

# THE CEO SUCCESSION PLANNING PROCESS

*"A discussion piece"*

When a CEO moves on or retires, the organization's Board of Directors and Executive Management Team should have a process in place to attract the best candidates – internal or external.

*Start the discussion...*



# THE CEO SUCCESSION PLANNING PROCESS ...A discussion piece

## Phase I – Board/Committee

Owns the process and is responsible for: successful appointment and transition of CEO, demystification of the succession process, put apprehensions to rest, and develop a robust leadership pipeline (the number one sign of good governance). Best practice for the Board/ Committee is to use a proven process and methodology for evaluating leadership talent.

## Phase II – Outgoing CEO

Offers input during the process. Will have developed at least one potential successor inside the organization. Shares knowledge of current and future state of the business model and strategies. Advises the team conducting internal assessments in terms of objectives and provides a dispassionate view of the internal candidates.

## THE ROLES OF THE PARTIES IN THE SUCCESSION PLANNING PROCESS

## Phase IV - Stakeholders

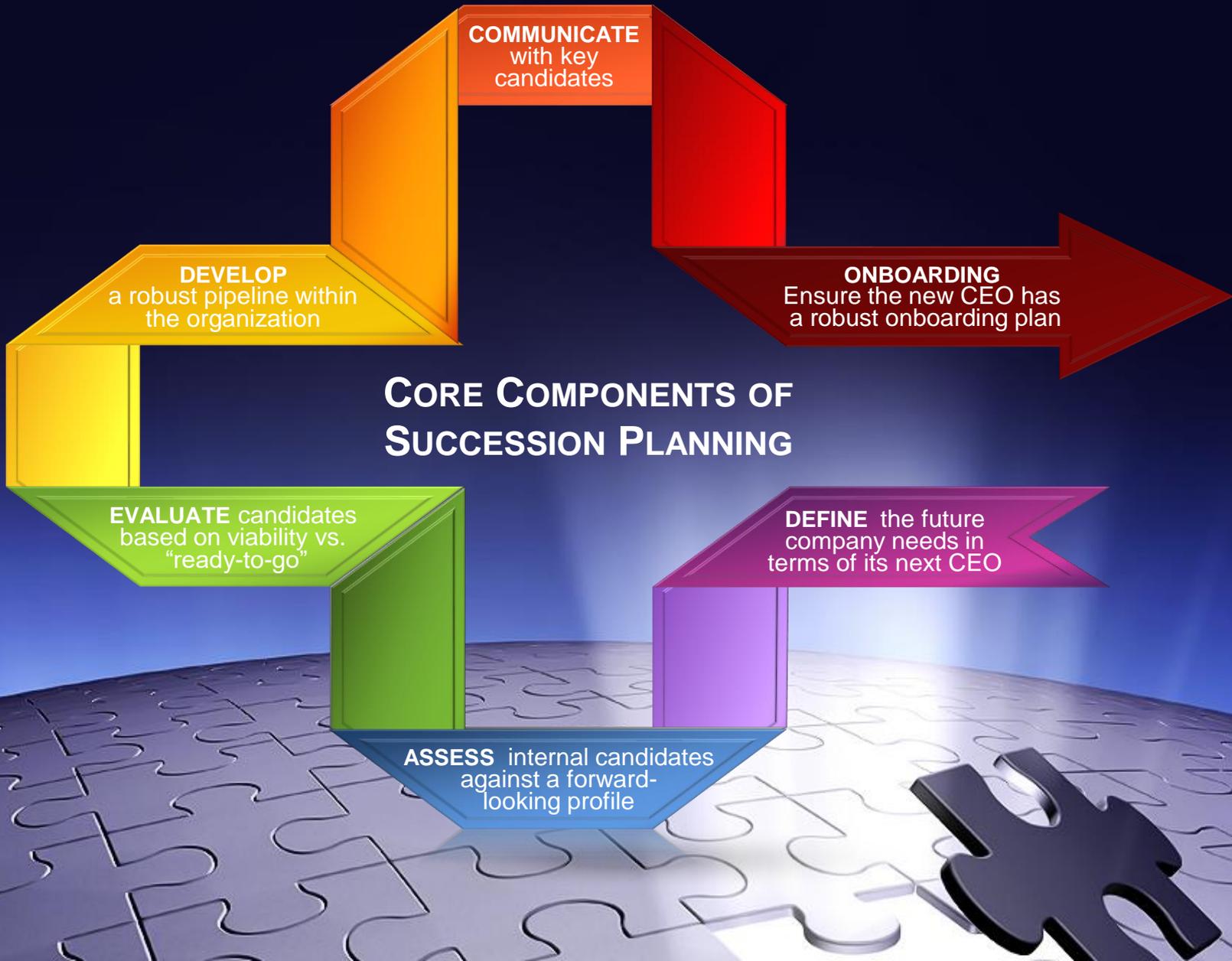
Assurance that the Board / Committee rigorously manages the succession process and performs active oversight of leadership development. Shareholders gain confidence that the best leadership is being identified, recruited, developed and retained based upon the ability to drive business performance and enhance long-term shareholder value.

