



# Preparing Boards to Strategize an Effective C-Level Succession Planning

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Organizations often counter the unwavering need to retain, develop and encourage their proficient and qualified talents for company's growth. In order to keep the process running effortlessly - strategizing and building a strong succession planning becomes crucial. Succession planning is a business strategy to distinguish and develop a new generation of leaders to create a pipeline of talent within an organization thereby ensuring that businesses continue to run smoothly after company's senior move on to new opportunities or on superannuation or if the board decides to replace an existing CEO based on the company's performance.

Succession planning is about continuously and consistently to be on a look out for the right leader who is relevant for the organization at a given point in time. Since corporate boards have better visibility of the various forces in play viz ae viz company's performance, market dynamics and organisation's position on its growth trajectory, they can plan ahead for the contingencies, minimize risk, and help navigate corporations better.

In a survey conducted by Association of Executive Search and Leadership Consultants (AESC), Leadership Assessment & Succession was among top three human capital services in-demand along with Executive Search and Digital Readiness & Transformation services - CEOs and Boards will seek in 2021. The survey outcome validated the need for organizations to emphasize on strengthening their existing succession plans as well.

According to a recent study, only 54% of public companies are actively developing a CEO succession plan at the moment. Even more surprising, 40% of the companies lack in identifying even a single internal candidate who is ready to step up to the CEO role.

Over the past year, COVID has claimed millions of lives worldwide, and many organizations have found themselves with unexpected vacancies. The delay in filling vacancies can be attributed to a lack of proper succession planning.

## **Maintaining the right balance**

The board of directors play a vital role in C-level hiring and promotions. They share the mutual responsibility along with the HR practitioners in identifying the right leaders, who can steer the organization in the right direction. It is crucial for the board to have a clear, unified approach on succession planning. Members not only have a direct impact on the type of people that join the organization but also who is allowed to stay. The board needs to be transparent about what a potential successor will face so that expectations are as clear as possible. At that point, it is simply a matter of assimilation. The first 90 days of someone's tenure will always be among the most critical, which is why the transition itself needs to go smoothly. This is especially true if a new leader is coming into the organization from an external source – they need to be able to hit the ground running, and it is up to the board to make that happen.

It is a monumental task for boards, who find themselves making a series of tough decisions: whether to replace an existing CEO, start developing C-level talent for the future, or explore outside talent for a replacement. C-level succession is not always amicable, and it gets tricky to take the right decision. Some CEOs perceive the stripping of power as a threat and are reluctant to pass on their legacy. Sometimes the situation turns hostile, and boards are faced with the predicament of resolving the matter discreetly while maintaining the company's reputation to protect stock prices.

For boards to make an informed choice they have to calibrate the pros and cons, making the wrong decision at any step could lead to catastrophic consequences for the organization and for board members. Therefore, it is in the board's interest to do everything possible to mitigate the failure(s), which means an organisation should have a well-considered strategy developed before a time of crisis arises. This way, there's a pool of relationships that can potentially serve the board well for years to come, and in the worst-case scenario where a leader is forced to make a quick exit, valuable time can be saved in kicking off the process.

It is important to acknowledge that outside candidates can and often do provide an interesting perspective that most boards may not necessarily have access to on their own. Oftentimes they can bring an objective point of view on the proceedings because they are not as "close" to the situation as the board members are themselves. Therefore, they are in a better position to make tough decisions because they have not yet developed any relationships, and they are yet to invest themselves in the "political" side of the company.

#### **How to build an effective succession plan**

The most important part of any board's strategy for effective leadership succession planning is the timing. Here are the most important steps board leaders can take as they strive to build the right approach.

