



**Center for
Executive Succession**
Darla Moore School of Business



CEO Succession **Planning Playbook**

Presented by the Center for Executive Succession
Darla Moore School of Business, University of South Carolina

Practical guidance for
Boards, CEOs and CHROs
to manage succession
planning and avoid
common problems that
plague C-suite transitions

PURPOSE OF THE CEO SUCCESSION PLANNING PLAYBOOK

CEO succession planning is widely considered the board of directors' most important responsibility. Despite this, the processes boards of directors employ to attract, identify, evaluate, develop and select a CEO vary widely between organizations. This playbook seeks to provide practical guidance for boards of directors, CEOs, Chief Human Resource Officers and other important CEO succession stakeholders to understand best practices in CEO succession planning and challenges boards of directors often face when planning for CEO succession. Best practices in CEO succession planning suggest such processes require five or more years of planning as organizations evaluate talent against the future CEO role profile, consider the need to assimilate external talent into the organization, develop talent for the future needs of the business, and when the time is right, select the successor most appropriate for the business moving forward. These processes require considerable teamwork among members of the board of directors, as well as a strong relationship with the organization's incumbent CEO and other members of executive leadership.

In providing this information, we seek to help the following:

- **Boards of Directors/Lead Independent Directors –** Understand and identify the processes through which their boards will succeed at succession planning
- **CEOs –** Understand how they can assist boards in effectively planning for the company's future leadership
- **CHROs –** Understand and identify how they can help both the board of directors and CEO operationally manage the succession planning process and serve as a sounding board

The information contained herein is based upon research conducted by the Center for Executive Succession at the Darla Moore School of Business in connection with our partner companies, their CHROs and directors of large, publicly traded corporations with extensive experience in succession planning.

In this playbook, we first outline the key stakeholders in CEO succession planning processes with identification of their roles and responsibilities. We then develop a detailed timeline boards of directors should consider when conducting best practices with regard to CEO succession planning. From there, we introduce our model of best practice CEO succession planning with detailed information at each stage of the process. In each stage, we introduce the key activities that should be performed, the roles and responsibilities of different stakeholder groups at each point in the process and the common pitfalls we have identified that boards most often fall into. Finally, we provide a series of checklists for the key stakeholders to use in each stage of the process to ensure a best practice CEO succession planning process is implemented.

Finally, at each stage of the process, we encourage you to consider the activities that your company's board of directors and executive leadership are performing to ensure that best practices are implemented. At any point in time, members of the Center for Executive Succession would be happy to meet to discuss your organization's succession planning efforts directly or put you in contact with leaders from our best-in-class partner companies.

THE CEO SUCCESSION PROCESS

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CEO Succession is the board's most important responsibility

KEY STAKEHOLDERS AND THEIR ROLES IN CEO SUCCESSION PLANNING

Board of Directors

- Holds responsibility for selecting the new CEO
- Establishes the processes by which CEO succession planning will occur
- Delegates authority to executive leadership as necessary to conduct succession planning efforts, including evaluation and development of potential successors
- Creates the CEO role profile and specification and evaluates successors in accordance with the organization's strategic needs

Lead Independent Director/Non-Executive Chair

- Holds authority among the board for establishing and maintaining the succession planning process
- Regularly communicates with the organization's CEO regarding the expected transition timeframe and the effectiveness of management's succession planning efforts
- Ensures that all directors are actively engaged in the CEO succession planning process

Chief Executive Officer

- Provides information to the board regarding expected timeframe for transition
- Assists in the identification of potential successors and creation of development plans to enhance strengths and weaknesses
- Helps provide an orderly transition to the next CEO

Chief Human Resources Officer

- Operationally responsible for managing the evaluation of potential successors and development plans

- Serves as a sounding board for the CEO regarding potential candidates and concerns with the board's succession planning efforts
- Provides objective, credible information regarding candidate strengths and weaknesses to the board
- Assists the Lead Independent Director as desired in managing the board's succession planning process

External Consultants

- **Succession Consultants:** Can assist in the development of the organization's future strategy, building the CEO role profile and assessing both internal and external talent against the role profile
- **Recruiting/Search Firms:** Assist in the identification of external talent that might be effective future CEOs
- **Compensation Consultant:** Provides information regarding the escalation of internal executive pay in advance of the CEO succession event as a form of signaling future intent if desired; assists in developing compensation packages for the incumbent CEO, incoming CEO and for the retention of key executives who are not selected as the new CEO

Chief Legal Officer

- Provides advice and counsel regarding whether board information or discussions might trigger a disclosure
- Assists in developing legal strategy and communications plan for announcement of incumbent CEO departing the role and new CEO entering the role

¹For Lead Independent Director, we refer to the highest ranking director on the board who is independent from management. This includes non-executive board chairs, lead independent directors and presiding directors.

