



Board Succession: One Indicator of a Highly Effective Board

Written by Curtis J. Crawford, Ph.D.



Article Highlights

- When evaluating a board's overall effectiveness board succession has to be recognized as a critical measure of success.
- To develop a highly effective board succession plan, the board succession process and the plan must be inextricably linked together.
- There are four steps to a highly effective board succession process: determining the strength of the board, director search, board orientation process, and continuing development.

I believe it is generally understood by investors, employees, and most other stakeholders, that Chief Executive Officer (CEO) leadership and succession are critical to their organization's long-term viability. In fact, when disappointed with the returns on their investments, many organization stakeholders readily remind their board members of their perceived linkage between leadership and effectiveness.

Members of the board of directors know they are responsible for ensuring their organizations have effective executive leadership. More specifically, boards recognize their direct responsibility for hiring, nurturing and planning for the succession of the CEO. Furthermore, enlightened boards are likely to acknowledge the responsibility, or at least the opportunity, to partner with the incumbent CEO to identify and develop an inventory of *leadership-ready*, talented senior executives to maintain the organization's management continuity.

However, simply understanding the linkage between the organization's leadership and its success is inadequate. Boards must be committed and capable of maintaining an effective process which moves them beyond intellectual interest to compelling action.

While directors may understand the importance of developing a CEO succession plan, numerous research studies have widely reported that most directors remain dissatisfied, or at best somewhat dissatisfied, with the effectiveness of their board's CEO succession planning process.

It is understandable, that historically, board succession has received even less attention than CEO succession. After all, the

organization usually has only one CEO at a time, but it is likely to have seven to nine board members serving concurrently. Ironically, while there are fewer CEO positions than board positions, in my experience, it has been more difficult to identify and attract outstanding CEO candidates than to recruit highly experienced executives to serve as board members.

In the recently published , [2011 Corporate Board of Director Survey](#), Stephen Miles, vice chairman of Heidrick & Struggles, reports that 46 percent of companies do not engage in succession planning for their board of directors. "Just as we found in our study last year that companies are seriously lagging in CEO succession planning, boards aren't doing a great job of planning for board succession either," says Miles. "Sixty-six percent of directors do believe that board succession planning is an important best practice, but only 54% actually do it."¹

In recent years, the situation has evolved significantly. While it remains a challenge for organizations to identify and attract outstanding CEOs, it has become substantially more difficult to identify and attract outstanding directors who are capable, available and willing to serve. As a consequence, board succession has to be recognized as a critical measure of success when determining a board's overall effectiveness.

At the 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 the obvious needs, and building replacement tables, are very basic steps of



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thoughtful planning. However, to develop a highly effective board succession plan, the board needs guidance. The board succession plan and the board succession process must be inextricably linked together.

In a recent discussion I had with Denise L. Jackson, a corporate governance expert in our network who serves as Senior Vice President, General Counsel & Secretary at AMN Healthcare, she provided insight into how best practices in board succession are demonstrated at AMN.

"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. AMN's board is continuously engaging with talented leaders that may have the skills and experience that may bring value to the AMN Board, so that in the event of an opening, the directors are already familiar with several candidates," says Jackson.

As Ms. Jackson discussed, waiting for an opening is not the time to formulate a plan. A robust board succession planning processes should guide the board of directors through all of the appropriate steps needed to ensure that the board identifies the best qualified candidates, and then ensure that each new director is properly developed and effectively integrated into board activities. Therefore, before developing a board succession plan, the board first must define and implement a comprehensive succession planning process.

Board Attributes, Skills and Experiences

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, 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 requisite skills needed to fill their positions if they were open today?*

The XCEO Board Attributes, Skills and Experiences (BASE) Analysis was developed to assist boards in understanding the skills and experiences that are currently represented by the board and identifying those additional skills and experiences the board would like to have. Understanding the types of individuals the board needs to support the vision and mission of the organization is imperative. The BASE analysis provides a detailed assessment based on the input from each director. It becomes the foundation for the directors to have a highly engaged discussion regarding the organization's needs and expectations.

BASE continues to build upon the XCEO concept of enlightened governance. As boards continue to evolve from tradition to enlightenment, they must create boardroom environments that inspire directors to perform at the highest level of their ability, resulting in maximum individual performance and collective effectiveness.

A board's effectiveness, as determined and measured by the XCEO Board Leadership Effectiveness (BELIEF) Analysis, is highly influenced by the strength of the skills and experiences of its directors. In other words, we believe a highly effective board will likely have a positive correlation with a highly skilled board. Therefore, we encourage boards to maintain an inventory of skills and experiences necessary to maximize value for its shareowners.

When integrated within the board's strategic planning process, BASE will aid the board in developing an effective board succession plan. It will be a valuable component of the plan which will help when identifying candidates. When implemented effectively, the BASE Analysis will ensure that the best qualified candidates are identified for board member consideration.

BASE, which is designed to be administered by the Board Chair or the Corporate Governance Chair, serves up a detailed analysis designed to facilitate the board's

ability to accelerate a thoughtful and fully informed search process for the next director.

Search for Development

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 a comprehensive approach to building highly effective boards. However, today, the search process has changed. First, the executive search consultant should be armed with a comprehensive understanding of the board's requirements. Second, the search should take place in new environments. Based on directions from the board, the search is likely to be seeking candidates who are more highly qualified, slightly more diverse and incredibly more selective.

