

Future-Proofing Leadership: Managing CEO Succession in 2025



One of the most critical roles boards play is ensuring there is a strong CEO at the helm and a healthy and robust succession pipeline in place to enable seamless transitions for both planned and unplanned exits.

TRENDS & EMERGING ISSUES

According to a study by Gartner, 74% of public-company directors believe that maintaining a robust pipeline of internal talent is the most challenging aspect of CEO succession, yet only 40% of board members are confident that their current succession plans provide good candidates. Given the expanding degree of complexity CEOs face, the need for a strong succession slate is becoming both increasingly important and challenging.

CASE STUDY

In the early 2000s a multinational company had a series of unexpected CEO transitions that caused them to very rapidly exhaust their internal slate of ready now successors. Despite thinking they had a strong pipeline, multiple unanticipated departures in a short period of time left them with interim leads, volatile market performance, and a dry well when it came to future leaders. Since then, the board has been very intentional about ensuring there are multiple “ready now” or “emergency” successors at any given point in time, as well as ensuring there is a pipeline two to three people deep whose development is being prioritized over the next 10 years. They conduct annual assessments and 360s and move potential successors into new roles every two years so they have a comprehensive understanding of the business. In 2022 when they were faced with another unanticipated transition, they were able to immediately name an internal successor and the business has been stable ever since.

IMPACT

Companies that prioritize CEO succession and invest in building a strong pipeline are better equipped to have smooth planned transitions and to manage the risk of unexpected CEO departures.



HOW TO MITIGATE RISKS

- Begin with the end in mind by knowing the skill sets and experiences that will be needed.
- Estimate potential succession timeframes and work backwards.
- Combine external, objective data to help highlight individual strengths and gaps and to create robust development plans.
- Go broad and deep, with long time horizons to identify a slate of future successors.

QUESTIONS FOR YOUR NEXT BOARD MEETING

- Do you have qualified ready now successors who could quickly step into an unanticipated CEO transition, either on an interim or permanent basis?
- What are you doing to build a strong pipeline with multiple potential future successors?

“CEO succession is among the most important processes that boards manage; multiple scenarios should be accounted for at any point in time.”

—Vanessa Ruda, Senior Partner, RHR International

