PASSING THE BATON:

THE IMPORTANCE OF SEQUENCE, TIMING, TECHNIQUE AND COMMUNICATION IN EXECUTIVE SUCCESSION*

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Executive Summary

Because executive succession confronts virtually all viable organizations, it should be anticipated and managed. A great deal has been written about succession, especially about those factors that impact post-succession performance. But research to date has given limited attention to the actual succession process. The research also has a negative bias against succession, typically viewing it as a crisis that must somehow be overcome. But succession can represent a strategic opportunity for an organization, particularly for those firms in growing and dynamic markets.

Using the analogy of a 4 x 100 relay race, we identify four factors that are important in executive succession: *sequence* (ensuring that the successor has the appropriate skills and experience to lead the organization in its next phase); *timing* (ensuring that the leadership baton is effectively passed from incumbent to successor); *baton-passing technique* (determining the details by which the succession will be achieved); and *communication* (providing for harmonious cooperation and respectful and clear communication between incumbent and successor). We suggest that in organizations, as in relay racing, there is a positive relationship between successful passing of the leadership baton and organizational performance.

Data were gathered on a failed succession attempt in a small, family-owned manufacturing firm over a 30-month period. The data base was made up of real-time in-depth

interviews with the incumbent CEO and his successor. Analysis of the data showed that the succession attempt proceeded smoothly in terms of sequence because the strengths of the incumbent and the successor were complementary. However, serious problems developed in terms of timing (the successor began to run too soon), baton-passing technique (the successor was waiting for the incumbent to let go of control of the firm, while the incumbent was waiting for the successor to take responsibility for the firm), and communication (both the incumbent and the successor failed to respectfully communicate with each other).

The data reported here tell a story that provides useful insights for both practitioners and theoreticians. In contrast to research that retrospectively reports on successful transitions, this research reports a failed executive succession using real-time data. The paper provides an empirically based conceptual framework for further study of executive succession, as well as propositions to guide future research.

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ABSTRACT

The extensive literature on executive succession gives only scant attention to the actual *process* of succession. To better understand the dynamics of the succession process, the analogy of a relay race is suggested, where success is influenced by four factors: sequence, timing, baton-passing technique, and communication. These four factors are used as a framework for a longitudinal examination of a failed executive succession in a small, family-owned manufacturing firm. In-depth examination of the attempted succession showed that the four themes are helpful in working toward the development of a general theory of executive succession.

Succession in the executive suite is an event that confronts virtually all viable organizations. In some cases, where the incumbent dies, retires or resigns, succession is something that is forced upon an organization. In other cases, such as the firing or internal relocation of the incumbent (i.e., transfer, promotion or demotion), succession is something over which an organization's decision-makers do have some control (Gephart, 1978). Regardless, the fact is that succession is inevitable and, for this reason, it should be both anticipated and managed.

What started out as a trickle of research on executive succession in the 1950s and 1960s developed into a full-fledged stream of research in the 1970s. More recently, this stream has swelled to the point where we are now flooded with research on this topic (see Kesner & Sebora, 1994 for a recent review; see also Chrisman, Chua, and Sharma, 1998; Dyer and Handler, 1994; Wortman, 1994). Despite its volume, the literature on this topic suffers from a number of limitations. Most glaring is the limited amount of attention that has been given to the actual succession *process* (Handler, 1990, 1992; Morris, Williams, Allen, & Avila, 1997). While some researchers view the succession process as stretching over a period of time (Hashemi, 1980; Gabarro, 1987; Handler, 1990), the bulk of the literature treats succession as though it is an instantaneous happening. The result is that we know very little about the actual succession process, including the role played by both successors and incumbents (Handler, 1992).

Another noteworthy, but less readily apparent, limitation in the literature is its negative bias toward succession, with succession almost always being presented as if it were a crisis to be overcome. The crisis may be the need to replace a successful incumbent or to improve upon the performance of an unsuccessful incumbent. In either case, finding a successor is viewed as a response to some disruption. This may, in fact, represent the true nature of many successions.

Nevertheless, *succession can also represent a strategic opportunity for organizations*, particularly for those in emerging and dynamic markets, not to mention rapidly growing firms whose managerial needs are changing (Churchill & Lewis, 1983; Greiner, 1972).

The neglect of both the processual and the strategic aspects of succession is indicative of the absence of a general theory of succession (although some researchers--for example, Handler, 1990; 1992--offer theoretical insights). As Sutton and Staw (1995: 378) note, "theory is the answer to questions of why. Theory is about the connections among phenomena . . ." With respect to executive succession, some significant insights have accumulated regarding the relationships among particular variables and constructs, but we are lacking an over-arching framework that will help us make sense of these relationships and make connections among the disparate investigations of executive succession that have been conducted to date.

Beyond the general need for theoretical development in the literature, there is also an immediate need for such a framework by practitioners, since evidence suggests that succession attempts typically fail. This may be particularly true for managers in family firms. Over 80 percent of U.S. corporations are owned or controlled by one family (including 35 percent of Fortune 500 firms), and together they account for more than 50 percent of jobs and GNP. Yet, only 30 percent of family firms survive their founder (Sonnenfeld, 1988; Morris, et al., 1997).

The data presented in this paper can be useful in the development of a theory of executive succession, one that can accommodate some of the previously identified relationships, while at the same time making room for those areas that have been neglected thus far. The data derive from an in-depth longitudinal case study of executive succession in a small, family-owned manufacturing firm. The succession ultimately failed when the successor resigned, thereby forcing the incumbent to once again take control of the organization.

