

## Time to Make a Change at the Top?

Make sure you consider the emotional journey that's set in motion when a board decides to replace its CEO

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### The Writing on the Wall

The company is losing market share. Revenue forecasts are down. The competition is fierce and the company strategy needs a major overhaul. The board knows there is a need for change at the top. But Bob Smith is the founder and CEO, respected in his industry, and still a major shareholder. Reluctantly, after much discussion, and given the directors' review of their fiduciary responsibilities, the board decides that for the good of the company – and its customers, partners, staff and shareholders – a change of leadership is needed.

The next step is crucial. It will take a deft hand to initiate and complete Bob's transition out of the role of CEO. Minimizing the damage to the business will take skill and planning. And supporting Bob through this difficult separation will take more knowledge, care and courage than many boards seem to possess. The transition will be closely watched and scrutinized and yet given its importance, it is stunning how poorly this kind of leadership change is often handled.

In my experience, to achieve a truly successful outcome from a CEO transition, boards have to go beyond doing things "by the book." Doing things right should not be confused with doing the right thing; executing a change of business leadership needs to involve more than simply checking with legal counsel, delivering a pink slip, and providing a severance package. Boards need to understand the emotional impact of a job loss, and take clear steps to help their departing CEOs as they enter the transition process. In my experience, managing a senior termination properly is not just a fiduciary duty. It is an ethical responsibility and as a result, it is good business.

There are two reasons why you need to understand more about the emotional journey that is set in motion the minute a CEO loses his or her job. The first is this: With a deeper understanding of the effects of job loss, you will be better able to help the executive

successfully prepare for this deeply personal transition. If they are not prepared either emotionally or mentally, a recalcitrant CEO who will not let go – even if the employment is terminated – can do damage to the business. Secondly, managing the process well is not only the human thing to do, it will help maintain shareholder value.

This link to shareholder value is often overlooked, but it's obvious. When the senior leadership of a business is changed, it can significantly interrupt the business's rhythm. It's a distraction that is more than water-cooler chatter. There is a knock-on or secondary effect with direct reports and in turn, their reports. A well run business is a finely tuned machine and any distraction can impact revenue, expenses and earnings, which equals shareholder value – not to mention long-term strategy and the structure of the organization. Replacing senior management and especially a CEO is almost always a step back in order to take two forward, and that is why the change is worth it. Managing a successful change is a matter of minimizing the degree and duration of that one step back.

### Meaning in Work

Much of what we lose when we lose our job lies in the attachment we have to our work, and in the meaning we derive from it. Internationally renowned psychiatrist Viktor Frankl, who



survived the Nazi prison camps, wrote that the pillars of meaning in life are family, community, creativity, spirituality, and work.

The various levels of meaning we derive from work can be either intrinsic or extrinsic to the actual work we do. The intrinsic meaning you find through your job is the connection you feel with the actual work you do. The strength of this bond is often related to a particular aspect of your work and who you are as a person, such as an entrepreneur, leader or engineer. This attachment and meaning found in work is not unlike finding a calling in life that makes you feel as though you are contributing in a purposeful way.

The extrinsic meaning springs from the external aspects of your work, such as the connections you have with your colleagues, the comfort of a daily routine such as your morning commute or coffee stop, or your desk with pictures of friends and family.

U.S.-based research has affirmed that the importance of work and social status are leading social norms for men, so it stands to reason that your self-esteem can be significantly enhanced by your job, especially if you are in a senior role and bask in its prestige. Although the research primarily addresses the notion of work attachment for men, I can tell you from my private practice that for women who feel a meaningful attachment to their work, the impact of their career on their lives and self-esteem can be just as great.

### Self-Esteem

In its simplest definition, the opinion we carry of ourselves is our self-esteem. There are two sources of self-esteem: one from within us, and the other from the external world.

One could argue that true self-esteem comes from within; it is our own belief in our worth and our self-efficacy and competence. I remember a former CEO telling me that prior to being fired, he never had true self-esteem, because his sense of self had been based entirely on his position. Only after having his position terminated did he truly see himself and his value.