At XCEO, our Search for Development model was designed to meet today's challenges without compromising the successful recruiting techniques which have been deployed for some time. However, we have added unique features which enrich and accelerate the typical search process, as searching for board members is different than searching for CEOs.

The XCEO board succession "Search for Development" process is a development centric model. We offer our clients a unique advantage to select from directors that have been developed and nurtured through a rigorous development process. Our candidates bring a sense of passion and commitment to the boardroom that is designed to inspire a constructive and highly knowledgeable level of engagement.

Obviously, there is no single solution to all board searches. Different boards will have differing needs at different times as it evolves. As a result, it is important to consider several alternatives. While XCEO offers a wide range of options available for everyone who values the comprehensive nature of our offerings, some boards might insist on a more narrow traditional approach to meeting their board needs. Therefore, we offer three distinct options to our clients. They may select from our inventory of XCEO

developed candidates, or define a set of specific skills and experiences for XCEO to develop on their behalf (build one) or, finally, pursue a traditional search of the field.

On Boarding

Again, as Ms. Jackson and I discussed the protocol for new director orientation, as she is directly responsible for developing and executing the on-boarding process at AMN, she shared her thoughts on the importance of having an effective process, "On-boarding is a critical component of the search process that enhances the value delivered by the new director and "fast-tracks" the new director's assimilation into the board. AMN's director on-boarding process integrates all aspects of the board's responsibilities, including strategy, corporate governance and risk oversight."

Ms. Jackson's comments mirror my own thoughts on the critical importance of the on-boarding process. As a Chair of the Corporate Governance & Nominating Committee, I certainly strive for the board to implement an on-boarding process, traditionally referred to as the board orientation process that will allow new directors to take on their new roles confidently and add immediate value. Thus, the third step in implementing a highly effective board succession process, on-boarding, is equally as important as identifying board requirements and finding the right individuals who possess them.

At XCEO, we provide a comprehensive director-friendly approach to integrating new directors into the board environment without slowing the pace. The XCEO On-Boarding process is seamlessly integrated with our Search for Development offering. Where traditional recruiters stop, after delivering their candidates, we accelerate the pace. Once a director has been selected, we work one-on-one with him or her to implement a 12-month support process tailored to the individual's and board's requirements. A combination of structured mentoring by our skilled and experienced team, supported by our world-class teaching tools and feedback evaluations to understand and increase effectiveness, allows each director to

1. [2011 Corporate Board of Directors Survey](#), Stanford University's Rock Center for Corporate Governance and Heidrick & Struggles, David F. Larcker, Stephen A. Miles, 2011.

assimilate within the boardroom and contribute substantial value in a short amount of time.

Continuing Support

The fourth and final step of effective board succession is a process for continued development. A highly effective board understands that enlightened governance is a journey in the pursuit of excellence. The XCEO focus on Continued Development is a manifestation of this pursuit. In order to continue to improve and add value to shareholders, our board succession process also includes 12-month access to our comprehensive set of board, CEO, committee, individual and Peer-to-Peer evaluations as part of our Integrated Board Leadership Process.

Despite enthusiasm for—or avoidance of—the task of planning for successful director succession, boards must resolutely and methodically do the work of ensuring the company will have an effective board of directors at all times. In response to the current shortage of qualified directors, the board must make extra efforts to ensure that the board has an adequate pool of potential director candidates from which to draw.

The old maxim that rules were made to be broken definitely applies to some of the traditional norms that have governed board succession, such as, relying mostly on personal relationships. Processes need to be examined periodically to see if they still apply. They should be regularly challenged for validity, and they should be changed when appropriate. The XCEO board succession process offers an effective pathway to examine what needs to be changed in route to building long-term shareholder value.

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I would like to thank Ms. Denise L. Jackson, Senior Vice President, General Counsel & Secretary for AMN Healthcare, for taking the time to review and contribute to this article.

Ms. Jackson joined AMN Healthcare (AHS: NYSE) as General Counsel and Vice President in 2000, and was appointed the Secretary of the Board in May 2003 and Senior Vice President in November 2004. AMN Healthcare is the nation's largest clinical workforce management and healthcare staffing company with thousands of clinicians working each day.

Denise serves as a Director for AMN Healthcare's 27 subsidiaries. She is an integral member of the AMN Healthcare Executive Management team that shapes and executes the company's strategy, including serving a lead role in working with the company's management and board. Her expertise reflects the topics that are top of mind in the boardroom today: strategy, corporate governance, risk management, executive compensation and board succession. Ms. Jackson has led the legal, corporate governance, executive compensation, risk management, corporate audit services and government affairs functions for AMN Healthcare.



About the Author



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Dr. Crawford is Founder 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 his latest title, *Manager's Guide to Mentoring*.

Dr. Crawford currently serves on the Board of Directors of E. I. du Pont de Nemours, ITT Corp, and ON Semiconductor. Also, he is a Trustee of DePaul University. He previously served on the Board of Directors of 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. During 15 years, he held a variety of 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 degree 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.

About XCEO

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 *Governance and Board Leadership Development* programs, for high-aspiration individuals and forward-looking organizations.

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 governance, we have created the Enlightened 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 stakeholder value. We have designed a set of individual and

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board evaluation exercises which provide an exceptional opportunity for directors to take their boards to a whole new level of effectiveness.

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