**Choosing the right successor:** A dedicated sub-committee set up by the Board can be tasked with the responsibility of discussing and coming up with an answer to the top burning questions. The committee can evaluate organization's current performance and debate on what skills and qualities should they look at, which will be better suited and aligned with company's future goals. Given the leadership change, will there be any consequent organizational structure change required? Considering the fact that the CEO's next line would be retiring sooner or later, should the board keep a next line of leaders ready? What decision making process should they follow and whom should they assign the responsibility to track the progress and keep a tab on the timeline? The committee will be responsible to maintain the confidentiality of the communications related to the succession planning and try to subside the external rumour and predictions to avoid any fluctuation in share prices.

**Networking with right talent:** The ability to network is one of the critical attributes of leadership. Corporations thrive on networking. Being an effective influencer at the leadership level across the organization and beyond can help strengthen and diversify network ties in corporations. Building and fostering a strong network of skilled and influential leaders within and outside the organization gives boards an upper hand and access to the niche talent pool at the leadership level.

**Be proactive, not reactive:** For the best results, the board needs to make a proactive effort to keep a keen eye on future leaders.

Even, if the current CEO is not thinking of stepping down or there are no other "problems" to speak of, this still needs to be a priority. The board needs to be constantly scouting and scanning the market, if for no other reason than just to keep abreast of the opportunities out there. They need to be networking with the right talent and courting potential successors whenever possible. They need to accept the inevitability that someone in a key position is going to resign or leave the company sooner or later.

It is no longer a matter of if but when. Therefore, they need to have a plan in place to address it today so that they can quickly snap into action when the day arrives. This requires a thought-out, well-laid strategic approach to planning thereby acknowledging that the company is bigger than any one person.

Along the same lines, a strategy for effective leadership succession planning requires a significant expansion of the board's role to begin with. The scope of their job should not just be limited to succession planning for the CEO. They also need to be actively engaged in developing and cultivating the next layer of key critical leadership talent, as well.

**Assessing and planning ahead:** The exodus of senior leadership does not happen overnight. Boards should keep an eye on the company's prospects, leadership, and changing attitude of their workforce. Assessing the situation continuously gives companies an upper hand in being prepared for any leadership shuffle. When choosing C-level executives, boards should focus on assessing factors like whether the company is not performing well and whether that stems from organizational culture or leadership style. Would on boarding, a new leader from the outside bring in a welcome new perspective?

**Identify, train and nurture internal talent:** A strong succession plan involves identifying and training existing talent and cultivating future leaders, not just at the senior level but across all levels. This helps businesses with a contingency plan if an employee plans to exit abruptly. Since the seniors feel insecure, they avoid succession planning, as they fear that nominated successor may elbow them out. Companies need to be far more vigilant about grooming their existing talent for advancement.

Personal, professional, and intellectual integrity of the boss is very crucial in implementing succession planning honestly. Likewise, people in leadership positions need to be held more accountable for who their realistic successors can and should be. In a general sense, boards need to be in tune with this process so they can better position themselves to make solid decisions regarding whether they should be promoting from within or looking for external talent.

#### **Paving the way to a bold new future**

A strong and competent board can be effective to fill the gaps in organization's existing succession plan. Boards can make it a



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practice to assess the top level of executives and foresee the talent challenges that may arise. Strong, dedicated board members are critical for making a positive difference to the organizations on whose boards they serve. The Global Board Services Practice at Stanton Chase is about making our clients' boards better through our methodology, which includes qualitative and quantitative approaches to provide our clients with 360-degree assessment.

Ultimately, with a strong board of directors in place, a company can impact both the present and the future in a meaningful, positive way. But you cannot get to that point without a high-performing board to begin with. Succession planning is important because a company can and should be bigger than any one individual. Regardless of how strong someone's leadership is, the company itself should be able to withstand this type of disruption and come out the entire better on the other side.

It is equally important to acknowledge there is no one-size-fits-all approach to succession planning. Some companies will seek to

execute this process with the help of recruiting firms. Others will look externally for the talent they need when they need it the most. Regardless, a strong governance-focused leadership development and succession process is of critical importance.

It takes a significant amount of time and effort, but the vast majority of organizations will find that the rewards far exceed that initial investment moving forward.

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