Hello, everyone. This is Wayne Rivers at FBI where *We Build Better Contractors*.

This week I want to talk about Disney's succession mess. This is from an article from CNBC in September of '23. Now, Disney is one of the world's most venerated, revered companies, but they're having a really hard time. So, listen to this. They've laid off 7,000 people. They are $45 billion in debt. Can you imagine that? Their share price is about the lowest it's been since 2014. They have had a long string here of movie flops. Their streaming service lost over a half a billion dollars just in the second quarter of this year. And they're not projected to break even in that service until 2026.

Wow. That's not what you think of when you think of the historical success of the Disney organizations. Now, what about this is important to you? They have a succession nightmare on their hands right now. And if Disney or any other big company like that with all of their money and resources and talent and brain power, golly, if they can have a succession mess, that's an abject lesson for all of us. It could happen to all of us. So, what about this is important to you? Man, you don't want to do these things, which I'm going to go through in a minute, in part of your succession planning.

So, their former CEO is a man named Bob Iger. He's also the current CEO. I'll get to that in a minute. He had a great run from 2005 to 2020, at which time he handed off the ball to another Bob, Bob Chapek. And I would just like to go back to something you've heard me say many times in the past. The seeds of a company's destruction are sown in good times. So Iger's run from 2005 to 2020 was just a success filled run. He was considered one of the best performing CEOs. The seeds of a company's construction are sown in good times. Okay?

Now, what did they do wrong? How did they get into this predicament? 10 things that I gleaned from this really rather lengthy CNBC article. Number one, Iger had trouble retiring. He was scheduled to retire in 2013, 2014, 2017, twice, and then again. And then when he finally did retire, it was very abrupt. It was like he was there one day and gone the next.

Part of his retirement, this is number two, was that he was going to stay on and Chapek was going to be the president but Iger was going to remain CEO for, I don't know how they came up with this number, 22 months, almost two years. So, "Yeah, I'm stepping down, but I'm not really stepping down. I'm going to..." So yeah, kind of a really odd way to do things.

Number three, Disney had what they call the Disney nice culture where they avoided difficult conversations, what some people call crucial conversations from the book of the same name.

Number four, the vetting process of Chapek was very relaxed. Basically, Iger just handpicked the person. The board of directors was not involved. They did not talk to Chapek's direct reports at all. And I think there again, the seeds of a company's destruction. This stinks of hubris. It really does, that, "I'm so successful as CEO, I can handpick my successor and I don't need anybody else's viewpoint in order to do that."

The fifth thing, they mistook Chapek's operational success for leadership. Leading an entire organization is different from running projects or even running a division, isn't it?

The board of directors, number six, the board of directors was handpicked by Iger. It was almost a crony board of directors. You want directors that are going to say the things you need to hear, not the things you want to hear. And this board tended to be a little on the crony side of things.

Number seven, there was very little face-to-face interaction during the succession handoff with Big Bob and Little Bob. Now who started that. Big Bob Iger did. He referred to himself as Big Bob and his successor, Chapek, is Little Bob. That sends the wrong message entirely. So, he's sending the wrong messages and not interacting with this other guy person-to-person, human-to-human.

Number eight, they did not share a vision. Chapek wanted to "transform Disney and turn it into more of a streaming service company." Iger thought Disney was a movie production company. And they're different. So, if you don't share your vision with the other folks in your leadership group, that is a fundamental place to start in your succession discussion. If you don't have that, you don't have anything. Okay?

Number nine, Iger had little to retire to. He was retiring from something, but he didn't have that much to retire to. Oh, he has a yacht, and they went on some cruises, but mostly he hung around for that 22-month period.

And then the 10th thing, Chapek had rose-colored glasses. All this string of misfortunes is occurring to Disney on his watch as the president, but he just kept glossing over them. He utterly ignored the CFO at times when she was reporting that they were in some tight spaces, and he had rose-colored glasses. Again, that might work on a project. It might work for a division leader. It doesn't work for the overall leader. You've heard John Woodcock. I think you may have heard Dennis talk about it. You've heard him talk about the Stockdale paradox, named after a prisoner of war, Admiral Stockdale. And the Stockdale paradox is you have to confront the brutal facts all the while remaining faithful that you'll prevail in the end. And Chapek did not want to view the brutal facts.

Okay. What do you do? Okay. What can you learn from this? Okay. Number one, succession is a process, not an event. It can't be abrupt. It should be stretched out. We think, Dennis and I think seven to 10 years is about the right period of time for the entire process from conceiving it to executing it to exiting, should be seven to 10 years if you had the luxury of that much time.

Number two, if you're a departing executive, you've got to have somewhere to retire to. It could be a different role in the company, not CEO, over the CEO. It could be a different role in the company. Like you could move from management into business development, for example. You could move into special projects or something like that. But you've got to have something to retire to. You can't just retire from something because that creates a vacuum. And you know what they say about nature and a vacuum?

Number three, exhaustive, use exhaustive vetting of your potential successor candidates, their direct reports, your board of directors, your peers. Use psychographic profiles. Use any kind of tests, evaluations that you can get your hands on. You can't do enough. You can't be rigorous enough in evaluating the person that's going to lead your organization one day. That person's success is not guaranteed. You've got to do everything you can to give that person as much opportunity to succeed as possible.

Number four, again, back to the Stockdale paradox. Brutal fact. You can't be Disney nice. You've got to confront brutal facts. Perhaps your chosen successor, some brutal facts are coming to light and you find, "Oh, my gosh. Maybe he or she isn't the right person. Golly, Moses." No Disney nice. Confront the brutal facts.

Number five, best to have one leader. We learned as children, man cannot serve two masters. Well, I think that's generally true in business. One leader is better than this two-headed monster that Disney created.

Number six, don't confuse operational success with leadership. It's one thing to manage projects. It's another thing entirely to manage people and to manage organizations.

Number seven, face-to-face communications are best, in fact they're a requirement, during the succession process.

And number eight, never, ever, ever get complacent. Never let complacency allow you to sow the seeds of your company's destruction in good times. So, what tips would you recommend? What's a must for successful succession? Also, what's a don't do for succession? Please share with us in the comments.

This is Wayne Rivers at FBI, where *We Build Better Contractors*.