

“The key is not to prioritize what’s on your schedule, but to schedule your priorities”
Stephen Covey

Starting the CEO succession planning process - what’s most effective?

Governance Perspectives

A board reference tool.
JUNE 30, 2013

Eleven Tips for Success

Boards have four key responsibilities:

1. Selecting a CEO
2. Approving company strategy
3. Providing informed oversight
4. Determining the effectiveness of the board

If succession planning is at the top of the list, why don’t more directors report being satisfied with their plan? It may be because it is often the elephant in the room.

Directors don’t want to talk about it for fear of offending the CEO. CEOs don’t want to talk about it for fear the board may think they are unhappy and considering leaving the company.

Succession planning is a key responsibility of all boards; however, there is not a one size fits all

Succession Planning



Management Development

succession planning process, just as there is not a one-size fits all board governance structure. Boards must develop a plan that is tailored to the long-term needs of the company.

To maximize its effectiveness in the CEO succession planning process, the board might consider these tips.

1. The full board must own the process and succession planning must be on the annualized board calendar at least once, even though a board committee (compensation & management development or the nominating/governance committee)

may perform the “heavy lifting.”

2. Understand the normal time frame. Talk to the current CEO about his or her plans. When does s/he expect to retire? 2 years, 5 years, 10 years?

3. Have an emergency plan. A special committee may talk with the current CEO to gain perspective on internal candidates and to discuss the key attributes, cultural fit and experiences necessary to temporarily lead the company.

4. Build a talent pipeline by ensuring a robust management development plan. While the board takes responsibility for the CEO plan, it must have a line of sight into planning for key positions and identifying new leaders.

5. Define the key CEO attributes that are in-line with the company's long-term goals. This is not a

Key Takeaways

- ✓ Start succession planning for the next CEO today.
- ✓ Do not start with “who.”
 - ✓ Avoid a “horse race.”
- ✓ If the board is serious about enhancing shareholder value and sustaining company performance, it must meaningfully discuss succession planning.



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denise@gsgboards.com

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job description and will change over time.

6. Discuss potential candidates in three categories: "ready now," in two years and "long term."

7. Source potential external candidates. Remember this is a private board or committee discussion and it is unlikely that these individuals will actually be approached. However, the board may have other means to learn more about such persons.

8. Select the search committee. Define the purpose and the scope. Hire the CEO.

9. Manage the CEO on-boarding process. This is often a forgotten step, but it is important that the board give thoughtful consideration to the

elements of a smooth transition plan. Senior officers, employees and key stakeholders must be appropriately introduced. The board must monitor the plan so it can quickly learn of any potential rough waters.

10. Set performance metrics for the new CEO. Evaluate performance.

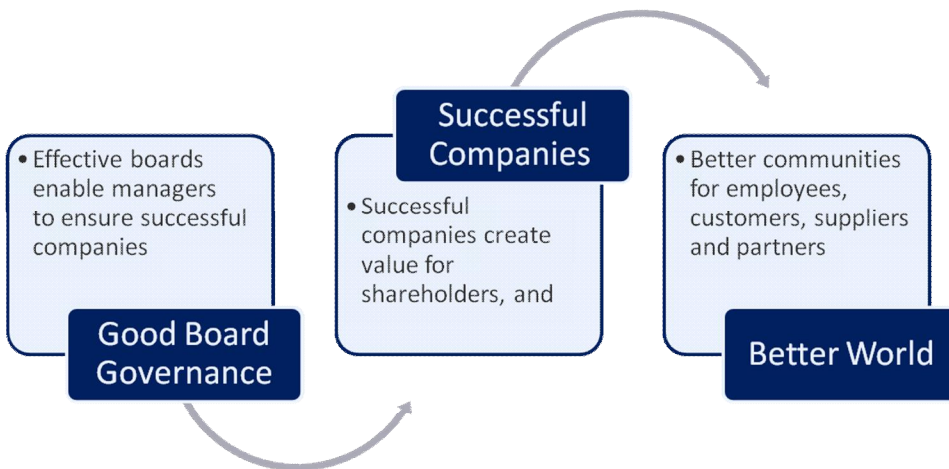
11. Start planning for the next CEO succession process - it should be on the new CEO's and the board's agenda almost immediately.

For the benefit of all stakeholders, the board must devote

time,
resources
&
attention

to the succession planning process.

Succession planning is integral to what the board does in overseeing the strategic plan ...



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