

# Sample CEO Succession Process\*

## Succession Planning Process\*\*

- 1. Determine criteria or qualifications for the CEO's successor.**
  - a. Envision challenges facing the company's CEO in the next 5 to 10 years.
  - b. Identify qualities and skills needed to meet those challenges.
  - c. Develop rating process to evaluate candidates against the criteria.
- 2. Identify possible candidates for succession.**
  - a. CEO and board agree on individuals to be considered as possible successors.
- 3. Assess the capability and potential of possible successors.**
  - a. CEO and board members complete assessments of each candidate.
  - b. Tabulate ratings for collective view of candidates.
  - c. Board members review assessments and share views.
    - i. Seek consensus about the candidates: specific and overall conclusions.
    - ii. Identify the points of difference that need to be reconciled.
    - iii. Identify what needs to be learned about candidates.
- 4. Complete development action plans.**
  - a. to prepare the candidates for promotion.
  - b. to further test their viability as successors and readiness for promotion.
- 5. Review progress.**
  - a. Update assessment and conclusions about promotability.
    - i. Identify what has been learned about candidates.
    - ii. Consider if experiences have improved readiness.
    - iii. Identify additional developmental actions.
  - b. Reconsider availability of viable candidates.

## Evaluation Process

The purpose of this process is to help develop an objective and in-depth picture of possible CEO successors and to provide an appropriate basis to draw sound conclusions about their future effectiveness as the company's CEO. The evaluation should consider a vision of the challenges and requirements that are likely to be faced by the next CEO in continuing the growth and success of the company. The evaluation includes two parts:

**1. Ratings.** Using an ascending scale of 1 to 5, with 5 being the highest and 1 being the lowest, evaluate the candidate on each of the dimensions listed indicating (a) the evaluation rating and (b) the extent to which you have had the opportunity to observe and draw conclusions about that factor. The definitions of the ratings are provided on the next page.

The "comments" section is for your convenience to note issues you might wish to raise about the executive.

**2. Overall conclusions.** Indicate your overall conclusions about the executive's capability, promotability, and potential. Provide the specific observations that were critical to your conclusions. Also indicate what more you would like to learn about the executive and provide suggestions for the executive's continued development.

A rating worksheet has also been provided to help with the rating process. The worksheet lists the various qualities or characteristics that should be considered in the evaluation. They are, in effect, operational definitions of the dimensions being rated.

\*This document originally appeared as Appendix D in *Success at the Top: CEO Evaluation and Succession* (2014).

\*\* The chief developer of this process was Richard Gould, who served as a resource to the original NACD Blue Ribbon Commission on CEO Succession, chaired by Jeffrey Sonnenfeld and convened in 1998.

## Executive Evaluation

### Definitions of Ratings

**Ratings.** Evaluate executive in terms of the capability to lead a large, complex, diversified, high-growth, high-performance public corporation.

**5 – Exceptional.** Clearly sets individual apart from other senior executives. Provides ability to make unique, exceptional contributions.

**4 – Good.** Skillful; performs effectively. Enables person to be valuable contributor.

**3 – Adequate.** Competent, though not a distinguishing quality. Does not provide exceptional competitive advantage compared to others.

**2 – Needs Development.** Warrants improvement to meet the demands of the job. Can be developed through experience, guidance, or training.

**1 – Limited.** Has fundamental weaknesses that inhibit success in the position. Improvement not likely to be realized.

**Opportunity to observe.** How much opportunity have you had to observe and evaluate the executive on the particular dimension?

1 – Extensive opportunity to evaluate effectiveness.

2 – Reasonable opportunity to draw conclusions.

3 – Additional exposure needed to validate conclusions.

4 – Insufficient opportunity to make judgment.

