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Planning for Facebook's Future

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BY PETER THIES AND JANE STEVENSON

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Planning for Facebook's Future

As CEO of a public company, Mark Zuckerberg needs to engage his board in developing the next generation of leaders.

by Peter Thies and Jane Stevenson

Dear Mr. Zuckerberg,

You have joined the ranks of blue-chip public company CEOs by launching one of the largest IPOs in history. At this momentous juncture — where so many of your predecessors have stumbled — you have an opportunity to create a public company that not only focuses on increasing revenue by filling an exciting new product pipeline, but places just as much attention on developing the strong pipeline of leaders who will create those products.

Your board will need to play a significant role in helping Facebook make the shift from highly successful technology startup to public company poised for long-term success well beyond your tenure. This is good practice for privately held companies, but for publicly traded companies, it is essentially the law. Reducing CEO succession risk from Day One is a mandated fiduciary responsibility of the Facebook board. The question is, Are you ready?

It may seem like a straightforward task, but more than 40 percent of publicly held companies do not have a formal succession plan in place. According to the Conference Board's CEO Succession Practices 2012 report, only 32 percent of companies reported that their chief executive officer successions resulted from their board's planning process.

The SEC, FDIC, investors, analysts, and regulators are scrutinizing CEO succession and board accountability as never before. And high-profile CEO failures are on the rise. The average tenure of a Fortune 500 CEO is 4.6 years, according to business intelligence firm BoardEx. Indeed, many great startup CEOs have darted out of the gate and then stumbled spectacularly, in large part because of "founder's syndrome." They made the company so much about themselves that they could not let go of the "only I call the shots" mentality — an outlook that flies in the face of good governance.

Steve Jobs epitomized this disconnect. You know the story. Jobs was 21 when he cofounded Apple in 1976. Despite Jobs's having personally recruited John Sculley from PepsiCo to be Apple's CEO, their visions of the future ultimately diverged. Jobs pursued his own strategy — straining relations with Sculley and the board — and was fired less than 10 years after creating the company. In 1996, Jobs returned to a struggling Apple having learned from his mistakes, and was reappointed CEO a year later (and the rest is history). In a 2005 speech at Stanford, Jobs mused, "How can you get fired from a company you started?" But though the underlying causes vary, other founders have suffered a similar fate: Cisco Systems' Sandy Lerner, JetBlue's David Neeleman, and Etsy's Rob Kalin (who was replaced twice as CEO), to name a few.

Think about this, Mr. Zuckerberg, as you plan your next moves.

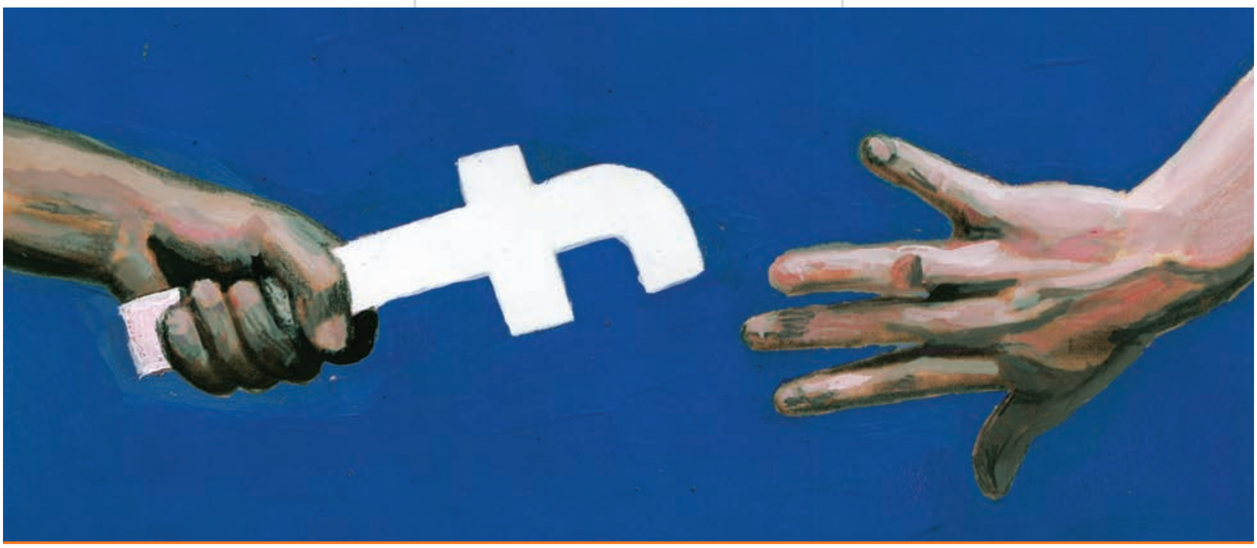

Illustration by Andrea Ventura

For example, just prior to your IPO, you drove the acquisition of photo-sharing service Instagram for a hefty US$1 billion. You alerted your board right before the deal closed that you and Instagram CEO Kevin Systrom had worked it out over the course of three days — primarily at your home in Palo Alto. According to reports published at the time, it took your board by surprise.

Engaging your board and utilizing their experience and guidance will be even more important now as you embrace Facebook's role as a public company. You have the opportunity to create a legacy by setting a gold standard for CEO succession, not only for Facebook, but for other companies to follow. You can develop leaders who are not afraid to address their own tenure or significance as the company transforms over time. Here are a few suggestions for getting started.

1. Engage your board on Facebook's strategic priorities in the one- to two-year, three- to five-year, and five-plus-year time frames. Work with the board to translate the strategic vision into specific organizational capabilities that define the requirements for Facebook executives to come. Think of it as creating a Facebook profile of the successful leader of the future.

2. Think two to three CEO moves ahead; you and the board should not just seek to "friend" your replacement. Start identifying your brightest stars now so that there will be time to develop them.

3. Have your board become intimately familiar with the leadership bench and their potential. There are generations of CEOs in your company. You can groom them by assigning mentors and sponsors, and creating tailored leadership development programs that will aid in their management development.

4. Cross-train multiple generations of Facebook CEO successors with a mix of on-the-job training, intensive coaching, mentoring, and education. Seek opportunities for them to learn other parts of the company and the industry.

5. Keep CEO succession as a standing agenda item, as it addresses a multilayered, multigenerational process. Make it part of an ongoing dialogue with the board wherein you discuss issues such as creating and refining the C-suite development process, and reviewing and improving the process of working with the current CEO to develop successors.

We encourage you to focus on leadership succession from Day One, and to engage your board in the entire process. In a post-IPO world, you no longer have the luxury of doing things alone. Just as you led the social media revolution, we believe you can pioneer great practices that model what a well-governed and sustainable public company looks like. +

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