TIMELINE OF KEY CEO SUCCESSION PLANNING EVENTS

Ongoing Pre-Succession Activities (4+ Years in Advance)

- Define roles and responsibilities of involved parties
- Establish board authority over the decision and process
- Establish an expected timeframe for the transition (can be modified as necessary)
- Define the process by which succession planning will occur
- Assess the capabilities of internal talent
- Provide a broad variety of opportunities for board members to interact with and evaluate candidates
- Identify internal leaders with CEO potential
- Based upon likely timeframes, identify board's levels of focus on where talent will likely ascend from, including potential for leap-frog candidates
- Provide personalized coaching and mentoring for candidates deemed to have CEO potential
- Create new opportunities and roles in the organization for candidates to grow
- Consider scenarios related to various timeframes in which succession is likely to occur, including short term (<2 years), intermediate term (2-5 years) and longer term (>5 years)
- Build structures to assist in the identification, development and retention of diverse candidates
- Determine if senior talent needs to be brought in based on assessment of internal leaders
- If talent gaps are identified, identify, recruit and onboard new executives
- Consider timing of board additions and departures to ensure the board is stable and strong to support the future transition

Beginning of Succession Event (2-3 Years)

- Delegate authority to board committee, if desired
- Revisit expected transition timeframe
- Scan the company's internal and external environment for future trends
- Analyze the company's industry, including changes in industry structure, competition and profitability
- Assess the company's internal strengths and weaknesses
- Define the company's likely expected future strategic actions and initiatives to deal with the external environment
- Build a CEO role profile designed to assess future strategic challenges
- Specify competencies to meet the role profile
- Identify behavioral criteria that might complement technical competencies
- Assess the capabilities of internal talent
- Evaluate development and assimilation of externally recruited executives with CEO potential
- Reconsider if external talent needs to be recruited
- Provide a broad variety of opportunities for board members to interact with and evaluate candidates
- Provide candidates with experiential opportunities to develop necessary skills to meet the CEO role profile
- Provide personalized coaching and mentoring for candidates deemed to have CEO potential
- Create new candidate growth opportunities and organizational roles
- Identify outside opportunities for candidates to improve strengths and weaknesses

TIMELINE OF KEY CEO SUCCESSION PLANNING EVENTS (cont.)

12-24 Months

- Evaluate and rank candidates based on the role profile identified earlier
- Assess the capabilities of internal talent
- Identify outside opportunities for candidates to improve strengths and weaknesses
- Assess the capabilities of internal talent
- Provide a broad variety of opportunities for board members to interact with and evaluate candidates
- Provide candidates with experiential opportunities to develop necessary skills to meet the CEO role profile
- Consider the onboarding of new directors to ensure board has stability to support the successor

6-12 Months

- Assess the capabilities of internal talent
- Provide a broad variety of opportunities for board members to interact with and evaluate candidates
- Revisit future strategic considerations and role profile to ensure changes have not occurred that alter the CEO role profile
- Define the timing of the transition, including transition plans and need to appoint heir apparent
- Develop transitioning out plan for the sitting CEO

<6 Months

- Assess the capabilities of internal talent
- Achieve unanimity among board members regarding CEO choice

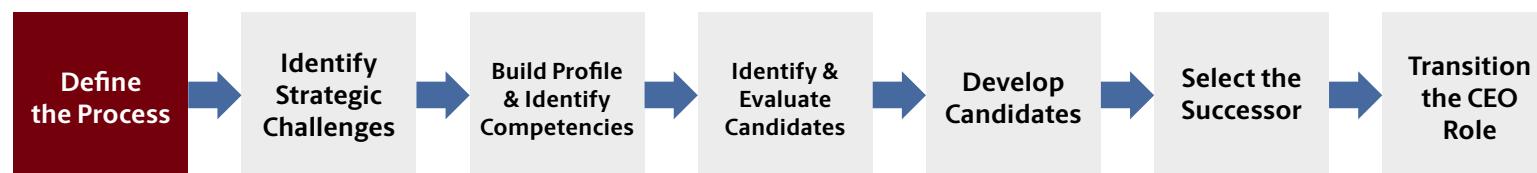
- Notify candidates of their status and begin developing plans to transition new CEO and retain candidates who are not selected
- Develop a structured plan for assimilation
- Perform listening and town-hall tours
- Create opportunities for outgoing and incoming CEO to meet key external stakeholders
- Define the specific timeframe in which the transition of responsibilities will occur
- Identify the incumbent CEO's role after the transition occurs and provide mentoring for the CEO as he/she transitions
- Define the board's role in assisting the new CEO, communicate board expectations to the new CEO and provide mechanisms to mentor the new CEO

Post-Transition

- Perform listening and town-hall tours
- Ensure the board is communicating regularly with the CEO regarding performance and expectations
- Provide mentoring opportunities for the new CEO
- Ensure the incumbent CEO is not retaining formal or informal influence technical competencies

STAGE 1: DEFINE THE PROCESS

“Succession planning isn’t a once-a-year process at a board meeting. It is ongoing. If you do it annually, it will not work. The board must do it every meeting.”



Key Activities

1. Define roles and responsibilities of involved parties
2. Establish board authority over the decision
3. Delegate authority to board committee, if desired
4. Establish an expected timeframe for the transition (can be modified as necessary)
5. Define the process by which succession planning will occur
6. Outline plans for short-term succession (2-5 years) and longer-term scenarios (>5 years)
7. Ensure company maintains a constant robust emergency succession plan in case of emergency
8. Consider timing of board and executive succession events to ensure stability and strength for supporting the eventual transition

Potential Pitfalls

1. A systematic process is not followed, creating the potential for decision-making biases related to overconfidence, confirmation and planning
2. Board loses control of the process or CEO attempts to co-opt the board’s authority

3. The board fails to begin the planning process
4. The time required to complete the process is not properly assessed
5. Board members fail to devote enough time and energy to the topic and process

Key Roles and Responsibilities

Lead Independent Director

1. Take authority for the succession planning process
2. Ensure proper communication and cooperation with the sitting CEO
3. Mobilize and engage all board members
4. Establish a timeline for the future transition
5. Ensure detailed emergency succession plan is codified and maintained as needed
6. Discuss timing and nature of board member departures, including moving departures earlier to ensure board is stable for new CEO

NomGov or CompOrg Committee Chair

1. Ensure that a pool of candidates exists
2. Monitor the performance and development of potential internal successor candidates
3. Explore the external market for candidates

STAGE 1: DEFINE THE PROCESS (cont.)

