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# 2 Ways To Prepare Your Company For CEO Succession

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All public companies should have a CEO succession plan. Those that are unprepared for a CEO's departure — whether planned, such as a pending retirement, or unexpected, such as circumstances necessitating an immediate dismissal — often see performance decline and investor confidence plummet, along with the company's stock prices.

According to the Center for Board Leadership, only about half of corporations (both public and private) have CEO succession plans in place. But planning for a smooth leadership transition is critical to a company's long-term health.

Here are two ways to ensure a successful succession plan:

**1. Look within.** Despite a recent trend toward hiring successor CEOs from outside a company, internal CEO successions generally are more likely to succeed. In a study published in 2011, global consulting firm A.T. Kearney, in partnership with the Kelley School of Business at Indiana University, examined leadership at the most successful nonfinancial S&P 500 companies during a 20-year period. According to the authors, "The overwhelming evidence is that, overall, internal CEO successors are better for a company's sustained performance and for superior long-term shareholder returns."

**2. Develop a leadership program.** The best internal succession plans are tied to a robust management leadership program that develops multiple internal candidates. The program should be a joint effort of human resources, the current CEO and the board. Although current CEOs know the company's culture and the internal candidates better than anyone, they're likely to target candidates who are similar to themselves. Board input is necessary to ensure that the successor is the right person to implement the company's strategic initiatives going forward.