

Harris expects smooth transition when Howard Lance steps down

CEO search has luxury of time

Written by JOHN McCARTHY
May 25, 2011

Harris Corp.'s announcement Monday that CEO Howard Lance planned to retire in about a year gives the Melbourne-based company a luxury Fortune 500 companies don't always have: Plenty of time to have an orderly transition in leadership.

Lance's successor, whether somebody from within the company or an outsider, will be only one employee among 16,500, but he or she will be charged with setting the course for perhaps a decade or so, just as Lance has done since 2003.

"I wanted to provide the board enough time to ensure that the succession happens in a thoughtful and strategic way," Lance, Harris' chairman and president in addition to its chief executive officer, wrote in an e-mail to FLORIDA TODAY. "That's why I notified the board of my decision, and we are moving forward with our succession plan."

Leading the transition to a new CEO is an important task for a company's outgoing leader and is the last thing the incumbent will be remembered for, said Mark Nadler, a partner with Oliver Wyman Delta, a global management consulting firm.

"It's a responsibility too important and complicated to be left until the last minute or performed haphazardly," Nadler wrote about CEO succession.

In announcing Lance's planned retirement, Harris said it would search both internally and outside the company for his replacement. While that approach allows the board of directors to choose from a wide pool of potential candidates, it does come with some potential pitfalls, Nadler found.

"If you have internal candidates who fit the profile for the next CEO ... an external search can be viewed inside as well as outside the company as a vote of no-confidence by the board -- both by the internal candidates, who begin looking for other opportunities, and by the financial community, which can quickly infer that the company lacks sufficient management talent," Nadler wrote.

Lance himself was the first outsider to run Harris, coming to the company from NCR Corp. and previous stints with Emerson Electronics and Caterpillar Inc.

Whoever takes over the reins at Harris will face challenges much different from those Lance tackled in his early days with the communications and information technology company. Lance took over Harris as defense spending was increasing in the aftermath of the Sept. 11 terrorist attacks, and Harris benefited as it developed secure, rugged communications products for the military. His successor will take over as the wars in Iraq and Afghanistan wind down and deficit concerns will place budget constraints on one of the company's biggest customers, the federal government.

Still, the company is well poised the changing defense environment, said Greg Giaquinto, a senior analyst at Forecast International, a defense and aerospace market research firm based in Connecticut. "There obviously is going to be some leveling off of spending, but I don't see Harris not being able to make money."

Giaquinto pointed out that Harris succeeded in becoming the leader in tactical military radios because it was able to produce products that worked effectively when other, more ballyhooed efforts from other companies failed.

Now, the Army is experimenting with using smartphones for battlefield communications, and Harris is already working with the Pentagon to develop apps for the mobile devices. "These guys are smart," Giaquinto said of the company's ability to identify changing market trends and react to them. "Harris has been reading the tea leaves, and they are going to make money no matter what."

When new leadership will be in place, remains to be seen. Lance has said that he wants to retire at the end of the company's next fiscal year in July 2012, but his actual retirement could come earlier or later, depending on the replacement search.

Lance also could stay on as chairman of the board while a new CEO settles in, just as his predecessor Phillip Farmer did when Lance joined Harris.

"I will continue to serve as Chairman if the Board feels that would be valuable as part of a smooth transition," Lance said.

Contact McCarthy at 321-752-5018 or jmccarthy@floridatoday.com.

Source: <http://www.floridatoday.com/article/20110525/BUSINESS/105250330/Harris-expects-smooth-transition?odyssey=tab|topnews|text|Business>