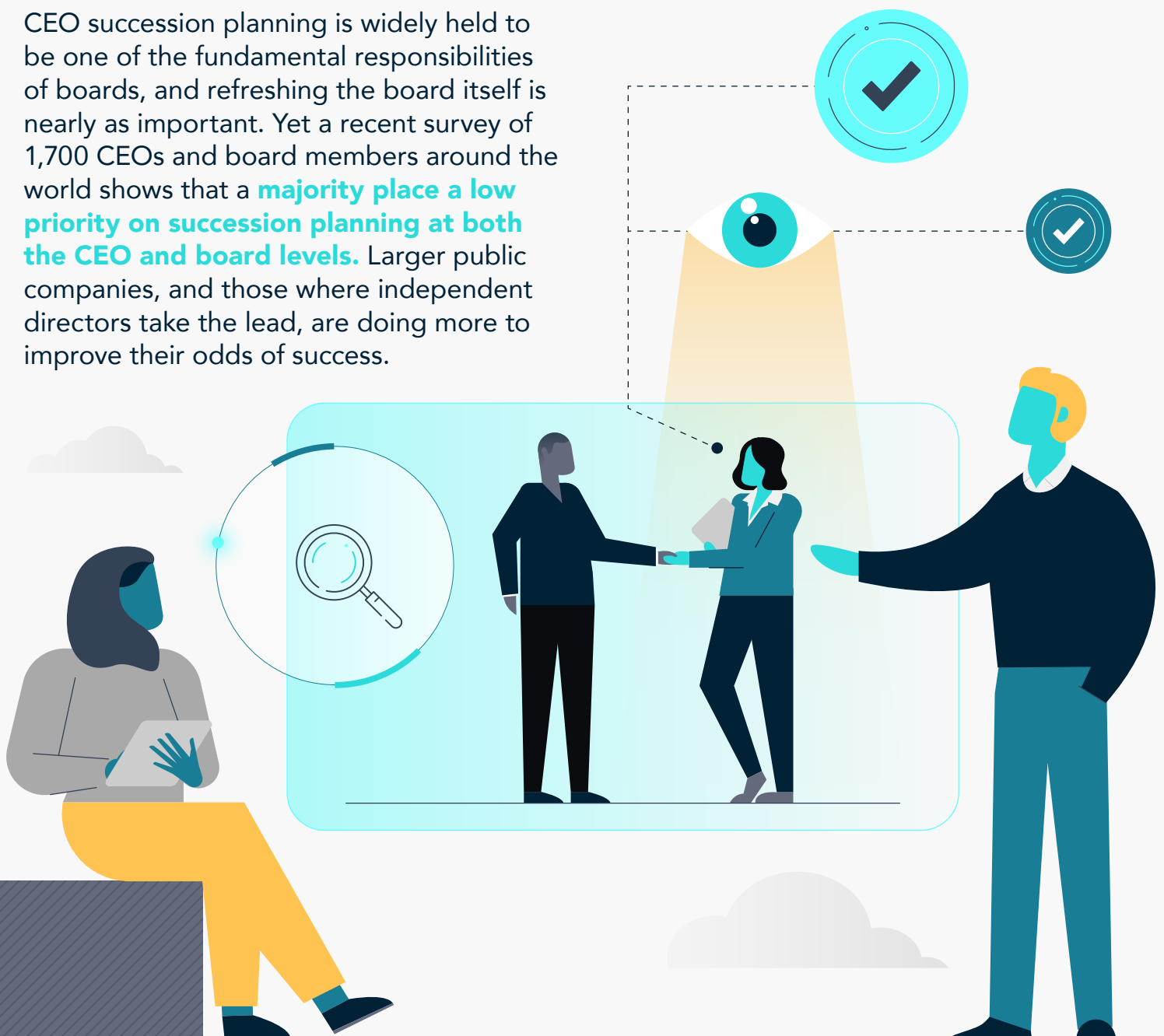


# CEO and board confidence monitor: Beating the succession planning paradox

CEO succession planning is widely held to be one of the fundamental responsibilities of boards, and refreshing the board itself is nearly as important. Yet a recent survey of 1,700 CEOs and board members around the world shows that a **majority place a low priority on succession planning at both the CEO and board levels.** Larger public companies, and those where independent directors take the lead, are doing more to improve their odds of success.





