



Corporate Succession Planning

WE HELP OUR CLIENTS CHANGE THE WORLD, ONE LEADERSHIP TEAM AT A TIME™

AUGUST, 2023

Presentation by:

Laryssa Topolnytsky, PhD, Partner & Head of CEO and Board Practice, Americas, Heidrick Consulting

Doug Orr, Partner & Global Energy Sector Lead

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Introductions



Doug Orr

PARTNER & GLOBAL ENERGY SECTOR LEAD, HOUSTON

Doug advises clients in the energy industry on succession planning, top team alignment and performance, executive & team coaching, and culture shaping. Doug is a certified executive coach through Rice University.

Prior to joining Heidrick & Struggles, Doug worked at another global executive search firm where he was a member of the global energy and financial officers practices.

Doug served as an engineer officer in the U.S. Marine Corps for more than 10 years. During this time, he held multiple command and staff positions, deploying four times in support of Operation Iraqi Freedom (Iraq) and Operation Enduring Freedom (Afghanistan).

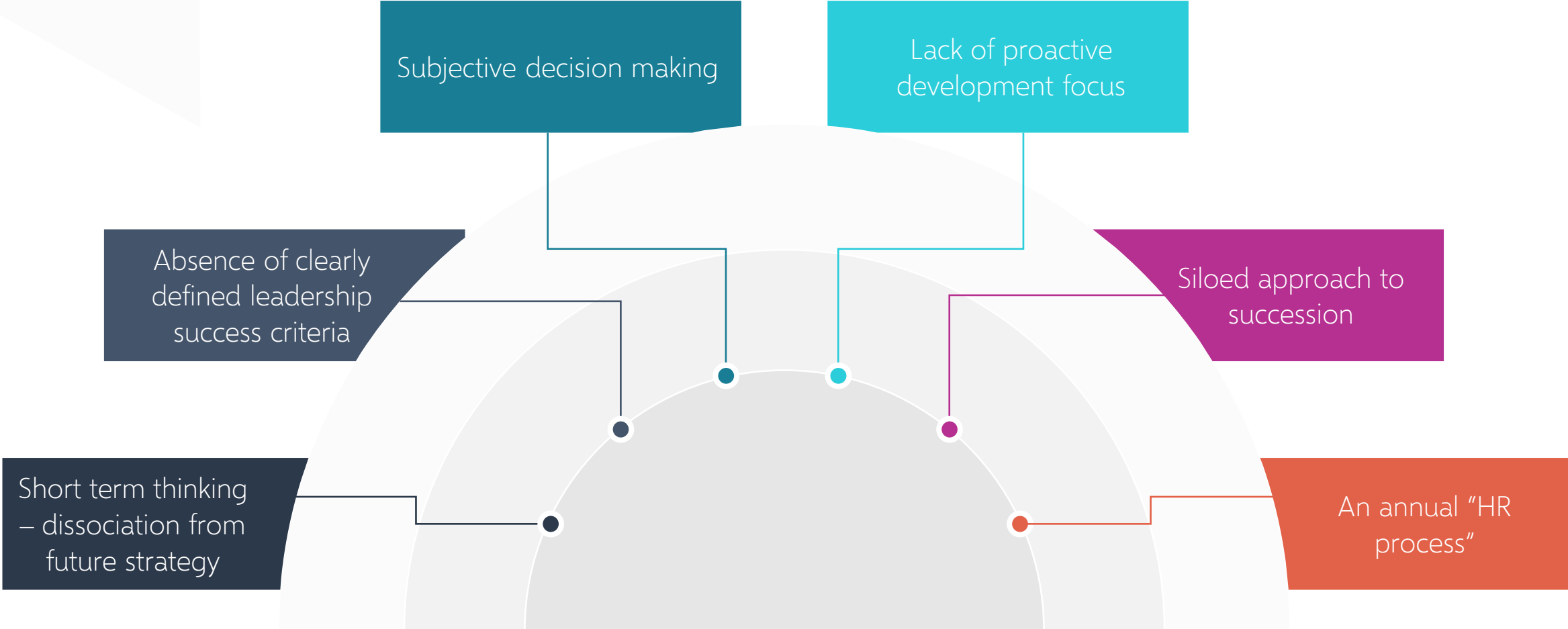
An active member of his community, Doug currently serves on the board of directors for Eyes On Me, Inc., a faith-based non-profit focused on community transformation in impoverished areas of Houston.

Additionally, he serves on the advisory board of the Energy Workforce & Technology Council, the national trade association for the energy technology and services sector.

