

# LEADING PRACTICES

FOR CEO SUCCESSION  
PLANING



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## **Leading Practices for CEO Succession Planning**

The pandemic and the global turmoil left in its wake certainly made it clear that anything can happen, and leaders need to be as prepared as possible even for the unexpected. Some strategies remained strong, while others shifted rapidly. Board members recognize that even the best strategy falls apart without the right CEO in place. Yet some boards find themselves unprepared when the CEO exits, despite having succession as one of their key responsibilities. Several factors can influence having a solid plan in place. The immediate performance needs and challenges often capture their attention. Or board members may not be aligned on succession strategies. Raising the issue to a current CEO can also feel uncomfortable.

## **There are several leading practices boards adopt to create and maintain effective succession plans.**

### **1. They have identified who owns the succession planning process.**

While the entire board may want to weigh in on this critical decision, it's often more efficient and effective to designate a smaller group to lead the succession efforts. This could be an existing committee, or the board may create a special committee for this purpose. The board should agree on the criteria for who should be on the committee and clearly define roles, responsibilities and how decisions will be made.

One of these responsibilities would be to provide regular updates to the board on the process, plan and candidates being considered. The current CEO may have some involvement. This may include identifying and developing internal talent. In the case of a planned departure such as a retirement, the CEO may suggest potential external candidates and ensure practices are in place for a smooth transition. Some may participate in the interview process, even though the decision rests with the Board.

### **2. They have clearly defined the criteria for selecting the new CEO.**

Having a solid strategic plan in place provides a focal point for identifying the traits most needed in a CEO. Board members must arrive at consensus on the experience, skills, knowledge and leadership traits the CEO needs to accomplish the organizations current and future strategic priorities. Beyond the current priorities, considering what may change over the next five years helps define the capabilities and traits the next CEO needs.

Contemplating various structural alternatives may influence what's needed in the CEO role. Some responsibilities could move to a COO or other leadership role. If the CEO also serves as the Board Chair, consider if this is the best structure going forward. Boards should also honor diversity commitments and actively source CEO candidates that vary in race, age, gender and ethnicity.

The CEO criteria needs to include the type of leader needed to meet the strategic priorities and to shape the culture. A different leadership style may be best for nurturing the organization's culture versus transforming it. With the key criteria in place, the board should consider other parameters such as the number of external board or leadership roles the CEO can hold without interfering with the CEO's responsibilities.

### **3. They have well-defined planning and selection processes in place.**

Plans and timing will vary for an imminent departure versus practices in place for ongoing succession planning. In both cases, the plan should include goals for the process, timing and how updates will be shared with the board. It should also capture the CEO criteria, roles, responsibilities and how decisions will be made.

Having an effective selection process in place sets the board up for making the right decision when naming the next CEO and even in considering potential successors. The selection practice itself can present one of the greatest risks if not properly designed and executed. Research has clearly shown how we form an opinion about a candidate early on and seek evidence to support our perspective and ignore contrary information. Sourcing within the board's networks can bring solid candidates, yet these individuals should go through the same processes to ensure a pre-existing relationship isn't overshadowing aspects that aren't a match for the position. Sound selection practices address the biases and inconsistencies that can otherwise lead to making the wrong choice in this critical role.

Using the CEO criteria defined by the board, develop structured interview questions, determine who will be involved in the interview process and ensure they are using these questions. Include behavioral assessments to have a deeper understanding of the individual's preferences for leading, communicating, building relationships and making decisions. Choose assessments which are appropriate for selection purposes. Once a process for selection has been set up, ensure it is being used consistently to be able to make sound decisions and treat each candidate equitably.

If using a search firm, provide clear criteria, questions to ask, assessments to include and stress the desire for diverse candidates and have the references conducted by a board member, not the search firm. Depending on the situation, the CEO may be included in the interview process, although the selection decision remains with the board.

#### **4. They ensure a smooth transition to effectively onboard, introduce and support the new CEO.**

Ensure a transition plan is in place to help the new CEO get up to speed on the organization's strategy, culture, goals, challenges, and stakeholders. The departing CEO may be involved in this transition for a brief period or in preparing useful information for the new CEO.

The transition should include a communication and change plan. It's important to communicate the change and support of the board to all stakeholders – employees, media, members, partners, etc. Consider the impact of promoting one internal candidate over another or in selecting an external candidate over an internal one. Staff turnover often occurs with a change in leadership whether the CEO was promoted or came from outside the organization. Walking through a few scenarios and identifying contingency plans puts the organization in a better place if disruptions occur.

#### **5. They have an ongoing succession plan and pipeline.**

Set a commitment right away with the new CEO that succession planning is a continuous process. Be transparent about the organization's succession process and who is responsible. Review this plan at least annually with the entire board.

Board members should be familiar with potential internal candidates and may support their ongoing development. Some serve as or assign mentors to high potential leaders. In setting up internal succession management programs, consider using some of the same practices mentioned here to bring greater effectiveness and equity. Include behavioral assessments, build a diverse talent pool, obtain input from multiple sources to avoid favoritism, and consider the future needs of the organization. Constantly scanning the external talent market and building relationships can help identify leaders to meet current or future needs and increase the capabilities and diversity of the organization's leadership team.

An emergency succession plan should be in place in case the CEO leaves unexpectedly or is unable to perform their responsibilities due to health or personal reasons. This may include internal resources or a board member taking on an interim role or other leaders or team members taking on portions of the work.

# strategic imperatives

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## ALIGN

YOUR STRATEGY  
YOUR TALENT  
YOUR CULTURE

## & THRIVE

### **Resources:**

"A Timeless Toolkit for Executive Succession." Sonia J. Stamm. May 2019.

"CEO Succession Planning: 7 Ways to Blow the Drill." The Conference Board. May 2019.

"How the best boards approach CEO succession planning – And why it's become more critical than ever." PwC. September 2021.