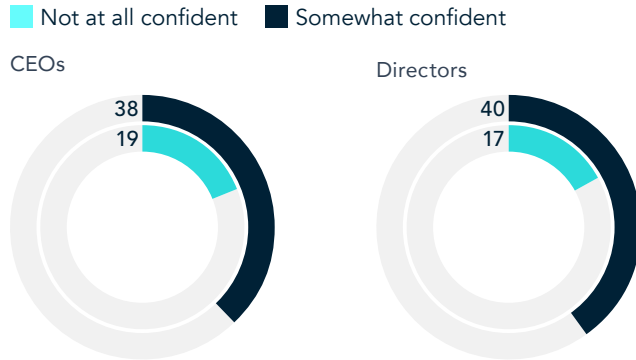
It is somewhat surprising—and concerning—that many directors have a low level of confidence in their succession practices, and that investment in succession remains low for so many. In our experience, the difference between good strategy execution and great strategy execution comes down to selecting the right successor, which requires prioritizing a robust process.”

**Bonnie W. Gwin**

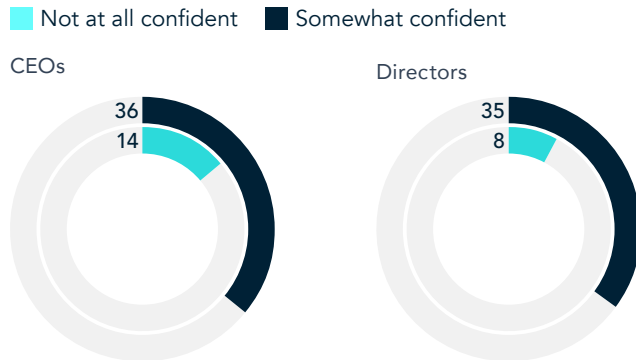
Vice chair and co-managing partner,  
CEO & Board of Directors Practice,  
Heidrick & Struggles

Fifty-seven percent of CEOs and of board members said they had relatively little confidence that their CEO succession planning process was positioning the organization well for the future.<sup>1</sup> They were a bit more confident in the board succession process, though to varying degrees.

**Confidence in the organization’s CEO succession planning process in positioning the organization well for the future (%)**



**Confidence in the board evaluation and refreshment practices in positioning the organization’s board well for the future (%)**



Companies’ lack of confidence in their ability to find the leaders they will need is a fundamental weakness.

These companies’ lack of confidence in their ability to find the leaders they need, which we uncovered in a survey late last year, is a fundamental weakness. To find out how boards are planning today and how they are seeking to improve their effectiveness, we conducted a deep-dive follow-up survey.

In this report, we will focus on the perspectives of leaders at companies traded on the public markets; a separate report will explore the notably different practices at privately owned companies.

<sup>1</sup> “CEO and board confidence monitor: A worried start to 2024,” Heidrick & Struggles, January 17, 2024, heidrick.com.

## Succession is a low priority

Globally, only 28% of respondents said that CEO succession is among their top priorities and is treated as such.



There is a stark difference between the succession practices in large companies and those in smaller companies. Larger publicly traded companies are twice as likely to say that succession planning is a top priority and treated as such than their smaller company counterparts. This gap is troubling and points to a need to reconsider traditional approaches on this critical board priority.”

### Jeff Sanders

Vice chair and co-managing partner, CEO & Board of Directors Practice, Heidrick & Struggles

Globally, only 28% of respondents said that CEO succession is among their top priorities and is treated as such. Given that CEO succession is one of two foundational responsibilities of boards, along with oversight of strategy and performance, this figure is notably low. At public companies, the news is a little better, but the share of respondents saying they are giving CEO succession top priority is still below half.

