

## An Open Memo to Avon CEO Sheri McCoy

Don't make the mistake Jung made: Develop a successor, and encourage board service

by Karen Kane

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**C**ongratulations, **Sheri McCoy**. You've become CEO of one of the world's most iconic female brands. In joining **Avon**, as the *Wall Street Journal* reported, you boldly walked away from \$10 million in **Johnson & Johnson** retirement and other stock benefits to take on a really tough job: turning Avon around by updating the company's strategy and repairing its reputation. You must also manage the investigation of alleged bribery of foreign officials, and dispatch an unwanted takeover offer from **Coty**. This must all be done while working with the deposed CEO, **Andrea Jung**, who remains executive chairman.

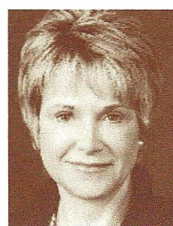
Most governance experts oppose retaining an ousted CEO as executive chairman. How do you improve oversight when a company's former leader, who presided over the problems that helped cause her dismissal, continues to serve as chairman? Within this structure, it may be harder for the new CEO to take charge and to enlist the board and the management team in improving leadership throughout the organization.

While Jung became the Avon brand, bringing glamor and sophistication to its image, she also oversaw a precipitous decline in the company's stock, two ongoing SEC investigations and a three-year probe into alleged bribery of foreign officials. Yet the biggest disappointment of Jung's leadership was her apparent failure to develop an internal succession plan. The Avon board did not do enough to prevent this breakdown. It appears that anyone in the Avon organization who could have succeeded Jung departed under her watch. When the board asked for her resignation, there were few if any Avon senior executives who could step up to the challenge.

Your obligation to shareholders and employees is to restore the company's strength and ensure its continuity as a viable business. So it is crucial to begin developing a viable succession plan now. Yes, you face enormous challenges as the new CEO of a troubled company. However, developing a successor is not a task that will take care of itself. Two years from now, if you fail for any of a number of potential reasons beyond your control, the Avon board

will be looking for a new leader again, which could prove devastating.

By making leadership development a priority, you demonstrate confidence in your new job. Fortunately, you've had the benefit of a career at J&J, where leadership development and internal succession were priorities.



**How else does an aspiring CEO learn about governance, if not by serving as a board member for another company?**

**Karen Kane**  
Founder, Karen Kane Consulting

In developing succession candidates, it's crucial to emphasize the importance of board work. Director experience is often overlooked when a board is grooming talented executives, yet how else does an aspiring CEO or CFO learn about governance and gain a better understanding of strategy, if not by serving as a board member for another company? What better way for qualified leaders to be mentored while addressing real business issues? **Anne Mulcahy**, who was thrust into the leadership of **Xerox** during a crisis, said she would not have been as successful had she not served on **Target's** board.

As CEO, you have an enormous opportunity to develop your own team members' skills by helping them find appropriate seats on other company boards. Yes, it's a time commitment, but the return on their development is substantial if it's the right board.

Looking at the leadership team, you should ask, who has the potential to succeed you? How can you assist in their development? Further, you need to make your board a partner in the succession planning effort, while holding the leadership team accountable for developing their rising stars as well.

Finally, by investing in leadership teams, you create strong allies within the company. At the same time, you enlist the board in focusing on one of their key responsibilities. Help the board recover from its past mistake: failing to ensure that talented candidates within the company were ready to take the top job. ■