Incumbent CEO

1. Communicate their potential timeline to the board
2. Work with the board to identify a reasonable timeline
3. Assist the board in running the process

CHRO

1. Develop a credible and trusting relationship with the board and display objectivity in discussions
2. Help the incumbent CEO understand the need for beginning the process early and defining their transition timeframe
3. Assist the board in establishing the succession process
4. Test scenarios with the process leader regarding possible transition timeframes/events

External Consultants

1. Hold candid conversations with board members and the sitting CEO to understand goals and objectives in the process
2. Assist board in defining appropriate milestones to meet transition timelines

Company Specific Actions

Our company will take the following steps:

STAGE 2: IDENTIFY STRATEGIC CHALLENGES

“For the board, it is crucial to consider expertise, skills and capabilities for the future not just now. What worked before may not work in the future — [and] assuming it is problematic.”



Key Activities

1. Scan the company's internal and external environment for future trends
2. Analyze the company's industry, including changes in industry structure, competition and profitability
3. Assess the company's internal strengths and weaknesses
4. Define the company's likely expected future strategic actions and initiatives to deal with the external environment

Potential Pitfalls

1. Selecting the “best” successor without considering what the company needs for success
2. Prematurely selecting a successor and ignoring subsequent changes which alter the necessary skills for the position
3. Board fails to achieve alignment on the future strategic direction of the company
4. Analyses are obsolete or carried over from prior years and fail to adequately reflect changes in the environment
5. Combined group consideration may limit some from sharing their perspectives or lead to premature coalescence on strategy

6. Future strategic challenges are not closely linked with the company's expected challenges

Key Roles and Responsibilities

Lead Independent Director

1. Challenge the board to think about the strategic direction of the company
2. Drive the board to distinguish future goals from incumbent CEO strengths
3. Lead the processes to identify relevant strategic challenges
4. Lead the development of the likely future strategic direction
5. Conduct assessments with individual directors rather than in a group setting

NomGov or CompOrg Committee Chair

1. Support Lead Independent Director's efforts to engage the board

Incumbent CEO

1. Provide the board necessary information to think about future strategic goals

STAGE 2: IDENTIFY STRATEGIC CHALLENGES (cont.)

CHRO

1. Help the board distinguish between future goals and incumbent CEO attributes
2. Ensure the board has adequate information to make strategic assessments

External Consultants

1. Lead discussions with directors to evaluate current strengths and weaknesses and likely future strategies
2. Aggregate directors' data to provide collective assessment for discussion
3. Lead discussions with the board to achieve consensus on likely future strategy

Company Specific Actions

Our company will take the following steps:

STAGE 3: BUILD PROFILE AND IDENTIFY COMPETENCIES

“The board needs to be clear about what is necessary to accomplish the task and what attributes the new CEO needs to have.”



Key Activities

1. Build a CEO role profile designed to assess future strategic challenges
2. Specify the competencies needed in alignment with the role profile
3. Identify behavioral criteria that might complement technical competencies

Potential Pitfalls

1. The board fails to adequately address strategic challenges before trying to develop role profile
2. Directors rely on “gut” feelings rather than a defined role profile and related competencies
3. Board places focus on one attribute rather than a complete set of desired competencies leading to tunnel vision about a specific characteristic or person

4. Board builds a role profile or desired set of competencies to replicate the incumbent CEO or support the selection of an already identified candidate

Key Roles and Responsibilities

Lead Independent Director

1. Focus the board on the competencies that will be needed going forward
2. Help the board to see the incumbent CEO's competencies accurately
3. Provide ample opportunity for identifying and discussing among the board the desired characteristics

NomGov or CompOrg Committee Chair

1. Support Lead Independent Director's efforts

STAGE 3: BUILD PROFILE AND IDENTIFY COMPETENCIES (cont.)

CEO

1. Facilitate the board's understanding of the tasks and responsibilities that can help the company be successful

CHRO

1. Help the board identify competencies to accomplish future strategic goals
2. Develop tools for the board to understand competencies that will be associated with future strategic goals
3. Facilitate the opportunity for individual board members to understand the desired future competencies
4. Help the board align on specific CEO competencies and build the role profile
5. Develop a CEO scorecard to help coach potential successors and to help board members evaluate potential candidates (this will be a living scorecard that will evolve during the process and as the company's strategy changes)
6. Assess Executive Committee members against the role profile

External Consultants

1. Provide support for developing a scorecard and for matching competencies to strategies

Company Specific Actions

Our company will take the following steps:

STAGE 4: IDENTIFY AND EVALUATE CANDIDATES

“Boards should use their network and management team to identify who might be out there. You should find one to three internal candidates and one to three external candidates. The board must consider internal candidates’ timeframes as to when they will be ready and should do this with the CEO and for the management team.”



