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LEAD THE WAY:
MAKING INCLUSION,
DIVERSITY & EQUITY
CENTRAL TO
CEO SUCCESSION
PLANNING

As world disruptors such as the climate crisis and social inequalities become organizational challenges, there is a pressing need to ensure that organizations are led by CEOs who can handle this complex and ever-changing remit. Chairs, boards and CHROs who rely on yesterday's methods for identifying and developing future CEOs risk appointing CEOs who are ill-equipped in the face of tomorrow's challenges.

The context in which CEO succession takes place can be unpredictable, often subject to time pressures and fraught with complex internal and external dynamics. Given these factors, the decision-making involved can become prone to biases, shortcuts and errors, and thus limit a board from fully exploring the possibilities they have.

The risk and weight of decision-making can make boards err towards what they perceive as 'safe bets' – where safe means 'like the person who came before'. No wonder that currently, there are only seven women CEOs among the 93 men leading FTSE 100 companies, and no women from an ethnic minority background in this group.

Regulations are changing and investor expectations are shifting; boards urgently need to switch their focus from convenient 'safe bets' within existing talent pools or known networks, to creating a deliberate, inclusive and long-term approach to CEO succession planning. As the world changes constantly and rapidly, the way CEOs are chosen must change too. Doing so is one step further towards giving diversity a true seat at the boardroom table.

A HOLISTIC, FUTURE-FOCUSED APPROACH

The most progressive organizations approach every aspect of CEO succession planning with a deliberate, explicit recognition of ID&E considerations. From the outset, the board needs to be aligned around this intention. Chairs, boards, CEOs and CHROs must start by proactively defining a leadership strategy where ID&E is vital to the business strategy. Then embed ID&E into the CEO succession process in the following four ways.



ANTICIPATE

ID&E is not an afterthought

Organizations need to think long-term and strategically use opportunities to build a diverse leadership pipeline. This requires the organizational culture to reflect ID&E as a priority throughout a long-term process, not just the six months before a new CEO is appointed. Some ways to do this include:

- Rethinking career pathways. Diverse talent is often overlooked due to 'unconventional' career histories and experiences resulting from differential access and opportunities among marginalized groups. Flexible paths allow such overlooked leaders to have visibility and opportunities despite having 'different' experiences than the current leadership.
- Ensuring an inclusive development and assessment process across levels, such as a special focus on sponsoring talent from marginalized groups.
- Using data to identify patterns of inequity, and then applying those insights in creative and bold ways – such as finding new talent pools to recruit from or revising what 'qualifications' are actually required.
- Ensuring board members have planned, thoughtful and fair access to potential contenders. Often the biggest barrier to considering candidates from marginalized groups is that board members and decision-makers have had few interactions with them and thus limited opportunity to gain relevant knowledge about them.

Consider: Who gets executive coaching and support for special leadership programs in your organization – why? Who is missing?



ALIGN

Rethink what ideal means

A critical part of any CEO succession process is to align on future-focused selection criteria and assess against this. It is an opportunity to:

- Explicitly consider inclusive leadership as a must-have skill in the next CEO.
- Cast the net wider to increase diversity and challenge assumptions and constraints around 'required' experience, whether for internal or external candidates.



ACCELERATE

Support the new CEO to be a catalyst for change

It isn't enough to appoint a CEO; they need to be supported in the right way to thrive, especially if they are from a marginalized group. The Chair and CHRO can play a key role in tailoring transition support in a way that:

- Leverages the new CEO's distinctiveness and helps them to optimize their impact.
- Evaluates ongoing success in fair and creative ways, accounting for differences in style and approach.
- Considers tapping into external developmental networks to support the new appointee initially.
- Supports the CEO to drive change at all levels – in the team, the organizational culture and beyond the organization.

Consider: When does your organization treat the CEO succession process as 'complete'? What more can you do to ensure the success of the new CEO and embed ID&E into the on-going process of succession planning?

- Carry out independent, evidence-based assessments to reduce subjectivity, and go beyond what has worked in the past in defining what's required of the future CEO.
- Appropriately weight potential as a key assessment component to reduce reliance on past performance. Individuals from marginalized groups are often assessed on performance, but those from dominant groups are evaluated on potential. In the current context that CEOs operate in, nobody could have proven performance in facing exactly these challenges, so potential becomes more important, in addition to being a fairer way to identify future CEOs.

Consider: If you were creating a wishlist of what your next CEO should bring to the role, without any reference to or even knowledge of the incumbent CEO, what would the CEO leadership requirements be?



APPOINT

Minimize bias, maximize fairness

It is critical to ensure that decision-making is calibrated against set criteria, based on evidence, and aligned to success indicators. Key factors include:

- Engaging the board to raise awareness of biases. Since awareness alone is insufficient, ensure they use tools and processes to make decisions in consistent, data-driven and fair ways.
- Surfacing and managing interpersonal and/or group dynamics in a way that encourages healthy debate and taps into the diversity of perspectives among the board.
- Considering culture complementarity when making decisions to avoid replicating the current demographic profile of leaders in the name of 'culture fit'.
- Facilitating decision-making according to clear, pre-agreed criteria instead of gut instinct and familiarity.

Consider: When discussing candidates, use the 'flip it to test it' method to ensure everyone is being evaluated against the same criteria. If the point of discussion would feel irrelevant or strange if you applied it to someone from the dominant group, you have likely uncovered a bias.

IN A NUTSHELL

The demands and leadership requirements of CEOs in the future will not be the same as they are today. CEOs who are different from those who came before not only bring a fresh perspective, but they create the conditions for nimble innovation, unexplored market opportunities and cultural transformation. By incorporating ID&E considerations into long-term CEO succession plans, organizations will foster more inclusive environments to nurture more diverse leadership pipelines. Appointing a new CEO is ultimately an opportunity for enterprise-wide renewal, enabling the organization to achieve its strategic objectives and create long-term sustainable value in a volatile world context.

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