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Term Limits for Leaders:

Strategically Planning a Leadership Transition

Bill Hadge

Past President/CEO of GZA

Why This Topic?

Pro's and Con's of Term Limits

History of GZA Leadership Succession

Why a Six-Year Term?

Impact on Employees, Planning and Operations

Search for Next CEO

Final Thoughts

YOU'RE INVITED
**2018 CAPITAL STRATEGIES
AND M&A FORUM**
For the A/E/C Industry

May 7–9, 2018 Four Seasons Resort and Club Dallas
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SESSIONS INCLUDE:

- 4th Annual Simulated Deal Auction and Team Competition
- Integration and Creating Value: 1+1 ≥ 3
- Private Equity: Outside Capital to Support Your Strategy
- Navigating the Risks of Public-Private Partnerships (P3s): With Opportunity Comes Risk
- Tax Reform – Uncovering Opportunities
- Closing the Valuation Gap
- **Leadership Succession: Turning Over the Reigns**
- Demystifying the Nexus Between Tax Reform and Impact on Firm Valuation
- ESOPs
- Accounting for Executive Compensation
- War Stories from the Merger World

Chief Executive

The Benefits Of Self-Imposed Term Limits For CEOs

By

[David Cohen-](#)

November 28, 2018





12/2/18 5:28 pm

Bill,

As I was preparing next week's issue of GBA NEWSlog, I stumbled across [your interview in Chief Executive Magazine](#). Wow! Powerful stuff.

I plan on including it in the December 5th edition but I am also thinking about something else that would provide great value to GBA Member-Firms. [Would you consider giving a presentation on this topic during the 2019 Spring Conference?](#) I think your presentation would be eye-opening for many and support our theme "Celebrating Our Foundation, Building on Our Future"

Thanks for your consideration of this request, your continued support.

Joel G. Carson, CEO
Executive Director

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Premise:

Term Limits Are Not Typical



Historically, Those in Power Like It



“Typical” (?) In Our Industry

- ✓ Incumbent doing good job
- ✓ Company likes the stability
- ✓ Tenure is related to CEO career plans
- ✓ Tends to stay at least 10 years
- ✓ End date set 2 to 3 years in advance
- ✓ End date can be sensitive topic

“Typical” (?) In Our Industry

- ✓ If CEO is Founder/Largest Shareholder, Situation may be very simple...
- ✓ It's totally the CEO's decision

GZA's 2012 CEO Search
GZA Board Meeting
April 27, 2012

***"If selected,
I would expect to serve 5 to 6 years
at most."***





Why Define a Term?



10

Reasons in Favor

(reflects thinking in 2012 but didn't have written list.)

10. Fresh Air



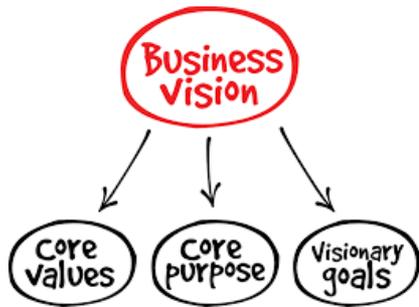
"A term limit would directly address problems of CEO tenure by periodically introducing a new CEO with a fresh perspective on the job."

BOSTON UNIVERSITY

LAW REVIEW

Volume 91, 1263

All New CEO's Are Innovators, Whether They Realize It or Not



But...

"After the initial rush of enthusiasm and energy, established routines and networks can smother the drive for innovation."