Key Activities

1. Identify internal leaders with CEO potential
2. Analyze the external marketplace for executives with leadership potential
3. Assess the capabilities of internal talent
4. Provide a broad variety of opportunities for board members to interact with and evaluate candidates
5. Evaluate and rank candidates based on the role profile identified earlier
6. Develop scenarios for talent management or retention based on possible successor selection options
7. Ensure the company identifies, develops and retains a diverse candidate pool

Potential Pitfalls

1. Board members who become enamored with superficial or inappropriate attributes
2. Myopic focus on a single candidate
3. Too little time is allocated to evaluate candidates
4. Candidate evaluations are not linked to the role profile developed
5. Directors lack objective information about candidates
6. Assessments of internal candidates are not conducted objectively
7. External candidates are not thoroughly vetted/explored
8. External candidates brought on board too close to succession or as a singular option
9. Prior evaluations lead to discounting of future negative information

STAGE 4: IDENTIFY AND EVALUATE CANDIDATES (cont.)

Key Roles and Responsibilities

Lead Independent Director

1. Work with the CEO to identify candidates
2. Work with the CHRO to identify accurate descriptions and evaluations of potential candidates
3. Help board members keep an open mind toward all candidates

NomGov or CompOrg Committee Chair

1. Review candidates and gain information on their strengths and weaknesses
2. Define with committee the process for ongoing evaluations of candidates
3. Encourage committee members to remain objective
4. Determine, with Lead Director, if necessary, to hire external candidates for potential development as successor

CEO

1. Provide the board accurate information about candidates and candid assessments about the potential success of candidates
2. Provide opportunities for board members to objectively evaluate candidates in various settings

CHRO

1. Help the board to distinguish among candidates
2. Help the board identify potential candidates
3. Help accurately assess candidates

External Consultants

1. Provide suggestions for outside candidates
2. Assess internal and external candidates in line with the role profile

Company Specific Actions

Our company will take the following steps:

STAGE 5: DEVELOP POSSIBLE CANDIDATES

“Candidates must be assessed objectively for deficiencies and clear up areas of concern. The board needs to assess leadership, commercial expertise, are they results- or process-oriented and their people skills.”



Key Activities

1. Provide candidates with experiential opportunities to develop necessary skills to meet the CEO role profile
2. Provide personalized coaching and mentoring for candidates deemed to have CEO potential
3. Create new opportunities and roles in the organization for candidates to grow
4. Identify outside opportunities for candidates to improve strengths and weaknesses
5. Provide developmental opportunities to continue to improve the diversity of the organization's talent pipeline

Potential Pitfalls

1. CEO alters developmental opportunities to promote/encourage the selection of handpicked successor
2. CEO delays developmental opportunities to retain their position
3. Boards are too deferential to the CEO in creating developmental plans
4. The process begins too late to provide the appropriate developmental opportunities

5. External coaches or mentors influence board decision-making to one candidate
6. Candidates fail to listen to mentors/coaches to overcome weaknesses
7. Candidate shortcomings or failure to develop are overlooked or discounted

Key Roles and Responsibilities

Lead Independent Director

1. Ensure that board members are spending time with many different candidates
2. Work with the CEO to get candidates development opportunities
3. Identify external opportunities to help candidates grow

NomGov or CompOrg Committee Chair

1. Monitor candidates' development plans
2. Monitor candidates' emerging strengths and weaknesses relative to the scorecard
3. Seek out information on candidates' performance in roles

STAGE 5: DEVELOP POSSIBLE CANDIDATES (cont.)

CEO

1. Help provide developmental opportunities for board-identified candidates
2. Consider restructuring the organization to provide new and challenging opportunities in line with growth profiles
3. Begin delegating some CEO tasks to candidates to provide challenging opportunities and assess potential

CHRO

1. Help the board understand if the developmental opportunities are occurring
2. Help the board understand how the development is working
3. Assist in restructuring the organization and defining the opportunities necessary for development
4. Discuss with candidates the importance of familial/friend support if appointment were to occur
5. Maintain open dialogue with candidates, including evaluating candidates' status for those who may opt out

External Consultants

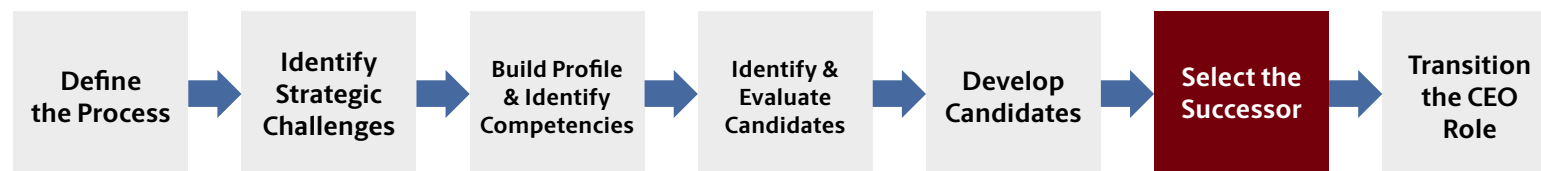
1. Begin discussion with CEO regarding life/work post-CEO

Company Specific Actions

Our company will take the following steps:

STAGE 6: SELECT THE SUCCESSOR

“The board needs to be systematic and picky. The board also needs to be clear on success factors. What does success look like from the board’s perspective?”