He received a Bachelor of Science from the United States Naval Academy.

[Doug Orr, Bio](#)

Current State for Most Organizations



7 Functions of an Executive Leadership Team



← Effective Clarity of Purposeful Communication →

“The Five Elements of Strong Leadership Pipeline”

2016 Study by Deloitte written in HBR by Josh Bersin

CULTURE

1

Focus on Culture:

- Not only talk about it, but live by it
- Values are known and reinforced in every division and department
- Shapes the guidance for decision making by leaders
- Employees are measured in their behavioral alignment with the company culture and values

COLLABORATE

2

Creating Interdependence Through Collaboration and Influence:

- Nearly all organizations have a level of matrix to them
- Effective leaders must be able to collaborate across different functions and across different levels within the organization
- Leaders who can drive decisions through influence demonstrate higher potential for future leadership opportunities.

EXPOSURE

3

Learning Through Exposure:

- Develop leaders through interactions and relationships with colleagues, experts, customers, vendors, and ultimately with investors and shareholders
- Place individuals in stretch roles or special projects that increase exposure to other parts of the business
- Apprenticeship is a core element to leader development

KNOWLEDGE SHARING

4

Learning Through Knowledge Sharing:

- Organizations prioritize a learning culture through open communication and psychological safety
- Conduct after-action reviews
- Talk about challenges and problems with the intent to bring solutions
- Culture that encourages all levels to speak up and contribute to solutions and the ultimate success of the organization

BUSINESS OWNERSHIP

5

Senior Business Leaders Own Their Succession Process:

- Business/functional leaders work in conjunction with HR – but the onus of accountability belongs with senior leadership
- HR leadership and management programs are used as a key supporting effort to the process

Succession for Success

Addressing business critical succession questions



BUILDING YOUR TALENT PIPELINE

- How will you build the capability needed for the future?
- How will you manage the capabilities of the past?
- How can you ensure the right balance between “build” and “buy”?
- Who are your leaders of the future?
- How do you support the growth of leadership potential?
- Where are the strengths and gaps in your leadership/ talent pipeline?



IDENTIFYING AND ASSESSING C-SUITE AND STRATEGIC ROLE SUCCESSORS

- Who will succeed to the organizations C-Level positions?
- What are the game changing roles of the future?
- How do you identify suitable candidates to feed these roles?



PREPARING AND ACCELERATING LEADERSHIP READINESS

- What are the current leadership capability strengths and gaps?
- How do you effectively support the preparation of internal successors?
- How do you plan to accelerate internal leaders’ readiness to take on their next role?
- How can development be targeted to enable appointed candidates to perform quickly in their new roles?

Strategic Talent Management Eco-system



Strategic talent management should be looked at as a comprehensive process including all talent workstreams



(A) Competency Management

Process of defining a framework for key functional skills and behavioral attributes necessary for an employee to succeed in his current/future role at a given leadership level

(B) Succession Management

Process for identifying a pool of leadership who will be ready to take on critical roles and prepare the organization for the future

(C) Retention / Mobility Management

Process of early identification of key talent who are at risk due to time in role, position etc. AND matching key talent and opportunities across the enterprise to accelerate impact.

(D) Career Management

Process of proactively enabling growth and mobility for employees for providing access to information and opportunities

(E) Performance Management

Process for identifying a pool of leadership who will be ready to take on critical roles and prepare the organization for the future

(F) Learning & Development

Process of building organization and individual effectiveness through focused learning interventions for technical and behavioral development. Includes High Potential - - spot talent for development.

Organizational Structure

Over the last 8+ years organizations have had to “lean out” from an org-structure perspective. Many organizations have flattened out the organizational structure, “doing more with less.” However, most have not taken the time to reevaluate the roles and responsibilities and made the realignment around leadership characteristics and compensation.



- Have we re-evaluated our Org Structure post COVID
- Are roles and responsibilities accurately captured in job descriptions?
- Are goals and objectives for key roles outlined clearly and aligned with corporate level goals?
- Do we have a framework for assessment that remains consistent across the organization?
- Does our bonus program align with priorities of the business and expectations of leadership behaviors?
- To what degree have we incorporated our values and culture into our leadership framework?
- Do we understand impact of “leveling up” in leadership responsibility
- **“Hire 5 people, world them like 10, and pay them like 8.”**

- Jim Collins

Five Levels of Leadership

“What got you here won’t get you there.” Too often we promote individuals because they are skilled at their current job – however, what makes them great in their current role may prohibit them from being successful in the next level of leadership. Great engineers do not necessarily make great P&L leaders. Do we understand the leadership capabilities required for the next level of leadership?



