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People have been sizing up Brian Roberts, the CEO of the $25 billion American telecommunications giant Comcast, since he was a child. Employees in the company's Philadelphia head office remember him as a kid, hanging onto the coattails of his father, Ralph Roberts, one of Comcast's founders. Brian Roberts may have been interested in the cable industry even as a boy; according to a 2001 *Fortune* article, he helped punch the coupon books that Comcast mailed to customers! As Brian grew older, anecdotes suggest, Ralph Roberts taught his son the skills he would need to manage the family business. When Brian was still in high school, he regularly accompanied his father to meetings with Comcast's bankers and lawyers. At 15, on the first day of his first summer job, he got a taste of how the company's employees regarded him. As he told *Wharton Alumni Magazine* in spring 2000, when he showed up for work in a tie and a jacket, his supervisor warned him: "I don't give a goddamn whose son you are. You come to work for me, you're going to work."

When Brian Roberts graduated with a finance degree from the University of Pennsylvania in 1981, he wanted to join Comcast. However, his father was keen that he work for some other company. The younger Roberts refused; he kept turning down offers until his father reluctantly gave him a job. The finance whiz assumed he would join Comcast's corporate finance group, but Ralph Roberts assigned him to a project in Trenton, New Jersey. Roberts joined Comcast as a trainee, doing everything from stringing cables atop poles to selling cable services door-to-door. But in 1986, when Comcast helped bail out Turner Broadcasting System, Ralph Roberts catapulted his son into the senior management ranks by nominating him to TBS's board. Four years later, Ralph Roberts appointed himself Comcast's chairperson and made his 31-year-old son the company's president. Since then, Brian Roberts has earned a reputation for being an aggressive deal maker. In 2002, when Comcast acquired AT&T Broadband, investors criticized him

for taking on $25 billion in debt in a weak economy. When the two companies finished integrating their operations, however, Comcast's profit margins rose, and, in 2003, *Institutional Investor* magazine declared Roberts one of America's best CEOs. The next year, an abortive bid to take over the Walt Disney Company rekindled perceptions that he was overreaching himself. Although Roberts redeemed himself in 2005 by allying with Sony to take over MGM Studios, in some ways the jury is still out on the "young" Mr. Roberts.

Like celebrity children, would-be leaders of family enterprises are in the public eye literally from the time they are born. As a scion moves to center stage, stakeholders dissect his or her intellectual, physical, and emotional capacity at every turn. Anxious to know whether the next-generation leader will help them fulfill their aspirations and protect them from trouble, stakeholders try to form opinions about the individual's capabilities and trustworthiness as he or she rises to the top. They analyze issues such as the person's values, vision, competence, and interpersonal skills, and at the same time, each constituency tries to learn how the possible successor will respond to its specific needs. Stakeholders often influence the choice of CEO, and in return for their support, they expect the new leader to meet their demands.

Yet my research suggests that corporate scions usually ignore or greatly underestimate stakeholders. They don't realize that, particularly after they are formally anointed as CEOs, they must establish their credibility with and authority over these spheres of influence. Most successors of family businesses, having grown up in fishbowls, take stakeholders for granted—and are shocked if some turn against them. When that happens, leaders often have to step down prematurely. For example, according to media reports, Krister Ahlstrom, former chairperson of Finland's Ahlstrom Corporation, and Thomas Pritzker, chairperson of Global Hyatt Corporation, ran into trouble because they misread their families. Others—such as Motorola's Christopher B. Galvin, Seagram's Edgar Bronfman, Jr., and Ford's William Clay Ford, Jr.—had to step down as CEOs because they were unable to meet shareholders' expectations.

New leaders of family businesses influence stakeholders not because they've earned that right but because they or their families possess large equity stakes, enjoy the support of incumbent CEOs, or control organizational resources and rewards. However, they can't sustain their leadership through raw power; stakeholders must also accept that leaders have the right to influence them. Followers grant leaders the authority to lead—which the latter tend to forget. The idea that leaders' authority emanates from their followers isn't new; sociologists such as Max Weber and Georg Simmel pointed that out in the last century.