Key Activities

1. Revisit future strategic considerations and role profile to ensure changes have not occurred that alter the CEO role profile
2. Consider the timing of the transition, including transition plans and the need to appoint heir apparent
3. Achieve unanimity among board members regarding CEO choice
4. Notify candidates of their status and begin developing plans to transition to new CEO and retain candidates who are not selected
5. Develop transitioning out plan for the sitting CEO
6. Consider the timing and staging of departures from the board and the executive leadership team to ensure continuity and stability

Potential Pitfalls

1. Decisions are made based on momentum rather than careful deliberation
2. CEO biases decision rather than the board following a systematic, objective process
3. Strategy and needed capabilities change after candidates are evaluated, but momentum cannot be slowed or stopped

4. Incumbent CEO delays timeframe or retains undue influence over the decision
5. Candidates force the board to make decision earlier than expected

Key Roles and Responsibilities

Lead Independent Director

1. Solicit input from all board members
2. Build consensus
3. Ensure systematic, objective process is followed using developed CEO role profile and future strategy
4. Support the new CEO and build plan for appropriate mentoring

NomGov or CompOrg Committee Chair

1. Shift responsibility from the committee to the entire board

CEO

1. Support the board’s decision
2. Allow the board to make the final decision
3. Develop plan for transitioning to next role
4. Support the new CEO and provide appropriate mentoring

STAGE 6: SELECT THE SUCCESSOR (cont.)

CHRO

1. Support the board's decision
2. Build plan for transitioning sitting CEO out and new CEO into the role
3. Serve as a conduit for communication between the board and both the outgoing and incoming CEO and between the CEOs
4. Conduct background check if not previously completed

External Consultants

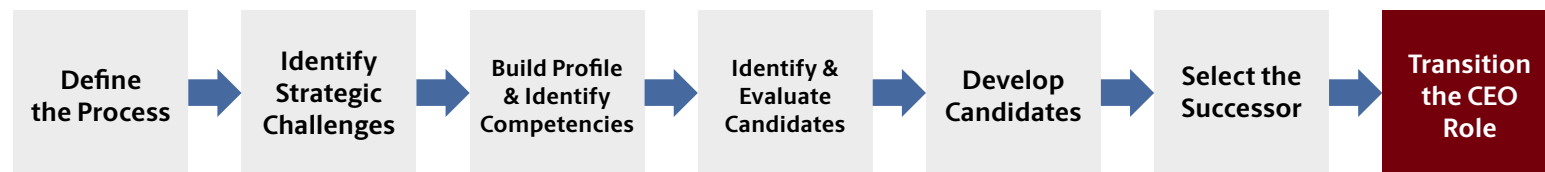
1. Possibly help facilitate the discussion while remaining completely objective
2. Ensure CEO has plans for work/life post-CEO

Company Specific Actions

Our company will take the following steps:

STAGE 7: TRANSITION THE CEO ROLE

“The more you can organize an orderly transition, the more successful the process will be. The incumbent CEO needs to impart insight to the new CEO, needs a transition period and needs the board to communicate their expectations. The board needs to give the new CEO the benefit of the doubt for some time, show belief and stand behind them. Be careful of putting unnecessary pressure on the new CEO.”



Key Activities

1. Develop a structured plan for assimilation
2. Perform listening and town-hall tours
3. Create opportunities for outgoing and incoming CEO to meet key external stakeholders
4. Define the specific timeframe in which the transition of responsibilities will occur
5. Identify the incumbent CEO's role after the transition occurs and provide mentoring for the CEO as they transition
6. Define the board's role in assisting the new CEO, communicate board expectations to the new CEO and provide mechanisms to mentor the new CEO

Potential Pitfalls

1. Board members disengage after selection
2. Incumbent CEO creates power struggles or inadvertently hovers over the new CEO's authority and decision-making

3. New CEO fails to communicate their vision clearly enough to stakeholders
4. Lack of on-the-job training between the outgoing and incoming CEO
5. The incumbent CEO disengages
6. The executive leadership team loses important members or replacements do not have necessary capabilities

Key Roles and Responsibilities

Lead Independent Director

1. Help incoming CEO understand the position
2. Clearly communicate the board's performance expectations
3. Communicate with the new CEO
4. Define the incumbent CEO's role after the transition and help set expectations
5. Assist the incoming CEO on defining the appropriate executive leadership team

STAGE 7: TRANSITION THE CEO ROLE (cont.)

Outgoing CEO

1. Provide support for the incoming CEO
2. Find ways to make new CEO's job easier
3. Help the incoming CEO see aspects of the role that may not have been clear before
4. Help everyone in the organization understand that there is a new leader
5. Get out of the way

CHRO

1. Help new CEO navigate the landscape and communicate with all key stakeholders
2. Help formulate the CEO's leadership team and assist in its development
3. Provide new CEO mentoring and advice on potential derailers
4. Help the incumbent CEO to exit gracefully

External Consultants

1. Provide assistance to retiring CEOs to plan the next stage of their journey
2. Provide mentoring and advice to the incoming CEO or provide access to mentoring opportunities

Company Specific Actions

Our company will take the following steps:

