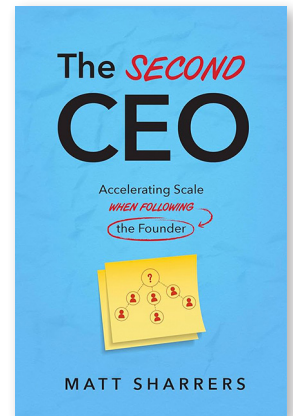


The Second CEO

Accelerating Scale When Following the Founder

by **Matt Sharrers**



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THE SUMMARY IN BRIEF

Taking over as CEO is always a high-stakes challenge—but stepping into the role after a founder adds another layer of complexity. The founder likely shaped the company’s identity, culture, and success. As the “Second CEO,” you’re expected to honor that legacy while steering the business to its next phase of growth. It’s a delicate balance that can quickly go wrong without the right approach.

In *The Second CEO*, Matt Sharrers offers a practical and deeply informed guide to navigating this difficult transition. Drawing on his own experience as a Second CEO and his years of coaching others in the role, Sharrers provides a clear roadmap for succeeding in a role that is as risky as it is rewarding, while delivering actionable insights on how to gain your footing, align with the board, build your leadership team, and scale effectively. The book features real-world stories, advice from serial Second CEOs, founder insights, and perspectives from private equity investors.

IN THIS EXECUTIVE BOOK SUMMARY:

- Develop the mindset you need to succeed as a Second CEO that follows a founder.
- Detailed explanations about the transitions you have to go through and how to do so successfully.
- Key processes and a step-by-step guide to cultivating culture through purpose, vision and values, and crafting your own strategy to succeed.
- Determine what kind of leader you want to be and what to do during the first year on the job to set your company on the path to growth.

Introduction

I've had three distinct careers, and they've all been around high performance. First, I was a hockey player. When I retired, I started my business career, quickly rising up the ranks to become the vice president/corporate officer before my thirty-fourth birthday at a Fortune 500 company. From there, I joined Sales Benchmark Index (SBI), a Go-to-Market (GTM) strategy consulting firm, as its first employee, working alongside its three cofounders. We scaled SBI into one of the largest boutique firms in go-to-market consulting over fifteen years.

But all wasn't always rosy. During my eighth year with SBI, our cofounder and CEO, Greg Alexander, let us know he wanted to exit SBI. The partners agreed that I should be his successor. In theory, it sounded fantastic—I was about to follow the founder and be the new CEO! But in practice, there was no playbook. We had to do it all by trial and error.

A lot has been written about succession. But there's an extra degree of difficulty when you're following a founder. That difficulty has elements of personality, culture, and history that can easily derail the entire transition if they aren't handled well.

Here, I'll guide you through your thoughts, feelings, and actions, from the moment you're tapped on the shoulder as the successor or the external search has identified you as a match through the actual transition and your first year as CEO.

Chapter 1: Passing the Baton Versus Throwing It and Running

There's no such thing as thinking too much about the transition from founder to Second CEO. If you're not prepared for the transition, the consequences could be dire, personally, professionally, and financially.

Case Study #1: Greg and Me

I was the first employee at SBI, a strategy consulting firm that specialized in go-to-market effectiveness. The company was growing, and Greg, our CEO, started to feel that entrepreneurial urge in year seven. He was delegating more and more to me because he was getting frustrated and looking for a path out. We found a way to make that happen while allowing the rest of us to continue to grow the firm.

I think it's fair to say no one behaved like their best selves during that process. And a lot of that comes back to the fact that we didn't have a playbook. What the business needed

was a consistent, methodical operator to standardize what we were doing and scale it. And of course, it needed a process for succession.

There I was, suddenly CEO, making mistakes of my own, beginning with not being cognizant of the fact that a Matt-led SBI is different from a Greg-led SBI. I did too much too soon, making a lot of changes and putting my stamp on things.

My reckoning came at month six, when we had to lay off 10 percent of the firm. It was very painful, personally and professionally. I lost confidence and hit a professional low. That's when clarity came for me. I got my bearings as a CEO and identified my priorities.

The fix for my situation began with hiring the leadership assessment firm ghSMART to assess me as a CEO and identify my gaps. Then I found a coach to work with to help me fill those gaps. Finally, I needed what's called a scorecard, which details what the CEO of this company does, and where they're going.

Case Study #2: Kristie and Eric

The flip side of my situation with SBI is Bespoke Partners, an executive search firm that specializes in private equity software. The founder Kristie Nova asked me to be on the board a few years ago with one of my primary responsibilities being to help her create a succession plan.