Thus, the greatest challenge any newly anointed CEO faces is turning stakeholders into followers. For the inheritor of a family business, the challenge is particularly thorny. He or she must cope with family members, especially siblings and cousins whose support may be vital to control the enterprise, as well as manage several other constituencies—such as directors and senior executives; bankers and suppliers; and, from time to time, stock analysts, regulatory agencies, institutional investors, and trade unions—that may not be convinced that the successor has earned the right to lead the company. These stakeholder groups have different, even contradictory priorities, and they usually make their judgments in silos. Still, the fate of a CEO depends on how all of them answer the same question: Are we in good hands?

Different stakeholders find answers to that question in remarkably similar ways. For 25 years, I have worked with business families during times of transition. I have observed the manner in which families anoint successors and how these inheritors take charge. In many cases, as a consultant, I have helped stabilize new regimes. My experience suggests that stakeholders form opinions about leaders through an inquiry process I call iterative testing. Through this process, stakeholders gather data, analyze information, and form conclusions about potential leaders long before it is clear that they will ascend to the top job.

The success of a CEO depends on his or her ability to understand, accept, and manage the iterative testing process. All too often, anointed leaders are surprised and hurt by stakeholders' need to keep questioning whether they are fit for the top job and to test their vision, values, motivations, and skills. After working hard to climb the corporate hi-

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erarchy, successors are shocked that they have to learn a new set of skills for winning the hearts and minds of a wide array of stakeholders. The more entitled successors feel—the more they look upon their positions as theirs by right—the more humiliated they are by stakeholders' doubts. Smart successors, in contrast, understand stakeholders' need to know them better, and they engage proactively with the process. For, as Machiavelli wrote in *The Prince*, those who become "princes by good fortune do so with little exertion on their own part, but subsequently, they maintain their position only through considerable exertion" while those "who become rulers by prowess acquire their principalities with difficulty but hold them with ease."

What Is Iterative Testing?

From a psychological standpoint, iterative testing is the way followers "write" a leader's story in their minds. As leadership expert Howard Gardner wrote in his 1995 book, *Leading Minds: An Anatomy of Leadership*, such narratives are how followers gather, arrange, and store information about their leaders. The stories partly determine the degree to which stakeholders are willing to subordinate themselves to a leader's influence. The testing process is not a neatly organized sequence of objective challenges, like the Twelve Labors of Hercules, that aspirants can tackle to establish their credibility. Stakeholders' perceptions influence the process, so it is subject to the psychological biases and political dynamics that characterize all human systems. I use the word "tests" because that's how stakeholders conceive of the trials that leaders must go through to earn their trust and respect.

My research has focused on family businesses, but stakeholders of nonfamily enterprises put their leaders through the same tests. The testing process is particularly rigorous in those companies when the board makes a surprising choice, when someone is brought in from outside the company, or when stakeholders are unable to form a consensus about the new leader. Exactly when the testing process starts and how much emphasis stakeholders place on the tests are different in family and nonfamily enterprises (see the sidebar "Running the Gauntlet in Nonfamily Companies"), but iterative testing characterizes the formative period of every leader's rule. It

Running the Gauntlet in Nonfamily Companies

Organizations that aren't controlled by families spend large amounts of time and money creating processes to select and train would-be leaders. In these companies, executives are supposed to move up the ladder only if they display the capabilities, experience, and determination to lead. However, merit usually lies in the eye of the beholder. Nepotism and favoritism aren't limited to family businesses; many CEOs have used their social networks to rise through the hierarchy. Circumstances thrust others into power; for instance, corporate restructurings sometimes propel people who happen to be at the right place and time into leadership roles. Organizations often appoint outsiders, whom stakeholders know little about, as CEOs. Stakeholders in nonfamily organizations therefore put their leaders through the iterative testing process, and those leaders' responses determine their fates.

Still, there are differences in the way the tests play out in family and nonfamily organizations. First, stakeholders in nonfamily enterprises tend to pay less attention to qualifying tests; they assume that CEOs wouldn't have gotten that far if they didn't have the right education, skills, and experience. Nonfamily organizations test those who aspire to top roles with mechanisms such as formal interviews by boards of directors; career paths with regular performance assessments; and market-determined compensation monitored by the board of directors. By contrast, being a member of the family is a handicap for successors in family businesses, since the assumption is that they got to where they are because of family connections. In these companies, stakeholders place a premium on qualifying tests.