APPENDICES

**Checklists to aid in facilitating CEO succession
planning processes and best practices**



CEO SUCCESSION PLANNING RESPONSIBILITIES CHECKLIST

FOR LEAD INDEPENDENT DIRECTOR KEY ACTIVITIES

1. Define the Process

Take authority for the succession planning process
Communicate the appropriate roles and responsibility to both the incumbent CEO and other directors
Establish a timeline for the transition
Communicate the timeline with the remainder of the board
Ensure proper communication and cooperation with the sitting CEO
Mobilize and engage all board members
Guide board's attention to appropriate level of organizational talent given timeframe succession is likely to occur
Discuss each board member's timeframe for retaining board seats to ensure continuity and stability in transition
In concert with directors, determine if board departures need to be accelerated or if new directors need to be onboarded to support transition

2. Identifying Strategic Challenges

Challenge the board to think about the strategic direction of the company
Independently conduct strategy assessments with board members individually
Share collective insights from individual discussions
Lead processes to scan the company's external environment for relevant trends, to analyze the industry and to assess internal strengths and weaknesses

Lead the development of the likely future strategic direction

3. Developing the Role Profile

Lead development of the CEO role profile and identification of relevant competencies
Lead board discussion related to identifying desired characteristics
Focus the board on the competencies that will be needed going forward for strategic considerations
Help the board to see the incumbent CEO's competencies accurately

4. Identifying and Evaluating Candidates

Work with the CEO to identify candidates and gain appropriate information
Work with the CHRO to identify accurate descriptions and evaluations of potential candidates
Define process for objective, systematic assessment of candidates
Develop opportunities for directors to independently evaluate candidates
Lead process to identify and vet outside candidates
Fill potential talent gaps with senior leaders who have succession potential early in the process

5. Developing Candidates

Help the board understand if the developmental opportunities are occurring
Help the board understand how the development is working

Assist in restructuring the organization and defining the opportunities necessary for development

6. Selecting the Successor

Ensure systematic, objective process is followed using developed CEO role profile and future strategy
Solicit input from all board members
Build consensus prior to final vote
Consider roles and opportunities for candidates who are not selected
Lead process to outline board's expectations for new CEO

7. Transitioning the CEO Role

Help the incoming CEO understand the position
Clearly communicate the board's performance expectations
Actively seek opportunities to communicate with the new CEO, including regularly scheduled communications as necessary
Maintain the engagement of other directors in assisting the new CEO
Define the incumbent CEO's role after the transition and help set expectations for the incumbent CEO
Assist the incoming CEO on defining the appropriate executive leadership team to executive their likely strategy

CHECKLIST FOR NOMINATING/GOVERNANCE OR COMPENSATION COMMITTEE CHAIR KEY ACTIVITIES

1. Define the Process

- Define the pool of candidates
- Monitor the performance and development of internal successor candidates
- Explore the external market for candidates
- Find opportunities to meet with high-potential external candidates

2. Identifying Strategic Challenges

- Assist the Lead Independent Director and/or consultant in identifying future strategic challenges
- Support Lead Independent Director's efforts to engage the board

3. Developing the Role Profile

- Assist the Lead Independent Director in developing the future CEO role profile and related competencies

4. Identifying and Evaluating Candidates

- Define with committee the process for ongoing evaluations of candidates
- Gather information on candidate strengths and weaknesses
- Encourage committee members to remain objective
- With Lead Independent Director, determine if it is necessary to hire external candidates for potential development as successor
- Work with Lead Independent Director to identify, recruit and onboard external candidates if desired
- Develop systems for systematic, objective assessments of internal candidates

5. Developing Candidates

- Create development plans for internal candidates
- Monitor onboarding of externally recruited candidates
- Monitor candidates' development plans
- Monitor candidates' emerging strengths and weaknesses relative to the scorecard
- Seek information on candidates' performance in roles

6. Selecting the Successor

- Shift responsibility from the committee to the entire board

7. Transitioning the CEO Role

- Help incoming CEO understand succession planning for their role

CHECKLIST FOR INCUMBENT CEO KEY ACTIVITIES

1. Define the Process

- Communicate expected transition timeline to the board
- Work with the board to identify a reasonable timeline
- Assist the board in running the process

2. Identifying Strategic Challenges

- Provide the board necessary information to think about future strategic goals
- Provide appropriate insight into likely strategic challenges as warranted

3. Developing the Role Profile

- Facilitate the board's understanding of the tasks and responsibilities that can help the company be successful

4. Identifying and Evaluating Candidates

- Provide the board accurate information about candidates and candid assessments about the potential success of candidates
- Provide opportunities for board members to objectively evaluate candidates in various settings
- Assist in the identification of external talent that might add value to the organization
- Recruit and onboard external talent to fill talent gaps
- Have realistic conversations with candidates about the process

5. Developing Candidates

- Provide developmental opportunities for board-identified candidates
- Consider restructuring the organization to provide new and challenging opportunities in line with growth profiles
- Begin delegating some CEO tasks to candidates to provide challenging opportunities and assess potential

6. Selecting the Successor

- Support the board's decision
- Develop plan for transitioning to next role
- Support the new CEO and provide appropriate mentoring
- Ensure the board continues to be apprised of transition timeline

7. Transitioning the CEO Role

- Provide support for the incoming CEO
- Find ways to make the incoming CEO's job easier
- Help the incoming CEO see aspects of the role that may not have been clear before
- Meet with key external stakeholders with the new CEO
- Slowly delegate additional CEO tasks to the new CEO in advance of the expected transition date
- Help everyone in the organization understand that there is a new leader
- Get out of the way

