



The Enlightened Approach to Board Succession

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Article Highlights:

- Boards and individual directors face increasing challenges to step up their oversight of the corporations they serve.
- The journey towards enlightened governance and sustainable shareowner value begins with a highly engaged board and CEO.
- Enlightened boards do not wait until there is a vacancy before beginning the board succession process.

Current events show that boards, as well as individual directors, face increasing challenges from regulators, governmental officials, nongovernment organizations (NGOs) and shareholders to step up their levels of engagement in the oversight of the corporations they serve. Some shareholders lack such confidence in boards' leadership that they are campaigning to exercise power and influence over activities and decisions which previously were left to the boardroom.

At XCEO, we believe Enlightened Governance is the foundation for building sustainable shareowner value, with Extreme Personal Leadership as its cornerstone. Together, they form the board's value proposition for mitigating risk in the boardroom. While leveraging good governance is the key to building long-term shareholder value, it also provides the basis for earning broad-based stakeholder appreciation.

Enlightened governance provides a pathway toward improving boardroom effectiveness, but the journey begins with a highly engaged board of directors and an effective CEO. Their attitudes and behaviors are key performance drivers. Consequently, Board and CEO Succession have to be recognized as critical processes which have a significant impact on the board's overall effectiveness and ability to successfully deliver sustainable shareowner value.

Historically, effective CEO succession has been somewhat elusive, and board succession has received even less attention. After all, an organization usually has only one CEO at a time, but it is likely to have seven to twelve board members serving concurrently. Ironically, while there are fewer CEO positions than board positions, it has been more difficult to identify and attract outstanding CEO candidates than to recruit highly experienced executives to serve as board members.

In recent years, the situation has changed.

While it remains a challenge for organizations to recruit outstanding CEOs, it has become substantially more difficult to identify and attract outstanding directors who are capable, available and willing to serve. Counterintuitively, the recent increase in aspiring directors has further complicated the search process, as many lack the necessary qualifications to serve.

In this environment especially, in which it is both more difficult to find and retain the appropriate directors and boards face increased outside scrutiny, boards need guidance to develop a highly effective board succession plan.

At a very basic level, developing a board succession plan is identifying what actions to take when the organization decides to select a new board member. For an experienced board, establishing a process, identifying obvious needs and building replacement tables are very basic steps of thoughtful planning.

Enlightened boards are continuously and actively engaged in the board succession process and planning; they do not wait until there is a vacancy or an acute need before embarking on the process and planning. For the enlightened board, the board succession plan and the board succession process must be inextricably linked together.

The first step in a highly effective board succession process is determining the strength of the board by assessing the skill levels and range of experiences of the current directors. This includes profiling the collective competencies and characteristics the directors believe will add the most incremental value to the board. It should identify the most desired attributes, skills and experiences which will define the new board member.

While developing this profile, the board should use the incumbent directors as a benchmark for comparison. The board should ask: Do the current directors have the



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A board's effectiveness, as determined and measured by the board, is highly influenced by the strength of the attributes, skills and experiences of its directors. Therefore, boards should invest ample time and effort to effectively assess the board's attributes, skills and experiences in order to maximize value for its shareowners.

The second step of an effective board succession process is the director search. This has always been, and will continue to be, a critically important element of building highly effective boards. However, today's challenges require board succession models that enrich and accelerate the search process without compromising successful, established recruiting techniques.

Contemporary models such as the XCEO Board Succession process are development centric. They offer clients a unique advantage by allowing them to select from directors that have been developed and nurtured through a variety of rigorous activities. These candidates bring a sense of passion and commitment to the boardroom that inspires a constructive and highly knowledgeable level of engagement.

Obviously, there is no one prescription for all board searches. Different boards have different needs, and each individual board's requirements will change as it evolves. As a result, the best search firms offer a wide range of options, as we do at XCEO. Our clients may select from our inventory of XCEO developed candidates, define a set of specific skills and experiences for XCEO to develop on their behalf (build one) or, finally, pursue a traditional search.