Level 5 - C-Suite/Enterprise level leadership. Responsibility for and impact at enterprise level through decision making

Level 4 - Leading leaders who lead leaders

Level 3 - Leading leaders who lead people

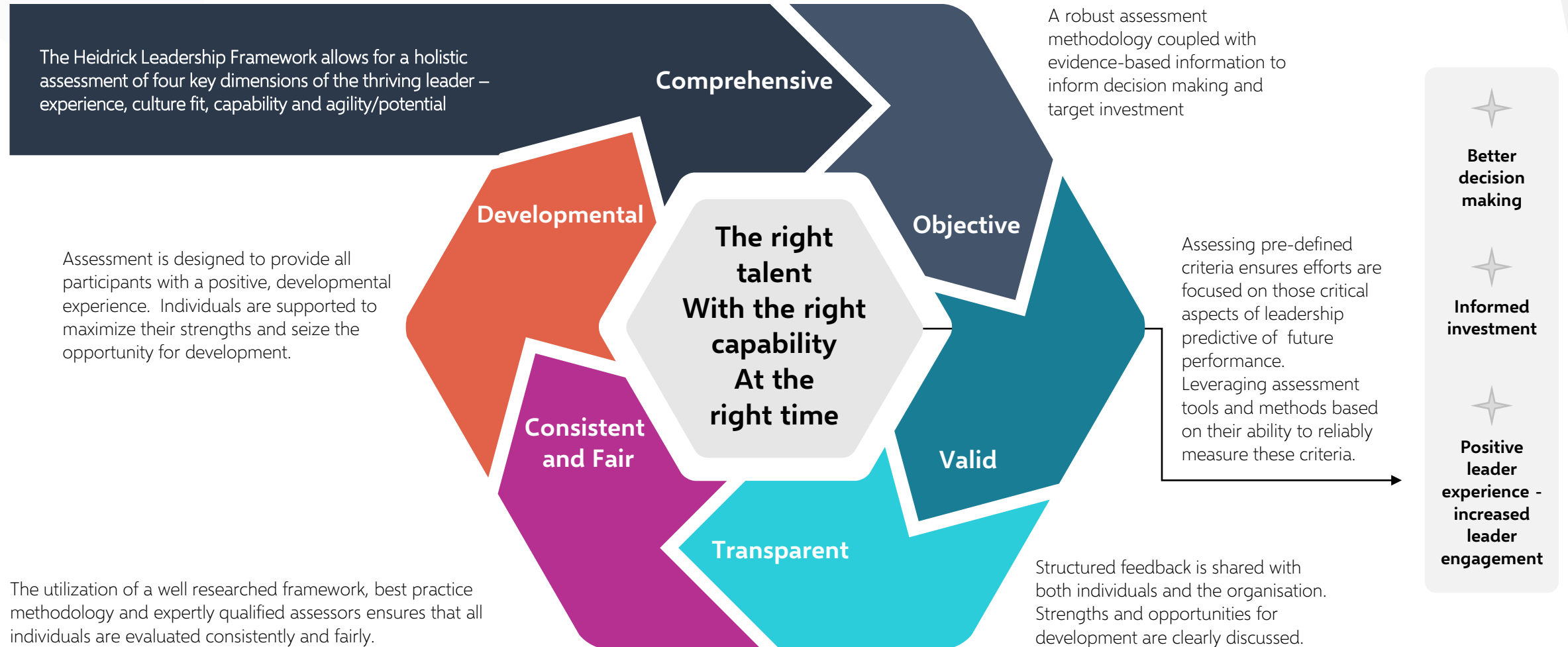
- Level 3 typically is first exposure to impact through cross-functional collaboration