Second, family successors often feel personally affronted at the first sign of stakeholder testing. By contrast, in nonfamily enterprises, leaders have been tested several times before they get to the top and, therefore, are likely to have developed the skills and ego to effectively handle iterative testing.

Finally, in family enterprises, leaders may be harder to remove because they own or represent those with equity stakes. Where the exit barrier is higher, people are more likely to rationalize the presence of an inadequate leader. In a nonfamily business, the higher likelihood that stakeholders can remove the leader and install someone new increases possible resistance to the successor. If iterative testing reveals a lot of discontent with the successor, stakeholders will band together to remove him or her. In a family business, stakeholders' choices often boil down to shutting up or shifting out.

serves to reassure people that their leaders have the physical, intellectual, and emotional abilities to withstand the pressures of office. Stakeholders light fires under an aspiring leader to forge his or her mettle.

The intensity of iterative testing isn't constant. Leaders would hardly be able to function if they were under relentless scrutiny by stakeholders all the time. Iterative testing operates in cycles that start early in a would-be leader's career, and it comes to a peak once the honeymoon period is over. From there on, the intensity of the process depends on the leader's perceived effectiveness and on circumstances. For example, if the conditions under which the leader took office change radically, stakeholders, feeling the need to reassess whether they are in good hands, will set off a fresh wave of evaluation.

Iterative testing also allows stakeholders to explore whether there is a fit between what they need from the leader and his or her capabilities. No single leadership style fits all circumstances. Autocratic leaders, ideal for managing crises, may be disastrous when conditions call for shared decision making. Followers usually have a good sense of what they need from a leader. Of course, circumstances color the lenses through which they conduct the assessment. For instance, during a crisis, stakeholders will be all too willing to suspend their doubts about the leader; it is hard to question the captain's skills when the ship is sinking and you're busy trying to survive. In stable times, stakeholders will be emboldened to ask if the leader is meeting their needs such as financial security and self-actualization.

The less information stakeholders have about a successor, the more intense the iterative testing process will be. Some business families promote young inheritors to positions of influence without notice or lengthy apprenticeships; these heirs have, as William Shakespeare wrote in *Twelfth Night*, "greatness thrust upon them." The inheritor often has to go about establishing credibility in the long shadow of an incumbent to whom everyone attributes heroic stature. Moreover, the incumbent typically maintains an active presence in the company even as the unfortunate successor tries to take charge. This leads to considerable uncertainty and fuels iterative testing by stakeholders desperate to learn about the new boss.

The Four Kinds of Tests

The process of iterative testing may be messy and driven by circumstance, but it isn't random. Over the years, I've been able to discern four distinct kinds of tests.

Qualifying tests are assessments based on the formal criteria that society in general, and companies in particular, use to judge executives' capabilities. The criteria include formal education, work experience, military and community service, and awards that executives can cite as evidence of professional development. Equally important are on-the-job achievements such as excellent performance in demanding positions, successful completion of challenging projects, and international and board experience. By gaining the professional accolades that the business world values, successors show that they have earned the approval of impartial judges. Indeed, a good record in an organization where the family name doesn't matter can allay worries about a successor's suitability for the job.

Self-imposed tests are expectations that leaders themselves set and against which they expect stakeholders to measure their performance. For example, when inheritors present their organizational vision, strategic direction, or business plan, they define the parameters on which they expect stakeholders to evaluate their effectiveness. Stakeholders' perceptions about the leader's ability to deliver contribute to establishing the leader's credibility. Similarly, when CEOs draw up norms about punctuality, what constitutes harassment, and how conflicts of interest should be handled, stakeholders judge their sincerity by checking whether leaders are walking the talk.

Circumstantial tests are unplanned challenges that leaders must face. In such situations, stakeholders can observe the leader as he or she copes with the unexpected. A circumstantial test might be negotiating a labor dispute, resolving a crisis brought on by the head of the family's sudden death, or tackling a snowballing business challenge. For instance, the credibility of August A. Busch IV, Anheuser-Busch's CEO since September 2006, rides on whether he'll be able to rebuild the flagship Budweiser brand, whose loss of market share is fast turning into a crisis. Crises

often propel aspiring leaders to center stage, presenting them with opportunities to demonstrate their abilities.

