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FIRST PERSON

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The literature on CEO succession planning is nearly unanimous in its advice: Begin early, look first inside your company for exceptional talent, see that candidates gain experience in all aspects of the business, help them develop the skills they'll need in the top job. It all makes sense and sounds pretty straightforward.

Nevertheless, the list of companies with CEOs who last no more than a few years after taking the reins continues to grow. No need to rattle off the names here—they're known to any casual reader of business publications. But we can draw a conclusion from this parade of chief executives marching out the door: Implicit in many, if not all, of these unceremonious departures is the absence of an effective CEO succession plan.

Anyone would think this discouraging track record—not to mention the increased regulatory pressure on corporate boards to play a more active governance role—would spur directors to take steps to avoid similar disappointments at their own companies. But during good times, most boards simply don't want to talk about CEO succession. Why rock the boat when things are going well? Why offend an incumbent CEO who is doing a great job? Why take valuable board time to discuss a succession that is unlikely to occur for years? During bad times, when the board is ready to fire the CEO, it's too late to talk about a plan for smoothly passing the baton.

So if boards aren't likely to take responsibility for succession planning, who should? The answer is obvious: the current CEO. Early—and I mean early—in your tenure as CEO, you should initiate and then actively manage the process of selecting and grooming a successor. You should follow the textbook rules: Identify the best talent, combine strategic planning with leadership development, and work closely with the chosen successor to ensure a seamless transition. But these principles should be expanded to include a few that the management literature overlooks—principles that apply specifically to the incumbent CEO.

One reason for you to take the lead in managing the succession process—and, if necessary, to prod the board to collaborate with you—is the unfortunate possibility that your term may be cut short by illness or accident. More important, aggressive succession planning is one of the best ways for you to ensure the long-term health of your company. There is one other, somewhat counterintuitive benefit: Thinking early and often about a successor will likely improve your performance during your time in the position.

Dealing with the Big E

Before we get to my own recent handoff at Quest Diagnostics, let's take a look at one of the biggest barriers to adopting the succession approach I am advocating—the CEO ego.

It's no secret that few chief executives are in any hurry to bring up the topic of succession. Most of them, justifiably or not, believe their own laudatory press. They can't imagine that an adequate replacement exists. Whatever the validity of these perceptions, most CEOs are understandably loath to give up the power, perks, and prestige that the boss enjoys. Consequently, they stay in their jobs too long. I know a company in which the chairman and CEO brought in a chief operating officer as his heir apparent—and then fired him. He brought in another COO—and fired him, as well. When the third COO joined the company, the board had to say to the chairman, "This one is going to become the CEO."

I've long been committed to the notion of CEO term limits for reasons that relate both to the organization and to the individual. Companies and individuals achieve greatness when they embrace change, taking risks to move to the next level. Occasionally, a CEO can continually reinvent both himself and his organization; most often, though, the CEO's actions become predictable over time. The company gets comfortable with the status quo, and the organization's ability to change is severely diminished. I've come to realize that it's better to give your all during the finite time your leadership is still fresh and people are still on their toes. Furthermore, knowing that your days are numbered injects a sense of urgency into your work.

But there's another reason that a CEO shouldn't view his or her job as a permanent position. As the issues facing a business evolve, the CEO must also evolve. At some point, though, evolution isn't enough: The chief executive's talents will no longer be matched to the strategic challenges facing the company. At this stage—or, even better, before it—the CEO should yield to someone with skills better suited to the issues at hand. Even here, the ego problem can rear its ugly head. I think it is safe to say that some CEOs are so attached to the prestige they have enjoyed in their leadership roles that they secretly hope to see their successors stumble, thereby making their own achievements look better in retrospect.

Well, I don't think I was guilty of secretly harboring that perverse emotion. But let me tell you that my ego, too, knows how difficult it is to let go of the helm. One day I had 37,000 employees looking to me for direction, depending on me for their paychecks. The next day I woke up, and those 37,000 people were looking to someone else. It's hard not to feel like your identity is being stripped away when you relinquish the CEO title. I experienced that acutely this past spring when *BusinessWeek* was putting together its annual ranking of corporate America's 50 best-performing companies, right around the time that Surya N. Mohapatra was preparing to take over from me as CEO. Quest Diagnostics was ranked 34, and though I can't say I'm proud to admit it, I wanted my picture to accompany the business profile in the magazine. Luckily for me, the article appeared before the transition. Although I was prepared to accept my place out of the spotlight, I would have been disappointed to do so.