### How would you describe the priority of CEO and board succession for your board? (All respondents, %)

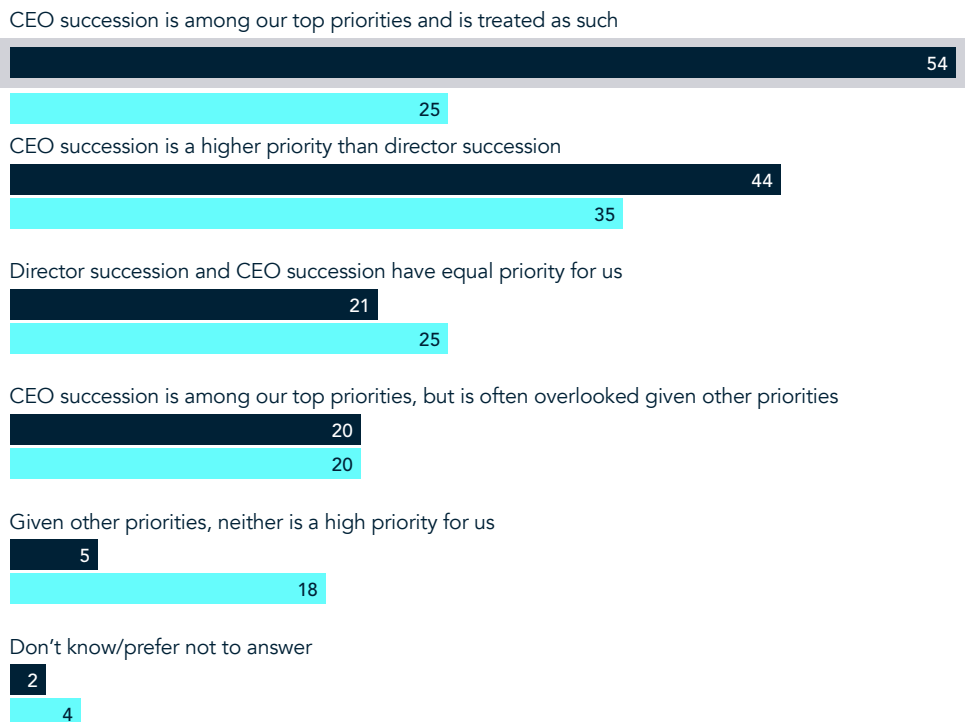


### Larger companies and independent directors make a difference

Only at the largest public companies, those with annual revenue over \$1 billion, does the figure get above half—and then only to 54%.

### How would you describe the priority of CEO and board succession for your board? (%)

■ Large public company ■ Small public company



Leaders at companies where an independent director takes the lead in planning (no matter what ownership structure the company has) far more often say they treat CEO succession as a top priority, at 44%, compared with 29% of those where the CEO or another executive director takes the lead.

### Increasing investment

Despite this current priority level, boards are increasing their investment in CEO and board succession planning in response to recent trends affecting governance.<sup>2</sup> Many clearly see a link between the board’s readiness to address these trends and improved succession planning.