Political tests are challenges from rivals who want to enhance their own influence, often by undermining the leader. Blocking the implementation of the leader's plans, creating a coalition to counter his or her power base, spreading a malicious rumor—all these serve, in stakeholders' eyes, to test the leader's capacity to navigate the realpolitik of organizational and family life. For instance, News Corp's chairperson, Rupert Murdoch, appointed his son James Murdoch as CEO of BSkyB, the group's satellite television operations, in 2003 over the objections of institutional investors. James Murdoch faces a stiff political challenge; stakeholders are waiting to see if he is as good a corporate warrior as his father. If they aren't convinced, they may well thwart his rise to the top.

The judgment of all the stakeholders, across these four categories of tests, forms the basis for a leader's authority. Opinions will vary because people and groups will have different types of information. Some, such as family members and close colleagues, will have witnessed firsthand the successor's abilities and follies. Those who are more distant must rely on formal appearances and secondhand information, including hearsay and gossip, which distorts their judgment.

Managing Iterative Testing

Successors who provide the evidence that stakeholders need to make judgments about their fitness for office stand a better chance of getting to the top and staying there. Sure, by engaging with the testing process, they increase the risk of failing, but there is no other way they can win followers. Unfortunately, incumbents in family businesses often try to shelter heirs, sometimes by giving them ambiguous positions such as "assistant to the CEO." This erodes young leaders' attempts to earn credibility and robs them of the opportunity to demonstrate what they have to offer the enterprise. Incumbents would do better to work with anointed heirs to tackle the four types of tests systematically.

Tackling qualifying tests. Stakeholders rely on qualifying tests to shape their expectations of a new leader before they have had much direct contact with him or her. How the leader stacks up provides a context in which company directors, senior executives, and family members can gauge the leader's capacity during the first days in office. Stakeholders will be more forgiving of a leader's early on-the-job blunders if he or she has a good business education, a track record of excellence, experience working outside the family business, and a history of doing well in demanding jobs. They will attribute the leader's mistakes to the circumstances he or she faced when taking charge; they will ascribe successes to the leader.

Take the case of Peter (I have used pseudonyms in these examples), whose father built one of the largest construction companies in the UK. When Peter graduated from engineering school in the 1990s, his father called in his chief engineer and asked him where the company's most difficult project was. The chief told him about a pipeline the firm was laying across the Saudi desert; that sounded to the father like the right entry job for his son. Soon, Peter was on his way to Saudi Arabia, where he worked as a junior engineer for two years. Switching climates, he next worked on a pipeline project in northern Alberta, Canada, for a year. His father then insisted that if Peter wanted to join the company's executive ranks, he would have to get a postgraduate degree from a top American university. Peter enrolled at MIT's Sloan School, where he completed a dual engineering and management master's degree in three years.

When Peter returned home, his father asked him to lead the construction of an underground mass-transit system in a major European city. Peter served as the project engineer, responsible for overseeing every aspect of the effort, including negotiating with government officials, hiring crews, and ensuring that the project was completed on time and on budget. By the time his father decided to retire, stakeholders were well aware of Peter's capabilities. An external director told me: "Even if he hadn't been his father's son, the board would be nuts not to consider Peter for the top job." Some of Peter's shortcomings—he lacked the charisma and interpersonal skills of his father—were brushed aside. Peter took over as CEO, and a few years later, he took the company public, which would have been impossible had he not enjoyed the support of his stakeholders.

Successors, eager to demonstrate they have the right stuff, often promise more than they can achieve. They must learn to walk the line between the inspiring and the deliverable.

It's necessary to underline the importance of qualifying tests because business families differ in the value they assign to formal education as a path for leadership. Some families have a tradition of educational achievement and place considerable pressure on children to excel at school. Others have developed cultures of self-reliance; they see on-the-job apprenticeships as a more effective road to success. In my experience, scions' willingness to undertake a rigorous education has always been a powerful antidote to stakeholders' concerns about privilege and patronage.

If successors enter the family business upon leaving college, though, they usually don't receive the kind of impartial feedback they would get elsewhere. It becomes difficult for them to see when they need to take corrective action, and they are set up to confirm everyone's worst fears. Over time, they can become impervious to the consequences of their behavior and isolated from the organizations they lead. Choosing an external path conveys to stakeholders that the successor isn't afraid of being held accountable to objective standards. It also signals that the young inheritor has career options, making the decision to join the family business a choice rather than a necessity.