Since failure of the succession had not been anticipated when we embarked upon this study, this outcome was initially viewed with dismay. However, as evidenced below, we eventually came to see that the failure of this succession provided us with precisely the sort of problem-centered opportunity for theory building that Weick (1992) has described and, thus, was a not unwelcome outcome (cf. Vedder, 1992). Indeed, Morris et al. (1997) comment on the need for precisely such longitudinal studies of failed successions so that we may juxtapose them against the more numerous studies of successful successions. Thus, in this study the question we ultimately tried to answer was this: Why is succession so often unsuccessful? It is in trying to answer this question that we arrived at our starting point for a theory of executive succession.

THEORETICAL DEVELOPMENT

Perhaps the best-known research focusing on the processual elements of executive succession is that of Handler (1990; 1992), who conceptualizes executive succession in family businesses as a mutual role adjustment process between the incumbent (the business founder) and the successor (a next-generation family member who will take over control of the business). Based on in-depth interviews with 32 successors working in family businesses, Handler suggests that succession involves a four-stage role adjustment process wherein the incumbent's role gradually diminishes in terms of involvement and control of the business, while the successor's role gradually increases. Handler suggests that most successions run into difficulty in stages 3 and 4, and concludes that successors were more likely to have a positive succession experience when (among other things) they:

- fulfilled career, psychosocial, and life stage opportunities in the context of the family firm
- were able to exercise personal influence in the family business
- achieved mutual respect and understanding with the incumbent
- had high commitment to continuation of the family business

Handler's work examining executive succession from the perspective of the next generation successor is obviously helpful, but development of a general theory of executive succession requires analysis of several additional factors, including the perspective of the incumbent, the strategic context of the succession, the internal organizational context, and the stage of the organizational life cycle the company finds itself in. As well, real-time, rather than retrospective data, might offer additional insights about the process of executive succession.

Relay Race Theory and Executive Succession

Some of these additional factors can be accommodated--and an increased understanding of executive succession can be gained--if we consider the analogy of relay racing. Studies of executive succession often involve the use of metaphors, and no metaphor has been more ubiquitous than that of "passing the baton" in a 4 x 100 relay race (e.g., Vancil, 1987). The practical importance of baton-passing is obvious; even casual observers of business firms (and of relay races) understand how difficult it can be to pass the baton successfully. Dropping the baton leads to performance decrements (e.g., when the United States relay team dropped the baton at the 1995 World Track and Field Championships, it subsequently failed to even qualify for the finals), or to complete performance failure (e.g., the defending world champion Canadian relay team was disqualified for improper baton passing at the 1999 World Track and Field Championships). In the business world, tales of rocky executive successions are a staple of just about every business publication (e.g., Hyatt, 1992).

A relay race seems an apt metaphor for executive succession, but as Tsoukas (1991) points out, metaphors *qua* metaphors simply foster insights. They become more powerful when they facilitate the development of conceptual models through a process of analogical reasoning (see also Nonaka, 1994). This is achieved through an elaboration of the similarities between the source and target domains (in our case, relay races and executive succession, respectively) and the transference of extant knowledge from the former to the latter. With this in mind, we turn briefly to the track and field literature in an attempt to develop a theory of executive succession that can help us interpret the results of our investigation.

There are four key factors in running a successful relay race: (i) sequence; (ii) timing; (iii) baton-passing technique; and (iv) communication (Doherty, 1963; Gambetta, Winckler, Rogers, Orognen, Seagrave and Jolly, 1989; Steben and Bell, 1978). Each of these factors is summarized in Table 1 and discussed below, with reference being made to its importance in both relay racing and executive succession.

Insert Table 1 about here

Sequence. The order of runners in a relay race is determined by reference to several principles such as: "the best starter should run the first leg," "poorer baton-passers should occupy the first and last positions," "the final runner should have the most competitive disposition," and so on. Strategic sequencing may help win the race, but as we shall see, it may also create problems in baton-passing.

Parallel ideas are evident in the management literature. Perhaps best known is Greiner's (1972) work with respect to the "revolution and evolution" cycle that characterizes firm growth over time. He suggests that the first “runner” should have strong entrepreneurial start-up skills, while the second “runner” should have strong skills in the area of internal organizational administration. The parallels are even more pronounced in the work of Churchill and Lewis (1983), who make explicit the changing needs, both managerially and otherwise, as firms make transitions from one stage to another. While attention to this factor is important for maximizing subsequent organizational performance, the effect on the succession process is not typically addressed.

Timing. In relay races, runners must make optimal use of the "acceleration zone," that portion of the track where the outgoing runner starts running before receiving the baton. Sometimes a "go" marker is placed on the track; when it is passed by the incoming runner, this signals to the outgoing runner to start running. This ensures that runners will be the optimal distance apart when the baton is passed. A slower pace during transference decreases the likelihood that the baton will be dropped, but it also increase the likelihood of losing the race. Great emphasis is therefore placed on the expeditious transference of the baton, particularly in races where competition is strong.

In the management context, it is clear that the leadership baton is less likely to be dropped if the principals take the care and time needed to securely pass it. Indeed, an effective succession process has been described as a “dance that is a slow and subtle process” (Handler, 1990: 43). Just as relay teams facing relatively weak competition may permit themselves to slow down the baton passing process, so also mature, stable firms with accumulated slack resources, or firms in a munificent environment, may not feel a great need for a particularly speedy succession. But expeditious baton passing may be critical in growing new ventures, whose operational nature is shifting monthly, if not weekly. For firms such as these, wasting even a single month on a botched succession could result in a significant strain on cash flow and make the firm insolvent. Whatever the context, the succession should be concluded in a *timely* fashion so that a competent successor is in place and the incumbent has meaningfully passed on the authority and responsibility that is required for the successor to do the job.