## Phase III – Senior Management Team

With a clear understanding of the internal process and required CEO skills and competencies: Accommodate developmental roles on the senior team when necessary, utilizing a high-level roadmap and detailed personal coaching plan for internal candidates (can be refreshed every 6 months based on the transition time frame).

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# THE CEO SUCCESSION

## PLANNING PROCESS ...A discussion piece

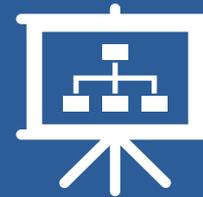


### DEVELOP A SKILLS & EXPERIENCE PROFILE

Take into account that the future needs of the company must be continually revisited.

### THINK OF SUCCESSION PLANNING AS A MULTI-PERSON EVENT

Remember the executives that are not promoted to CEO are also crucial to success and the creation of shareholder value.



### ADD SUCCESSION EXPERTISE TO THE BOARD / COMMITTEE

The director chosen to chair the nominating and governance committee will have previous succession experience (either as a candidate or someone who has run the process).

### ENGAGE IN A CONFIDENTIAL EXTERNAL SEARCH

Ensure that the board / committee can compare internal candidates against the best-in-class talent in the marketplace.

### OPERATIONAL SUCCESSION PLANNING

### EXPOSE CANDIDATES TO THE BOARD / COMMITTEE

Fireside chats, attending executive's offsite session, one-on-ones, etc.



### DEVELOP A ROBUST SUCCESSION ARCHITECTURE

Encompasses everything from an emergency plan through a more gradual 5-years succession plan; revisit this architecture regularly.



### ENGAGE THE BOARD / COMMITTEE IN THE DEVELOPMENT OF CANDIDATES

Use external advisors to assess and benchmark candidates, as well as provide ongoing coaching and support, providing updates to the board/committee in the process to establish "viability".



### IDENTIFY "BLOCKERS"

Prepare to move people off of the senior team to further develop potential successors.

### ON-BOARD THE SUCCESSOR AND PROVIDE SENIOR TEAM WITH ONGOING SUPPORT

Prepare for what happens *after* the successor is named by providing crucial support (a good team, wise and accessible mentors, executive coaching and a feedback-rich environment).

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## External candidates are more exciting and promising

Boards/committees prefer the devil they know to the devil they don't. Internal successors are often lower risk than outsiders.

## The successor has to be ready now

The only way to know if someone is "ready now" is after the fact. The board/committee must evaluate the context of the leadership situation.



## SUCCESSION PLANNING MYTHS



## What worked in the past will work in the future

A company's future needs may be drastically different from its needs in the past.

*Examples:* Jamie Dimon and Bill Harrison at JPMorgan Chase; Marius Kloppers and Charles Goodyear at BHP Billiton

## CEO succession planning is a single-person event

Board/Committee's focus on the CEO role in succession planning to the exclusion of other positions.

## "We have a great internal candidate – we don't need to look outside"

A company cannot be myopically focused on its own people.



For additional materials or more discussion...

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