Perhaps no aspect of the CEO and board relationship has undergone more dramatic change over the past decade than CEO succession planning. In years gone by, CEO succession was driven almost entirely by the CEO, with fairly minimal board involvement. Boards rarely challenged the CEO’s selection of a successor, and they typically ratified that choice with minimal debate, taking the view: “The CEO knows the job and knows his people better than the board ever will. Why would we seek to interfere with the CEO’s recommendation?”

This statement is still true today: The CEO does know the job and his people better than the board ever will. Yet, as boards have become more engaged over the past decade, they have looked to play a more assertive role in CEO succession planning. After all, the choice of CEO is the single most important decision any board will make (apart from the sale of the company, or a very significant merger or acquisition). In the National Association of Corporate Directors’ 2009 Public Company Governance Survey, over 90 percent of respondents rated CEO succession planning as a “critical” or “important” board responsibility. However, when asked to rate their own boards in the area of CEO succession planning, only 16 percent said they were “highly effective,” while nearly 30 percent rated themselves as “not effective” in this critical area.

Boards are still largely finding their way in the area of CEO succession planning. They recognize the vital importance of this
decision in terms of its impact on the company and its shareholders. They are no longer content to make it without having done their own due diligence to select the best candidate, and they are instituting rigorous succession planning processes. However, most are still experimenting with different approaches. Therein lies both the challenge and the opportunity for today’s CEO: to help the board put in place an effective CEO succession planning process that enables directors to arrive at the best succession decision without feeling that they are relinquishing control of the process to the CEO along the way.

Perhaps ironically, in the past three years, more than half of my CEO succession planning assignments have been initiated, not by the board, but by the CEO. In fairness, some of these resulted from situations in which the board told the CEO to get the process started. In other cases, the CEO felt that the board was dragging its heels on succession and feared that when the time came to designate a successor, directors would either force him to defer a planned retirement date or go outside to recruit a replacement simply because they hadn’t spent enough time overseeing the development of internal candidates. In more than a few instances, the CEO was genuinely concerned about whom the board would choose to succeed him, stating: “I don’t feel the board really knows my people very well at all, and I have a real concern that they are going to choose the person they are most comfortable with—such as the general counsel—rather than the person who is really the best qualified to take over the leadership of this company from me.” Once a succession planning process gets under way, these fears are often substantiated.

**CEOs Are Often Shocked by Directors’ Perceptions of Key Executives**

Several years ago, I worked with the board of a founder-led technology company preparing to undertake an initial public offering. The board had governed the company for seven years as a private entity, so directors had the same level of exposure to board issues and members of the executive team as any public company board might have had. Because the founder—a forty-three-year-old entrepreneur—was so critical to the company’s success, the board needed to discuss emergency succession planning: What would happen if he were hit by a bus? Yet board