

Navigating the Complexities of Leadership Transition

BY BEN CHESTER CHEONG

Leadership succession is a critical process that can make or break an organisation's future. A well-managed transition ensures continuity, stability and the ongoing pursuit of strategic objectives. Conversely, a poorly-executed succession can lead to significant disruption, performance decline and even organisational failure.



Singapore's political succession model is characterised by several key features. Potential leaders are identified and groomed well in advance, with their responsibilities gradually increased to prepare them for top positions. The process follows a clear timeline and formal steps, with well-defined selection criteria and decision-making mechanisms. This allows for an orderly transfer of power and helps build public trust in the incoming team.

Many of the principles that underpin political succession apply equally to leadership transitions in the corporate world. Succession planning is a critical governance responsibility of the board, involving identifying and developing future leaders,

and aligning their capabilities with the organisation's long-term strategic needs. A key priority is building a strong bench of internal talent, while also scanning the external environment for potential candidates.

Succession planning, a deliberate process

The succession processes at Apple and Microsoft offer instructive examples. Apple's handover from Steve Jobs to Tim Cook was notable for its meticulous planning and seamless execution, enabled by a robust leadership pipeline. Microsoft's appointment of Satya Nadella showcased the importance of selecting a CEO whose competencies and vision align with the firm's future strategic direction.



In Nadella's tenure as CEO, Microsoft has grown 10 times and is now worth over US\$3 trillion (S\$4 trillion). In both cases, a well-designed succession process allowed the companies to maintain momentum and performance, demonstrating the link between effective succession and organisational resilience.

Closer to home, the meticulously planned succession process at DBS Bank highlights the critical role of deliberate leadership transition strategies in ensuring organisational continuity. The bank announced the appointment of Tan Su Shan as incoming CEO effective March 2025 more than six months ahead. DBS' decade-long commitment to identifying, developing and evaluating top talent underscores the importance of a proactive and systematic approach to succession planning.

Tan's selection is a testament to the effectiveness of DBS' talent management framework. Her extensive experience at global financial institutions, coupled with her remarkable success in driving growth across DBS' consumer, wealth and institutional banking businesses, positions her as an exemplary choice to succeed outgoing CEO Piyush Gupta.

By consistently focusing on identifying and grooming high-potential leaders, the bank has ensured a seamless transition that balances continuity with the infusion of fresh perspectives. This approach not only mitigates the risks associated with leadership vacuums but also reinforces the bank's commitment to meritocracy and diversity.

Similarly, OCBC Bank, Singapore's second-largest bank, announced in April 2021, that its CEO Samuel Tsien would be retiring after 14 years at the helm. He was succeeded by Helen Wong, who became the first woman to lead a Singapore bank. The transition was the result of a rigorous succession planning process overseen by the board, which included a global search for the best candidate. Wong's appointment also signalled the bank's commitment to diversity and inclusion in its leadership ranks.

On the flipside, the annals of corporate history are replete with cautionary tales of botched leadership transitions. An example is Hewlett-Packard, which suffered a series of CEO changes in the early 2000s. The company's board, lacking a clear succession plan, made a series of ill-fated appointments – from Carly Fiorina to Leo Apotheker – that led to strategic missteps, plummeting shareholder value and a loss of market share to competitors.

As stewards of corporate governance, boards are tasked with selecting, monitoring and, when necessary, replacing CEOs to safeguard stakeholder interests. This requires a proactive and systematic approach to succession, one that identifies potential candidates, rigorously evaluates their fit and aligns their capabilities with the firm's strategic needs.

The impact of organisational politics

Succession processes are not immune to the influence of organisational politics. The jockeying for power, formation of coalitions and behind-the-scenes manoeuvring can have a significant bearing on the outcome of a leadership transition.

This is illustrated by the case of The Walt Disney Company in the early 1990s. CEO Michael Eisner's reluctance to groom a successor, coupled with his centralisation of power, created a leadership vacuum and a politically charged atmosphere. When former COO Frank Wells died in a helicopter crash in 1994, it sparked a bitter power struggle between Eisner and Chairman Jeffrey Katzenberg. The result was Katzenberg's acrimonious departure, a series of executive defections and years of internal turmoil that hindered Disney's performance.

