

CEO TRANSITIONS AND SUCCESSION

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GOOD GOVERNANCE PRACTICE requires that every board adopt a comprehensive policy on what happens when the CEO leaves, dies or is incapacitated. Each board's policy (generally one to three pages) will differ, but the best time to discuss and draft it is when there is no urgency. And once you have the policy, keep it current to reflect changes that arise.

The following questions will assist you in deciding what to include in your policy:

1. What is our agreement with the CEO regarding advance notice for a voluntary retirement?
2. Who should be Acting CEO when the CEO is away from the office for lengthy travel or illness? Who should immediately assume CEO duties if our CEO dies suddenly?
3. Who determines when a physical or mental disability is such that the board should appoint an Acting CEO? How will that be done?
4. Assuming plenty of time for the next CEO search, who should be on the search committee? How will they be selected? Do we favor using a search firm? What tentative budget should be anticipated? Should the search committee recommend one candidate, or more than one candidate, to the board? Can an Acting or Interim CEO be a candidate during the search for a permanent CEO?
5. If our CEO dies suddenly, what process should be followed to find a successor while our Acting CEO is leading?
6. What benefits would we provide to the surviving spouse if our CEO (if married) dies while in office?
7. Is our situation such that an Interim CEO should be appointed before a search is begun for a permanent CEO? (Note: This is often a wise choice for following a founder or when the organization is in some sort of turmoil.)
8. Do we have a policy of incentives to keep our CEO and/or other key leaders (e.g., deferred compensation, sabbatical followed by X years of service, tuition payments for children)?
9. What is our severance policy should the board terminate the CEO? What is the severance policy at the point of retirement after a specific age?
10. What insurance should we have on our CEO to help cover the costs of interim leadership, a search, or benefits to the family should our CEO die?
11. What is our strategy for developing possible successors to our CEO within the organization?
12. Do we want to plan, ideally, for overlap in service should our CEO give enough advance notice to allow the successor CEO to serve X weeks/months as part of the transition?

➔ *What other policies should be adopted now related to succession and transition?* ⬅