CHECKLIST FOR CHRO KEY ACTIVITIES

1. Define the Process

- Develop a credible and trusting relationship with the board and display objectivity in discussions
- Help the incumbent CEO understand the need for beginning the process early
- Help the CEO define their transition timeframe
- Assist the board in establishing the succession process

2. Identifying Strategic Challenges

- Help the board distinguish between future goals and incumbent CEO attributes
- Ensure the board has adequate information to make strategic assessments

3. Developing the Role Profile

- Help the board identify competencies to accomplish future strategic goals
- Develop tools for the board to understand competencies that will be associated with future strategic goals
- Facilitate the opportunity for individual board members to understand the desired future competencies
- Help the board align on specific CEO competencies and build the role profile
- Develop a CEO scorecard to help coach potential successors and to help board members evaluate potential candidates (this will be a living scorecard that will evolve during the process and as the company's strategy changes)

4. Identifying and Evaluating Candidates

- Provide the board accurate information about candidates and candid assessments about the potential success of candidates
- Provide opportunities for board members to objectively evaluate candidates in various settings

- Assist in identifying and evaluating external talent
- Onboard external talent hired to fill talent gaps
- Have realistic conversations with candidates about the process

5. Developing Candidates

- Ensure that board members are spending time with many different candidates
- Assist the CEO in providing appropriate developmental opportunities for candidates
- Identify external opportunities to help candidates grow
- Assimilate senior external talent into the organization and provide opportunities for exposure to the board and the organization
- Maintain open dialogue with candidates regarding the need for external support should appointment occur
- Discuss with candidates their status, including whether they may choose to opt out of the process

6. Selecting the Successor

- Support the board's decision
- Build plan for transitioning sitting CEO out and new CEO into the role
- Serve as a conduit for communication between the board and both the outgoing and incoming CEO and between the CEOs
- Conduct background check, if not previously performed

7. Transitioning the CEO Role

- Help new CEO navigate the landscape and communicate with all key stakeholders
- Help formulate the CEO's leadership team and assist in its development
- Provide new CEO mentoring and advice on potential derailers
- Help the incumbent CEO to exit gracefully
- Provide information to the board regarding the effectiveness of the transition plan
- Ensure the board is communicating appropriately with the new CEO

CEO SUCCESSION PLANNING RESPONSIBILITIES CHECKLIST FOR USING EXTERNAL CONSULTANTS KEY ACTIVITIES

1. Define the Process

Hold candid conversations with board members and the sitting CEO to understand goals and objectives in the process
Assist board in defining appropriate milestones to meet transition timelines

2. Identifying Strategic Challenges

Lead discussions with directors to evaluate current strengths and weaknesses and likely future strategies
Aggregate directors' data to provide collective assessment for discussion
Lead discussions with the board to achieve consensus on likely future strategy

3. Developing the Role Profile

Provide support for developing a scorecard and for matching competencies to strategies

4. Identifying and Evaluating Candidates

Provide suggestions for potential outside candidates
Perform assessments of internal and external candidates in line with the role profile

5. Developing Candidates

Begin discussion with CEO regarding life/work post-CEO

6. Selecting the Successor

Possibly help facilitate the discussion while remaining completely objective
Discuss plans for work/life post-CEO role with incumbent CEO

7. Transitioning the CEO Role

Provide assistance to retiring CEOs to plan the next stage of their journey
Provide mentoring and advice to the incoming CEO or provide access to mentoring opportunities

OVERCOMING COMMON CEO SUCCESSION PLANNING PITFALLS

Stage 1: Define the Process

NOTES:

Potential Pitfalls

1. A systematic process is not followed, creating the potential for decision making biases related to overconfidence, confirmation and planning
2. Board loses control of the process or CEO attempts to co-opt the board's authority
3. The board fails to begin the planning process
4. The time required to complete the process is not properly assessed
5. Board members fail to devote enough time and energy to the topic and process

Tactics to Avoid/Overcome Pitfalls

1. Define an objective, systematic process up front and ensure it is followed throughout
2. Ensure lead independent director establishes the board's authority from day one
3. Hold at least one board meeting per year dedicated to the topic of CEO succession planning and activities to ensure preparedness
4. Build succession planning as a dynamic capability that is a part of the company's talent management fabric to avoid difficult conversations catching individuals offguard

OVERCOMING COMMON CEO SUCCESSION PLANNING PITFALLS (cont.)

Stage 2: Identifying Strategic Challenges

NOTES:

Potential Pitfalls

1. Selecting the “best” successor without considering what the company needs for success
2. Prematurely selecting a successor and ignoring subsequent changes which alter the necessary skills for the position
3. Board fails to achieve alignment on the future strategic direction of the company
4. Analyses are obsolete or carried over from prior years and fail to adequately reflect changes in the environment
5. Combined group consideration may limit some from sharing their perspectives or lead to premature coalescence on strategy
6. Future strategic challenges are not closely linked with the company's expected challenges

Tactics to Avoid/Overcome Pitfalls

1. Regularly conduct assessments of the company's future strategic challenges
2. Conduct future strategy development (or revisit prior iterations) within 18 months of succession and at time of selecting the successor to ensure its relevance
3. Ensure strategic challenges are revisited at least every 5 years rather than relying on prior strategic iterations
4. Hold independent conversations with directors regarding strategy and CEO capabilities to avoid groupthink
5. Provide systematic process for assessment of challenges grounded in data, such as company-level risk assessments

OVERCOMING COMMON CEO SUCCESSION PLANNING PITFALLS (cont.)