Level 2 - Leading people

Level 1 - Individual contributor through subject matter expertise

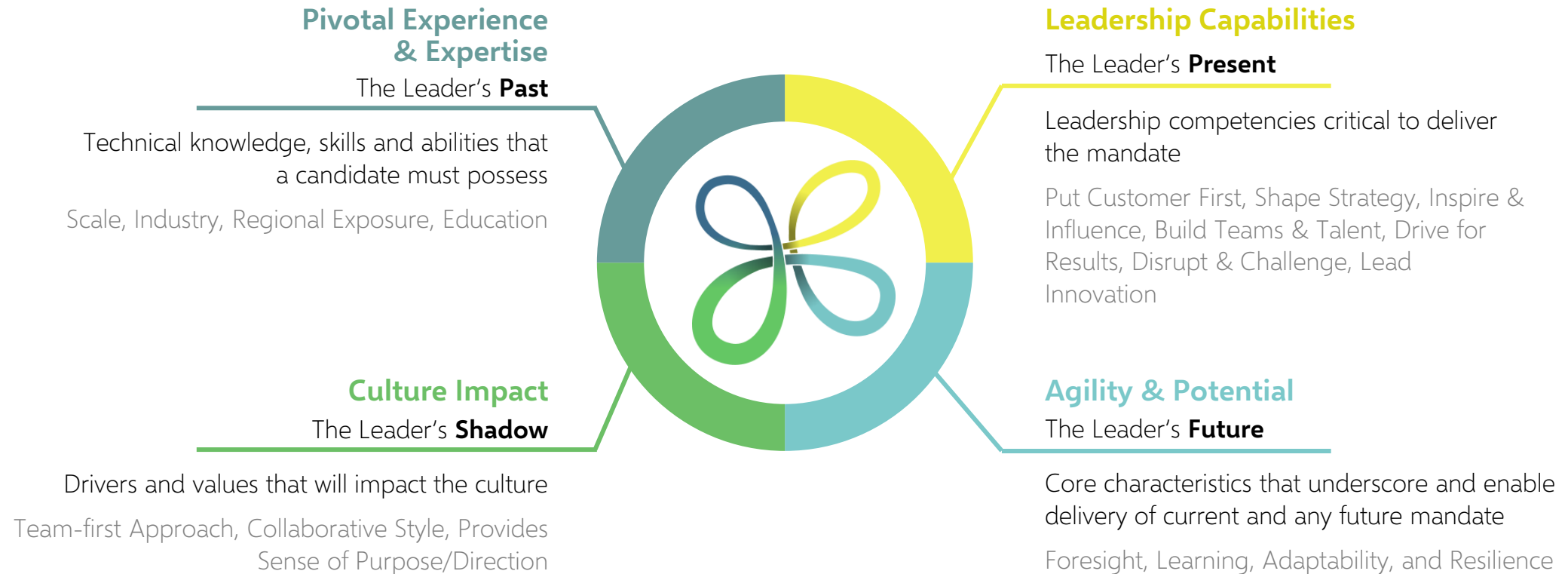
Assessment Philosophy for Leadership Succession

Robust leadership assessment is at the core of our approach to succession management



The Heidrick Leadership Framework - How We Think About Executive Assessment

The Heidrick Leadership Framework is an assessment process designed to help you holistically evaluate individuals and find the right person for the role. With the benefit of **META** - a data-driven model for gauging leadership performance - it importantly assesses an individual's leadership capability and potential - as well as impact culture - against the traditional backdrop of experience and expertise.

