

# WHAT TO INCLUDE IN A BOARD SUCCESSION PLAN

The push for board diversity, controversies over retirement age, board tenure, and the emergent exit of executives regarding scandal are just some of the reasons your board needs a comprehensive board succession plan.



**GOVENDA**®  
BOARD SUCCESS PLATFORM™

## Building a Succession Plan

Executives and directors exit the boardroom for a variety of reasons. Planning for retirement and unexpected boardroom exits is the hallmark of board best practices. There is no one-size-fits-all approach to board succession planning. Boards should consider the unique characteristics and objectives of their company, including strategy, risk management, and stakeholders needs.

Implementing solid succession planning processes ensure that the board will generate long-term value for new directors and ultimate success for the organization. Building, implementing, and backing a strong and sound succession plan can help these statistics rise for the future.

## Analyze & Assess

- Evaluate and assess the positive attributes the retiring or exiting directors added regarding culture and governance.
- Assess the most significant challenges the organization and industry will face over the next 5-7 years.
- Match the skills and experience the next director will need to combat those hurdles and lead the organization forward.

## Engage All Stakeholders

- Keep stakeholders, including the board and investors, engaged and involved by reviewing, refreshing, and approving the succession plan to include up-to-date goals and strategies.
- When stakeholders are engaged, they take the future of their organization seriously and choose candidates based on where they see the company moving in the coming years.

## Procurement, Development & Selection

- Begin identifying internal candidates 2-4 years in advance and begin developing them for future positions.
- When the time comes for an internal candidate to move into a position, consult an outside firm to evaluate all candidates equally with an unbiased approach.
- Invite all internal and external candidates to present their vision for the company in the next 5 years.
- If the development of the internal candidate has proved successful, the clear leader will be revealed.

## Transition and Support

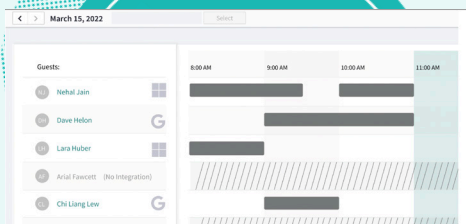
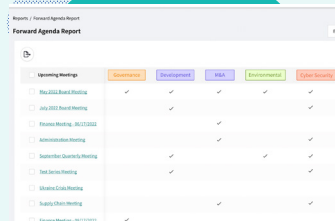
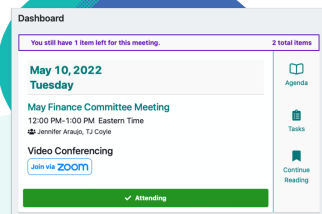
- Succession planning best practices call for a 12-month onboarding period.
- The board should play an important role in building relationships and allowing the new director to take control with a “hands-off” approach.
- Acting as a team, the board should function in a feedback-rich and transparent environment to create the most realistic setting possible.
- The board and new director should agree on measurable targets, goals, and milestones to be measured over the first year.

## Refreshing Boards with Diversity

Because board turnover is modest overall, changes to board composition occur slowly. Boards should aim to appoint directors who provide diverse perspectives while replacing directors who may no longer have the requisite skills aligned with the company’s strategic direction. Boards who incorporate directors with generational, gender, and racial diversity are less prone to a group-think mentality and more likely to embrace new ways of thinking to meet future company needs.



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