Recognizing the importance of qualifying tests, some family businesses have created career-planning committees that comprise the CEO, the human resource head, an independent director, an external career coach, and, occasionally, a professional from an executive search firm. In coordination with the board of directors, the family council, and the executive team, such committees develop policies that regulate family members' entry into and exit from the organization. Through the committee, key stakeholders can manage and support each family member's career development and protect both the family's aspirations and the integrity of the CEO-selection process.

Doing well on qualifying tests is neither necessary nor sufficient for success. Several legendary scions, such as IBM's Thomas Watson, Jr., who needed six years and three schools to get through high school, emerged as great corporate leaders despite less-than-stellar educational records. And, many CEOs have done brilliantly at school before plunging the family business into bankruptcy. So why should successors bother with the qualifying tests if they offer no guarantees? Because when there is no reliable evidence of a leader's prowess, there is more uncertainty about his or her fitness for office. This triggers intensive scrutiny from stakeholders and makes the successor's early tenure more trying—even unbearable.

Delivering on self-imposed tests. Stakeholders constantly monitor whether a new leader's behavior corresponds to the messages and signals he or she is sending out. It's tempting for new leaders, eager to demonstrate they have the right stuff, to promise more than they can achieve. Successors must therefore learn to walk the line between the inspiring and the deliverable. Almost all failed successions I've studied involved an ambitious new leader laying out a lofty plan without considering the viability of his or her promises or the risks to the enterprise.

Smart successors realize that predictability is essential for earning stakeholders' trust, and initially they search for growth strategies that will deliver results without being too risky. They underpromise but overdeliver, gradually earning the confidence and respect of key constituencies. The riskier the strategy a successor pursues, the more important it becomes to recruit stakeholders' support. Inexperienced successors often work hard at selling the upside of their initiatives without conveying the risks they may pose. The moment they start underperforming, they lose stakeholders' confidence. At one Latin American company I studied in early 2000, the founder's eldest son took charge of the $500 million enterprise just when the country's economy was falling apart. Instead of battening down the hatches, the successor pursued growth, promising quick results to the board, the family, and executives. After just two disastrous years, the family replaced him with his younger sister.

In accepting her nomination, the new leader quoted Churchill to the board and the family: "I have nothing to offer but blood, toil, tears, and sweat." She was quick to announce a freeze in salaries, starting with her own, and scrapped her brother's plans to build a lavish headquarters building. She set modest but achievable objectives and gained stakeholders' trust by consistently delivering the results she promised. Six years into her tenure, the company has almost doubled in size, and she has called on her hard-earned credibility to get

stakeholders to back her as she takes on new challenges. That's important too; if successors don't create an inspiring agenda, stakeholders will reject them as complacent caretakers, incapable of lifting the family enterprise to new heights.

One of the first self-created hurdles leaders face is assembling their top teams. Successors who are insecure about their capabilities shy away from executives with talent superior to their own. They put together a cadre of adulating subordinates and relatives, who feed them information they want to hear. Smart leaders pick seasoned collaborators who challenge their thinking and complement their deficiencies. They choose executives who are unafraid to tell them the truth—however painful it may be. This discipline is particularly important for heirs to family businesses, as they are less likely than other leaders to hear unvarnished facts from those around them. What's more, effective successors openly acknowledge the

need for control mechanisms to measure their performance. For example, they seek the development of effective boards. They recruit top-notch independent directors, establish rigorous selection criteria for family directors, professionalize the board's processes, and encourage transparency in reporting. They also keep shareholders informed and treat dividends as a reward that shareholders have the right to expect for the risks they bear.

Responding to circumstantial tests. An effective performance under the stress of a crisis can get stakeholders to think that the new leader, rather than contextual factors, turned things around; this is how followers "write" narratives about leaders. Tackling the unexpected requires a willingness to take risks and to take charge. Instead of projecting a sense of responsibility and control during a crisis, however, successors often hide behind seasoned executives, who then reap all the credit. When an enterprise is under fire, the successor must move to center stage. Stakeholders need to hear the leader's diagnosis and plans for getting out of trouble. They evaluate the inheritor's capacity to inspire hope without denying the challenges facing the organization. A crisis can also reveal whether the new leader can rally others to combat the problem. The history of every family company that survived for generations tells us of heroic feats at decisive moments that consolidated the authority of untested successors—be it Katharine Graham's taking charge of the *Washington Post* when her husband died in 1963 or Arthur Ochs "Punch" Sulzberger's publishing the Pentagon Papers in the *New York Times* in 1971.