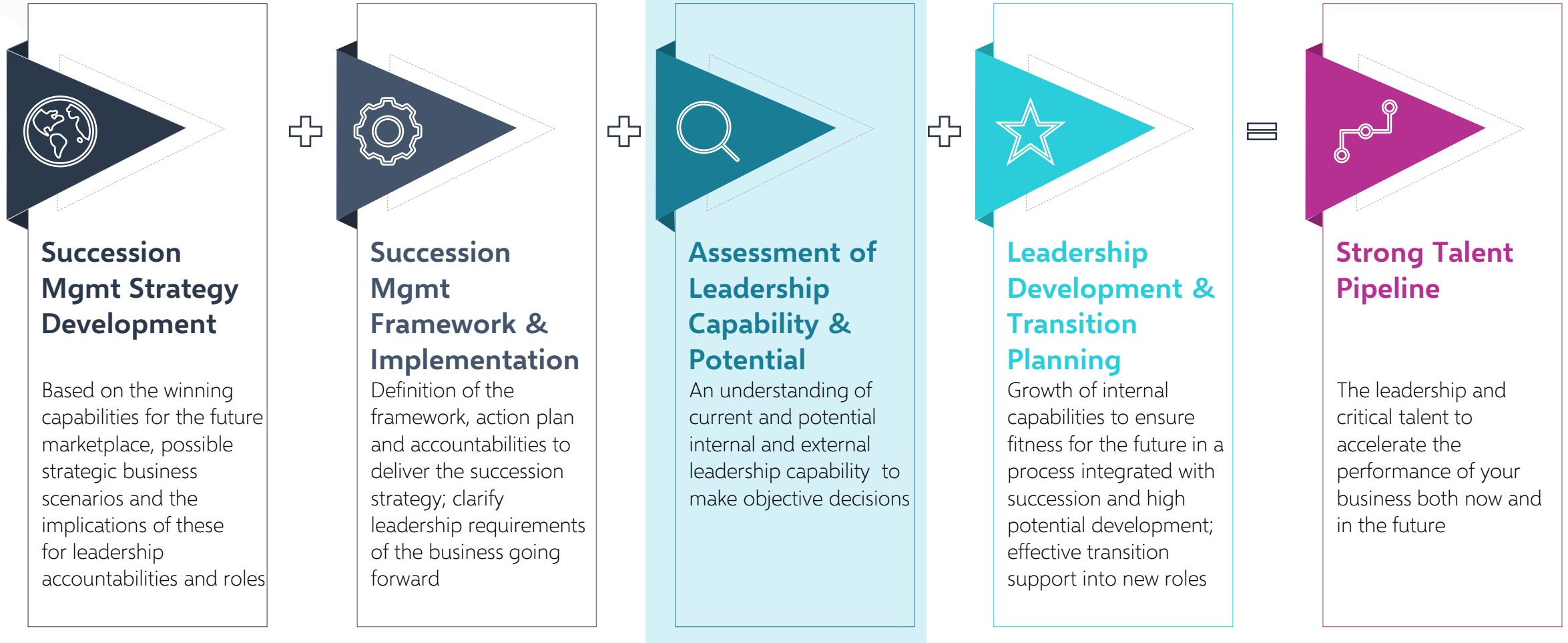




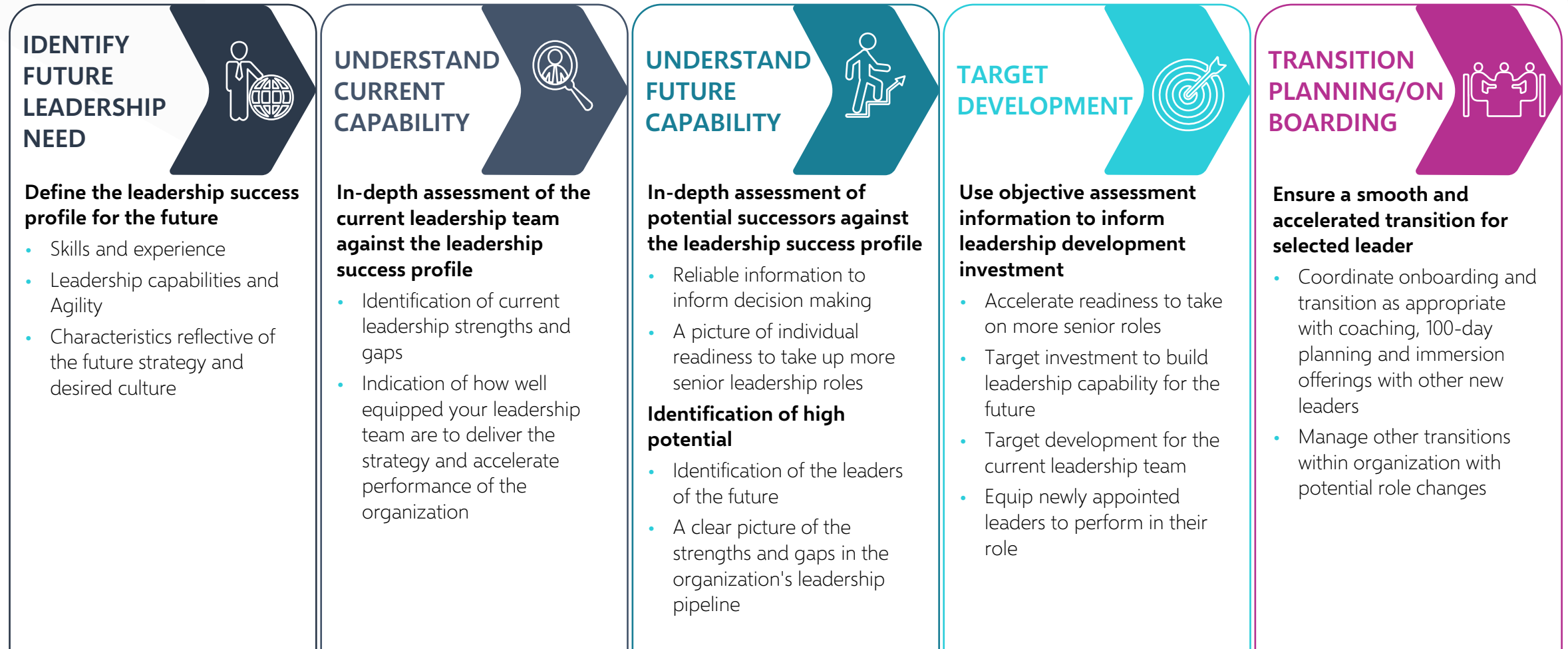
Heidrick & Struggles Approach to CEO Search & Succession Process