Our search for a scorecard-match for Bespoke Partners landed on Eric Walczykowski, who had energy for ideation and the kind of objectivity that would allow him to figure out what the business needed, and do that without emotion.

Eric was able to appreciate the war stories and other shared memories in the context of an evolving Bespoke. Meanwhile, Kristie embraced the need for change and had no issue letting go. Within sixteen months of him becoming president, the firm had a liquidity event, Eric became the CEO, and the torch was passed.

Takeaways from Case Studies #1 and #2:

- Self-awareness is vital to a successful transition, but it's not enough.
- Having a clear plan for transition is key.
- Culture matters, and it must evolve.
- When you have a solid transition plan, it makes a world of difference to the internal stability of the company.

Business leadership isn't a marathon; it's a relay race. The first person to hold and pass the baton is the founder, and that person is qualitatively different from the successor CEO.

- Founders have entrepreneurship in their DNA.
- There's a difference between a new CEO coming from within and from outside.
- The founder needs to believe they have a successor.

Business leadership isn't a marathon; it's a relay race. The first person to hold and pass the baton is the founder, and that person is qualitatively different from the successor CEO. Whether the handoff is done well is largely based on how you handle it.

Chapter 2: Can I Really Do This?

The way the handoff happens is critical to the success of the transition. Whether you're from the inside or the outside, and whether you're a first-time CEO or not, you're wondering if you're up to the task.

Transitions can have personal, financial, professional, and social consequences. Sometimes they go well by accident, with the person unaware of all the components of the transition and what could have gone wrong. When you're following a founder, you have three transitions to go through, whether or not you realize it.

1. Your transition out of whatever you were doing.
2. Your transition into CEO.
3. Your transition into the team.

Setting Yourself Up for a Successful Transition Trifecta

There are three steps you can take to set yourself up for a successful transition trifecta:

1. Have the right mindset: A curious, compassionate, adventurous mindset will take you a long way as you start your new chapter.
2. Create an informal board for yourself. I recommend three people who each contribute a different perspective, who know you fairly well, and who aren't Yes Men.

3. Develop a scorecard. You have to decide who you want to be as a leader, and though you might not have all the details worked out, making the scorecard a priority is making a statement about your leadership. It's telling everyone that clarity is a big part of who you are as a leader.

Chapter 3: Working With The Founder

It's rare that a founder just leaves and is gone forever. They usually keep a role on the board, at least.

Three years after leaving SBI, Greg founded Collective 54, the first mastermind community for boutique professional services firms. Collective 54 has identified five effective leadership styles. This list is helpful for getting insight into the founder you're following as well as figuring out what kind of leader you want to be.

1. The Capability Seducer

These founders look for expertise everywhere. They ignore conventional practices like CVs, degrees, job histories, etc. They find trapped and hidden genius in the most unlikely places.

2. The Emancipator

The Emancipator frees employees from the soul-crushing work environment of big corporate America, where they exist under constant restraints. An Emancipator creates elbow room for their employees to thrive.

3. The Defier

The Defier constantly tests and stretches their employees. They believe people grow.

4. The Head Bumper

The Head Bumper believes any problem can be solved if enough heads are put on it, that is, "Let's bump heads on this." This leader doesn't care who won or lost the argument, only that a sound decision was made.

5. The Sponsor

The sponsor is the opposite of a micromanager and is as hands-off as one can possibly be. They sponsor a project or an executive, and they empty the bank account in support of the initiative.

Finally, there's the leadership style to avoid: It's called the Pleaser. The Pleaser has the best of intentions. They think they're doing a good job but are not and just do not know any better.

If the founder you follow was a Pleaser, odds are you'll see the consequences of that when you speak with your employees and hear about culture. If your Pleaser will be around for a significant period of time during your transition, it will be critical for you to tightly define a role for them.

Chapter 4. Am I Doing It Right?

The first ninety days as second CEO are about getting a sense of the current state by talking to customers and employees, understanding the market, and validating what you built in your thesis in the interview process. Here's what you'll think about and do.

- Do you want the job? Pre-acceptance discovery.
- Take a beat to process this life transition.
- Identify a coach or mentor.
- Speak with other CEOs about the position.
- Listening Tour - speaking with your key people internally for all of the Whys, Hows, and Whens of their positions.
- Present your findings to the firm.

Once you accept the new job, there are three things you need to do immediately.

1. Write a letter to your future self. Congratulate yourself for getting to the top of the hill and express some gratitude for how blessed you are for this opportunity.
2. Announce your Listening Tour. Tell your people you'll be speaking to everyone, and that includes the competition and getting a real sense of them. During your internal Listening Tour, you should be asking five questions for every statement you make. Keep that 5:1 ratio in mind to prevent yourself from thinking you know more than you do.

