# Championing successful CEO succession

**By Claudia H. Allen**

Few board responsibilities are more important than hiring and firing the CEO. Independent lead directors and independent chairs play a pivotal role in helping ensure their boards are ready for a CEO change—planned or unplanned. Our recent conversations with these board leaders offer timely insights into succession processes and strategies they champion to have the right person at the helm, and at the ready.

CEO succession planning is an ongoing, dynamic process, and boards must always be thinking about developing potential CEO candidates. This effectively means that boards should start planning for succession the day a new CEO is appointed. Several lead directors commented on the challenge of getting visibility into high potential candidates two or three levels down from the CEO. Some suggested that this can be facilitated both formally, for example, through presentations by such individuals to the board, and informally, through dinners, other social activities, and mentoring. But the bottom line is that advance planning and a process are necessary.

Lead directors also emphasized the importance of the board formally reviewing the succession plan for the CEO and his or her direct reports at least annually, and being clear with management that the board wants exposure to high-potential candidates. As part of the review, high-potential employees can be categorized based upon their readiness to move into the next slot, for example: ready now, ready in 12 to 18 months, and ready after more development. This process allows the board to work with management in an intentional fashion to help ensure that candidates receive assignments that enable them to develop the necessary skills to advance. This also helps ensure that if the CEO wants to make a change in senior leadership, the board has likely already had exposure to the candidate.

Asking management to assign high-potential candidates to cross-functional projects provides candidates with broader internal experience while offering the board exposure to the candidates through their presentations. Pairing a director with a member of the senior leadership team can also give the board direct insight into a candidate's strengths and weaknesses. In such an arrangement, the executive might meet periodically with the assigned director, who might also attend business meetings run by the candidate—but only to observe.

In thinking about the skills future CEOs will need, some lead directors emphasized mapping to the company's long-term strategic plan, recognizing that the skills the current CEO has and needs may not be the same as those of a future CEO in light of company or industry changes.

In evaluating potential CEO candidates, lead directors also noted the value of a deep independent evaluation of the strengths, weaknesses, and development needs of potential succession candidates. An outside perspective can surface weaknesses that may not be apparent to the current CEO. Such an analysis can also help the board plan how to support the new CEO. While boards frequently choose an internal candidate, some explore external candidates to get a sense of whether internal candidates measure up.

When naming a new CEO, one potential challenge for the board is retaining valued executives who have been passed over. Some lead directors noted the benefit of conversations between the board and CEO candidates about who they envision as part of their teams. With that knowledge, the company may seek to enter into retention agreements with certain executives before or after naming a new CEO and to identify roles that would be appealing to such executives.

Lastly, lead directors noted that, during the period between naming a new CEO and when that individual assumes the role, there could be confusion over who is really in charge. Advance planning and a well-defined transition process that provides for a clear time frame and clear communication are vital to a smooth transition.

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