Succession Management

Develop effective end to end succession management solutions to build a strong talent pipeline and accelerate business performance



Assessment Approach for Leadership Succession



Understanding Individual Capabilities

Companies are able to maximize talent development when they are able to pair a robust assessment framework in combination with intentional leadership that requires personal engagement between the leader and his/her team to fully understand strengths as key areas for development and growth as well as less developed areas.

- Does our leadership assessment framework provide insights into our peoples' strengths and gaps?
- Do we know what key criteria for technical skills combined with leadership capabilities are required for key roles?
- Do we know the members of our team deep enough to have a perspective of their life and career ambitions?
- Are we positioning our people to leverage and maximize their strengths? Or are we limiting them by putting them in positions that prioritize areas that highlight their own development needs?
- Do we understand how this new role is different than the old? What does this person need to start doing and what do they need to stop doing in order to make them successful?

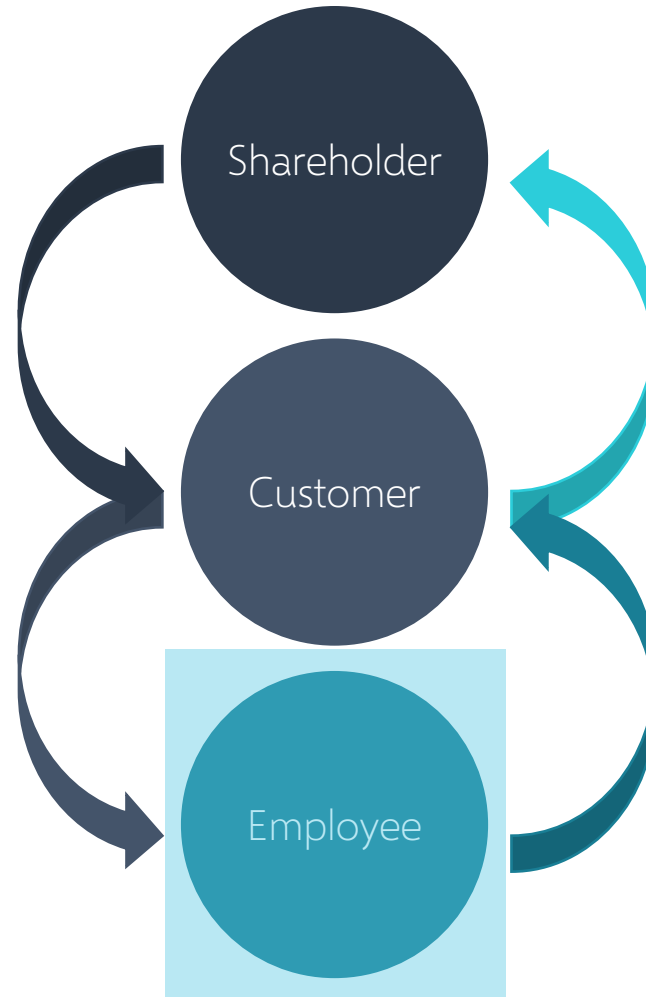


The Impact of Leadership Development

Create Shareholder Value

Delighting The Customer

Point of Impact With Customer



Leads To Profitable Growth

Provides Exceptional Quality & Service

Our greatest impact as leaders is when we invest in our people through shared mission/purpose, development/growth, and empathy coupled with accountability – they are the ones at the point of impact with our customers, suppliers, etc

The 70/20/10 Rule In Learning & Development

It is widely held that individuals obtain 70% of their skills and knowledge from job-related experiences, 20% from interactions with others, and 10% from formal educational events



70% "Experience" Driven Development

- On the job training – Cross Functional Exposure
- Stretch Roles / Promotional Opportunities*
- Immersive Special Projects



20% Relationships & Mentoring

- Formal/Informal Mentorship Programs
- Career/Executive Coaching
- Cross-Functional (Sponsored) Peer Groups



10% Reading/Video – Self Driven

- External Courses/Programs
 - Formal MBA
 - Continued Education Courses
 - Leadership Development Programs
- Reading programs
- Online resources
- Competitor analysis through reviewing earnings/ presentations

*It is critical that anyone placed in a stretch role for development understands the new expectations and is provided active resources to support them in their own learning and growth

The Art of Executive Leadership

As development of leaders reaching Level 4 and Level 5, we must think differently with respect to the roles and responsibilities of these individuals – particularly the new priorities and skillsets that will allow them to have the greatest impacts at this level. Peter Drucker, in his book “The Effective Executive” provides a thoughtful approach.