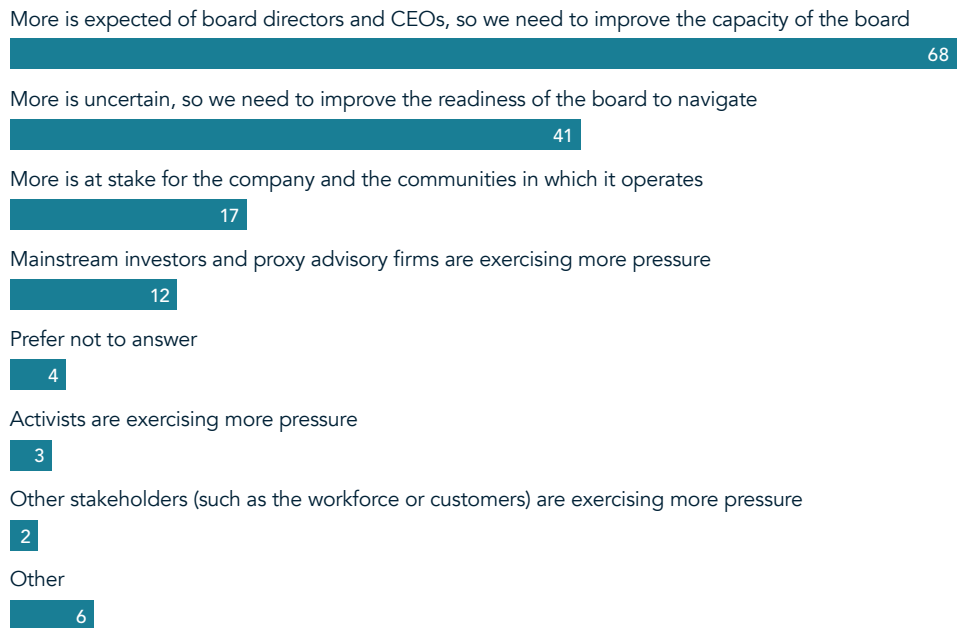


The move toward board independence has been underway for decades. We are not surprised but curious to find that CEO succession planning and director refreshment are more likely adopted in settings where an independent director is directly responsible for the practice. This raises healthy questions for all boards that are serious about assuring the governance and leadership condition of their businesses.”

**Sylvain Dhenin**

Regional practice managing partner, CEO & Board of Directors Practice, Europe & Africa, Heidrick & Struggles

**What are the most important reasons your board has increased overall investment in CEO and board succession planning? (All public companies, %)**



At public companies, 64% have increased investment, most often because the increased expectations of board directors require improved board capacity. Companies where independent directors take the lead more often say they’ve increased investment.

<sup>2</sup> These include the growing influence of investors, employees, and other stakeholders; regulatory changes; and a widening risk environment marked by geopolitical and economic uncertainty. For more on leaders’ views on their current challenges, see “CEO and board confidence monitor: A worried start to 2024,” Heidrick & Struggles, January 17, 2024, heidrick.com.

## How boards are planning



We see a split in the ways companies are approaching succession planning in the face of the growing expectations to consider geopolitical, AI/cyber, climate, and broad social concerns. Some are changing their succession planning practices to meet the demands of this new environment. Others, overwhelmed by the urgency of it all, are pushing succession planning lower in the priority stack.”

### Alice Breeden

Regional practice managing partner,  
CEO & Board of Directors Practice,  
Europe & Africa, Heidrick & Struggles

Through our work, we have identified a few steps leading boards are taking to improve their succession planning for themselves and for CEOs, including making planning a continuous, transparent process; ensuring they have an objective, wide-ranging understanding of both the internal bench and the external market; and putting in place clear performance metrics.

### Open discussion

About two-thirds of leaders at public companies say discussions about CEO succession are encouraged, and just under half say the same about director succession.

### Which of the following best describe your company's overall approach to CEO and board succession planning? (All public companies, %)

CEO succession discussions (evaluation, performance, replacement) are expected and encouraged in our organization and are pursued on an ongoing basis

64

Director succession discussions (evaluation, contribution, replacement planning) are expected and encouraged in our organization and are pursued on an ongoing basis

45

We discuss our succession practices only within the board and relevant senior management team members

38

Director succession discussions are not explicitly encouraged in our organization

20

CEO succession discussions are not explicitly encouraged in our organization

17

We disclose our succession practices in our regulatory filings, on our website, and in other forms of stakeholder engagement

14

Our succession practices are not well understood among board members and the senior management team

9

None of the above

3



At companies where independent directors take the lead in planning, the shares saying discussion about CEO and director succession planning are encouraged are notably higher than at companies where executive directors take the lead.

## Links to strategy

However, far fewer leaders at public companies take many steps to understand their leadership in the context of their strategy.



Respondents at larger public companies far more often than those at smaller companies take many of these steps.

### What is the relationship between CEO and board succession planning and strategic planning in your company? (%)

■ Large public company ■ Small public company

We build our strategic needs into the CEO job description and into the board matrix when we begin recruiting for a specific role



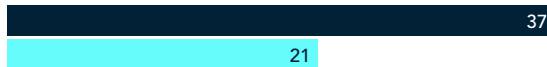
We develop the senior leadership team with an eye to CEO succession in multiple scenarios



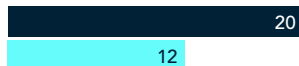
CEO and/or board succession planning are integrated into our corporate planning processes (such as strategy planning, business continuity/scenario planning, risk planning)



We proactively cultivate CEO and/or director candidates over long-term horizons (such as 1, 3, and 5 years or more)



We proactively cultivate director candidates appropriate to multiple strategic scenarios



None of the above



## CEO succession process

Public company leaders are focused on reviewing internal CEO candidates fairly frequently: 79% say they do so at least once a year. They are far less focused on external options, with 72% saying they review those people rarely or only as needed (and there is little difference on this point between large and small public companies).

