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<b>Thread:</b>	Discussion Wrap-up-Wily	<b>Posted Date:</b>	October 16, 2023 11:53 AM
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I'm glad everyone enjoyed this case. To those who have never considered that something like this can happen, it is quite eye-opening.

There were a number of great insights, but one area of commentary that we could have pursued more broadly were the risks of taking one path (leaving Lew in the CEO job) or another (taking him out). We know the outcome (if we googled Cirne), but there were certainly risks associated with bringing Williams in as well.

Overview:

This case is about a founder who is leading a company poised for success and is asked to step aside for a professional CEO. The Founder, Lew Cirne, by most measures has been very successful as Wily's CEO, but that success has actually increased the chance he'll be replaced. At the same time, his success makes it harder to convince him that a change is needed.

CEO succession is a highly disruptive event in the life of any company, but can be particularly disruptive when it involves displacing a founder. Unlike mature companies where the CEO is typically replaced for poor performance, emerging young companies that accomplish significant success will often times replace the founder in a move to mitigate execution risk, the theory being that founder/CEO's are not capable of scaling with the business.

These problems are exacerbated in companies like Wily, in at least three ways. First, succession is particularly disruptive in founder-led organizations, where the founder is central to company operations and has shaped the company's strategic values, goals, and behavior. The Founder/CEO has usually hired most of the key employees and has developed deep relationships with them. He/she often plays a key role in selling the venture's product's to customers and thus has deep and long-standing customer relationships. The case of a technical founder is similar; lot's of institutional knowledge about the product is in his or her head. Cirne is all of these things.

Second, the Founder/CEO has a much closer psychological relationship with their venture. Compared to "hired gun" CEO's, founders have a much stronger attachment and commitment to their ventures. Founders are more likely to oppose change that removes them from leadership because the venture is "their baby" and no one will understand it like they do. This can make any succession very disruptive.

Third, the paradox of replacing a CEO whose company is performing well makes convincing him that it is in his best interest, a challenging and difficult task.

Analysis:

How could Lew have avoided being replaced even in a success scenario? Lew has done a nice job, but his weaknesses are glaring. His management style was indecisive, consensus based and is

actually hampering decision making. Remember, it is his choice to change as Matthews and Catlin tell us. As we progress through the periods of start-up to initial growth and beyond, leadership becomes the success “valve” or the cause of our failure. Lew’s shortcomings will only grow more glaring without change. Many of the things he could have done are related to building his company. For instance, hiring more senior executives under him who are strong in areas he is weak. This would allow him to move beyond the “hub and spoke” model of management where he is the roadblock to getting things done.

Why did recruiting the CEO take so long? Does this validate problems with Lew and/or the Board? Lew’s first choice was to promote an insider, Vic into the position. This was most comfortable for him because he had recruited him in the first place. There were a number of reasons to consider Vic, but it distracted Lew from taking a broader view early in the search. The lengthy search can be blamed on both Lew and the Board. The Board gave Lew the power to veto any CEO candidate and he exercised his power based on vague and intuitive feelings about the applicants.

Another important aspect of the search process was how inclusive it was. Early in the process, the search incorporated Lew’s “democratic” approach, wherein a large percentage of Wily was involved in evaluating candidates. Only later was this process narrowed. It is definitely important to involve the founder in the CEO search process, but doing so introduces big risks. On the one hand, you can get invaluable input from the person who knows Wily the best, and having Lew’s buy-in will make things much smoother for Dick Williams and Wily. However, you could also end up hurting the search, making it take much longer, losing the best candidates, and maybe even harming the company because you’ve made Lew into a lame-duck CEO for more than a year.

Summary:

Lew could have improved his chances of remaining as the CEO of Wily had he recognized his shortcomings, hired strong leaders to compliment his skills and pro-actively sought the kind of board mentor that could have assisted him as the CEO. In the case that a CEO needed to be recruited, his mentor and he could have streamlined the process with an outcome that would have satisfied both Lew and the Board. If Lew is not qualified to be the CEO, he is certainly not qualified to be the Chairman of his Board. As companies emerge as likely market leaders, separating the CEO and Chairman roles are recommended, but Lew did not demonstrate he had the skills and qualities to assume that role either.

Founders are valuable to their companies. CEO succession is disruptive and most founders choose to leave or they become so disruptive that they are asked to leave. The search process can play an important role in whether the founder stays or goes.

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