External self-esteem comes from how people in our life see us, and the reflection of that image back to us. It is as though they hold a mirror up to us so that we see ourselves through their eyes. Being a senior manager

or CEO often gives a gloriously positive sense of self-esteem. That is the essence of corporate prestige – how we construct that view of our self and how we feel about our value, based on how we believe other people see us.

When I was president of Compaq Canada, I remember the corporate CEO, Eckhard Pfeiffer, being hailed as one of the great technology executives – only to have his reputation badly tarnished when his employment was terminated (albeit, railing against the board on CNN didn't help). But more important to shareholders, the handling and aftermath of the CEO transition also stained the reputation of the company.

The board must pay attention to this reality. If they manage the employment termination well, and prepare both the CEO and the company for the transition, it will help to preserve both the external reputation and the employee's internal self-esteem. The transition will go far better for the employee and the company.

### Fear

For CEOs, the fear of losing their job can create deep anxiety, and it's about much more than financial loss. The sense of self-esteem and prestige that we spoke of earlier for a CEO is tantamount to the market cap of a public company. Both have a psychological component that is based on reputation or perceived value. This explains why reputation (i.e., one's personal share price) is so important for executives, and why the anxiety of potentially losing their position in the business community can be so significant.

Anxiety is the fear of a possible negative future event; even the prospect of losing their job can create anxiety in CEOs. Sometimes the fear or feeling of anxiety is so subtle they may not even recognize the emotion – after all, fear is often perceived as unmanly and weak. But there can be fear of the future world without the job and position that define them. Many departing CEOs know that around the corner they will feel less than whole or deficient, and that fear can make them hold on tight when they should be letting go for the company's benefit and their own.

### Shame

We experience shame when we believe we are deficient in some fundamental aspect of our self. U.S. researcher Brené Brown distinguishes between guilt and shame in this way: guilt is related to our negative feelings toward

ourselves over a mistake we have made, whereas shame is related to our internal self and the feeling that we (as opposed to the behaviour) are the mistake.

Many of my clients have spoken of the public embarrassment (a.k.a. shame) they feel when introducing themselves after having left their jobs. They grasp for something to say that will give them a public measure of self-worth, but they struggle because in their mind their current life is less than what they had before. This is social conditioning at its best; after all, as Henry David Thoreau said, “Men were born to succeed.” The concept of constant career progress is engrained in our business culture, so being laid off can often make a person feel less than whole (for that matter, retirement can have the same effect).

Shame is like a poison; stories of people who have lost their jobs but still pretend to be employed are not uncommon. But it is secrecy that exacerbates the shame. In order to free one’s self, the shame must bear witness; it must not be hidden in private embarrassment. The antidote for shame is truth, and the heartfelt empathy received from others as a result. Job loss is a common experience. Stating the truth, even at a cocktail party, unleashes the healing effect of “universality” – knowing you are not alone. As one client told me, “if you knew that everyone else had been fired, you’d want to be one of the gang.” There is no shame in that.

### Living in Exile

One of the greatest human motivators is the drive to be included and connected. We are social creatures. We long to be part of a community, and an organizational team is a community. For CEOs, and especially company founders and leaders, the sense of being part of a team is extremely high – they were not just part of it, they were in charge of the whole thing. To lose that connection to what they have built, and worse, to have it taken away from them, can be devastating. To my mind, spirituality is the connection people feel to something that is bigger than they are as individuals. For some, job loss may feel like a spiritual loss, since they have lost their emotional connection to something that is bigger than themselves.

So when a person loses a job, they lose much more than money and stock options. They can lose a big part of their confidence, self-esteem, sense of self, sense of meaning, and their hope for the future.

### Journey Through Job Loss

The path from job loss to a fully realized future can be a long and difficult one. In her book *On Death and Dying*, Elisabeth Kübler-Ross identified the five stages of grief and loss in terminally ill patients: denial, anger, bargaining, depression and acceptance. These stages of grief can apply to many types of loss – including job loss.

Denial, anger, bargaining, depression and acceptance are not often experienced in that order, nor with uniform intensity. The grieving process is intensely personal; the transition through the stages of grief usually takes a back and forth, up and down, three-steps-forward-one-step-back kind of path. It’s normal for a person to cycle through each stage multiple times. Many of my clients have expressed frustration when they thought they were making progress, only to find themselves knocked back into a stage they thought they had left behind. This cycling around is normal. In fact, unless some people receive support, they may never find their way to acceptance.

