

Pearl Meyer

Succession Case 1
“I’m Never Leaving!”

Corporate Director
Case Materials/Handouts

Case 1: “I’m Never Leaving!”

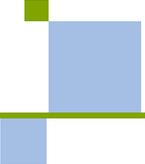
- The very experienced board for B.I.G. company, publicly traded on the NYSE, is faced with addressing the succession of their long-term CEO David Granger.
- David is 68 years old and has been in his role for the past 18 years and the company has seen strong growth over that time, despite numerous challenges.
- The board has discussed executive succession over the years and has been presented with tentative plans, with two internal candidates for the CEO being developed: Vivian James and Daniel Baker.
- The two CEO candidates have presented at board meetings and have been at board dinners, but the board has been kept at arms-length from details regarding the readiness of these two candidates for the CEO role, as David Granger has not been interested in “going there.”
- There is also some “talk” (discreet sharing from CHRO Lila Frank), that current succession candidate, Vivian James, is getting impatient; she is a top CEO candidate and has been in waiting mode for the last 4 years.
- The Board sees that they must have a serious, clear succession plan that could be implemented sooner rather than later. The chair of the board, Madeline Wayne, has asked the compensation committee chair, Ralph Clark, to take on this effort.

Case 1 Table Instructions

Activity	Timing	Details
1. Case review Individually	5 minutes	<ul style="list-style-type: none">Consider the situation you have been faced with as a board of directors, comp committee chair, etc. <ol style="list-style-type: none">What's the problem/opportunity to be addressed?How would you handle the situation to begin to address the problem/opportunity at hand?
2. Total table discussion	10 minutes	Questions to discuss: <ol style="list-style-type: none">Agree on issues/opportunities to be addressed. Have you ever encountered a similar situation?What can the board/comp chair and others do to address this situation?What needs to happen to ensure success in this CEO succession process?What are the two most important take aways or learnings from this discussion?
3. Prepare to share case with broader group	5 mins	<ol style="list-style-type: none">Be prepared to share your thoughts on this case and top two take aways in the broader session.



Succession Process Helpful Tips



Executive Succession and Development Overview

The most important task of a board of directors is to choose the next CEO. It is important to have a well-planned CEO and executive succession process to ensure the effective identification and development of executive leaders for the future. The process is jointly owned by the CEO and board and involves the top three levels of leadership in the organization.

Key Factors to Consider:

- Start succession process at least 3-5 years or more prior to CEO retirement (many don't and wish they had)
- Define the strategic context for the future...what kind of organization will it need to be going forward?
- Clarify the CEO and executive team roles and the most important leadership capabilities needed to ensure organization success in the future
- Identify, assess, and develop internal candidates for the CEO and executive team roles as well as look outside for potential candidates over a 5+ year timeframe
- Engage the board in the process to keep them aligned, involved, and engaged, making it a process of "guided discovery and planned transition"
- Ensure there are sufficient internal and external candidates from which to consider to avoid being captive to any one candidate
- New CEO to begin tenure; ensure graceful exit of existing CEO

Stages in CEO/Executive Succession: A Multi-Year Transition

Years 0 through 3

Stage 1: Preparation

Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Establish leadership criteria and share overall succession process with board	Identify internal candidates	Evaluate candidate capabilities	Create initial development plans for internal candidates	Increase board interaction with candidates	Begin search for external candidates – if required, and identify search support

Years 4 and 5

Stage 2: Focus

Stage 3: Selection

Stage 4: Transition

Step 7	Step 8	Step 9	Step 10	Step 11	Step 12
Narrow internal focus on top 2-3 candidates (internal/external); involve board in selection	Plan for contingencies/retention/Departures; update leadership criteria	Further development of top 2-3 candidates	If external search is sole focus, ensure 18-month transition post selection	Make the final decision; CEO coaches successor prior to assuming role	Introduce successor and leave with grace; assuming board role

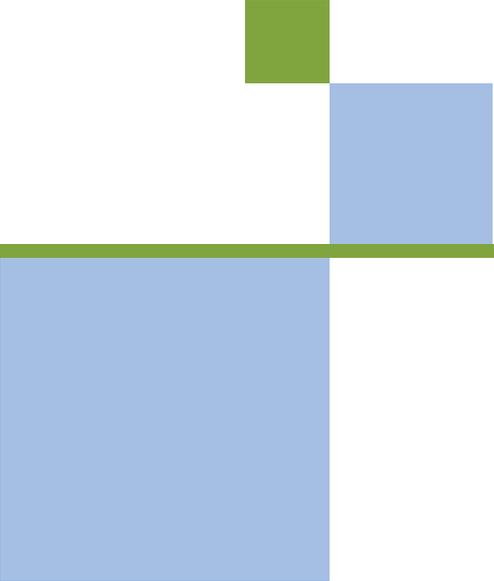
Succession Tips for Boards

Dos: Best Practices

1. Start early and have a process
2. Ensure the Board is appropriately involved for each phase
3. Create a CEO profile – grounded in the business strategy needs for leadership
4. Build a diverse pipeline, going deeper
5. Don't forget to manage the transition

Don'ts: Common Pitfalls

1. Treat this like a one-time event
2. Put little time to developing internal candidates
3. Have a CEO stay too long in role
4. Don't run a public horse race
5. Assume internal candidates will stay



Pearl Meyer

Susan Sandlund, Ph.D.
Managing Director

917-837-0153

susan.sandlund@pearlmeyer.com

Robyn Davis
Director

617-257-9003

Robyndavis0614@gmail.com

www.pearlmeyer.com