunters. You also see cases where grey eminences are brought back to right the ship until a suitable successor can be groomed, the conventional wisdom being that companies that grow their own talent will be more successful over the long run than those that turn to “change agents.” Of course, common sense suggests that you wouldn't have to look outside at all if the board and the current CEO were doing their jobs well. And there are still plenty of recent examples of smooth transitions, including tech moguls Bill Gates and Michael Dell handing off the CEO keys to trusted operating executives long before retirement age.

“Our board knows that the ultimate scorecard on its performance will be determined by the record of my successor,” wrote the most irreplaceable CEO of them all, Berkshire Hathaway's Warren Buffett, in his most recent letter to shareholders. It's a simple point that seems to be lost on so many others.

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