**Harvard
Business
Review**

Harvard Business Review, November 27, 2013

9. Leadership Rotation Is Good for the Health of the Company, And the Health of the Leader

change is good





**KEEP
CALM
AND PUT
PEDAL TO
THE METAL**

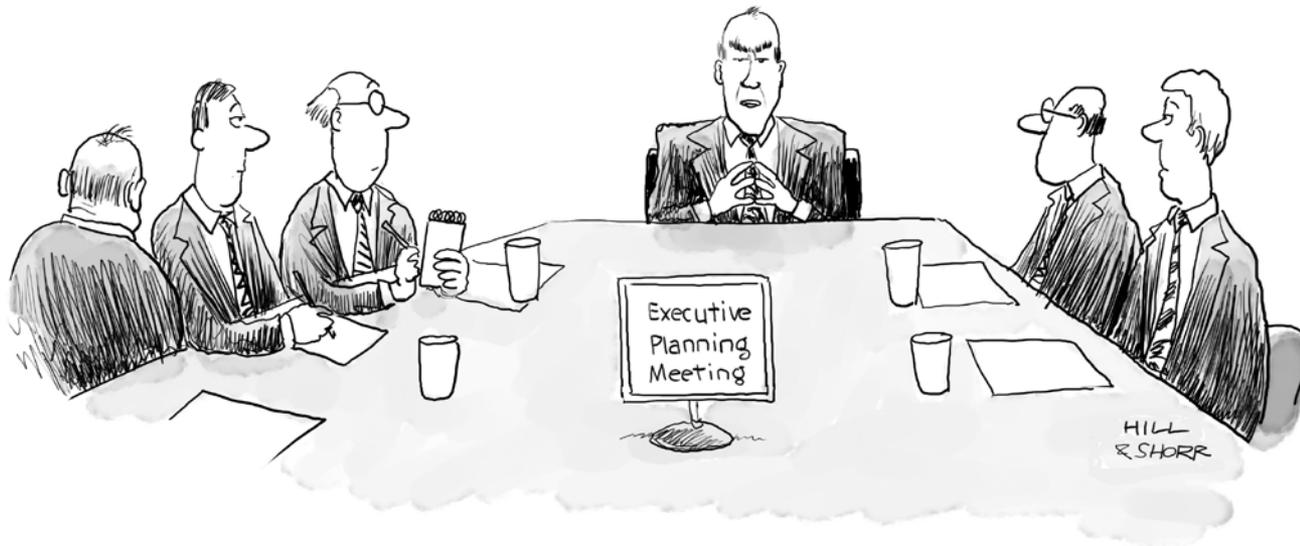
8. Creates a Higher Sense of Urgency for CEO



7. Creates Opportunities for Others



6. Prevents CEO Entrenchment



"ANYTHING GOES TODAY: I WANT THIS TO BE A FREE AND OPEN DISCUSSION OF MY ENTRENCHED POSITIONS."

"CEOs who stay in the office for too long tend to become less innovative, less adaptable, and tend to lose competitive battles with firms led by younger CEOs."

MIT Sloan Experts, February 11, 2019



5. Avoids One of the Most Difficult Decisions a Company Has to Make...

...deciding when it's time for current CEO to step down and hand the reins to a new CEO.



CEO Transition Can Be

**Awkward,
Difficult and
Distracting**



Potentially Divisive and Disorienting for Employees



Term Limits Are *Proactive* Reduce Stress on Firm



4. Being CEO is about Leadership; No Leader is Right for All Times

3. CEO serves Company, Company does not serve CEO *(not about CEO's career)*



2. Ultimately,
One of the Most Important
Responsibilities of Leadership
Is Knowing When to Step Aside

“The...feature I dislike, and greatly dislike, is the abandonment in every instance of the necessity of rotation in office, and most particularly in the case of the President.”

Thomas Jefferson 1787



1. Best (Only) Way for Company to Continue to Move Forward





To improve is to change;
to be perfect is to change often.

-Winston Churchill

+Alireza Yavari

7

Reasons Against

(obviously not reflective of my opinion)

7. Term Limits Are Artificial and Have Nothing To Do with Strong Leadership.

6. Could Create Short Term Mentality



5. Could Create Lame Duck Situation from the Start



4. Not Necessary – Board Can Get Rid of CEO at Any Time



3. CEO's Will Retire Voluntarily When No Longer Effective

(Really?)