3. Present your findings. After your ninety-day Listening Tour, you'll demonstrate you understand communications, culture, product, and people by presenting your findings. The company will feel like you've gotten to know them and what they care about.

When I'm brought in to coach someone following a founder, I want to know how they define success. I ask three questions immediately:

1. Do you have a documented scorecard that tells you what the CEO of your new company needs to do?
2. Does that document have the key outcomes that drive shareholder value?
3. What's your cadence for reviewing your key outcomes with the board so you can all see if you're on track or off track?

New CEOs will frequently say they have those things but they don't have an actual scorecard. Scorecards translate your business plans into role-by-role outcomes and create alignment among your team, and they unify your culture and ensure people understand your expectations.

Once you have your scorecard, you can cascade that into scorecards for the rest of the executive team and then into the roles for everyone else in the company.

Chapter 5: Culture Cornerstones: Purpose, Vision, Values

Culture means different things to different people. Meanwhile, some people use mission and values, and others use purpose and values. Some have visions rather than missions. Culture is the result of everyone understanding and living the purpose, vision, and values.

Key considerations:

- Purpose is the WHY behind what you do on a daily basis.
- Vision is what you can become; it's your North Star.
- Values are how you behave.
- Culture arises from the synergy of purpose, vision, and values.

Make sure you form a Culture Committee that's diverse and includes naysayers. Include the perspective of your clients.

Make sure you form a Culture Committee that's diverse and includes naysayers. Include the perspective of your clients.

Common Mistakes

1. Doing all this in a vacuum and only considering executive feedback.
2. Doing all this in a vacuum and only considering the feedback of a small group of veterans rather than getting a diverse cross-section of roles and people.
3. Not reading client feedback, employee exit interviews, and employee engagement studies to help you understand how clients and employees feel about the firm.

Remember to behave like you're from the outside. That mindset will help you be receptive and thorough.

Chapter 6. Strategy: Where To Play And How To Win

The core challenge for the CEO is balancing taking care of the near term while planning for the future. I think about this through a Two-Horizon framework.

Horizon One is the first twelve months in the job. Horizon Two is your three- to five-year value creation plan (VCP). This includes you clearly articulating what you want the business to look like and who is sitting around the table as part of your executive team.

Horizon One

I asked founders, successors, and private equity investors how much time the most successful CEOs spend on Horizon One thinking and operating in the first year. The consensus was around 70–80 percent.

Simon Freakley, the CEO of management consulting firm Alix Partners, who is on his third tenure as a CEO, had this to say about the significance of the Listening Tour to the second quarter and strategy: “You’re assembling all the information in the first ninety days, while in the back of your mind thinking, What are the strategic priorities of the business to enable it to continue on its journey of growth and development?”

As that first year comes to an end, you’ll start to see your time allocation shift, where you’re spending more like 40–50 percent of your time in Horizon One. Meanwhile, you also need to carve out purposeful time in your calendar to work on the business rather than in the business. When I asked Second CEOs how to ensure they did this, the overwhelming response was discipline.

Horizon Two: Your Strategy

Strategy is a question that needs to be answered by the CEO. And the information required to properly and thoroughly answer it comes from listening. So the outcome of the Listening Tour is strategy. After your tour, you have one question . . . Do we have the right strategy in place to activate and fulfill our vision?

Outcome #1—Yes. Then move to the execution of that strategy.

Outcome #2—No, not really, almost-but-not-quite, and any other version that isn’t a complete Yes.

This is by far the most common situation, where the strategy needs some refinement. It’s your job to refine it. Strategy, simply put, is where to play and how to win.

Common mistakes to avoid:

- Leaping into action, without an actual strategy and without communicating what you’ll be doing and why.
- Not taking enough time to whittle down the most important elements of the company strategy into a format people can understand.
- Your strategy having a lot of “intuition” and “gut-based” language rather than being fact-based.
- Your strategy not being codified in a way that the rest of the organization can understand.
- Thinking present forward.
- Planning too ambitiously, and it is disconnected from where the business is today.

Chapter 7: The Continuous Nature Of Processes

Once the Second CEO knows what they want to achieve strategically, it's time to build processes to support that work. I think of processes as having three phases:

- Initial discovery
- Documentation
- Iteration based on new information

The first two phases get done in the second half of Year One, and the rest of your tenure is all about iteration.