Baton-passing technique. In a relay race, both runners must agree on which type of baton-passing technique they will use (e.g., downward, upward, or snatch pass), and which hands will be used (right-to-left facilitates passing the baton, but requires runners to switch hands before the next pass). Different runners prefer different techniques, depending on their previous training and race experience. Runners must agree on how the incoming runner presents the baton (which hand, palm up or down), and how the outgoing runner receives the baton (which hand, palm up or down).

Some obvious parallels exist in executive succession. Often, incumbents and successors have different managerial styles and different expectations of how the baton should be transferred, especially when there are marked differences in previous experience and training (Handler, 1990, 1992). This may be especially important when the baton is being passed from an entrepreneurial, school-of-hard-knocks CEO to a professionally trained manager, or from one generation of manager to another. Incumbents often have difficulty "letting go" of the leadership baton, perhaps because they feel the successor does not yet have a good grip on it. Furthermore, unlike Vancil (1987) who focused largely on titular succession, our study is consistent with those who have found that title, power, control, and responsibility often do not transfer simultaneously. Instead, principals may struggle over the baton, with incumbents being accused of failing to "let go" and successors being accused of "taking over" in an inappropriate manner (cf. Christensen (1953) and Firnstahl (1986) on "letting go," and Barry (1975) and Blotnick (1984) on "taking over"). Unlike relay team members, who have coaches and can practice the same maneuver repeatedly to master the mechanics of baton passing, managers often have a limited repertoire of experience in succession and have few external resources to facilitate the process.

Communication/teamwork. There must be communication and "harmonious cooperation" to facilitate the exchange of the baton in a relay race (i.e., the four fastest runners do not always constitute the best relay team). In short-distance track and field events, where runners do not look at each other, an oral utterance occurs at the point of exchange. Long-distance runners typically use a visual signal, with the outgoing runner taking (rather than accepting) the baton in order to account for the fatigue factor of the incoming runner.

In executive succession, a parallel is again apparent: effective communication between incumbent and successor is critical, particularly in cases of strategic succession. If the relationship between the incumbent and the successor is characterized by a lack of trust, poor communication, conflict over strategy and process, or lack of a shared vision for the organization, succession is likely to be problematic (Barnes and Hershon, 1976; Davis and Tagiuri, 1989; Handler, 1990, 1992; Morris, et. al., 1997). Recognizing the importance of communication and good interpersonal relations draws attention to understanding succession as a process.

Summary. Each of the four relay race factors is important individually, but they also work together to facilitate or inhibit performance. For example, when members of the two-time champion Canadian relay team decided to change the order of runners just a few days before their race at the 1999 World Track and Field Championships, their coaches expressed concerns. The runner who had originally been scheduled to run last (Donovan Bailey) was moved to first, and Bruny Surin, who had recently run a very fast 100 meter race, was chosen to run the more glamorous anchor leg of the race. After the team was disqualified for transferring the baton outside the legal acceleration zone, internal squabbling erupted among team members about who was to blame for the loss. The cause of the disqualification can be attributed to a combination of factors, including (1) changing the sequence of the runners, (2) poor use of the acceleration zone, (3) lack of baton-passing practice among certain runners on the team, and (4) poor teamwork. What we are suggesting here is that all of these factors are extremely relevant for executive succession as well.

METHODOLOGY

The impetus for this study was a rather unique opportunity. The individual who was to become the CEO of the firm (hereafter referred to as "Successor") had made the decision to leave academe to manage a manufacturing venture started by his father (hereafter called "Incumbent") and several other investors. Successor intended to initiate major changes within the organization and, as a researcher, knew that this would be an excellent opportunity for a longitudinal study of strategic change. With this in mind, he approached a group of three researchers and offered them unrestricted access to the organization for the duration of the transition period.

Wayward Industries (a pseudonym), which commenced operations in 1990, designed and manufactured a special-purpose street-legal motorized vehicle. As with most new ventures, Wayward's operations revolved around its founder (Incumbent), who had successfully managed it from start-up to a point where it was turning a profit five years later. At that point, Incumbent was completing his redesign of the vehicle, taking into account feedback from customers. Successor took on the role of CEO in May 1995 after being assured that the new model was just about ready for production. Incumbent assumed the newly-created position of Vice President of Research and Development.

Incumbent and Successor had successfully negotiated an executive succession previously. However, that process had been stressful, with Successor having eventually barred Incumbent from the premises of that firm. In spite of that earlier experience, both principals were confident that they could successfully transfer the baton at Wayward. Unfortunately, they were wrong. Successor quickly introduced significant changes in the firm's human resource management practices that were designed to empower workers (e.g., opening the firm's financial records, introducing profit sharing, and instituting peer evaluations). He also significantly changed the way production was carried out. The effectiveness of these practices was blunted, however, when it became clear that the new vehicle was not yet ready for actual production, and that further design work was needed. The lack of production created a serious cash flow problem, which caused external financial supporters to become concerned about the firm's viability. A full-blown financial crisis ensued, and six months after he joined the business, Successor resigned and Incumbent again assumed the CEO position. In the remainder of this paper we examine the reasons why the leadership baton was dropped.

Data Collection

Ten in-depth interviews (one to two hours each) were conducted with Incumbent and Successor over the 30-month period of the research. We set out to develop theory based on inductive data analysis (Eisenhardt, 1989) by carefully working through the interview transcripts numerous times (cf. Handler, 1990, 1992). The first time through the interview transcripts, we looked for any passages that specifically addressed elements of the succession process and the Incumbent-Successor relationship. We categorized these passages according to the themes and issues that they addressed. We soon identified some common themes across interviews, and then went back to the ten complete interview transcripts to seek other mentions related to these themes that may have been overlooked in the first iteration.

