

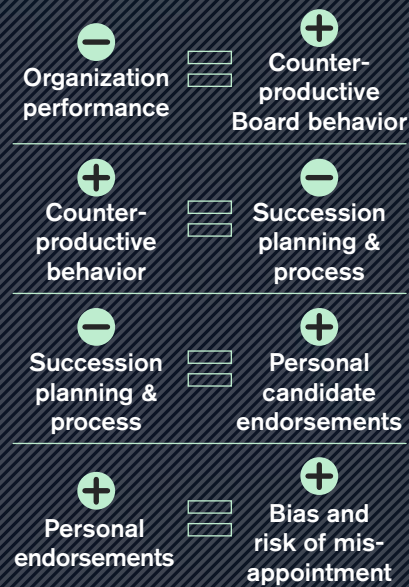
# SUCCESSION SCIENCE: EQUIPPING BOARDS TO OPTIMIZE THEIR CEO SUCCESSION PLANNING

During the uncertainty and volatility created by the pandemic many Chairs postponed succession planning and CEOs changed their timelines. We are now seeing an increase in active CEO succession processes spanning multiple sectors. Boards are planning for the longer-term, re-evaluating the leadership needed in a new era, and CEOs are looking for a change in context after a trying period. Our research into effective succession planning shines a light on the warning signs and the watch outs for Board members.

## The lower the organizational performance, the greater the politics



Organizations with low performance when going into a CEO succession process face greater challenges to run an effective process.



**Recommendation:** Pre-empt anxiety around organizational performance leading to a rushed, reactive succession decision. Poor performance is when a transparent, data-driven approach to candidate comparisons matters more to identify the right candidate to lead a turnaround.

## Composition matters



Group dynamics are always more difficult with more members. When it comes to CEO succession this leads to dysfunctional dynamics which can reduce alignment. Boards have a harder time managing the necessary group dynamics to have a robust, transparent and fair decision-making process.



**Recommendation:** To ensure a robust process, larger Boards benefit from allocating accountability to a smaller sub-group, to increase focus and alignment around the required CEO leadership profile and decrease politicking around favoured candidates.

## Homegrown is better



Research repeatedly shows internal candidates are more successful than external recruits and less likely to be replaced within the first three years. Yet, despite what the data says, some Boards are still predisposed to favoring external candidates.

Internal candidates are **3X** more successful than external placements

Independent Boards = increased likelihood of placing an external candidate



More experienced Board members are more likely to choose external candidates despite the research



**Recommendation:** Disruption caused by the pandemic is generating a perceived need for greater change. Change does not equate to an external candidate. Boards need to define the change required in leadership profile. The right capability can often be found in the internal pool of successors, provided the Board have invested in their development.