I come from the school of thought that the board is like a Pacific salmon with basically one function, which is to swim upstream until you get to the top. There you drop your egg and die. In this case, the egg is the new CEO/manager. That’s the dominant role for being on the board.”
Most important areas - NACD

- Company performance
- Management succession
- Strategic planning
- Corporate governance
- Board/Management relations
- Business Succession
Least effective areas – NACD

- Stakeholder relations
- Risk management/control
- Strategic planning
- Management succession
- Company performance
Your board has formal (written) policies on:

- Investment
- Conflict of Interest/Ethics
- Governance
- Director Orientation
- Succession Planning for the CEO
- No Response
Your board has formal (written) policies on:

- Conflict of Interest
- Investments
- Ethics/Code of Conduct
- Governance
- Director Orientation
- Succession Planning for Management
Succession planning - Trends

- 50% of companies > $500 million have no meaningful succession plan
- Of 276 large companies surveyed, only 20% were satisfied with their top-management succession processes
- 40% of corporate directors called their involvement in succession planning less than optimal
Succession planning

Situation Analysis

- The executive/manager fighting against the abyss of retirement
- Board members beholden to the exec/manager
- Naive exec/manager candidates (external/internal)
- Weak human resources function or caught between loyalty and stewardship
Succession planning

Situation Analysis

- No timetable for exec/manager transition
- Retired exec/manager remains on the board
- Board lacks selection/recruitment experience
- No board process for evaluating the exec/manager pipeline
- The existing exec/manager controls succession/selection
Succession planning

Situation Analysis

• Boards in the dark as to the type of exec/manager best suited to lead the company
• Succession is a rubber stamp
• Heirs apparent or outside stars are glorified
• Little or no board involvement in overseeing corporate strategy so no link between strategy and succession/selection
Succession planning

Situation Analysis

• The market for exec/managers is unlike the market for other staff
• Most external candidates are employed and difficult to identify or uninterested
• The risks involved in making the wrong choice are high
• The selection of a new exec/manager occurs under a spotlight
Succession planning

Situation Analysis

- 44% of current exec/managers surveyed plan to work past age 64; 15% to work past 70
- 62% plan to work later than they thought they would three years ago
- 41% believe employers are “very or somewhat” concerned about knowledge loss as baby boomers retire
Succession planning

Situation Analysis – define the issue

- Business succession?
  - Independent existence?
  - Merger/Consolidation?
- Management Succession/Leadership Development?
- Executive/Manager Search?
- Parallel/Contingent paths?
Succession planning

First – Situation Assessment

The first step is the assessment of the organization and its strategy. Those who manage succession well do a better organizational needs assessment than those who do not.
Succession planning – Assessment

What is the business environment?

- What will it be like over the next 5 - 10 years?
- Is the organization in trouble – needing a turnaround – or just needs better marketing?
- Given this environment, what are our goals?
- What do we need to do to reach our goals?
- What must the leader be able to do extremely well for us to succeed?
Succession planning – Assessment

What is the culture here?

- What must the candidate have to succeed in this culture and get the company moving in the right direction?
Succession planning – Assessment

Seek – a shared definition of leadership

**Exercise**

Each member should write down his or her definition of what leadership means in the context of current/future corporate challenges. Those definitions should be read aloud at a meeting. Discuss and resolve.
Succession planning – Assessment

Seek – fewer strategic and political conflicts

Are you looking for a consensus builder, a negotiator, or worse, a pushover? These are not traits usually associated with strong leadership.
Succession planning

Second – Engagement

- Agree on the timing of succession
- Determine roles of the current exec/manager and board
- Review selection criteria/needs
- Decide if an external search is needed
- Address impact on the senior team
- Plan communications to stakeholders
- Identifying the future role of the exiting exec/manager
Succession planning – Engagement

Seek – to measure the hard-to-assess qualities in candidates

Things like integrity, the ability to build relationships, to create followers, to provide meaning, and the talent for creating other leaders. Realistically, you'll ignore what you're uncomfortable measuring.
Seek – to recognize that real leaders are somewhat threatening

Avoid this: We know one board member whose spouse recently asked, "Have you found anyone safe enough yet, dear?“ A leader who can motivate people to change is, by definition, a destabilizing force.
Succession planning

Third – Transition

• Plan/complete official transfer of power
• Create a connection between the new leader and employees
• Gain acceptance by key stakeholders
• Help the departing leader to let go/move on

In reality, the presence of the ex-CEO as chairman adds a dimension of political complexity and challenge to the new CEO’s job that may outweigh the benefits of continuity.
Succession planning – Transition

No matter how good the succession process and how perfect the match between the organization and the leader, the likelihood of failure is high unless the new executive is properly integrated into the position and the organization. Fewer than one-third of the newly hired executives receive any sort of integration or development for their new position.
Succession planning

Issues to anticipate – Rational

• Identifying job requirements based on company strategy
• Look diligently for the best candidate
• Assessing candidates by using multiple methods and raters
• Identifying/selecting the best candidate for the job, regardless of personal loyalties
Succession planning

Issues to anticipate – Political

• Dealing with factions within the board
• Avoiding destructive internal politics
• Balancing needs of external constituencies
Succession planning

Issues to anticipate – Emotional
- Coping with personal emotions
- Helping those not selected to adjust
- Creating support for the new CEO
- Moving on
Succession is often an emotional experience for both the departing CEO and the candidates. Depending on why they are leaving, CEOs may feel joy, anger, fear, pride, remorse, envy, impatience, rejection, affirmation, or a sense of loss. The first step in managing these emotions is to acknowledge that they exist, are natural, and will affect the succession process in unpredictable ways unless addressed.
Succession planning

Is this an area of importance/priority or urgency (time frame)?

What is the expectation of the board regarding its involvement in this area?

How can its involvement in this area enhance performance without unduly complicating the managers/CEO’s job?