Shift from problem solving mindset to exploiting opportunities

Communicate to ensure understanding with seniors, peers, and subordinates

Working ON the business versus IN the business – getting the right things done.

Moving from doing to thinking. Executives must set the priorities through thoughtful decision making

Prioritize the future – positioning the business for what will come, not what is

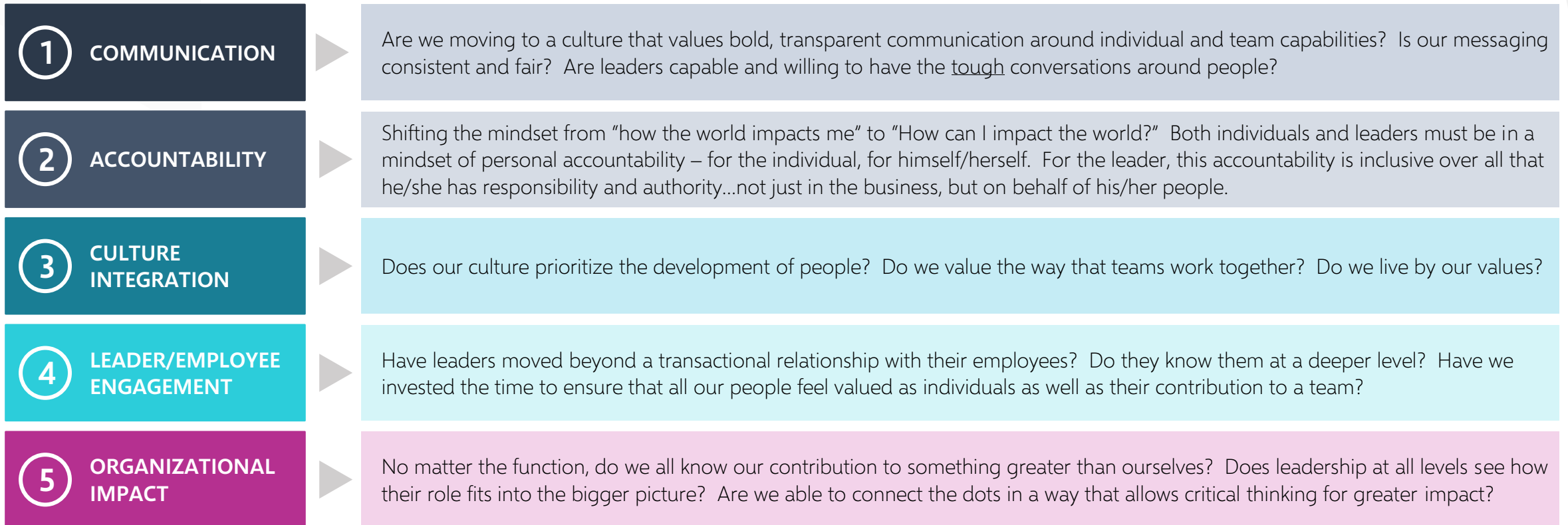
Are You Moving in the Right Direction?

