

## Helping the Board Oversee Succession Planning

BY DAVID CREELMAN AND ANDREW LAMBERT (2012)

**One of the most important roles of a governing board is to ensure good succession at the top – finding the best people and ensuring a smooth process.** Much of the focus is inevitably on CEO and chairman appointments. Getting these decisions right or wrong self-evidently has a deep and lasting impact on the organisation's direction, performance and reputation.

Many eyes are on the board before, during and after these decisions – investors and their advisers, potential successors, employees in general and senior managers in particular, competitors, business partners and suppliers. Large organisations can now find themselves in the harsh glare of publicity, with reporters following every step of any boardroom split – as with HSBC in 2010 – and digging into personal background, as Bob Diamond found at Barclays even before public anger about highly-paid bankers started to boil over.

Some boards are clearly better prepared than others. Here are some important issues to be addressed.

- **Clarity about the 'leadership' required**

How thoroughly does the board address what good leadership means in their organisational context? 'Leadership' is open to multiple interpretations. Boards need to be clear internally and with key audiences about the depth and results of their analysis, and how that fits organisational needs and challenges.

For example, widely varied candidates suggests shallow thinking/consensus, yet a narrow selection can indicate closed minds. Where should the choice lie on the sliding scale between contraction or growth leader?

- **Looking more broadly than a CEO**

Some boards have done no more than pick a CEO and then hope for the best. Genuine succession planning covers all the top team members, and extends beyond to rising talent. Boards must ensure this is done well.

- **Functional leadership**

Does the board know what excellence looks like in functional leadership – finance, marketing and brand, HR/OD, IT, legal, corporate communications and any critical specialist areas? Few CEOs are omniscient in this respect, and having breadth of experience in board membership can be an important safeguard.

- **Diversity**

Boards have hitherto been much criticised for perpetuating 'old boy' cliques. Are they now building diversity into development of successors, not just the final choice? Do they address diversity of thinking, experience and culture, not just gender, to meet the challenges of globalisation and left-field competition?

- **Talent management**

Is there clarity about the 'what' and 'why' of sourcing talent internally and externally? How well does the board ensure that talent and succession management is a core skill of executive management? Do board members get out into the organisation enough to experience the depth of talent pools at first hand?

- **Rigour**

Selection and assessment practices at the top have historically been pilloried for their laxity – and even now insiders in some major companies complain of lack of rigour, especially in CEO appointments. Decisions can be driven by what's available, rather than what planning has proposed as suitable. Do you allow the headhunters to run the show? Or do you have a world-class continuous and end-to-end process? Does your Nominations Committee ensure the whole board is well-equipped in managing succession?

- **Contingency planning**

Surprises happen – and some boards are more prepared than others. How tough, honest and far-reaching are your discussions about ‘what if’ scenarios’?

- **Avoiding paternalism and favouritism**

Companies controlled by small groups of individuals can be vulnerable to criticism about their commitment to meritocracy. However this also applies to publicly-owned companies wherever paternalistic cultures flourish.

- **Using your professionals**

As recruitment, selection and assessment are core people processes, a chief people officer in principle is the top professional on hand to offer insight and knowledge. Additionally, he or she should be the person who knows most about both internal talent and external search. How well does your board use its CHRO?

*A few boards still shut CHROs out of top appointments – is this through neglect or not ensuring the right calibre of CHRO? Also, CHROs need to be tough enough to guide headstrong CEOs to make wise choices – do boards support them in this? Use of headhunters is a delicate process – CHROs should be used to ensure transparency, rigour and value. Where CHROs are appointed who are not ‘people professionals’, they may need to lean on other more qualified colleagues.*

---

## **The chief people officer’s part**

Our research shows that most often it is the chief people officer that is the most keen to ensure that their board’s capabilities and processes in succession management are something to be proud of.

CHROs point out that it can take some time to develop a board to exercise effective oversight of management’s talent and succession approach, and to become ‘squeaky-clean’ in managing their own part in the process. This can include some shifting out of the old guard and old ways.

The increased attention paid in boards to **risk management** has been especially helpful, as succession management is one of THE most vital risk mitigation levers an organisation possesses.

But clearly this is not just a question of what the board does. The orientation and ability of the CEO will in particular shape both what the top executive team and board are capable and willing to do – for good or ill.

These are some areas that top CHROs are focusing on.

- Educating top executives and board members in what good succession management looks like.
- Designing a succession approach that fits the organisation’s future direction of travel.
- Connecting succession decisions with a holistic and thorough approach to talent management.
- Ensuring diversity is tackled as a core people policy issue, not as a knee-jerk reaction to criticism.
- Providing succession data that is succinct, insightful, interesting and a platform for wise decisions.
- Ensuring board members can experience the organisation’s succession pipeline.

*Ultimately a board needs to be demonstrably capable in performing both its own part in succession management – appointing CEOs and senior executives – and in overseeing the effectiveness of executives in the broader succession decision-making, planning and communication processes. This is fundamental to good risk management as well as building a reputable employer brand. Ensuring they have a well-qualified HR function in support is an essential part of that.*

**If you would like to ensure your approach is truly robust, take advantage of our experience in these issues, by contacting us at [david@creelmanlambert.com](mailto:david@creelmanlambert.com) or [andrew@creelmanlambert.com](mailto:andrew@creelmanlambert.com).**

Creelman Lambert North America office  
63 Cambridge Avenue, Toronto,  
Ontario, M4K 2L2, Canada

Creelman Lambert Europe office  
50 Riversdale Road, London, N5 2JT,  
United Kingdom