Onboarding is the final critical, but frequently overlooked component of the search process. Done well, it enhances the value delivered by the new director and fast-tracks his or her assimilation into the board. It may be a value-added service offered by the search consultant, or be arranged by the board itself, but any board which does not provide an organized onboarding program to its new directors is preventing itself from receiving the full return on its investment in them.

Succession planning is a demanding process, but board composition exercises too much influence on companies' fortunes to be treated haphazardly. Boards which commit to active engagement in Board and CEO Succession will see disproportionate dividends in building sustainable shareholder value.

About the Author



Dr. Curtis J. Crawford

Dr. Crawford is President and CEO of XCEO, Inc. He is the author of *Corporate Rise: The X Principles of Extreme Personal Leadership*, *Compliance & Conviction: The Evolution of Enlightened Corporate Governance* and *Manager's Guide to Mentoring*.

Dr. Crawford currently serves on the Board of Directors of E. I. du Pont de Nemours, Xylem, Inc. and ON Semiconductor. Also, he is a Trustee of DePaul University. He previously served on the Board of Directors of ITT Corporation, Agilysys, Lyondell Petrochemical and The Sisters of Mercy Health Corporation.

He has served as Chairman of the Board of ON Semiconductor; Chairman, President and CEO of Zilog; President, CEO and Director of Onix Microsystems; and Chairman of the Board of ISTAT. Dr. Crawford also serves as a special advisor to several start-up companies.

He began his career as a systems engineer at IBM. Over 15 years, he held executive positions including Vice President of Marketing. During a ten-year tenure, Dr. Crawford was Group President of the Microelectronics Group and President of the Intellectual Property division of AT&T and Lucent Technologies.

Dr. Crawford earned his BA in Business Administration and Computer Sciences and a MA in business from Governors State University. He earned his MBA from the Charles H. Kellstadt Graduate School of Business at DePaul University, and a Doctor of Philosophy degree in Organization and Management from Capella University. In addition, Dr. Crawford has been awarded two honorary doctorate degrees, one from Governors State University and the other from DePaul University.

In 2011, Dr. Crawford was awarded the *B. Kenneth West Lifetime Achievement Award* from the National Association of Corporate Directors (NACD) for his contribution to corporate governance and for having made a meaningful impact in the boardroom.

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About Our Organization

At XCEO, Inc., we believe individual leadership is the driving force for inspiring creativity and ultimately maximizing intellectual capacity. We provide individual and corporate development in the principles of *Extreme Personal Leadership*®. We call this *X-Leadership* and it is the touchstone of our company.

In today's globally competitive world, intellectual property is a key indicator of long-term success. Corporations and individuals are seeking knowledge intensive solutions to sustain a competitive advantage. At XCEO, we offer *Professional Mentoring and Personal Leadership Development* programs, as well as *Corporate Governance and Board Leadership Development* programs, for high-aspiration individuals and forward-looking corporations.

Through our Professional Mentoring and Personal Leadership programs, we assist individuals in developing personal career and development plans to achieve senior executive-level positions. We also support corporations that recognize the need for a broad array of development options for their high-potential employees being groomed for senior leadership responsibilities.

As part of XCEO's pursuit of enlightened corporate governance, we have created the *Enlightened Corporate Governance Board Performance Evaluation Program* to support boards and directors in their pursuit of excellence. Through our program, we are leading the movement past compliance, toward principled action which maximizes shareholder value. We have designed a set of eight individual and board evaluation exercises which provide an exceptional opportunity for directors to take their boards to a whole new level of effectiveness.

XCEO is a unique research, development and consulting firm. We are committed to excellence and the pursuit of *Extreme Personal Leadership*®. We specialize in inspiration, and endeavor to inspire highly enlightened executives and high-aspiration individuals to pursue maximum personal achievement. We have a leadership team of highly trained and highly motivated colleagues who are eager to serve our clients. Excellence is our goal. We are located in the heart of Silicon Valley and we stand ready to help our clients achieve extraordinary levels of performance and success.

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