I'm not arguing for recklessness. The stakes that surround circumstantial tests are high; if successors fail, regaining credibility is almost impossible. Insofar as they have a choice, successors should pick their battles carefully. Consider the case of three cousins who aspired to lead a well-known Canadian manufacturing company their grandfather had set up. The board decided to create an Office of the President and make them copresidents, because all three were well qualified and had complementary talents. Privately, the directors also worried that choosing one over the others would set off a destructive conflict among the three branches of the family. David, 35, the youngest copresident, had joined the company after completing his

How Stakeholders Respond to Flawed Leaders

The process of iterative testing will eventually expose every new leader's flaws. When the successor's deficiencies become evident to stakeholders, they take one of the following actions. Successors should be aware of the warning signals.

- **Protect and coach** the new leader. Loyal stakeholders may be willing to throw their lot in with the new leader—whatever the consequences. This is a particularly difficult undertaking for nonfamily executives who must bet their reputations to buttress a successor in trouble. The problem is, if the successor's performance doesn't improve, this is tantamount to putting personal loyalty above the interests of the enterprise.

- **Blow the whistle** to make the successor's deficiencies obvious to those with the power to take corrective action. If the successor is a family member, this is a risky strategy. However, courageous shareholders,

directors, and senior executives who acknowledge that a leader must go have saved many an enterprise.

- **Hide and wait** for the leader to fall on his or her own. Stakeholders can ride the waves, hoping that the organizational immune system—through directors' and shareholders' intolerance of poor leadership—will correct the problem. The downside is that if the leader doesn't go quickly, the business might fold first.

- **Exit** the company. When executives feel they cannot change a failing leader, they may have to seek employment elsewhere. For family shareholders, getting out is often complicated, particularly when their shares are held in trusts or when shareholder agreements restrict their sale. The family will regard even the announcement of an intention to sell as disloyalty. Nonetheless, legal battles often result because family members are unwilling to submit to poor leadership.

How Fit Are You to Lead?

This self-diagnostic will help successors, particularly in family businesses, assess their suitability for the top job. By answering yes or no to the following questions, they can spot their strong points and weaknesses in stakeholders' eyes, and take corrective action where necessary. If you find yourself saying mostly nay and don't want to do anything about it, you would be wise to abandon your pursuit of the top job.

Qualifying Criteria	Yes	No
Is there a good fit between what I studied and the leadership role?		
Have I worked outside the family business and shown that I can succeed?		
Have I taken on jobs and projects whose results can be objectively measured?		
Am I aware of the deficiencies in my training and what I should do about them?		
Do my behavior and demeanor serve to defuse concerns about nepotism?		

Self-Imposed Standards		
Are the expectations I'm setting achievable?		
Have I taken personal responsibility for the gaps between what I promised and delivered?		
Have I picked a talented top management team?		
Have I treated family members and friends impartially?		
Have I assembled a first-rate board of directors?		

Circumstantial Measures		
Am I willing to take on difficult challenges and crises to demonstrate my ability?		
Have I thought through my strategy for success? Do I have the resources? Can I deliver results in the available time?		
Do I know how to motivate others to collaborate with me?		
Am I willing to take responsibility for what goes badly and share the glory for what goes well?		
Am I willing to invest the extra effort necessary to succeed?		

Political Parameters		
Can I identify everyone who is threatened by my appointment and my leadership choices?		
Am I aware of what my rivals for the job say and do to undermine me?		
Do I ensure that information flowing to stakeholders is not distorted?		
Would stakeholders regard the way I allocate rewards and punishments as fair?		
Am I willing to place the company's interests above everything else, even if that means disappointing my family?		

MBA at Harvard Business School and had worked in a number of staff positions before being named to the top team. Although they liked David, directors and executives thought he was green. "David is very smart and capable. I just wish he would stop offering theoretical solutions," one senior executive told me.

