



PLANNING FOR SUCCESS

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A planned programme for recruitment & retirement of board members is an essential tool for achieving a balanced board that encompasses the skills, experience and qualified individuals needed to deliver the company's objectives. Succession planning is all about taking a step back from the board composition as it currently stands and seeing it for what it could be. If done properly it ensures the right people are in place should the unexpected strike.

Board composition and succession planning should be regularly reviewed on a formal basis, taking account of the needs of the company going forward, each director's length of tenure and the need to refresh membership of the board. It would not be incorrect to say that succession planning is a strategic issue and not just one of periodic refreshing of the board so as to avoid unhelpful entrenchment of views, practices and filling of occasional vacancies as they arise. Our experience facilitating board evaluations as a third party echoes the lack of focus many boards give to planning for orderly succession.

The board of directors must try to ensure a smooth succession, with a replacement lined up to take the place of the departing individual. Apart from that the key positions on the board of directors, the chairman of the board and the CEO, will retire or resign at some time, e.g. because the individual has reached retirement age or has come to the end of a fixed-term contract. A failure to plan for the orderly succession of your leadership team can mean the organisation is left without the right skills and experience to succeed – irrespective of the company's size and ownership structure.

Succession planning is important not only for the board, but also for the membership of board committees and senior executives, who will be in the frame for appointment as executive directors. It might be, that a senior executive might be suitable for appointment to the board provided certain aspects including a person's skills and abilities are improved and a timeline is provided within which the improvements need to be achieved. Training and personal development programmes can then be put into place to ensure the senior executive is ready for appointment to the board at such appropriate time. Appropriate training and personal development for each individual director depends on each director's personal situation

Failure to prepare

Succession and development plans are one of the core concerns that must be considered in a performance review. The problems often begin with failure to align succession planning with the company's business objectives and longer-term strategy.

In case of a departing CEO, the successor might be an existing executive manager who has been prepared for the role. It may be an external appointment, but this may only indicate to investors that the company has not prepared sufficiently for the eventual succession and an external appointment is made because there is no one 'good enough' within the existing pool of executives.

The question now arises as to who should be driving the various aspects of succession planning: HR or the chairman? *And, who should and should not – be involved in these sensitive discussions?* In general the responsibility for ensuring that this is given appropriate priority and attention the task is delegated to the nomination committee on behalf of the board. The chairman has responsibility for ensuring that the composition of the board is appropriate and may discuss his or her ideas with the chairman of the nomination committee. Also important is the role of a company secretary who can play their part in scheduling constructive board discussion at the most appropriate time, with all the relevant information available to aid decision making.

Dealing with succession issues require skillful handling by the nomination committee, particularly in cases where the company is facing market challenges. The right leaders for today may not be a right fit for tomorrow. Developing a pool of talent with the skills and experience to allow an organisation to thrive in the future can take significant investment and effort over several years. It is one of the reasons why many boards conclude that the efforts involved outweighs the potential benefits. However regardless of the issues that may arise the committee must continue considering succession on a regular if not continual basis.

On a more fundamental level, it is easy to forget that high-quality succession planning creates a long term investment by the nomination committee and helps develop a clear sighted strategy for the future leadership of the company. Some areas for consideration by the nomination committee in developing a succession plan for the board include the following:

1. Clarifying roles and responsibilities.
2. Formally document the plan, policies and a written plan that is approved by the board.
3. Understand the company's board culture and dynamics.
4. Consider the strategic direction of the organisation when determining future requirements.
5. Plan in advance – be aware of the current tenure of each board member.
6. Have contingency plans in place. There are many factors that can compromise your ideal board succession planning scenario, among them illness or an organisation crisis.
7. Utilise internal support – usually the company secretary or HR director, who are familiar with the processes and requirements.

Conclusion

A key feature of succession planning is that it should happen in advance. It should not be a reactive measure to board appointments when vacancies unexpectedly arise. Another important consideration is to seek to close the gap between the current leadership talent and what is required in terms of company's long-term success.

Despite a great deal of emphasis on gender diversity, organisations are still failing to create a diverse workforce. Hence, the requirement to increase the proportion of women on the board should also be taken into consideration in succession planning.

The first step is to identify the right profile of skills and expertise required which must also include leadership and behavioral competencies.

Next is to assess the talent in the existing leadership development pool of the company and willingness to take up the new role. Targeted development trainings and mentoring support can prove highly useful at a stage of transition to help build leadership skills.

Companies which have effective succession planning practices tend to:

- Dig in deeper into the company for executive talent
- Identify and recognize what skill set is needed to support the business strategy
- Provide comprehensive development opportunities to fill gaps

These are just some ideas to achieve a well-executed succession plan. With so many different factors in play, not all of these can be anticipated; companies would then need to take a more proactive approach. Once the company's succession plan has been determined, this will need to be drawn out into action plans for managing succession of particular roles. A detailed and agreed specification of the required role, setting out the skills, knowledge, experience and personal attributes required of the replacement.

The chairman's vision for achieving the optimal board composition will help the nomination committee review the skills required, identify the gaps and inform succession planning. By conducting formal succession planning at least once a year it is more likely these situations can be pre-empted, enabling implementation of more orderly solutions.