The most common theme that emerged related to the dynamics of power, authority and responsibility. This theme may have been particularly prevalent because Successor introduced changes designed to empower workers. Other recurring themes included conflict between Incumbent and Successor, family loyalty, the timing of the changes introduced by Successor, the self-determination desires of both Successor and Incumbent, and their vision for the company. Interview segments were "cut-and-pasted" according to these dominant themes (with some segments being placed in several categories) and then re-analyzed, resulting in the development of more finely-grained themes. Although better organized, the volume of data was still large.

The data presented in this paper are based on quotations from Incumbent and Successor that were selected because of their parallelism and the agreement or disagreement that was evident between them. This sampling technique, apart from constituting a variation of triangulation, helped identify and focus concerns that were foundational touchstones for both principals. The passages also provided a succinct way to get at the core of the main themes we found in our earlier analysis. In total, we found six general themes where Incumbent and Successor's comments are strikingly parallel to each other; we subsequently collapsed and organized these six themes into the four key factors already described in the relay racing analogy.

RESULTS

The common themes referred to by both Incumbent and Successor correspond closely to the four factors drawn from relay race theory (see Table 2). We analyze each factor in the paragraphs that follow.

Insert Table 2 about here

Sequence. At Wayward Industries, both Incumbent and Successor agreed that they had complementary skills, and that their succession was proactive and strategic. For his part, Incumbent was every bit the stereotypical entrepreneur who enjoyed inventing things, but not managing. "I like cooking, but I hate doing the dishes!" (Incumbent: June 4/96). Incumbent's "ideal arrangement" would be for Successor, to ". . . come in, do the administrative work and take on responsibility of the company and basically manage the organization. And I could just concentrate on developing the product" (Incumbent: June 4/96).

Incumbent’s style was to put off doing the administrative things that he didn’t like; Successor, on the other hand, wanted to attack problems and get them out of the way. Successor elaborates on these ideas, and his description of the two principals' strengths and weaknesses suggests that the succession had been well-sequenced:

> "In most family businesses, the son has been under the wing of the father the whole time. As a result, he has the same strengths and weaknesses as the father. So, the company is plagued by two problems: [i] it's not getting the new skills it needs to grow, and [ii] there are problems with the staff accepting the son because he is usually someone who is subordinate to the father. I think that our model here at Wayward is excellent. I have spent a great deal of my life trying to prove to people that I'm not my father. I've worked very hard to make his weaknesses my strengths. Because I've gained legitimacy through the academic setting, I go back in and have some acceptance by the staff. I have a different skill set than my father." (Successor, November 1/95)

Successor's arrival was strategic because Incumbent was beginning to extensively redesign the company's main product and was eager to ensure that production proceeded as efficiently as possible. This was an opportunity for Successor to take the company past the "leadership crisis" characteristic of firms whose founders are more capable of and interested in inventing than they are in "mundane management" (Greiner, 1972; Churchill and Lewis, 1983).

The principals had several reasons to be confident that they could complete the succession. First, in terms of Handler’s (1990) four-phase process of role adjustment, the relatively easy first two phases had already been successfully negotiated. In her terms, Incumbent was the “sole operator” of the firm in phase one and Successor had no role other than that of family member. Second, Incumbent had previously asked Successor for some advice on administrative matters and Successor had responded in a "helping" role. Finally, in addition to successfully managing Incumbent's previous firm, Successor had experience managing his own firm and had also worked in the banking industry. Overall, Successor exhibited three characteristics that are commonly used to measure successor competence: education, experience working within a family firm, and experience working for another organization (Chrisman et al., 1998; Morris, et al., 1997).

However, Handler's findings suggest that the succession experience for Successor was going to be less than optimal because he did not exhibit a high level of commitment to the firm ("I'm committed to being here for a year; I'll be bored after a year"--Successor, Aug. 22/95), and because the firm did not seem to be important to his long-term psychosocial goals ("I'm pretty blasé about what happens to me personally"--Successor, May 30/95).

Timing. When Successor joined Wayward, it was on the understanding that, at the time of his arrival, the design and testing of the firm's new model vehicle would be complete and that Successor's priority would be putting the vehicle into production and streamlining the accompanying production processes. When Successor arrived, he was told that the vehicle was "95% done." Successor therefore proceeded as though production was imminent, and began to introduce the significant changes described earlier. In relay race model terminology, Successor began to run his leg of the race since he assumed that Incumbent had passed the "go" marker.

However, even after two more months of redesign work, the design of the vehicle was still only "95% complete." In the interim, Successor had become frustrated by Incumbent's constant design changes and inability to provide firm answers, while Incumbent had become frustrated with the significant organizational changes taking place during a time when all resources should have been committed toward completing the redesign of the vehicle.

By the third month, Successor had realized the need to halt any further organizational changes. But valuable time and money had been lost due to the miscommunication between Successor and Incumbent. This put the firm into a precarious financial position. The firm's financial problems were exacerbated by external environmental uncertainties about government certification of the new vehicle, and by a challenge launched by Wayward's chief competitor (eventually unsuccessful) alleging that Wayward's vehicle did not meet government weight restrictions. These uncertainties made it difficult to get the vehicle into production to generate cash flow.