The good news is that there is life after job loss – full of possibilities and future growth. Along the path lies two stepping stones: the reconciliation of loss and the transfer of meaning.

### The Reconciliation of Loss

We cannot have growth without loss. This is the essence of transition. At the end of a successful transition, we have gained more than we have lost. Many of my clients have spoken of positives coming out of their transitions, such as closer relationships with family or community, finding other meaningful work, or a knowledge of what and who is most important in their lives, based on the support they have received and their newly attained sense of self-worth.

The other aspect of loss reconciliation involves looking back with gratitude and appreciation for what they have achieved. Author and professor Martin Seligman, a driving force in the field of positive psychology, has said that accomplishment is a key part of our authentic happiness. So when founders and CEOs leave their jobs, it is important for them to recognize what they have achieved and built. This helps them look back with a sense of accomplishment and fulfillment, and gives them the ability to let go and move on.

### Transfer of Meaning

From my research, my client work, and my own experience as a chief executive, I believe it is essential that the meaning that was derived from being a CEO be transferred to something new and equally meaningful. This could involve accepting a new position leading another company, but it may also include a more diverse combination of activities within Frankl's pillars of meaning – family, community, creativity, spirituality, or finding meaningful work and real purpose – even if it's not as a CEO.

What I do know is that job loss is a magnificent opportunity for finding new sources of meaning, and a truer and deeper sense of self-esteem.

### Lessons in Transition: Doing it Right

Any transition starts with an ending. The end of college leads to the beginning of a career, the end of being single leads to a relationship, the end of one job can lead to another. But the way something ends has an enormous impact on the way the entire event is remembered and processed. Consider that disastrous round of golf you played that ended with a birdie: you felt pretty good about that game.

As a corporate director, you want to do what you can to support the outgoing CEO's transition from the company. In addition to the usual considerations noted above, there are several other things you can do to help your exiting CEO, while also reflecting well on the company and helping maintain shareholder value.

- First, the notice of termination should not be a complete surprise. If the CEO is receiving the right guidance from the board, he or she should know that things are not working long before the transition notice is given. If the termination is not for cause and yet a surprise, there is a good chance the board has failed in its role as a guiding coalition in support of the CEO, on behalf of shareholders.
- Second, when explaining the board's decision to shift leaders, be direct. Using clear language, explain in detail the reasons behind the decision. This clarity will give the outgoing CEO the best chance to make sense of the situation and eventually reach acceptance, which will be essential for his or her future. Sugar-coating or being indirect does no one

any favours, and in fact it can be confusing, with the CEO never able to make sense of the termination – a process that is critical to letting go and moving on. The issues may be as difficult to say as they are to hear, but your goal should be to be truthful, as well as respectful.

- Third, it is usually optimal if the CEO who is leaving can participate in the transition (although I admit this is often not possible). This does not mean that the CEO will have an active role in choosing the successor, and I would seldom recommend it. But if the CEO understands and accepts the transition, often they can support the change for the good of the company. Taking part in this process will also support the outgoing CEO's sense of self, which will ease his or her personal transition.
- Finally, respectfully provide options for support for the outgoing CEO. Most successful executive transitions through job loss involve support. This support must be more than an outplacement firm with a suite for executives who have been “put out to pasture.” Effective support may come from a mentor or a counseling professional. Transitioning through job loss is complex; CEO stoicism aside, it's tough to go it alone. Set aside the funds required for the CEO to work through the loss and change.

### Final Thoughts

Any job, even a CEO position, is just one chapter in the long narrative of a person's career. The transition through job loss can lead to a deeper sense of self-esteem, and all the knowledge that has been amassed in previous positions, and even in the transition, can be applied to new ventures. So maybe that's the upside for Bob Smith.

If the board manages the change of CEOs professionally and respectfully, with full awareness of the impact of job loss, the company will have its best chance to successfully transition the company's leadership and build its intended shareholder value. And doing the right thing will certainly uphold its integrity.

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