

Trusting the Process: The Rewards of Early Succession Planning

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“Together we worked to solve for tomorrow, not for today.”

— Rick Haythornthwaite, former Chairman of Mastercard

by Gabi Carvalho

Finding the next CEO is always an intensive undertaking. It is hardly surprising that clients deep in the process frequently tell us “we should have started earlier” (moreover, they increasingly wonder if they ever should have stopped). At this moment in time, the importance of succession planning has rarely been as apparent. Approaching 2022, it is widely predicted that the frequency of CEO successions will rise demonstratively, based on the record high departure rates leading up to the pandemic and the marked decline in transitions after it began, when many companies put their plans on the back burner. Then too there are the new and upcoming resignations and departures to consider. COVID exhaustion could augment those further. Not only do we expect more CEO turnover, filling these positions may be especially challenging since mandates are calling for expanded leadership capacities which most potential (and existing) CEOs are still learning how to grow into.

Though hard to execute, succession is best conceived as an ongoing, future-oriented progression that renews itself the day a new successor takes over. Few can successfully accomplish this; usually more immediate matters usurp that focus. Those who do instigate early succession planning stand by the rewards. The long lens of an entrenched, disciplined process becomes a “gift that keeps on giving,” imbuing the organization

with forward-looking findings and renewed vitality. It is really the process that is the key, more than where the decision goes—the process becomes the active agent of sorting, development and discovering which moves the organization organically to optimal outcome(s).

The Emerging Environment

As we found in our recent study, [*It Starts with the CEO*](#) surveying 1000 CEOs, CEOs grew over the last year and a half in ways they never could have predicted, and they anticipate the need for more as they approach leading through unrelenting uncertainty and the many challenges and shifts in work looming ahead. CEOs acknowledge without hesitation that they must keep transforming themselves to successfully be the change agents and motivators their organizations will need. This calls for a new caliber of open, highly curious, capable leaders who can both deliver on traditional metrics of performance as well as meet the widened expectations for more inclusive leadership and diverse stakeholder management surrounding broadened and pressing environmental, social, and governance issues.

Talent like this is not something that just arises, it has to be carefully trained for, and succession planning

must account for this. Today, potential CEOs need to be groomed and conditioned like athletes to create the stamina and agility needed for the more complex leadership journey. It takes quite a while to determine the best candidates as well as to convince them that they really want to pursue that top spot. More and more, we see and hear individuals wary of throwing their hat in the ring. Is it still worth it, many now wonder...?

The world is not just gifted with the right person immediately ready and available. And she/he certainly can no longer be evaluated and selected based chiefly on their past. As the former CEO of Best Buy, Hubert Joly, writes in his recent book, *The Heart of Business*, “the notion of born leaders with innate abilities is a bygone one.” The need for the delineated, immersed development of potential successors is much more pronounced. Even so, no new CEO will ever be prepared for the role, the step up can never be fully anticipated. Still, there is little question of the clear advantages of a more purposely planned and carefully measured process.

Best Practices at Work

By way of example, we can look at our experience with the recent succession at Mastercard. From the get-go, incumbent Ajay Banga came into the role invested in an immersed, carefully executed long-term succession process. He set the term limits of his leadership to ten years, believing that, by that juncture, it would be time for new blood. Before he was even hired, Ajay and Chairman Rick Haythornthwaite shared their vision for an organic transition from one leader to the next. In their ensuing leadership partnership, they continued to infuse the process with curiosity, transparency, and inclusivity, and an impassioned commitment to the development of potential leadership. This unwavering commitment with, as Rick added after the fact, “a bit of luck,” brought the desired ends over time.

The process really began in earnest a few years into Ajay’s tenure by looking at the broad scope of internal potential. Over the next three years careful attention was paid to the ongoing growth of a narrowing group of potential leaders, specifically through inner development work as well as job rotations and special assignments, all designed to exposed them

to different experiences of cross-functional expertise and developmental progress by confronting blind-spots and strengthening personal goals.

Through immersive leadership development programs combined with personal coaching, candidates gained invaluable perspective on their strengths, the areas holding them back, as well as their weaknesses. Much like a tennis player employs one coach for work on her/his forehand and another for the backhand, this customized self-development directly addressed the individuals’ unique needs and journeys. The deepened commitment to personal development and widening exposure of the candidates became the defining factors in presenting the optimal choices for succession. It also ensured high retention across the senior leadership team.

Mastercard’s succession was also distinguished early on by a deliberate and unfailing commitment to continuous board involvement. It was established as full board decision from the outset, involving all independent directors working in close collaboration with the incumbent and the Chair. Board members were consistently exposed to the talent of the company across the long span of the entire succession process. And throughout it all, a diversity of opinion was encouraged to assure inclusivity and avoid both groupthink and premature prejudice, keeping the decision alive and successfully leading to a clear consensus by the end.

Repeatedly today, beyond any other one factor, we see that it is the demonstration of an insatiable curiosity from potential successors which is becoming the most crucial and defining element of CEO identity. Those who can really tap into it are far better prepared to keep meeting the expanded capacity and ongoing adaptability the role now requires. But, again, finding these rising stars and nurturing that progress takes time and work. During another succession process at a \$4.2 billion multinational insurance company, for example, the new CEO was not found in the first wave of “obvious” internals at the N-1 level or throughout the executive leadership team (or by going externally), but instead by grooming and developing a young executive with clear potential found deep in the N-2 level of the pipeline. This emerging leader displayed remarkable curiosity and enthusiasm for his development, as well as distinct vision for the company. Although no one could have ever guessed it

at the onset, he was singled out as the clear choice after three years invested around the decision. Now, in year five of his tenure, this leader still has the full backing of his board and has been hailed for his leadership. Repeatedly, the investment in a disciplined, evolving succession process produces results across even the most dynamic and challenging of scenarios.

Turning On the Succession Switch

Wherever you are in your succession journey (or in the planning of it), change is imminent. CEO succession is

perennial, of course; it will keep coming. And we all expect historic levels of these transitions in the nearing future.

This is a complex undertaking, with many moving parts, quietly bringing emphasis and clarity to the things that matter most. Start now and imbue the process with the very curiosity and drive we need in our future leaders. Succession planning is, in the end, a meticulous and sometimes mysterious organizational art form, balancing options and procedures with mind and heart towards solid choices and, ultimately, great decisions.

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