The Disney example highlights the disruptive potential of organisational politics in succession contexts. It underscores the importance of proactively managing these dynamics and the critical role that boards play in this regard.

Boards need to be attuned to the political landscape, ensuring that the succession process is insulated from

undue influence and that the best interests of the organisation are served. One way to mitigate political risk is through robust governance mechanisms, such as independent committees tasked with overseeing the succession process. The goal is to create a level playing field, where merit and fit are the primary considerations, rather than political clout or personal loyalties.

Succession processes are not immune to the influence of organisational politics. The close-knit nature of the business community, the importance of *guanxi* (relationships), and the hierarchical culture can all contribute to the politicisation of leadership transitions. This is particularly evident in family businesses, which make up a significant proportion of Singapore's corporate landscape.

In the intricate tapestry of corporate succession planning, the most suitable candidate for a leadership role may sometimes be overlooked or even actively undermined due to the machinations of organisational politics, personal jealousies and the myopia of immediate management. This is particularly true for individuals who exhibit exceptional performance, maturity of thought and an independent streak that may not align with prevailing power structures.

In such cases, it falls upon the senior leadership team and the board of directors to exercise discernment and foresight in identifying and nurturing these hidden gems. They must take proactive steps to ensure that such talents are not stifled by the political manoeuvring of their peers or superiors but are instead given the opportunity to prove their mettle in leadership roles, perhaps in a different division or subsidiary, where their skills and potential can be honed and tested.

Only by providing these individuals with the requisite exposure and mentorship can the organisation hope to groom them for eventual succession to the highest echelons of leadership. This requires a delicate balance of strategic vision, political astuteness and a commitment to meritocracy. The best and brightest

should be given the chance to rise based on their inherent abilities and contributions, rather than their allegiance to any particular faction or clique.

It is a complex and often fraught process, but one that is essential for the long-term health and sustainability of any organisation that seeks to build a deep bench of leadership talent and ensure a smooth transition of power from one generation to the next.

Implications for different types of companies

The challenges and best practices of leadership succession apply across different organisational contexts – from large multinational corporations (MNCs) to smaller, privately-held firms. However, there are some nuances and specific considerations for each type of company.

For MNCs, the key challenge is navigating the complexity of a geographically dispersed organisation – with multiple subsidiaries, business units and reporting lines. This requires a globally integrated approach to succession planning, one that identifies and develops talent across the organisation, while also being attuned to local market needs and cultural differences. MNCs need to strike a balance between consistency and flexibility in their succession processes, ensuring that there is a common framework and set of standards, while also allowing for adaptability to different contexts.

Foreign companies operating in Singapore face the added challenge of aligning their succession practices with local norms and expectations. This includes being sensitive to the cultural nuances of leadership and authority, and the importance of relationships and networks in the local business environment.

Foreign firms need to develop a deep understanding of the Singapore context and adapt their succession approaches accordingly. This may involve partnering with local institutions, tapping into local talent pools and engaging in cross-cultural training for expatriate leaders.

For small and medium-sized enterprises (SMEs), the key challenge is often resource constraints – both financial and human. Smaller firms may lack the formal structures and processes for succession planning and may struggle to attract and retain top talent. However, the principles of effective succession still apply, albeit on a different scale.

SMEs need to be proactive in identifying and grooming future leaders, even if through informal means such as mentoring and stretch assignments. They also need to engage in robust contingency planning, given the potential for key person risk and the reliance on a smaller leadership team.

Strategic renewal in sunset industries

Leadership succession takes on a particular significance in the context of sunset industries – those that are experiencing declining growth and profitability due to technological disruption, shifting consumer preferences, or regulatory changes. In these contexts, effective succession planning is not just about ensuring continuity, but about driving strategic renewal and repositioning the business for future growth.

A compelling example is the revitalisation of traditional Chinese traditional medicine company Eu Yan Sang. Founded in 1879, the company had been a stalwart of the healthcare industry for generations, but by the mid to late 1980s, it was facing declining relevance and intensifying competition.

