



Planning for CEO Succession

Mapping out a plan for CEO succession is a complex undertaking. Criticaleye looks at the questions boards need to ask when deciding who should be next in line for the top job

The departure of a chief executive shouldn't throw an organisation into a full-blown crisis and yet, on a regular basis, that's exactly what happens. Panic spreads as stakeholders are gripped by the fear that a company is being run like a football club.

This wouldn't be the case if more boards talked openly about succession and senior executives were also prepared to have candid conversations about who might be next in line. From a leadership perspective, it's a mistake to lose sight of why succession matters.

Matthew Blagg, CEO of Criticaleye, says: "There is a worrying trend to recruit new CEOs externally.

"There absolutely needs to be more attention on promoting internally, so you're bringing people through >



who understand the culture, the customers and can focus on creating sustainable success.

“There is also a perception that current executive teams ought to be shaken-up and a raft a changes made. Does that create better performance? I’m not so sure.”

Look Within

Identifying future leaders can only result in better business performance over the long term. **Ian Gibson**, Criticaleye Board Mentor and former Chief Executive for the UK and Europe at Nissan Motor Company, advocates the idea of identifying and nurturing your own successor.

He adopted this approach back at Nissan over two decades ago. “Every CEO since then, and there have been three, has come from within the business. Every production director – that’s the big operational job there – has come from within and most of the sales executives too,” **Ian** says.

“Probably the thing I feel most proud of is the way the business has been able to develop its own senior executives for the past 20-odd years and remain very successful.”

Culturally, **Ian** argues that developing from within sends the right message. “It’s an approach that, when it beds in, fosters not only good counselling, mentoring, career development and relationships, it also creates a degree of co-operative working across the organisation.

“It also strongly mitigates against working in silos, where each of the senior team

“You should try to introduce a culture whereby it’s good to develop new people”

are intent on improving their own performance instead of the company’s.”

Jane Griffiths, Company Group Chairman at pharmaceutical company Janssen EMEA, which has approximately 40,000 employees globally, explains that managing directors are expected to identify a number of candidates for their own roles. “The more people do that, the more it becomes the modus operandi and other people realise it’s important to grow your own successors,” she says.

Jane looks favourably on individuals who have nurtured others: “You should try to introduce a culture whereby it’s good to develop new people and, if they overtake you, so be it – it’s going to happen to us all at some point. I have specific goals for some people that in the next 12 months they must have identified a ready-now successor, or developed one for three years on.

“The philosophy, where possible, is one of build rather than buy, but we recognise the benefits of bringing talented people in from outside as well.”

Mike Cutt, Criticaleye Board Mentor and Non-executive Director of mobile phone retailer Svyaznoy, agrees with

Jane’s ideas, saying that “every business I have worked in, I have told managers and leaders that one of their tasks was to have a successor for themselves”.

Uncertain Times

It would be overly simplistic and wrong to suggest it’s always better to promote internally. Naturally, external talent will be brought in at various levels, including the very top.

The problem is when the board’s default setting is to look elsewhere for CEO and senior executive level hires, especially when the HR function lacks the capability and authority to create the right ecosystem for a diverse mix of talent.

A good chief executive, in conjunction with a strong board, should have the power to influence these things. As **Matthew** of Criticaleye says: “When you try to bring people through internally, there’s always the case that some won’t make it but I guarantee others will rise to the challenge. Succession can only be good for the business.” ■

Featuring Commentary From:



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