Keeping your ego in check through the discipline of managing your succession yields a benefit more immediate than the long-term health of the company: It can make you a better CEO. While you're thinking about the skills your successor will need, you'll also be dispassionately evaluating your own strengths and limitations. You may even identify organizational problems that, because of your temperament or talents, you aren't currently tackling. Whether you take these on or decide they are best left to a successor, the very act of thinking in this way provides you with a particularly clear-eyed view of the company and its challenges.

Anyway, as someone aware of his own ego, I tried from the beginning to avoid the usual mistakes CEOs make in succession planning. At the risk of falling into another ego trap—the unwarranted assumption that my approach is

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a blueprint for succession success—let me say that I think my experience offers a useful perspective on the process. Perhaps the most important lesson, one that even my own ego can endorse: Your true legacy as a CEO is what happens to the company *after* you leave the corner office.

From Survival to Evolution

I stepped down as CEO of Quest Diagnostics in May 2004 after nearly nine years in the job. My own route to the chief executive's office ran through Corning Incorporated, where, beginning in 1972, I held numerous financial and general management positions. In 1995, I joined Corning Clinical Laboratories, the predecessor company to Quest Diagnostics, as CEO. Quest Diagnostics performs medical tests on patients' blood and other specimens to help doctors diagnose and treat everything from cardiovascular disease to cystic fibrosis. When the company was spun off to Corning shareholders at the end of 1996, I became chairman and CEO. I took the job vowing to live up to my good intention not to linger too long. I couldn't imagine staying in the position for more than eight to ten years. But sticking to my guns was harder than I had imagined.

During my early days as CEO, succession planning wasn't near the top of anyone's agenda. The board and senior management team had their hands full just trying to save the company. The business had made several major acquisitions in 1993 and 1994, and it was facing some serious integration challenges and a heavy debt load. One of the acquired companies was accused of Medicare fraud, which ultimately led to a $100 million settlement with the government. We were also trying to stem the flight of physician groups and hospitals that were unhappy with the quality of our service and dealing with the downward slide in prices caused by overcapacity in the industry and competition for big managed-care contracts. Quest Diagnostics was in survival mode.

Nonetheless, because of my views on CEO tenure, I forced myself almost from the beginning to think about possible candidates to succeed me. First, I carefully considered people inside the company. There were some wonderful people on the senior team, but I quickly concluded that none of them possessed the unique attributes that the business would need in the future. In many ways, the strengths of the best internal candidates mirrored mine. Though I lacked experience in the health care industry, I did know operations and finance. And that was the functional expertise we would need to achieve our first goal, surviving, and our second, becoming the leader in our industry by improving quality and forcing industry consolidation. The team I had was perfect for trying to meet those goals. But once we achieved them, we would need a different set of leadership skills to help us meet the next wave of challenges.

To drive improvements in quality and to create a common culture, we embarked on an aggressive Six Sigma program that focused on such areas as increasing the accuracy and turnaround times of our tests. After we had stabilized the company and achieved marginal profitability, we once again turned to acquisitions to fuel our growth, taking particular care to integrate an acquired company before embarking on another major deal. With the $1.3 billion acquisition in 1999 of our biggest competitor, SmithKline Beecham Clinical Laboratories, Quest Diagnostics more than doubled its revenue and became the leading provider of diagnostic testing, information, and services in the United States. Last year, the company had earnings of about $436 million on revenue of $4.7 billion. Quest Diagnostics performs testing on behalf of more than 130 million patients a year—managing, arguably, more clinical encounters than any other health care services company in the United States.

The majority of the company's rapid growth historically had come from acquisitions. But it was clear we also needed to move in directions that would allow us to capitalize on advances in medicine, science, and information technology. For example, cutting-edge procedures—such as gene-based and other highly sophisticated tests—generate only about 20% of our revenues, but they are highly profitable and a vital part of the company's future. With this necessary evolution in mind, I began to think more actively about the kind of successor who would be best suited to that future, knowing that the right person did not exist inside the company. I was 48 years old and had been CEO just over three years.

We cast our net widely and settled on several candidates, including Surya, who was then a senior vice president and a member of the executive committee at Picker International, a manufacturer of advanced medical-imaging technologies (now part of Philips Medical Systems). After an exhaustive due diligence and interview process—including seven conversations with me—Surya joined Quest Diagnostics in February 1999 as senior vice president and chief operating officer. His medical and scientific knowledge—he holds an undergraduate degree in electrical engineering, a master's degree in medical electronics, and a doctorate in medical physics—and 20 years of broad experience in the health care industry were just the right credentials for the job. Four months later, he was named president.