In retrospect, both Incumbent and Successor recognized that the succession had been poorly timed:

> "I wouldn't have come in as President as I did if I had really known the situation. ... I wouldn't have taken responsibility for everything had I known that the company was not at a point where I could push [Incumbent] out the door [like I had been able to do in our previous succession]. I was never completely in charge. [Incumbent] was calling the shots as much as I was. Rather, I would've joined the company under different terms. I would have come in and taken on little projects to get to know the company. Then I could have imposed my vision. I didn't know enough specifics about the company to really spell it out. I think I assumed the role too quickly in light of the circumstances." (Successor: Nov 1/95)

> "I think it should have been implemented differently. If [Successor] would've said to me: 'Look, this is my objective, where we want to go. We can't do it all at once, we'll do it over six months. We'll start to empower the staff a little at a time, and we'll talk about each step as we're doing it, and we'll kind of develop it together. They might not even realize that this is happening to them, they just all of a sudden start feeling comfortable and enjoying work more. And then introduce an incentive program.' Instead, [Successor] opens the book and says: 'This is the big picture, and I'm the President, and everyone is going to start having more control over their own life.'" (Incumbent: Aug 22/95)

The lesson here seems to echo conventional management wisdom that "slow and easy wins the race." Retrospectively, both Incumbent and Successor realized that quickly passing the leadership baton was problematic, and that a more deliberate and well thought-out transition would have been more likely to yield success. This is consistent with other research showing that the most common form of executive succession involves a mentoring relationship where the two principals work together in tandem for a time (e.g., Vancil, 1987; Handler, 1990). Whereas deliberate baton passing is desirable because the baton is less likely to be dropped, quick baton passing may be essential in winning the race in the face of competitive threats. Unfortunately, quick baton passing increases the likelihood that the baton will be dropped, and that is what happened at Wayward.

Baton-passing technique. Both Incumbent and Successor recognized significant problems in passing the baton. As in a relay race, there is a "moment of truth" in management succession, and it occurs when the control baton is exchanged (Osborne, 1991:45). The Incumbent must release power and the Successor must demonstrate worthiness to take over and lead. The exchange of formal titles and positions is usually not problematic, but transfer of control of the organization is. Put another way, there is an important distinction between becoming an organization's titular head and actually being in charge (Handler, 1990: 48).

> "Everybody would love to have control. Unfortunately, not everyone wants the responsibility that goes with it. ... There aren't very many people that are willing to pay the price of responsibility to have control of their life. They like to complain about lacking control, but they aren't willing to take the opportunity to take the responsibility that gives control. ... We [the owners] have given [Successor] power." (Incumbent: Aug 22/95)

> "[Incumbent] has no notion of taking responsibility for things, and that was the real problem when I was trying to manage this place. ... And that was the toughest thing about our working relationship, in that he was constantly undermining any control I had over my own integrity and my own reputation." (Successor: May 22/96)

> "So, I've started to stick my nose back into it again just to try to get cash flow going again and get [production moving], and then maybe I'll go and take a couple of weeks holiday while they do their thing. But I can't stand to watch, it's killing me to watch." (Incumbent: Aug 22/95)

Incumbent wants Successor to take responsibility, and Successor wants Incumbent to give up control of the firm. Incumbent believes that people can only have control if they accept both power and responsibility. Incumbent suggests that Successor has been given power (e.g., Successor is the company's titular President) but laments that Successor has not yet accepted responsibility. For his part, Successor believes that he has taken responsibility, but that Incumbent has not yet relinquished control of the firm. Successor is frustrated by his inability to exercise real authority in the firm as long as Incumbent is still there ("I was never really in charge; Incumbent was calling the shots as much as I was"). Handler (1990) found that this type of situation leads to a less-than-optimal succession experience for the successor.

A key to understanding the frustrations of Incumbent and Successor may lie in understanding the nature of the responsibility that was transferred. Incumbent was still principal owner of the company, and in that very real sense he had responsibilities that he did not (and possibly could not) give to Successor (cf. Handler, 1990). For example, Incumbent was still responsible for paying employees when the company was losing money (as it was during all of Successor's term, due to the fact that the Incumbent's product redesign was taking much longer than anticipated). This primary "ownership responsibility" overshadowed the numerous "managerial responsibilities" that Successor had taken over. Incumbent probably wished Successor could lessen Incumbent's responsibilities as owner, and when Successor was unable or unwilling to do so, Incumbent felt compelled to step in and take managerial responsibilities away from Successor.

These tensions over control and responsibility, which hampered the succession process, are also a reflection of the principals' different management techniques (Handler 1992: 294). On the surface, both Incumbent and Successor seem to have a similar vision as to how the company should be managed. Both pay homage to empowerment, and they agree that employees who take responsibility for their jobs do not need to be micro-managed.

> "Whenever I found good responsible people, if I had a task to do and they would accept responsibility and go off and do it on their own, I just left them alone. I'll never interfere with anyone who gets the job done." (Incumbent: June 20/95)

> "Most of our employees are used to having a boss who tells them what to do. They aren't used to having an active involvement in setting out how their work is done, and I need them to do that. That's the way I manage--but I believe in that ideologically as well--we don't need bosses to tell us what to do. We need to have people who have ultimate responsibility for things, but we don't need to have people tell them how to do their work." (Successor: May 10/95)

However, when one probes beneath the surface, a fundamental difference related to process soon emerges:

> "Theoretically, the concept [of empowerment] has a lot of potential, but I don't think that you can just open a page and then say that this is the way it's going to work. You've gotta do it like a father and son arrangement. It's a process that has to mature" (Incumbent: Aug 22/95).

