BUSINESS CONTINUITY


INGIMAGE©

THE CEO SUCCESSION PLAN

Boards must identify viable candidates – **Ralph Ward** and **Dr. Muneer Muhamed**

A CEO whom we know has been planning for three years in a row to leave his company. However, the board persuaded him to continue for yet another year. They insisted that a succession plan should be in place before he can relinquish his responsibilities.

This would have been his 'freedom year' but for the unexpected occurrence of the COVID-19 pandemic. The board doesn't feel a new person can succeed in a global situation where coronavirus is running amok.

> CEO succession planning has long been inconsistent

CEO succession planning has long been inconsistent among corporations the world over, and its praxis is often vague and reactive on who could be the next in line to take over. The planning and development of talent for top roles are in place in many organisations but what's missing is the CEO succession plan.

How current and actionable are emergency succession plans in your own company?

The COVID-19 crisis has shaken up a number of certainties about how effective executive succession planning really is. So here are a few questions you can ask yourself… to find out if you have a succession plan in place in your business or enterprise.

First of all, is your 'plan' really a plan?

We find that many of our clients realised the harsh reality of dud succession plans at this time. A survey of over 50 percent of S&P 500 companies found that all believed they had emergency succession plans. However, only about 20 of them had a formal written plan.

This is defined as who does what and precisely how the plan will be implemented. Simply writing down a name and tucking it into an 'open in case of an emergency' envelope is not a plan in the proper sense of the word.

Is the plan deep and flexible?

The best practice today is to demand that the current CEO, top team and board craft a crisis plan that can be implemented immediately, smoothly and flexibly. Organisations should have at least two or three names on the list. This goes beyond assuring leadership in case the same bus hits both options.

If the present CEO has an unfortunate accident and the current strategy is working, you may have a best case successor. But what if the CEO leaves due to a scandal or other exigency, or an activist investor demands a change?

You will then want another name to be in that envelope – someone who can take charge and lead, as well as shake things up.

Consider a three month emergency successor from the board who can step in until a longer term inside successor can take the reins.

Will we need a temporary CEO?

When British Prime Minister Boris Johnson was temporarily laid up due to COVID-19, the political system in the UK was rather shaken up because no provision had been made for a short-term fill-in prime minister.

Similarly, what will happen if your company faces such a situation and the chief executive has to be out of circulation to recover from illness or injury? How much regular duties can he or she handle during convalescence (if any) and for how long?

When we face a virus that is highly infectious and debilitating, such a temporary understudy CEO plan is a must.

Should succession plans be different now – and if so, how? Even assuming you had all the above-mentioned elements in place at the beginning of 2020, the world has changed, and so has your view of your leaders and their skills.

While the pandemic may not have changed the world, it has accelerated the changes that were visible a year or two ago; and it certainly feels different for the uninitiated. CEOs need more resilience, agility and ability to lead by example. It's also possible that potential successors may have shown themselves to be not up to the radical demands of the past 12 or so months.

Many rising executives who came of age during the economic crisis of 2008 haven't faced a trauma such as this. Is your board building a review of crisis responses and results into its talent evaluation?

Some of our client boards are undertaking a second leadership assessment of their current leaders and also searching for outside talent. We have heard of two boards seeking external candidates who have been through prior crises and recovered.

Moving forward, the pandemic is expected to shake up long-term succession planning in other ways too. We predict that there will be many CEO hires from industries that are different to theirs but some boards may play it safe by sticking with recruits from closely allied fields.

As is common during a crisis, boards are sticking with their current talent lineup for the time being, meaning less immediate top executive turnover. But though change slows during a crisis, it springs back in a year or two.

CEOs who aren't up to the demands of 2020 will be vulnerable this year. Investors and regulators have prodded boards to disclose more on their succession plans over the past few years.

Expect them to be very demanding on this next proxy season – whether or not there's a lull in the spread of the pandemic going forward.

**Ralph Ward is an internationally recognised writer and commentator on the role of boards of directors.
Dr. Muneer Muhamed is the cofounder and chief evangelist of a nonprofit organisation.
Follow them on Twitter@Muneermuh.**