With the aim of weighing the relative strengths and weaknesses of two potential successors, we did consider another candidate who came to us through an acquisition. The fit with this candidate just wasn't right. Surya, meanwhile, clicked with the business from day one. He understood the bigger health care issues, and he had a keen appreciation for the importance of providing exceptional care for patients. For five years, Surya and I worked together with an eye toward him succeeding me if his performance merited it. In that period, the board's assessment of Surya shifted from "he might" to "he could" to "he should" to "he will" become CEO.

During his apprenticeship, Surya had two jobs. One was to help manage the business, including the integration of SmithKline Beecham and the development of new sources of growth based on science and research rather than acquisitions. The other was to learn the leadership skills necessary to be CEO. He was a master of the content side of the new business—but there were some areas for improvement on the leadership side.

Will Surya be successful? Time will tell. He took over as CEO in May, and he will succeed me as chairman next month. One thing is clear: The board and I are confident that he is the right CEO at the right time for Quest Diagnostics. I've had my day at the company. This new frontier—the convergence of diagnostic testing, diagnostic imaging, and advances in information technology for medicine—will be Surya's to explore. If, as we expect, he proves to be a terrific success, it will be due in part to several principles that helped drive the process by which he became CEO.

Force the Board to Pay Attention

When I first raised the issue of succession with the board at Quest Diagnostics, its initial response was, without exaggerating too much, one of wonder. The directors were generally encouraged by my performance and appeared comfortable with my serving as CEO for as long as I wanted.

Certainly, the cozy relationships that some CEOs have with their directors can exacerbate boards' natural tendency to shy away from the issue of CEO succession. In my case, though, this was not a group of people with whom I had longstanding personal ties. In fact, it was a very independent bunch—proof, if any was needed, of the importance of a CEO's initiating the discussion about his own succession.

Even as the process moved forward over the years, I had to work to keep the issue front and center with the board. And when it was clear to me that Surya was the right person to take my place, I tried to facilitate a process through which directors would become as comfortable with him as I was.

Surya, like many scientists, was a bit reserved. Partly because of his cultural background, he also was instinctively respectful, if not deferential, to board members, whom he rightly viewed as his ultimate bosses. I could see that I needed to articulate for the board, which was used to my more outgoing style, that Surya was bringing something different to the table. I encouraged Surya to think of the directors as colleagues as well as superiors, and I suggested that he systematically schedule one-on-one meetings with them, which he did. A year before Surya formally joined the board in the fall of 2002, I changed a few things in the way meetings were conducted. I mixed up the seating chart, for example, so that Surya was sitting among the board members and not at the head of the table. And I started leaving the room when Surya was making presentations to encourage more informal and unfiltered interactions between him and the board members.

Over time, Surya became more assertive in his boardroom dealings, and the directors took more ownership of the succession process. In retrospect, I wish I'd engaged the board even earlier in the process of getting to know Surya and evaluating whether he was the right person for the job.

Look for Differences

As I have said, it was clear to me that Quest Diagnostics needed a new kind of CEO if the company was to be successful in its next stage of growth. I don't think that's unusual. At most companies, if a CEO has accomplished what he set out to do, the company's needs will have changed, and the successor will require different skills and experience, as well as a different personality.

Finding such a person won't happen automatically. In the hiring process, we all tend to choose the people who most resemble us. But instead of looking in the mirror for the essential characteristics of a successor, we should look out the window toward the real future of the company and let that guide our choice.

Surya and I are very different people. He is introspective; I am outgoing. He grew up in rural India; I am from the suburbs of New York City. I have an MBA; he has a PhD. The most relevant difference, though, relates to our professional skills. Surya's background is heavily—and impressively—scientific. He not only is steeped in the worlds of science and engineering but also has written about and holds a number of patents in the areas of the human cardiovascular system and magnetic resonance imaging.

If Surya is about science, I am more about the arts. One semester of physics in college was enough for me. Music was my passion; for a short time, I wanted to become a professional musician, making my living at the keyboard. But I also wanted to eat, and I soon decided to pursue a career at Corning on the financial side of things.

I recognized that given the way the diagnostic-testing industry was changing, if I stayed on as CEO for another four or five years I'd lack some crucial skills needed for success in the job. I had to be honest with myself. If future strategic discussions involved the latest innovations in genetics or proteomics rather than the next acquisition, I not only wouldn't bring much to the table but I also wouldn't feel the necessary fire in my belly to implement our strategy.