Although Incumbent is a bit skeptical, he believes that an empowered work force is possible, and pledges to support Successor "100%" in the latter's efforts to achieve this goal. However, Incumbent also believes that Successor is trying to empower workers too quickly. So, while both Incumbent and Successor agree that the firm should become more decentralized, they have different views on how to achieve this goal. Essentially, they have differing views on the chicken-and-egg dilemma: Incumbent believes employees should first demonstrate performance and a willingness to take responsibility before they are empowered, while Successor believes that employees who are empowered will eventually accept responsibility and improve their performance. This parallels the tension between Incumbent and Successor: Successor wants empowerment, but Incumbent wants Successor to earn empowerment.

Communication. Previous research suggests that poor communication and a lack of trust and mutual respect will hamper the succession process (Barnes and Hershon, 1976; Davis and Tagiuri, 1989; Handler, 1990, 1992; Morris, et. al., 1997). Both Incumbent and Successor lament the lack of good communication between them. More specifically, both feel they are not being listened to.

> "[Incumbent] has never been an employee. He doesn't know how to work for someone. It's either his way or he storms off. No willingness to sit down and talk. If you make a suggestion, the immediate response is to show you why that was a stupid suggestion rather than trying to educate you on why you might want to do it differently." (Successor: Aug 22/95)

> "I would really enjoy this place if it wouldn't be that [Successor] and I are not really able to communicate at all. The only communication that works for Successor is if I sit in this chair [at the foot of the desk] and he sits there [behind the desk] and tells me what to do." (Incumbent: June 4/96)

Both Successor and Incumbent are also very sensitive to inconsistencies in the other's words and deeds.

> "Words are easy for [Incumbent]. It's actions that are lacking. He can say all kinds of things. I mean, he can brag to strangers about how much he respects his son. But if he doesn't treat his son with respect, the words ring hollow. And it's the same thing here. He can say that he has faults, that he's weak administratively and that administrative processes are important. But if he goes out there and his actions don't convey that administrative procedures are important, and if he doesn't make any effort to learn and follow administrative procedures, then his actions tell the rest of the staff: 'Administrative procedures are not important here. The boss doesn't seem to think so, so why should I think they are?' And so, many of his words ring hollow and, speaking as a son, yes, it's a disappointment to say that about your father." (Successor: May 22/96)

> "There are some things you just don't learn in a textbook, you know. You can have a gifted vocabulary, you can write beautiful stories, and you can impress your peers. And then you go out and fall flat on your face in the real world. I think the biggest problem with university professors is that they have developed themselves into a world that is not in touch with reality. I think therein lies the big fallacy. I can see it in my own son. He’s gone to school long enough that he’s not in the real world, he’s in an academic world that is totally out of touch with the real world.” (Incumbent: Aug 22/95)

Incumbent and Successor clearly have difficulty dialoguing and working as a team. Successor feels that Incumbent is generally unwilling to talk, and when he does there is a troubling lack of consistency between Incumbent's words and actions. Incumbent, for his part, feels that the inexperienced Successor is trying to tell him what to do, rather than listening to the rich lessons that Incumbent has learned through his many years of experience. As illustrated by the following quotes, the father-son relationship is a significant factor underlying the difficulties that Incumbent and Successor have in communicating, a common problem for family firms facing succession (Morris, et. al., 1997).

> "[Successor's] a very smart kid, and he's very well educated, and he's very well traveled, and he's very well read, and he's got these wonderful things over me. But he's got one major shortcoming. He's come here to teach me, when in fact he should've come here to learn from me." (Incumbent: Aug 22/95)

> "[Incumbent] hasn't quite adjusted to the fact that the father doesn't always know more than the child." (Successor: June 20/95)

In these excerpts Incumbent and Successor play out the timeless issues related to severing bonds of dependence between parent and child, while simultaneously negotiating the dynamic "mutual role adjustment" characterizing the succession process and trying to establish new roles of independence. All of this takes place in a context where interdependence is crucial. Incumbent is not unusual in feeling that Successor does ". . . not adequately respect his talents and accomplishments as an entrepreneur" (Osborne, 1991: 42). Especially striking is the following quotation by Incumbent:

> "So why could I not work with my own father [on the family farm]? I thought about that, because there's a lesson there that maybe I can learn. ... And you know, the problem I had with my dad and the problem he had with me is very similar to the problem that we're trying to deal with right here. ... My dad never recognized that I was growing up, and he continued to work with me like I was still a little kid." (Incumbent: Aug 22/95)

The sentiment being expressed is consistent with the finding that "founders start their businesses to escape the authority of powerful figures, given unresolved conflicts with their fathers" (Handler, 1990: 37, drawing on Levinson, 1971). The quote also suggests that the one thing we can learn from history is that we can't learn from history. Managing the transition from parent-child relationship to adult-adult relationship is difficult at the best of times, and this case suggests that the transition may be particularly difficult in a high-stress situation where professional and personal lives are interwoven and bankruptcy threatens the business.

DISCUSSION

What can we learn from Wayward's failed attempt at succession? What can our investigation contribute toward a general theory of executive succession? When the relay race model in Table 1 is combined with the results of our research, some intriguing propositions are suggested that can guide future research on this topic. As well, an interesting paradox emerges: it appears that circumstances and events that contribute to a successful executive succession may also compromise a firm's performance. Conversely, circumstances and events that lead to superior performance may compromise the succession attempt. This paradox can be expressed in a set of propositions related to each of the four factors of the relay racing model of succession (see Figure 1).