BERKSHIRE
HATHAWAY

2. Great CEO's Continue to Adapt



1. Why Make a Change If the Company Is Doing Well and the Board Is Happy with the CEO?

Strategically Planning Leadership Transition at GZA

- 1979** **July 2 First Day at GZA**
- 1987** **Promoted to Principal**
- 1990** **District Manager**
- 2000** **Northeast Regional Operating Officer**
- 2013** **Became CEO on March 1**
- 2019** **Stepped Down as CEO on March 1**



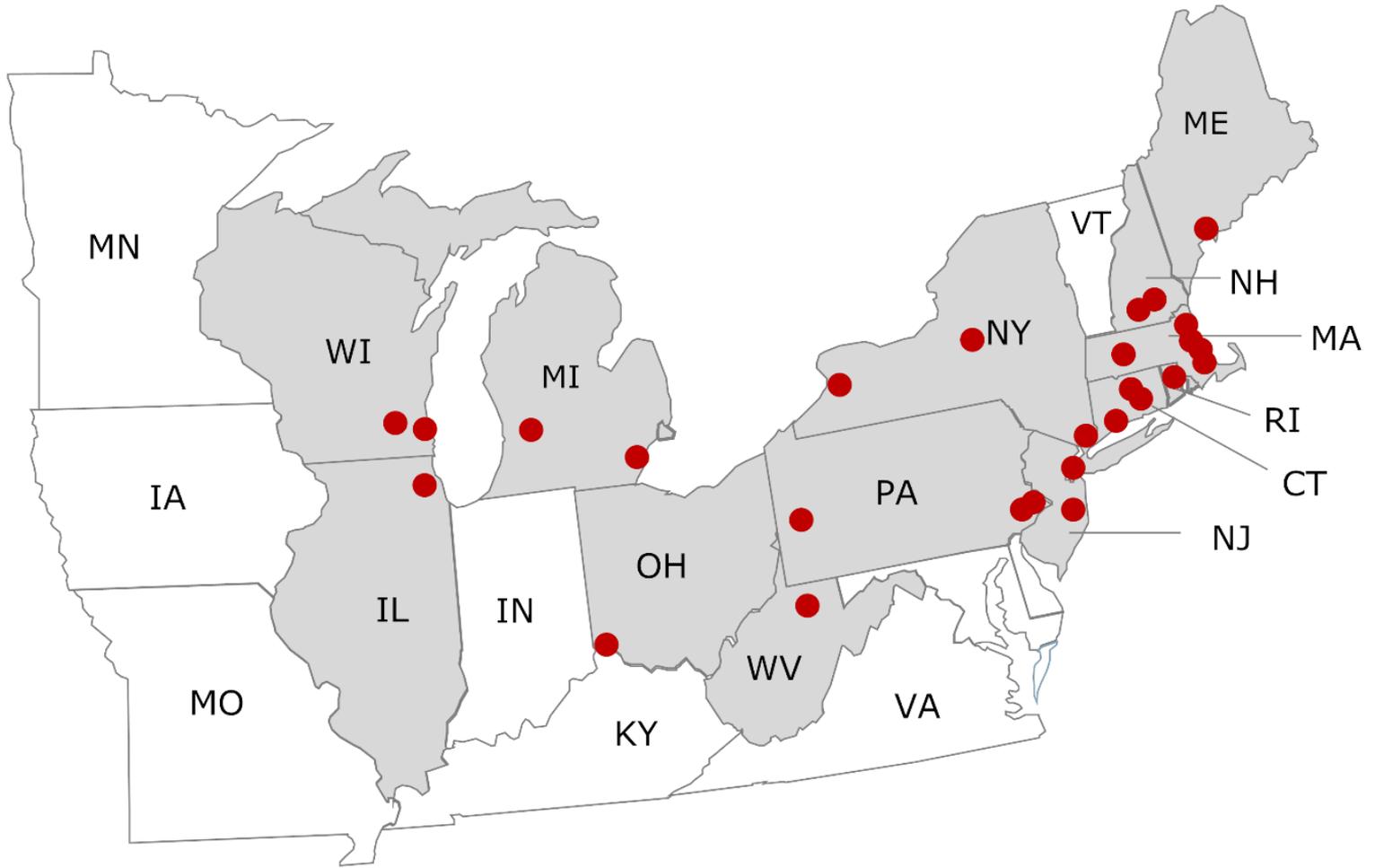
716 Employees

31 Offices in 15 States

Highly Diversified Technical Services and Client Base

No. 127 on ENR's List of the Top Design Firms

No. 101 on ENR's List of Top 200 Engineering Firms



1964 – 1989

**Built Reputation as Premier
Geotechnical and Environmental Firm**

**Dramatic Growth of Environmental
Services in 1980s**

Financial Success

Consistent Leadership/Ownership

1964 – 1989

One CEO - Don Goldberg



1989 – 2012

Four CEO's

Don Goldberg

1989 - 1994

Len Seale

1995

Andy Pajak

1996 - 2000

Bill Beloff*

2001 – 2012*

Development of Process to Select Beloff's Successor Began in 2010

 5 Internal Candidates

During Interview Process, Many Questions About Company Future and Company Strategy:

What Challenges Do You See?

What Will the Company Look Like?

What Will Our Industry Look Like?

What Changes in Services?

How Do You See the Company Growing?

Key Premises for Me:

- *Term and tenure of CEO are key part of Company strategy and planning*
- *Tenure is part of a much larger continuum that the history and evolution of company represent*

Why 6 Years?

- **Not GZA's History**
- **Not Aware of Precedent**
- **Nothing Magic About 6**
- **Could Be Any Number**

GZA Board Meeting
April 27, 2012

“I would be focused on leading the company through this generational transition and getting the company to a higher level of performance and growth.”