All that being said, Surya and I did share one key characteristic: a fierce determination—and proven capability—to deliver strong business results.

Make Your Successor's Success Your Own

Unfortunately, a new CEO with a different style and different skills can find it hard to get out from under his predecessor's shadow—a shadow that the organization may find familiar and comforting. In such a case, the incumbent must make a serious commitment to help his successor step into his new role. With this in mind, I worked closely with Surya in the years before he became CEO, exploring with him the nature of our business and offering advice on matters that I thought would make him a stronger leader.

Our main forum for this was a Sunday afternoon phone call, an hour or so long, which we had at 4 PM nearly every week for five years. (We were disciplined in keeping this appointment—and missed more than a few tempting football games and concerts because of it!) Although our offices were right next to each other, there never seemed to be time during the week for this kind of uninterrupted conversation, one that mixed coaching, advice, and a mutual exchange of ideas.

During the calls, we covered everything from acquisition negotiations to scientific developments, from the Six Sigma program to personnel planning, from the highest-level strategic issues to how each other's families were doing. We'd each bring two or three things to discuss. In my case, these would often involve management skills I thought Surya needed to work on in order to enhance his existing strengths. The feedback I gave Surya on his performance and leadership skills was the kind that could come only from someone who saw him in action at close range—and who was rooting for his success. The advice could get very granular.

During Surya's first week on the job, he and I visited a lab in Baltimore, where I conducted a "town meeting" with the employees and roamed through the lab greeting everyone individually at their work areas—doing the sort of thing that comes naturally to me. Afterward, Surya, ever the reticent scientist, said, "I could never do that." My instantaneous reply was, "If you want to be CEO someday, you'll have to." So I suggested he get some coaching to develop his communications skills and, over the years, pushed him to test his new skills in public meetings with employees and investors.

We'd also use the phone conversations to talk about setting priorities and making decisions. Someone with a scientific bent is always in search of ever more information that will ultimately lead to the right answer. But in business, often what you need is *an* answer. I like to joke that Surya can get to "know" in his sleep; my job was to help him get to "no" at work. I remember a conversation when I said something like, "We've been talking about this personnel issue in Atlanta for the last four weeks. When are we going to do something? And what are we going to do?"

I don't mean to sound patronizing. If someone were providing me with detailed advice on my management style—indeed, if it were Surya himself doing so—that person could easily find similar areas for improvement. And though our meetings never involved lengthy critiques of me, the tables did begin to turn over the years. One Sunday afternoon, we were talking about a relatively small acquisition in the medical IT area that Surya had been pushing us to make. I saw it as a distraction; he saw it as a foothold in an area that offered significant potential. He persistently made his case—just as I had persistently prodded him to work on some of his management skills. In a very deliberate and forceful manner, he convinced me it was the right move to make.

Over time, Surya became more assertive not only with me but with the board. He became a polished and confident speaker. He was able to make decisions based on the crucial—even if not comprehensive—information.

Would our mentoring relationship have worked if the personal chemistry had been different? Our exchanges were full of candor and sometimes sharp disagreements, but Surya was an eager and ambitious learner, which allowed me to play in my own power alley as a coach. It certainly is possible that someone else might have bristled at what I felt was well-intentioned guidance. But I believe that, as long as there is mutual trust and respect, two people in this situation can find a comfort zone that will allow an incumbent to increase the successor's chances of success.

Don't Drag Your Feet

I was 53 years old when I stepped down as CEO of Quest Diagnostics. If I were 63 and had only a couple of years to go until retirement, maybe I would have stayed on. But then there would have been the risk that, when I turned 65, the board would have extended my contract for another three years and, as so often happens with a CEO, I'd have become a predictable part of the furniture.

There's a lot to be said for leaving at the top of your game. I often think of Sandy Koufax, the former Los Angeles Dodgers pitcher. Unlike many other all-star players who stayed on long past their primes—adding a coda of sadly failing skills to some of the greatest careers of all time—Koufax left baseball when he was still the best pitcher in either league. I like to think that I, too, stepped down at the right time.

Even if your skills are no longer ideal for a particular company, they are still highly valuable. I plan on embarking on a second career, running another organization, possibly even in an arena other than business, where my skills can provide value.

I should mention one other risk facing CEOs: the return appearance. With increasing regularity, executives are being called back by their former companies to resume the chief executive's job. But think twice before you do it. It means not only that your successor failed, but that you did, too—at succession planning.

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