They do, however, tend to treat those candidates equally when they do consider them. For example, two-thirds say they use third-party assessments for both types of candidates.



It is notable, though, that larger public companies and those where independent directors take the lead both more often than others use assessments consistently.

## Board refreshment process



A majority of leaders say they regularly focus on director performance. Here, too, companies where independent directors take the lead and larger public companies are more often taking action and being transparent about results.



An increasing number of boards are addressing the need for more formal refreshment; but director refreshment continues to lag CEO succession. The shareholder democratization movement as well as the advent of the Universal Proxy Card in the United States signaled greater director scrutiny and transparency, but we have not yet seen these trends translate into increased director refreshment activity overall.”

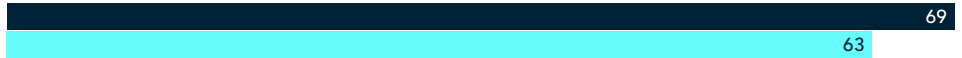
**Lyndon Taylor**

Regional managing partner,  
CEO & Board of Directors Practice,  
Americas, Heidrick & Struggles

### Which of the following best describes your board's approach to director evaluation? (%)

■ Large public company ■ Small public company

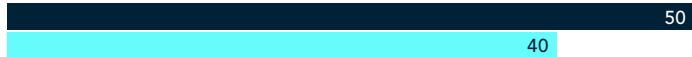
Our directors complete annual self-evaluations



We have no formal director evaluation process in place



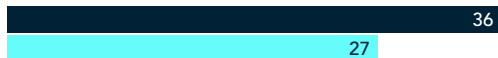
Results are shared openly among directors



Our directors complete annual peer evaluations



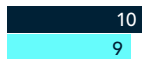
Results are discussed with each member by the lead director



Our directors are assessed by a third-party governance or leadership assessment firm



Evaluations are facilitated by an outside legal advisor



Don't know/prefer not to answer





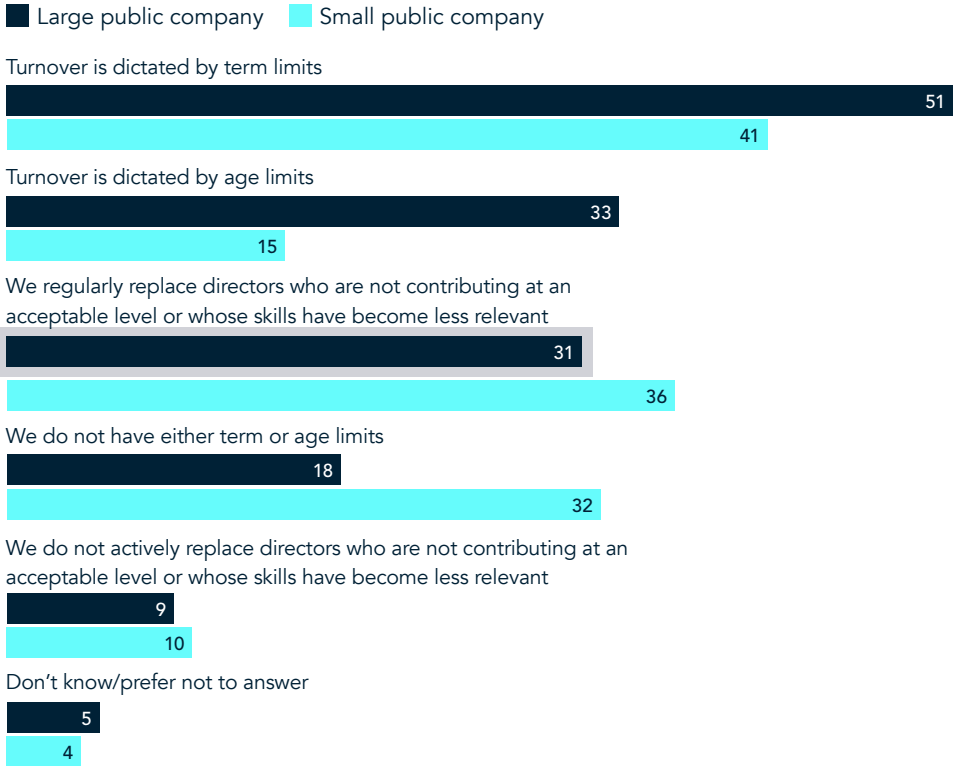
We are seeing a shift in succession practices—away from reactive, short-term projects and in the direction of more continuous, longer-term approaches. This has certainly true in CEO succession but is accelerating in director refreshment, where boards are looking for a more planned approach amid greater scrutiny and limited candidate supply.”