## Ratings of Executive

Name of executive \_\_\_\_\_

Name of evaluator \_\_\_\_\_

Date \_\_\_\_\_

Opportunity \_\_\_\_\_

Ratings to observe comments \_\_\_\_\_

### 1. Personal Values

Core values \_\_\_\_\_

Personal integrity \_\_\_\_\_

### 2. Motivation

Drive to achieve \_\_\_\_\_

Entrepreneurial spirit \_\_\_\_\_

Temperament/stability \_\_\_\_\_

**3. Thinking and Problem Solving**

Intellectual capacity \_\_\_\_\_

Strategic thinking \_\_\_\_\_

Problem solving \_\_\_\_\_

Decision making \_\_\_\_\_

**4. Interpersonal**

Interpersonal skills \_\_\_\_\_

Team skills \_\_\_\_\_

Constituency relations \_\_\_\_\_

**5. Leadership**

Vision for organization \_\_\_\_\_

Influence on employees \_\_\_\_\_

Development of executive organization \_\_\_\_\_

Effectiveness with board \_\_\_\_\_

**6. Business Management**

General management experience \_\_\_\_\_

Business knowledge and skills \_\_\_\_\_

Capacity to make money \_\_\_\_\_

Support and control \_\_\_\_\_

**Overall Conclusions**

Name of candidate \_\_\_\_\_

*For each item below, check the response that best describes your conclusion.*

**Opportunity to Observe**

**How much opportunity have you had to evaluate the candidate's overall potential?**

Extensive \_\_\_\_ Reasonably More Opportunity \_\_\_\_ Sufficient \_\_\_\_ Insufficient \_\_\_\_

Comments \_\_\_\_\_

\_\_\_\_\_

**Overall Capability**

**How would you rate the candidate's overall capability as an executive?**

Exceptional \_\_\_\_ Good \_\_\_\_ Adequate \_\_\_\_ Needs Limited Development \_\_\_\_

Comments \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Promotability**

**How soon will the executive be ready to function as CEO?**

Now \_\_\_\_ 1-2 years \_\_\_\_ 3-4 years \_\_\_\_ 5-10 years \_\_\_\_

Candidate unlikely to function as CEO \_\_\_\_\_

**How soon will executive be ready to function as president and/or chief operating officer?**

Now \_\_\_\_ 1-2 years \_\_\_\_ 3-4 years \_\_\_\_ 5-10 years Unlikely \_\_\_\_

Comments \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Future CEO Potential**

How good a CEO do you think this executive can become?

Exceptional \_\_\_\_ Good \_\_\_\_ Adequate \_\_\_\_ Marginal \_\_\_\_ Poor \_\_\_\_

Comments \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Strengths.** What strengths could enable the executive to be an effective CEO?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Concerns.** What weaknesses could limit the executive from being an effective CEO?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Additional Knowledge.** What more would you like to know about the executive?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Developmental Actions.** What suggestions do you have for the executive's development?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Composite Picture of Board's Ratings

*NOTE:* Complete this form after the board members have done their evaluations. For each line, put name of rater and the number the rater has given, for example: Mary 5, Robert 5, Paul 4, Ira 3, Liam 4, Jane 5, Diane 5, Earle, 4, Lucas, 5. This can be represented graphically (see box below).

This example shows how the board rated their CEO.

### 1. PERSONAL VALUES

Core values 5 5 4 3 4 5 5 4 5  
 Mary Robert Paul Ira Liam Jane Diane Earle Lucas

### 1. Personal Values

Core values \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Personal integrity \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

### 2. Motivation

Drive to achieve \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Entrepreneurial spirit \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Temperament/stability \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

### 3. Thinking and Problem Solving

Intellectual capacity \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Strategic thinking \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Problem solving \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Decision making \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

### 4. Interpersonal

Interpersonal skills \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Team skills \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Constituency relations \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

### 5. Leadership

Vision for organization \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Influence on employees \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Development of executive organization \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Effectiveness with board \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

**6. Business Management**

General management experience \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Business knowledge and skills \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Capacity to make money \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Support and control \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_ \_\_\_

Name of Executive \_\_\_\_\_

Date \_\_\_\_\_