

## Opening Up Succession Plans

### ***At Frontier, Board Members Mentor, Forge Bonds***

By JOANN S. LUBLIN for *The Wall Street Journal*, Feb. 22, 2010

STAMFORD, Conn.—Maggie Wilderotter, chief executive of Frontier Communications Corp., isn't trying to fight off challengers for her job. In fact, she's using her board to help train them.

For many CEOs, letting outside directors forge tight bonds with potential successors probably sounds like career suicide. Yet investors and even boards increasingly realize that companies do too little to prepare for a smooth change at the top.

Mrs. Wilderotter shares that concern. So in 2006, she created a highly unusual program that matches each of her top lieutenants with a board member for at least two years of informal coaching. Executives improve their leadership ability and board ties. Directors get in-depth looks at possible future occupants of the corner office.

Other U.S. companies may imitate Frontier, a regional communications company here, thanks to a Securities and Exchange Commission decision last fall. The agency now allows shareholders to present resolutions that ask companies to adopt and disclose detailed CEO succession-planning policies.

The first such measure, sponsored by the Laborers' International Union, comes to a vote at the March 8 annual meeting of Whole Foods Market Inc. The resolution asks the natural-foods chain to report on its CEO succession plan every year. Whole Foods opposes the proposal, saying in its proxy statement that it "attempts to micro-manage the board of directors." The union submitted similar resolutions to 13 other businesses, including Bank of America Corp.

"The altered SEC policy has intensified board interest in preparing sooner for a leader's exit, but it's hard to get chief executives focused on planning their own funeral," says Paul Winum, a senior partner who runs the CEO succession practice at RHR International, an executive-coaching firm. "And Frontier seems unique about using systematic mentoring by directors as a succession-planning tool."

Mrs. Wilderotter was recruited in late 2004 and came up with the mentoring idea after she shook up her senior management and board. With so many new faces around, she wanted board members to get to know her seven highest deputies "in a more meaningful way," she recalls. Fellow directors decided mentors and their charges should confer face to face at least three times a year.

"It takes a very courageous CEO to do that," says William W. George, a former CEO of Medtronic Inc. who has served on other corporate boards. "There still are a number of old-guard CEOs who like to hang on as long as they can. They don't really want a successor who would be better than they are."

Mrs. Wilderotter extended the program last year to another four key executives. The 55-year-old leader believes many have the potential to become president or CEO and doesn't feel threatened by their relationships with mentors.

The biggest benefit for Frontier? A richer discussion during the board's three-hour succession planning session every October. Mentors react to Mrs. Wilderotter's assessments of her lieutenants, offering insights about their assigned executive's strengths and weaknesses.

The absence of that sort of robust board discussion at other companies troubles not only activist shareholders, but board members as well. Nearly four in 10 directors are dissatisfied with their companies' management succession planning, according to a 2009 poll of 1,021 directors by PricewaterhouseCoopers and Corporate Board Member magazine. That's up from 35% in 2007. Similarly, less than half of all directors rate themselves as "highly effective" at CEO succession, concludes a 2009 survey of 236 board members by Chief Executive magazine and RHR.

"Done wrong, CEO succession causes all kinds of other disruptions in terms of corporate performance," says Richard Metcalf, director of corporate affairs for the Laborers' union.

When Frontier hired Hilary E. Glassman as its general counsel in July 2005, it assigned director Howard L. Schrott as her mentor. Mr. Schrott, a broadcast-industry veteran, taught the first-time, public-company general counsel how to appear less nervous during board presentations.

Ms. Glassman accepted Mr. Schrott's suggestions, which included making detailed notes, talking louder and practicing before a mirror. He "was a very critical part of...my development," she recollects.

Myron "Mike" Wick, Frontier's lead independent director and a long-time entrepreneur, began coaching Cecilia K. McKenney the day the human-resources executive arrived in February 2006.

Ms. McKenney, now an executive vice president, says Mr. Wick made her more effective by urging her to fill long-vacant positions and critiquing drafts of a leadership-development push.

The risk of Frontier's succession planning system is that mentors could lose their ability to monitor management objectively.

"They start to be the advocate for somebody rather than a dispassionate reviewer," says Stephen Miles, managing partner of leadership consulting for recruiters Heidrick & Struggles International. He recommends that Frontier board members switch the executives they mentor every year.

Mr. Miles raises "a legitimate concern," Mr. Wick says. But "a year is too short," the lead director says. "It takes a while to really get to know somebody."