**Guy Farrow**

Regional managing partner,  
CEO & Board of Directors Practice,  
Asia Pacific & Middle East, Heidrick & Struggles

Far fewer large public company leaders, however, say they regularly replace directors who aren't contributing, just under a third.

**Which of the following best describe how your board addresses director turnover (barring emergency departures)? (%)**



Public company leaders say their board reviews external director candidates slightly more often than external CEO candidates, with 36% saying they do so once a year or more often compared with a quarter saying the same about CEO candidates. The share rises to 42% among leaders of large public companies.



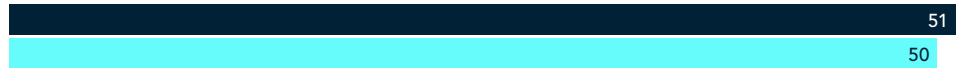
## Shareholder involvement

Despite much attention being paid to increasing pressure on boards from mainstream and activist shareholders, half of public company leaders say shareholder input is limited to their voting authority in the proxy, with little difference between leaders at larger and smaller public companies. However, we believe the share of boards engaging routinely with shareholders on these matters is growing.

### What is the role of shareholders in director succession planning at your company? (%)

■ Large public company ■ Small public company

Shareholder input is limited to their voting authority in the proxy



Directors rarely interact with our major shareholders on director succession planning



Directors engage with shareholders as a routine part of our overall investor relations program



We actively present and defend the quality of our directors to our shareholder base and proxy advisory firms

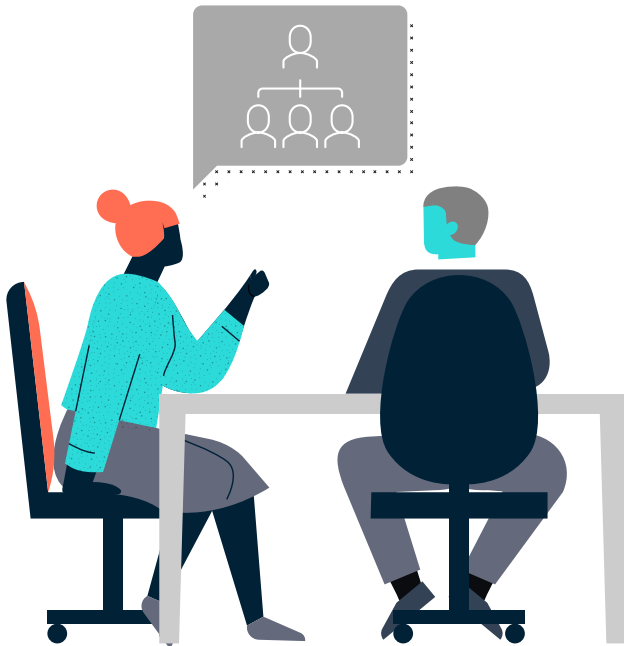


Don't know/prefer not to answer



## Considerations for boards

- 1 Given leaders' low satisfaction with CEO and board succession planning, it's good news that so many have increased their investment in it. If it's not a priority at your board, is that because you're satisfied with how things are working? If you're not satisfied, why is it not a priority for your board? Are there political issues, such as the CEO or another director wanting to control the process? Does your board have longstanding traditions that impede change?
- 2 Leaders at larger public companies say they're doing more. These companies are more often in the spotlight than smaller ones, but will smaller companies benefit from taking similar actions? What is the opportunity cost to their leadership pipeline if they don't invest more?
- 3 When independent directors take the lead, succession processes have greater priority, investment, and openness. On your board, what is the role of independent directors? Would your company benefit if their role were expanded in this area?