Most newly minted CEOs move a little too fast. They make quick changes instead of being mindful and getting the full picture, just like I did at SBI. So make sure you balance having a true holistic understanding and putting trust in your leadership team. This is a time when you're going slow to go fast, correctly.

Chapter 8: Structure: Focus On Roles, Not People

Bringing someone in from your past isn't necessarily a bad thing, but it needs humility and clarity to be done well. Decisions should always be based on the facts and the data of the company you're working with now. The Second CEO's job is to put individuals and their relationships aside for a moment and figure out what roles are required to activate the strategy. The most important mindset you can have right now is to get as close to objectivity as possible.

As you go through your thinking around who reports to whom, there are a series of questions the Second CEO needs to ask:

1. Where do we have unnecessary bottlenecks or balls being dropped?
2. Why was the organizational chart set up in its current fashion?
3. What's not getting done that should be getting done and why?
4. If we have a process, is it the execution of or the management of said process that's holding us back?
5. The immediate gaps must be shored up while you determine the longer-term, future-back organizational chart.

6. As the CEO, how do you align the key metrics of a function with the key priorities of the business?

You should feel you've succeeded when you can clearly articulate why the organizational structure is the way it is. Your reasons should be tied to customer satisfaction, employee engagement, and competitive advantage.

Chapter 9: Building Your Team

When you're following a founder, there's always a tendency to hang onto historical, legacy rituals that exist in a business. The same can be true for hanging onto people. And while it might be true that everyone loved the C-suite, you have to ask yourself, *Knowing what I now know, how do I determine if these wonderful folks who worked well alongside the founder are also my people?*

You can answer that question and build a different team, if that's what you need, with a three-step process:

Understand Who You Have

As the Second CEO, whether you're from the outside or not, you must objectively assess the talent you have. You'll be inspecting the performance management standards and performance reviews, as well as their level of commitment to the company's vision and core values.

Identify Who You Need

Once you have a picture of the past and the present, it's time to identify who you need for the future. We'll begin, as we usually do, with making sure you have a scorecard and a vision of what each person in the C-suite needs to drive the future strategy.

Create a Cohesive, Well-Functioning Team

Your functional leaders need to operate as a cohesive team. They need to have the ability to put their egos aside and work for the greater good. You're looking for people who have a history of developing others. You're looking for people who say "we" not "I."

Common Missteps

- Moving too slowly.
- Hanging onto people because you don't want to be too disruptive
- Bringing people in from your previous life whom you trust and have comfort with but who don't match the

scorecard and the culture.

- Taking feedback from others.
- Defaulting to internal promotions.

Chapter 10: Building Your Two Boards

Part of being able to accelerate and scale the way you need to is surrounding yourself with the right advisors. Looking back, one of the best things I did as a CEO was build my personal board along with the formal, fiduciary board of directors for the company.

Your Board

We don't see our blind spots, by definition. You need to assemble your dream team:

1. A coach
2. Mentor(s)
3. Peers.

The Company's Board

Realistically, many founder-owned businesses don't have a formal board of directors. And if you're walking into a company without a board, create one and run the company like it's private equity backed. A great board allows you and the executive team a higher probability of accomplishing your strategic objectives in less time while avoiding common pitfalls.

The Second CEO's relationship with the board is a vital component of their success. It needs to be nurtured and maintained, and at all times transparent. As far as meetings

go, the ideal board cadence is once a quarter virtually and once a quarter in person. Your goal is to be surrounded by the best minds available for the strategic issues that are critical for your Horizon Two.

Conclusion

You're never done when you're the CEO of a business, especially one that was led by a founder. There are always going to be things that you recognize you need to be doing differently.

There are three things the CEO will always be responsible for: (1) vision/strategy, (2) culture, and (3) team. You must continue to invest in these three components and never delegate them. They're your priorities.

To step toward your full potential in the role of the CEO is to realize that regardless of industry, you're in one business: the people business. People will be at the center of your results, good or bad. So, keep investing in being in the top 1 percent of leading and influencing others. Helping others get what they want will get you what you want. Congratulations. Keep betting on yourself. And remember, in the journey to full potential, you're never, ever done.



Matt Sharrers is a coach, investor and advisor to CEOs and the PE firms for whom they work. Sharrers spends his time enabling these CEOs to accomplish uncommon goals that alter their personal trajectory. Currently, Matt serves on 5 boards and is the Executive Chairman at SBI, a B2B strategy consulting/growth advisory firm that he and his partners sold a majority stake to CIP Capital in January of 2020. Sharrers resides in Scottsdale Arizona and when not working with CEOs can often be found doing pull ups, playing average golf, or reading.

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