Insert Figure 1 about here

Beginning with *sequence*, it appears that Wayward had identified appropriate "runners" for each leg of the race they were running. Incumbent was by all accounts a stereotypical entrepreneur, well known for his propensity to act on opportunities and start up new companies. Moreover, as he was quick to admit, he lacked the necessary skills to turn a start-up venture into a smoothly functioning organization. He was an entrepreneur, not an administrator. Since

Successor possessed the mirror image of this skill set, he seemed to be the right person to lead the company in the next stage of its life cycle. Successor's candor regarding his limited time commitment to Wayward would also seem to indicate that the company could put in place a "finisher" for their team after Successor had run his leg of the race. Thus, the relay-race model of succession illuminates the sequence dimension of succession, and the data suggest that Incumbent and Successor met this requirement.

However, there are complicating factors at work here. Managers with different skill sets are likely to use different management styles, and these differences increase the likelihood that the baton will be dropped during the succession process. This is analogous to relay racing, where victory is more likely with the right variety of runners, but the baton is more likely to be dropped if these runners have been trained in different baton-passing techniques. Thus, what we find is that, for new and rapidly expanding ventures, what may be good from the perspective of the firm's performance (i.e., appropriate heterogeneity amongst incumbents and successors) might not be good from the perspective of facilitating a successful succession. If so, this would yield the following propositions:

> **Proposition 1A:** The greater the similarity between the skill sets and managerial styles of incumbent and successor, the more likely it is that the succession will be successful.
>
> **Proposition 1B:** The greater the similarity between the skill sets and managerial styles of incumbent and successor, the less likely it is that superior organizational performance will result.

In the area of *timing,* the relay-race model provides a novel perspective and a theoretical rationale to challenge the generally accepted mantra that overlap between incumbents and successors is always good. The tendency to view overlap as beneficial is consistent with the observation that runners who spend more time in the “acceleration zone” are less likely to drop the baton. However, if competition is intense, slowing down may cost a team the race.

It is clear that poor timing played a critical role in the failure of Wayward’s succession attempt. Both Incumbent and Successor agreed that Successor started to run his leg of the race too soon. This happened because both Incumbent and Successor accepted the mistaken notion that “95% done” meant that Incumbent had passed the “go” marker. Further complicating the matter was the fact that Successor apparently was not familiar enough with certain key facts about the firm, including its managerial history, the expectations of employees regarding leadership style, and the status of the proposed product innovations. So although the “quick acceleration” by Successor made sense strategically in terms of moving this young firm to the next stage in its life cycle, because it happened too soon, it compromised the executive succession that was a necessary precursor for reaching that stage.

That Incumbent and Successor dropped the succession baton indicates that they failed to make effective use of the “acceleration zone.” Successor started accelerating too soon and, most importantly, commenced running at full speed before making sure that the baton of leadership had actually been passed to him. Overall, our discussion suggests the following:

Proposition 2A: The greater the time that elapses during the passing of the leadership baton, the *more* likely it is that the succession will be successful.

Proposition 2B: The greater the time that elapses during the passing of the leadership baton, the *less* likely it is that superior organizational performance will result.

In terms of *baton-passing technique*, it may be that some techniques are superior to others. The relay race model suggests that both Incumbent and Successor must agree on the baton-passing technique that is going to be used, that is, on how and what Incumbent was "letting go," and how and what Successor was "taking up." Because the technique was *not* agreed upon at Wayward, there was confusion as to whether a meaningful succession had actually taken place. While Incumbent supposedly handed over the reins of power to Successor, a complete transition of management practices and systems never occurred. Rather, there was a partial transfer of responsibility and power, characterized by only a tentative commitment by both parties to the transfer. Both individuals struggled as they tried to overcome the firm's obstacles and their own interpersonal difficulties. Incumbent was not about to let go of the baton until he was sure it was not going to be dropped. Successor, on the other hand, felt he had a firm grip on the baton and desperately wanted Incumbent to let go of it so he could run his leg of the race. There was a need to ensure that the "letting go" and "taking up" of control of the organization proceeded smoothly, but this did not happen.

At Wayward, several factors compromised the willingness and ability of Incumbent and Successor to do what was necessary to achieve an effective passing of the baton. These factors include the Incumbent's dominant position as owner of the company and inventor of the firm's product (which may have made it impossible for him to hand over complete control to Successor), Successor's apparent disinterest in a long-term commitment to the company, and the differing views held by Incumbent and Successor regarding strategies for achieving goals.

This failed succession demonstrates that the baton of leadership is much more than simply the title of "President" or "CEO" (which are transferred relatively easily). Rather, the two ends of the baton--responsibility and control--must be accepted and released properly in order for succession to be meaningful. Succession is facilitated when Incumbent and Successor have a shared understanding of the exchange technique when handing off and receiving the baton. The Incumbent must let go of the baton and the Successor must take hold of it in a coordinated manner.

Proposition 3: The greater the level of agreement between Incumbent and Successor on the mode of succession, the more likely it is that the succession will be successful.

The final factor--*communication*--also played a major role in the failed succession at Wayward. Both principals felt that they were not heard or respected by the other. Also, Incumbent did not effectively communicate to Successor just how far behind the firm was in its design process (and perhaps he really didn't know). Successor, for his part, did not effectively communicate to Incumbent the full extent of the changes he had in mind, nor did he fully communicate the importance of the firm being ready for his new style of production. Both Incumbent and Successor were quick to notice inconsistencies in the words and actions of the other, and therefore had difficulty working as a team. Had the lines of communication between Incumbent and Successor been open wider and subject to less distortion, it is possible that they may have been able to salvage this succession attempt. In any case, what is clear is that poor communication, like poor timing, played a critical role in the failure of this succession attempt. This suggests the following proposition:

Proposition 4: The greater the respect and clarity of the communication between Incumbent and Successor, the more likely it is that the succession will be successful.