Stage 3: Developing the Role Profile

NOTES:

Potential Pitfalls

1. The board fails to adequately address strategic challenges before trying to develop role profile
2. Directors rely on “gut” feelings rather than a defined role profile and related competencies
3. Board places focus on one attribute rather than a complete set of desired competencies leading to tunnel vision about a specific characteristic or person
4. Board builds a role profile or desired set of competencies to replicate the incumbent CEO or support the selection of an already-identified candidate

Tactics to Avoid/Overcome Pitfalls

1. Ensure the board considers strategy prior to developing a role profile
2. Provide process to develop role profile based on strategy rather than individual characteristics
3. Rely upon CHRO or third parties to help conduct process to map strategy onto a CEO role specification
4. Focus on future industry/business challenges to distinguish next CEO role profile from incumbent CEO profile

OVERCOMING COMMON CEO SUCCESSION PLANNING PITFALLS (cont.)

Stage 4: Identifying and Evaluating Candidates

Potential Pitfalls

1. Board members become enamored with superficial or inappropriate attributes
2. Myopic focus on a single candidate
3. Too little time is allocated to evaluate candidates
4. Candidate evaluations are not linked to the role profile developed
5. Directors lack objective information about candidates
6. Assessments of internal candidates are not conducted objectively
7. External candidates are not thoroughly vetted
8. External candidates are brought on board too close to the succession or as a singular option
9. Prior evaluations lead to discounting of future negative information

Tactics to Avoid/Overcome Pitfalls

1. Create systematic, objective assessment processes designed to evaluate candidates in line with role profile
2. Build assessment processes as ongoing part of company's talent management culture
3. Use third parties to provide objective ratings of candidates
4. Provide assessment opportunities across multiple formats both inside and outside of the boardroom, including without the incumbent CEO
5. Ensure that new information is weighed appropriately with existing data on candidates
6. Examine external market for skills and capabilities several years in advance of potential succession

7. Develop recruiting and onboarding capabilities to bring on external talent and ensure success
8. Have directors conduct independent evaluations of talent before discussing as a group

NOTES:

OVERCOMING COMMON CEO SUCCESSION PLANNING PITFALLS (cont.)

Stage 5: Developing Candidates

NOTES:

Potential Pitfalls

1. CEO alters developmental opportunities to promote/encourage the selection of handpicked successor
2. CEO delays developmental opportunities to retain their position
3. Boards are too deferential to the incumbent CEO in creating developmental plans
4. The process begins too late to provide the appropriate developmental opportunities
5. External coaches or mentors influence board decision-making to one candidate
6. Candidates fail to listen to mentors/coaches to overcome weaknesses
7. Candidate shortcomings or failure to develop are overlooked or discounted

Tactics to Avoid/Overcome Pitfalls

1. Ensure the board is involved in identifying the appropriate development opportunities for candidates
2. Lead independent director communicates with CEO regarding board's expectations of the developmental opportunities to be provided
3. Developmental opportunities are provided at least 3 years in advance of succession (allows for at least 2 years in role, if necessary)
4. Board, CEO and CHRO have important conversations around candidates' ability to develop, including why successful and appropriate attributions for failure

OVERCOMING COMMON CEO SUCCESSION PLANNING PITFALLS (cont.)

Stage 6: Selecting the Successor

NOTES:

Potential Pitfalls

1. Decisions are made based on momentum rather than careful deliberation
2. CEO biases decision rather than the board following a systematic, objective process
3. Strategy and needed capabilities change after candidates are evaluated, but momentum cannot be slowed or stopped
4. Incumbent CEO delays timeframe or retains undue influence over the decision
5. Candidates force the board to make decision earlier than expected

Tactics to Avoid/Overcome Pitfalls

1. Board takes authority for the decision, independent of management
2. Directors reach unanimity via discussion in the boardroom rather than side conversations
3. Final board vote should be unanimous to signal support to new CEO
4. CEO provides their input but is not involved in the selection
5. Lead independent director helps CEO establish transition timeframe but communicates board's timeline as needed
6. Board maintains transparent, honest conversation with CEO and candidates around likely timeframe
7. Prior to selection, board ensures that new information does not influence future strategy or candidate suitability

OVERCOMING COMMON CEO SUCCESSION PLANNING PITFALLS (cont.)

Stage 7: Transitioning the CEO Role

Potential Pitfalls

1. Board members disengage after selection
2. Incumbent CEO creates power struggles or inadvertently hovers over the new CEO's authority and decision-making
3. New CEOs fail to communicate their vision clearly enough to stakeholders
4. Lack of on-the-job training between the outgoing and incoming CEO
5. The incumbent CEO disengages
6. The executive leadership team loses important members or replacements do not have necessary capabilities

Tactics to Avoid/Overcome Pitfalls

1. Discuss beginning of next CEO succession process at the next board meeting
2. Incumbent CEO's role is clearly defined and physically distant from the new CEO and other executives
3. Lead independent director maintains constant line of communication with new CEO
4. Board develops transition plan with incumbent CEO prior to announcing succession
5. Board helps incoming CEO think about building the executive leadership team prior to transition occurring
6. If desired, develop plans to retain key executives who are not selected

7. Create a communication plan for internal and external stakeholders for new CEO
8. Set performance expectations for new CEO before they begin the job

NOTES:



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