Shortly after the cousins took charge, the company's troubled European division took a turn for the worse. The task of turning it around was shunned by his cousins, but David, sensing the board's equivocal feelings about his abilities, offered to handle the crisis. He moved his young family to Frankfurt and spent the next four years restructuring the European business. He brought costs under control by streamlining the manufacturing process, downsizing the organization through negotiations with trade unions, and renegotiating debt payments. By this time, the board was beginning to realize that the cousin consortium wasn't working. Communication had broken down, decision making was slow, and despite the European division's turnaround, the company's performance was faltering. The board eliminated "the Office" and named David the company's CEO. He had provided ample evidence of his leadership capabilities, prompting one of his cousins to say: "There's no doubt that he has earned our respect." It's unlikely David would have gotten the nod if he hadn't taken the risk of moving to Europe.

Circumstantial tests often make stakeholders aware of leaders' magnanimity. Inheritors can win their approval by taking responsibility for what has gone badly and sharing the glory for what has worked. Interestingly, young CEOs tend to recognize the contributions of senior executives, but they find it harder to thank family shareholders, particularly those who aren't involved in management. These shareholders are often the company's biggest investors and so bear the greatest risks. If leaders acknowledge the backing of family shareholders, they will earn this critical constituency's loyalty.

Meeting political tests. It is impossible for anyone to exercise leadership without at some stage disappointing, frustrating, and angering certain stakeholder groups. Many successors are naive about the potential for backlash. The nature of political processes—the wheeling and dealing of influence as individuals and groups compete for control of organizational

resources—often escapes them. Many have had a privileged upbringing, which leads them to overly trust close relatives, colleagues, and advisers. When the first act of defiance or disloyalty takes place, it catches inexperienced successors off guard. They want everyone to like them, but they will lose respect in stakeholders' eyes if they don't confront those who break norms or disregard the direction they have set.

For example, a few months after James took over as the CEO of a *Fortune* 1,000 company, a faulty product required a costly and highly publicized recall. The crisis had been long in the making. Lax oversight by the COO and the divisional head, despite repeated warnings from line managers, had resulted in a product that put customers' lives at risk. Under pressure from his family, the board, and investors, James fired the COO—a person he considered his friend and mentor. It was an agonizing decision. However, after the COO left, James learned that his colleague had repeatedly tried to undermine his promotion. Asked about James during an interview, for instance, the COO had responded: "I like Jim but, I got to tell you, he wouldn't be CEO if he hadn't been a family member. I met with the head of the nominating committee to tell him that Jim was the wrong choice for this business…" A number of directors and family members regarded the fact that James learned about this only after the COO left as naïveté. "This is a wake-up call about the authority issues every leader faces. Let's hope Jim learns some street smarts from this," the company's chairperson told me.

To neutralize challenges to their authority, effective successors develop a vision for the enterprise and find ways to connect it to stakeholders' wants and needs. They, in effect, become the weavers of a shared dream that represents a synthesis of stakeholders' aspirations. They also manage to imbue enough of

To neutralize challenges to their authority, effective successors develop a vision and find ways to connect it to stakeholders' needs.

their own identity into the dream to claim it as their own. Given the contradictory demands made on leaders, their vision must be clear and engaging so that it provides meaningful direction; it must also be broad enough to offer hope to stakeholders that they will realize their diverse and contradictory aspirations. Along the way, leaders must learn to negotiate the system, picking their battles with care and using their political capital to serve the interests of stakeholders and the company.

Does this sound like an impossible job? In some respects, it is. Yet many successors succeed at these tests and lead their companies to great heights. They often do so by selecting a team of trusted advisers who question their priorities, initiatives, and strategies in private but support them when they become lightning rods for stakeholders' frustrations. The "kitchen cabinet" helps young leaders grow into their roles, and as they do so, stakeholders stop testing them intensely.

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The response of successors to the iterative testing process plays a large role in determining if stakeholders will throw support behind them. By acknowledging they have weaknesses, heirs to the family business demonstrate maturity and a willingness to learn. Those who deny their deficiencies further undermine their credibility. In fact, many inheritors fail to win stakeholders' respect because they compensate for their inadequacies with arrogance and opulence. New leaders would do well to remember that, as the fairy tale of the emperor's new clothes tells us, followers' perceptions are the subjective basis on which their credibility rests.

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