

Succession

Boards Must Look to the Future with a Thoughtful Succession Plan to Lead and Win

By Nels Olson, Tierney Remick, and Andrés Tapia

When Wayne Gretzky was asked what made him a great hockey player, he said, “I skate to where the puck is going to be, not where it’s been.” Boards should take that insight to heart in their own succession planning if they want to maintain the right mix of traditional director expertise and the relevant new expertise required to successfully guide their companies in the future.

These considerations are becoming even more urgent as directors face a number of new challenges. Boards have been aging and turnover is now increasing. That is partly because many seasoned executives who were recruited or retained to guide management teams through the uncharted waters of the 2008 global financial crisis postponed retiring and will be doing so in the next few years. That anticipated volume of retirements has, in turn, created demand for new directors—including an infusion of additional diverse candidates—many of whom are less experienced. A parallel phenomenon is occurring across management teams in companies large and small.

In addition to demographic shifts, companies are facing new and emerging competitors, activist movements, and operational and technological threats that will require new, innovative business strategies and solutions. As boards reexamine the experiences, competencies, and skills represented on their teams, we anticipate that strategic board succession will be a key priority for shareholders going forward.

The next generation of directors will be younger, with more varied experiences, including deep, functional expertise, in contrast to the critical operating

experience represented by the more traditional CEO director. And they will almost certainly be more diverse in terms of gender, ethnicity, and nationality. In short, they will have the relevant experience required to meet the emerging challenges of today’s dynamic market.

There are a few fundamental considerations for boards gearing up for this sort of change:

- **The board needs to have a succession plan of its own.** A thoughtful analysis of backgrounds, competencies, and knowledge will be essential in recruiting new directors. There must be a balance of wisdom and relevancy for boards to remain competitive and valuable resources for their companies. A commitment to succession planning and achieving this balance will help to ensure that boards and management teams will be well positioned to quickly recognize emerging opportunities and have the agility to act on them.

- **Culture change may be in order.** Engaging the entire board in board succession—including crucial pre-work to identify skills and experience lacking on the board, getting savvier about how leaders with diverse backgrounds may lead differently, and where they reside within their organizations—will help create understanding and support for recruiting different directors who can propel the success of the board and the company. Be prepared to address resistance from longtime directors if the board is to accept directors who don’t fit the old mold.

- **No one is born knowing what it**

means to serve on a board. The nature of board service continues to evolve and is dependent upon the size and global reach of an organization, making onboarding and integration key to high-performing boards. Experienced directors can help ease the integration process and ensure new directors more quickly become contributors. In addition, there are many excellent external director education programs.

Half the equation in ensuring that the best team is around the table is creating awareness and quantifying what the board needs to retain regarding director talent. The other half of that equation is recruiting those directors and integrating them inclusively into the boardroom.

Given the pace of change around them and the need to ensure a balance of experience and innovative new skills, directors should embrace the board succession planning process to make their team of the future a reality.



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