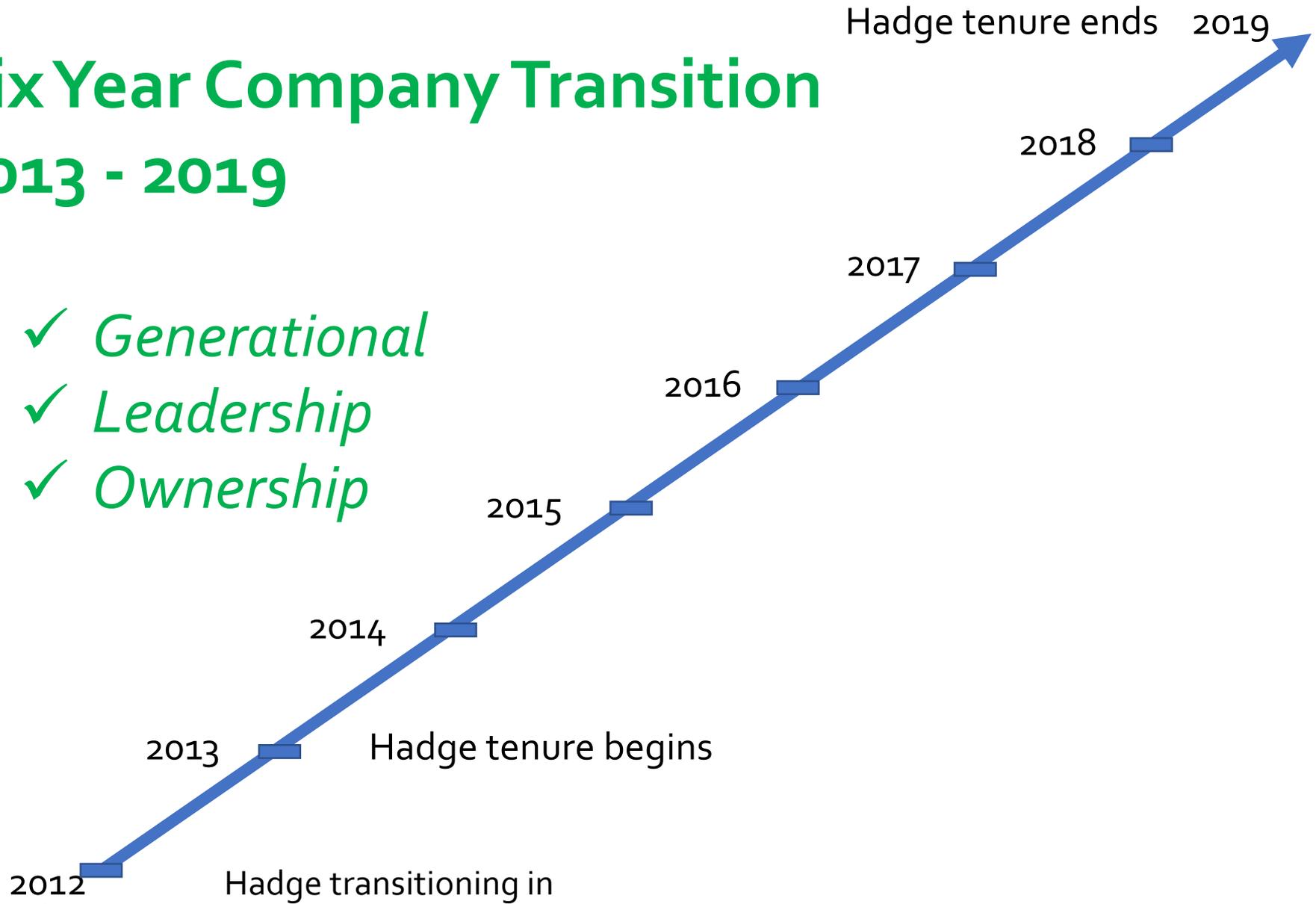
GZA Board Meeting
April 27, 2012

***"Would focus on grooming those who
would be my successor."***

Have to understand where
Company is at and how CEO fits in –
not the other way around.

Six Year Company Transition 2013 - 2019

- ✓ *Generational*
- ✓ *Leadership*
- ✓ *Ownership*



In 2019

I would turn 64

We had very strong group of people
from 40-55 who'd be ready to lead

Believed Leadership Rotation Matters
(Culture Change for Us)

Makes for Stronger Company

"I always believed that the *secret sauce of success* depends upon innovation and *disrupting the norm*.

"No matter how good a CEO is, he or she has his or her *way of doing things*.

"Success many times breeds further success, but it *also can breed a certain degree of complacency*, even if the accomplishments are in the upper quartile of like companies.

"I have also come to further appreciate that predetermined term limits make *good business sense*."

December 2018

SMART
BUSINESS

Impact on Employees

- Clarifying
- Unifying
- Created Sense of Urgency
- Established Date for Leadership Change

Impact on Planning

- Immediately Established Timetable
- Provided Context for Strategic Plan
- Provided Perspective on Next 6 Years

Impact on Operations

- Drove Change in CEO Focus From Year 1 to 6
- No Two Years the Same
- Drove Leadership Changes at All Levels
- Set Tone for Leadership Rotation
- Made It Easier to Facilitate Rotation of Others
- Significant Positive Ripple Effect

The Search for My Successor 2017, 2018



Step 1

Develop a Process – Summer 2017

Step 2