CONCLUSION

While there are limits on the conclusions that can be drawn from a single case study (Eisenhardt, 1989), the foregoing provides at least preliminary support for the usefulness of the relay-race model of succession. The four factors of sequence, timing, baton-passing technique, and communication are readily discernible in this succession attempt, having been common touchstones mentioned independently by both Successor and Incumbent. Moreover, they allowed us to develop an empirically-based conceptual framework for studying managerial succession. That framework, coupled with our case study, gave rise to a series of working propositions which may be tested and refined in future studies.

As for Wayward Industries, the company has overcome many difficulties and is now prospering--there is a light at the end of the tunnel. But Successor is no longer with the firm, and Incumbent and Successor have a strained relationship, albeit one that is slowly recovering. When Incumbent was asked if there were any dangers facing the company, he sadly responded:

> "Only one: my attitude toward it. I'm a little weary after what we've been through this last year. ... You know, I get to a certain point where I say: 'What the hell for? [Successor] doesn't seem to be that interested in it. Why am I doing it? Maybe I should sell the company and retire.'" (Incumbent, June 4/96)

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Table 1
Toward A Relay Race Model of Executive Succession

Relay Race Factors	Organizational Parallels
1. Sequence • order of relay race team members • physical and emotional attributes of runners	**1. Sequencing and internal organizational context/design** • selection process and criteria for new leader • company's stage in the organizational life cycle determines the kind of CEO that is needed
2. Timing • the stronger the competition, the greater the need to minimize baton handoff time • the acceleration zone defines the "window" within which the outgoing runner must start and receive the baton • when the incoming runner arrives at the "go" marker, this signals the outgoing runner to start accelerating	**2. Impact of the environment on the timing of executive succession** • passing of the leadership baton can be slower and more deliberate if the environment is munificent or if the firm is mature and has slack resources; in these situations, overlap of tenure of the Incumbent and Successor may facilitate transition • passing of the leadership baton expeditiously is important in a hostile environment, or if the firm is a new venture or has few slack resources; in these situations, extended overlap of tenure of the Incumbent and Successor may increase the likelihood of organizational failure
3. Baton-passing technique • how to hand off baton (incoming runner) • how to receive baton (outgoing runner)	**3. Baton-passing and leadership style** • Incumbent may have difficulty letting go of the leadership baton • Successor may have difficulty taking over the leadership baton • there is need for agreement on what is being given by the Incumbent (e.g., authority and ownership) and what is being accepted by the Successor (e.g., responsibility and commitment)
4. Communication/teamwork • harmonious cooperation and trust necessary • clear visual and oral communication required for effective handoff	**4. Communication and interpersonal relations** • trust between Incumbent and Successor increases likelihood of effective succession • clarity of communication between Incumbent and Successor increases likelihood of effective succession • conflict between Incumbent and Successor over goals, strategy, and process reduces likelihood of effective succession

Table 2
The Relay Race Model and Succession Events at Wayward Industries

1. Sequencing and internal organizational context/design

- Incumbent was a classic entrepreneur; Wayward needed a CEO with strong administration skills to move the company to the next phase in its development
- Incumbent and Successor had complementary skill sets; the plan was to have Successor develop the administrative systems and facilitate production, while Incumbent would work on new vehicle design
- Successor began to implement major administrative changes (e.g., creating value centers, introducing cellular manufacturing, and installing numerous HRM practices such as peer appraisal employment and open book management)
- Successor gave himself just one year to achieve the transition to the new management system, thereby signaling his readiness to pass the baton to the next runner at that time

2. Impact of the environment on the timing of executive succession

- Successor began to run the firm when Incumbent said that the new vehicle model was "95% complete"
- Wayward faced hostile maneuvers by its chief competitor, who claimed that Wayward's vehicle was overweight and violated government regulations
- Wayward had to deal with government regulatory issues (vehicle weight limit, need for engine approval, classification of the vehicle, etc.); these factors delayed the introduction of the new vehicle
- Several months after Successor's arrival, new vehicle was still only 95% complete; this caused external funding group to become concerned that there was no cash flow being generated because the new vehicle was not ready for sale
- All of these problems, coupled with the lack of slack resources that is typical of a start-up organization, created a major financial crisis for Wayward and complicated the transition from Incumbent to Successor
- The financial crisis caused Successor to leave the firm; Incumbent re-assumed the role of CEO; Successor allowed himself to be the scapegoat for the firm's financial problems

3. Baton-passing and leadership style

- Incumbent claimed that Successor was given control of the firm, but had not yet taken responsibility; Successor claimed that he had taken responsibility, but that Incumbent had not yet released control of the firm
- Incumbent retained ownership and responsibility, which made it difficult to give full control to Successor
- Successor was eager to take control, but felt undermined by Incumbent; Successor didn't exhibit long-term commitment to Wayward
- In sum, tensions with respect to control and responsibility (the substance of the baton) reflect fundamental differences in the leadership styles of the Incumbent and Successor, and in their view of the concept of empowerment

4. Communication and Interpersonal Relations

- Lack of trust between Incumbent and Successor, with each claiming that the other said one thing and did another; both felt the other failed to listen to them
- Lack of clarity in communication between Incumbent and Successor on several crucial issues (e.g., the extent to which the new vehicle model really was ready for production)
- Multiple conflicts developed between Incumbent and Successor (e.g., Successor wanted administrative control systems in place, but Incumbent felt that these limited his freedom as the owner of the firm; Incumbent thought empowerment of workers should come only after workers had demonstrated performance, but Successor argued that empowerment should come first and then performance would follow; Successor felt that Incumbent's incessant last-minute tinkering with vehicle design delayed production of the new vehicle

Figure 1
Executive succession and organizational performance