

CHIEF EXECUTIVE

Preparing for Board Director Retirement:
A Customized Approach to Succession
Planning

By Mabry Smith III

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Given recent directives from the U.S. Securities & Exchange Commission, much media palaver has been centered on a Board's responsibility and practices regarding its CEO succession plan. Although certainly upstaged by the topic in terms of attention, an equally important issue that is well deserving of examination and discussion is how an organization prepares for the inevitable retirement and succession of the Directors who sit on its Board. Regardless of how the retirement of a Director occurs; whether it be mandatory, volitional, or otherwise; the efficacy of the process to replace retiring Directors is of utmost importance to ensuring sustainable organizational governance

Historically, Board Director Succession Planning has been relegated to a process focused on simply "replacing" a particular individual who is retiring with someone who is most like that particular individual. Although instituted quite frequently, *this historical approach ignores three truths that are worth examining* .

- First, that there are some individuals who are so unique, or, simply "iconic" (think Warren Buffet and Steve Jobs, for instance) that working feverishly to "replace" these types of individuals with so called "clones" is both foolish and fruitless. I once heard a Board Director of a Fortune 50 organization speak of the challenges in succession planning for their particularly notable Board Chairman in exclaiming, "They broke the mold after he was made and our chances of finding a matching replacement is indeed challenging".
- The second truth that is ignored by this historical approach to succession planning is that, most often, successful organizations are led by highly effective teams . Even in organizations where there is a uniquely gifted leader, that leader is usually surrounded by a complimentary group of individuals who function synergistically with that leader (and each other) to bring about extraordinary results. This is evidenced in several main points in Jim Collins' book, *Good to Great* and is the whole point entirely in *High Five! The Magic of Working Together* by Ken Blanchard and Sheldon Bowles.
- Third, the historical approach of simply replacing the professional characteristics of a particular retiring Director ignores the truth that what worked best yesterday for an organization is often rather different from what will work best in its future. As such, there needs to be a focus on what the organization's strategic plan is moving forward and where the synergistic gaps are on the Board in contributing to good governance in the foreseen future. Or, to illustrate the matter more poignantly – when Wayne Gretzky was asked about his success in professional ice hockey, he replied "Some people skate to the puck. I skate to where the puck is going to be." Like hockey, most corporations are engaged in markets characterized by fast moving dynamics; the kind that require "skating" to where the market is going to be.

So, given these three truths, the historical approach to Board Director Succession Planning typically produces less than positive long term results for an organization. When it comes to succession planning, some may simply say what has appeared in numerous Nike ads, "Just Do It". However, an improved approach to be considered for Director Succession Planning is this – "just do it well". We would all agree that powers that be in most organizations certainly desire to "do it well" and are looking for optimal pathways that lead to multiple successes in the area of

Director Succession. Rather than discuss all of the various pathways, we would be best served by focusing on several common elements that all productive pathways would likely possess – including those that would meaningfully address the three truths in a most cogent and creative way to gain the positive long term outcomes that organizations desire.

The first element that should be present within the scope of any pathway is quite simply this — know from where you are starting. Or, as your vehicle’s polite GPS voice will say, “Drive to the highlighted route and the guidance system will begin”. To begin the journey, you have to know from where the “highlighted route” is starting. As such, an honest assessment of the Board of Directors and its members is the first important element to establish. And, we’re not just referring to the skill sets and expertise (although these in and of themselves are of critical interest). It is also to know the “intangibles” that a Director brings in terms of his or her contribution to the positive common culture of the Board and its synergistic abilities that creates “value added” and “good governance” on behalf of the organization and its Preparing for Board shareholders. Here, it is imperative to ask the right questions to the right people in order to gain an authentic comprehensive template of the Board.

Having a realistic assessment of the Director(s) who are most close to retirement or to a situation that would require their withdrawal from the Board is also a critical, related priority. Even if they happen to fall into that “iconic” category, there remain certain professional and personal characteristics that will need to be present in anyone that will be added to the Board at the appropriate time of transition. In any productive pathway, of course, the timing of transitions can prove to be as important as the transition itself. Beyond the Chronos of Director Succession Planning there is an equally important element of Kairos . While the former refers to the chronological passing of time, the latter refers to a particular moment in time that is “special” or “opportune” because of various reasons. As an aside, the success of an IPO is often determined by Kairos...that is, it has much to do with “timing”. So too does Kairos have much to do with the success of transitions of a Board Director. For this reason, an organization needs to look at the chronological aspects of Succession Planning and look at the timing that would present the best moment (and, momentum) to transition a new Director to the Board.

Of course, good timing can seldom make up for poorly suited additions to any Board. As we discussed earlier, Board effectiveness is ideally a team sport, and adding the right player, in terms of “fit”, is essential at any time. With that in mind, in undertaking Director Succession Planning, an organization will do well to determine up front the key personal attributes being sought in new Directors. These may or may not be the same ones present in those who will be retiring from the Board. In fact, if an organization is striving to shift the culture of the Board, then they will want to focus on the characteristics of those desired in a “new” culture and not on the status quo. Further, as it applies to “leadership style” and Boards of Directors, there is no such thing as “one size fits all”. Different leadership styles are needed at different moments for different organizations, and one cannot assume that a particular individual who has proven to be an effective leader as a Director for one organization will be particularly effective for another. As an example, Barry Conchie and Tom Rath pointed out in their book Strengths Based Leadership that Winston Churchill was a good “fit” for the leadership needs of the United Kingdom during WWII and that Mahatma Gandhi and his “passive resistance” approach was a good “fit” for the leadership needs in leading India to independence yet if it were vice versa, then, the outcomes for those two countries would not only be less than positive, it would likely have been disastrous. As such, the addition of a Director of just the right leadership style at just the right

moment in time can certainly serve as a catalyst for positive synergistic results for an organization and its various stakeholders.

An often quoted phrase (especially in business) begins like this — “If I had a crystal ball, then...”. When business Executives and Board Directors meet together, they are including forwarding thinking strategic discussions in an effort to best position the organization for anticipated future wants, needs, problems and opportunities. In a parallel sense, Board Director Succession planning should include an effort to consider the “future” and, likewise, anticipate the necessary skills, expertise, leadership style and personal characteristics that will be most needed moving forward. In fact, this is an area in which some organizations have wisely made particular additions to their Boards even when no other Director was retiring. Or, as the Nationwide Insurance ad commentator says “Life comes at you fast...” Sure, some industry segments have dynamics that change and evolve more rapidly than others. However, they do indeed all change and, as such, any Board Succession Planning activities should include a focus on what will be needed to compete and thrive in the markets of tomorrow.

A well governing and synergistically contributing Board can prove to be among the greatest assets of a corporation and the Succession Planning of its leadership is of utmost importance for employees and shareholders alike. Therefore, clinging to a non-effective traditional approach to Director Succession Planning will ultimately put an organization at undue risk. By adopting a proactive progressive approach that meaningfully addresses the aforementioned three truths, an organization can better position its Board as a long term highly effective team contributing to the positive welfare of the organization and its shareholders. These productive pathways to Director Succession Planning success are indeed comprised of “custom work”...and, it is certainly a work worth “doing well”.

Mabry Smith serves as President & Managing Partner of Wheless Partners, advisors and consultants for succession planning, talent mapping, board, executive and management search and select leadership services since 1986.

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