Convene the CEO Selection Group –Fall 2017

Step 3

Identify Short List of Five Candidates – Fall 2017

Step 4

Interview the Short List of Candidates - January 2018

Step 5

Create List of Three Finalists - February 2018

Step 6

Interview Three Finalists - March and April 2018

Step 7

Deliberate - April and May 2018

Step 8

Final Selection - May 2018

Was It Easy? **No**

Was There Stress? **Yes**

Did We Hit Every Milestone Date? **No**

Was I Proud of How It Played Out?

Yes

Gratifying

- ✓ To Not Lose Any of the Candidates
- ✓ That the Candidates Supported Each Other
(all five are key members of our new leadership team)
- ✓ That the Committee Was in 100% Agreement

New GZA CEO – Pat Sheehan



Are There Term Limits?

Yes

Six Years?

No

Final Thoughts

Term Limits are
good for the Company, and
good for the CEO

No Regrets

Planned leadership rotation matters,
but no one term-length fits all

"More frequent CEO turnover is associated with a significantly higher level of innovation."

BOSTON UNIVERSITY

LAW REVIEW

Volume 91, 1263

I expect it to become
more common

Term should be based on what
is **Best for the Company**

*"Making leadership changes on an organized and civilized basis can **motivate others** within the organization to strive for the brass ring, and it **engenders healthy internal competition**."*

*The number of years a leader serves is not as important as creating the **ongoing awareness that there are opportunities for others** who, by their performance and deeds, can ascend to the very top."*

**SMART
BUSINESS**

December 2018

Thank you