The key turning point was the appointment of Richard Eu as CEO. As a fourth-generation member of the founding family, Eu brought a fresh perspective and a willingness to challenge the status quo. Under his leadership, Eu Yan Sang embarked on a dramatic transformation – modernising its product lines, expanding into new markets, and investing in research and development and innovation.

The company also professionalised its management team, bringing in outside talent to complement the family expertise. The result was a remarkable turnaround, with Eu Yan Sang re-emerging as a

leading player in the traditional medicine space, with a strong brand presence across Asia. In June 2024, a Japanese consortium acquired 86 per cent of Eu Yan Sang for S\$695 million, valuing the company at about S\$808 million.

The Eu Yan Sang story illustrates the potential for strategic renewal through leadership succession. By bringing in a new generation of leaders, with fresh ideas and a transformational vision, sunset businesses can reposition themselves for growth and relevance. The key is to have a proactive and forward-looking approach to succession planning, one that identifies leaders who can drive change and innovation, while also preserving the core values and heritage of the organisation. See the box, “The Importance of Enabling Factors”, to facilitate this approach.

Implications for boards and directors

The lessons from these examples reinforce the key principles and best practices that Singapore boards and directors should adopt in managing leadership succession:

- Treat succession planning as a continuous and strategic process, rather than a one-time event.
- Align succession plans with the company’s long-term strategy and future needs, considering industry trends and disruption.
- Establish clear criteria and processes for identifying and developing potential successors, both internally and externally.
- Promote diversity and inclusion in leadership appointments, to broaden the talent pool and bring fresh perspectives.
- Manage transitions in a phased and orderly manner, with appropriate support and mentoring for new leaders.
- Communicate succession plans and decisions transparently to stakeholders, to build confidence and trust in the process.

In conclusion, leadership succession – whether in the political or business realm – is a critical process that requires careful planning and management. It should be treated as an ongoing exercise, not

The Importance of Enabling Factors



Strong institutional structures

Underpinning any successful transition is a set of enabling factors and conditions. Foremost is the presence of robust institutional structures and governance frameworks, which provide a critical foundation. This includes formal succession planning processes, well-defined selection criteria and a clear delineation of roles between the board and management. Drawing upon agency theory, these mechanisms serve to align interests and mitigate potential conflicts, ensuring a smoother transfer of power, contributing to the organisation's long-term stability and success.



Leadership development

Leadership development is another key enabler. Organisations must make concerted investments in their talent, equipping them with the requisite skills and experiences to assume greater responsibilities. This links to the concept of dynamic managerial capabilities, where firms cultivate leaders who can sense, seize and reconfigure resources in line with shifting strategic imperatives. Rotational assignments, stretch projects, mentoring and coaching are powerful tools for building these capabilities. The active involvement of the board and senior leaders is crucial for nurturing the next generation.



Supportive organisational culture

The role of organisational culture cannot be overlooked. A supportive culture that embraces change and renewal is essential for successful transitions. Schein's model of organisational culture is instructive, highlighting how deeply held assumptions and values shape behaviour and decision-making. The importance of succession and leadership development should be embedded into the firm's DNA, actively championed by the board and senior leaders. Equally important are the processes for knowledge capture and transfer during leadership transitions, to preserve institutional memory and maintain continuity.



Learning from best practices

Finally, organisations should seek to learn from best practices, adapting them to their specific context. Benchmarking against other firms provides valuable insights into effective succession approaches, allowing for the identification of both positive exemplars and cautionary tales. This aligns with the notion of vicarious learning, where organisations can enhance their own practices by observing and emulating the successful experiences of others. By integrating these insights, companies can avoid common pitfalls and build upon proven strategies.

a one-off event. Effective transitions adopt a holistic and multifaceted approach, combining well-designed processes, strong institutional support and investment in leadership development.

When done well, leadership renewal allows organisations to maintain stability while also evolving

and adapting to new challenges. It ensures the best leaders are at the helm, setting the stage for continued success. ●

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