## About the research

In June and July 2024, Heidrick & Struggles fielded an online survey that garnered 1,702 respondents. Of those, 59% were CEOs and 75% had a board seat. Thirty-nine percent were in Europe; 39% in North America; 8% in Asia Pacific; 4% in Latin America; and 2% each in Africa, India, and the Middle East. Respondents represented companies of all sizes; 29% reported annual revenue of US \$1 billion or more. Thirty-two percent have shares traded on a public market; 30% were backed by private equity or venture capital; 16% were family owned; the rest were social enterprises, state owned, or other ownership structures. Companies ranged across all industries.

## About the author

### Jeremy Hanson

is a partner in Heidrick & Struggles' Chicago office and a member of the global CEO & Board of Directors Practice.

[jhanson@heidrick.com](mailto:jhanson@heidrick.com)

# CEO & Board of Directors Practice

Heidrick & Struggles' CEO & Board of Directors Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board of Directors Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

## Leaders of Heidrick & Struggles' CEO & Board of Directors Practice

### Global

Bonnie Gwin  
New York  
bgwin@heidrick.com

Jeffrey Sanders  
New York  
jsanders@heidrick.com

### Americas

Lyndon A. Taylor  
Chicago  
ltaylor@heidrick.com

Roberto Hall  
Bogotá  
rhall@heidrick.com

Paulo Mendes  
Miami  
pmendes@heidrick.com

Laryssa Topolnytsky, PhD  
Toronto  
ltopolnytsky@heidrick.com

Carlos Vazquez  
Mexico City  
cvazquez@heidrick.com

### Europe and Africa

Alice Breeden  
London  
abreeden@heidrick.com

Sylvain Dhenin  
Paris  
sdhenin@heidrick.com

Kit Bingham  
London  
kbingham@heidrick.com

Niccolo Calabresi  
Milan  
ncalabresi@heidrick.com

Marie-Hélène De Coster  
Benelux  
mhdecoster@heidrick.com

Merja Eskola  
Helsinki  
meskola@heidrick.com

Marion Fengler-Veith  
Zurich  
mfenglerveith@heidrick.com

Tatiana Furtseva  
Kiev  
tfurtseva@heidrick.com

Patrik Hammar  
Stockholm  
phammar@heidrick.com

Imke Lampe  
Amsterdam  
ilampe@heidrick.com

Lukasz Kiniewicz  
Warsaw  
lkiniewicz@heidrick.com

Cheli Nachman  
Tel Aviv  
cnachman@heidrick.com

Veronique Parkin  
Johannesburg  
vparkin@heidrick.com

Tobias Petri  
Copenhagen  
tpetri@heidrick.com

Nicolas von Rosty  
Munich  
nvonrosty@heidrick.com

Luis Urbano  
Madrid  
lurbano@heidrick.com

### Asia Pacific and Middle East

Jay Bevington  
Dubai  
jbevington@heidrick.com

Guy Farrow  
Sydney  
gfarrow@heidrick.com

Richard Guest  
Dubai  
rguest@heidrick.com

Hnn-Hui Hii  
Singapore  
hhii@heidrick.com

David Hui  
Hong Kong  
dhui@heidrick.com

Aya Iinuma  
Tokyo  
aiinuma@heidrick.com

Maliha Jilani  
Dubai  
mjilani@heidrick.com

Fergus Kiel  
Sydney  
fkiel@heidrick.com

Mark Sungrae Kim  
Seoul  
mkim@heidrick.com

Shaloo Kulkarni  
Dubai  
skulkarni@heidrick.com

Suresh Raina  
Mumbai  
sraina@heidrick.com

Markus Wiesner  
Dubai  
mwiesner@heidrick.com

Linda Zhang  
Shanghai  
lzhang@heidrick.com

WE HELP OUR CLIENTS CHANGE THE WORLD,  
ONE LEADERSHIP TEAM AT A TIME®

Copyright © 2024 Heidrick & Struggles International, Inc. All rights reserved. Reproduction without permission is prohibited. Trademarks and logos are copyrights of their respective owners.