

NACD Florida - December 2006

"Lessons Learned" - Management Seccession Tips

It's your board's job to select the CEO. It's the CEO's job to select the management team.

Many succession studies and reports focus only on CEO succession. Our experience indicates it's a mistake for your board to focus only on the last step in the succession process.

CEO succession starts several levels down in your organization – it's the result of consistent internal management development. It's important for your board to help the CEO establish an environment that encourages every manager to build a team of quality people. It's a tough job as your board is not in a position to 'micro-manage' this development process.

Future CEO's need diverse management experience – encourage the CEO to move/promote potential 'stars' to positions throughout your organization. Individuals with diverse corporate experience and perspective are better qualified to advance to executive positions. Internal management succession at any management level is dependent on having capable people who can be promoted without creating a chain reaction of succession problems.

The following points outline some actions your board can take to better understand the depth and quality of your organization's management team:

- Your board needs to have regular professional contact with senior managers
 - See your team in action at every board meeting – with board Q & A.
 - All executives to remain in board room during all management reports.
 - Board members only session following management reports.
 - Board committees should work directly with senior managers (audit, HR, etc)
- Your board needs to be aware of management attitudes several levels down
 - Positive/Secure > "I can't get promoted if I don't train successors."
 - Insecure/Negative > "I can't get fired if I don't have a successor."
 - Indispensable Attitude > "I don't need to train a successor."
 - Protectionist Attitude > "I can't afford to lose Sally, she's essential."
- Periodic (at least annually) management assessment (Board or Comp Committee)
 - Review organization chart with CEO and discuss all changes 3 levels down.
 - Review all senior positions (1st level) with CEO.
 - Review 2nd/3rd level management with CEO & HR Director.
 - Ask CEO & HR which managers build the best teams based on talent.
 - Private interviews with 1st level managers – ask each about their people.
- Regular Executive Sessions (CEO excused, outside board members only)
 - Executive sessions are your board's most important governance tool.
 - Open discussion of management depth – share any concerns with CEO.

CJT