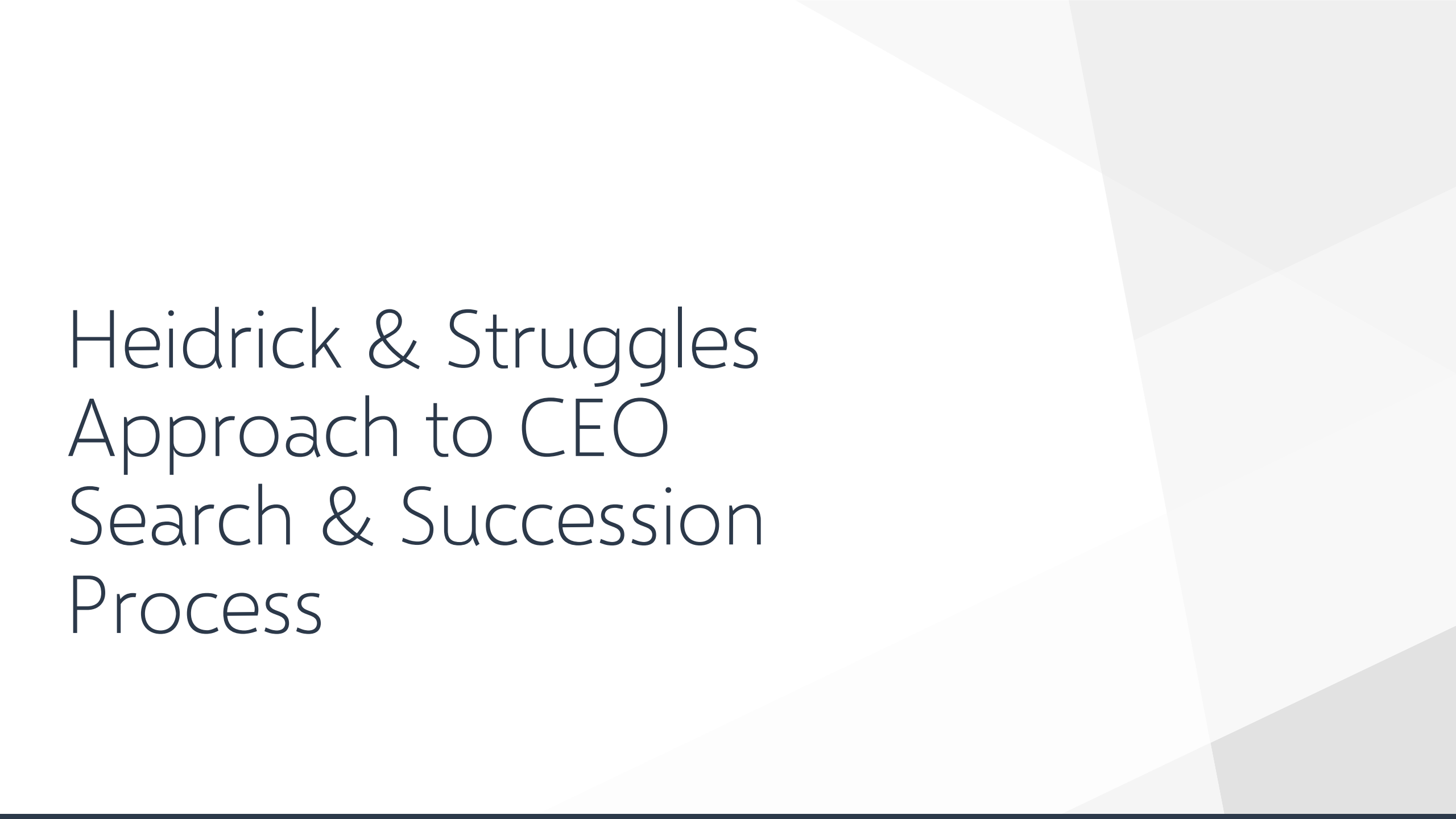
FROM

TO



Our View of Leadership, Relationships, & Accountability





Heidrick & Struggles Approach to CEO Search & Succession Process

Get Practical: Tips to embrace

1. Start now/keep at it – it's important and worth it
2. Talent is a key enabler of your strategy – think, nourish, invest and plan
3. Think 2-3 years out and have an emergency plan.
4. For development, use the ratio of 70-20-10
 - Optimize “on the job” assignments to test and develop your talent, increase engagement and determine future needs
 - Use developmental “heat” wisely
5. Be aware of biases when promoting or selecting new talent
6. It's a team sport – ALL leaders should be thinking about this and actively engaged (not just CEO and HR)
7. Use time and being lean to your advantage



Core Elements of Best-in-Class CEO Succession

As experts in CEO Succession, we partner closely with Boards and other key stakeholders in four fundamental areas to ensure a thoughtful, robust, objective and successful decision regarding the next CEO to lead the company. We bring an expertise in internal candidate assessment and development, external benchmarking, external candidate search and selection, and transition support to meet your CEO succession needs.

COMPANY STRATEGY

Where is the organization today?

Where will it be in the future?

Is the Board aligned around the strategy and objectives?

FUTURE CEO PROFILE

What are the critical CEO experiences?

What are the critical CEO leadership criteria?

Is the Succession Committee and broader Board aligned around the future CEO Profile?

INDUSTRY MARKET ANALYSIS

What requirements do competitors have for their CEOs?

What makes a successful CEO in the industry?



**FUNDAMENTALS
OF CEO
SUCCESSION**

INTERNAL CANDIDATE ASSESSMENT

Which leaders are interested and ready?

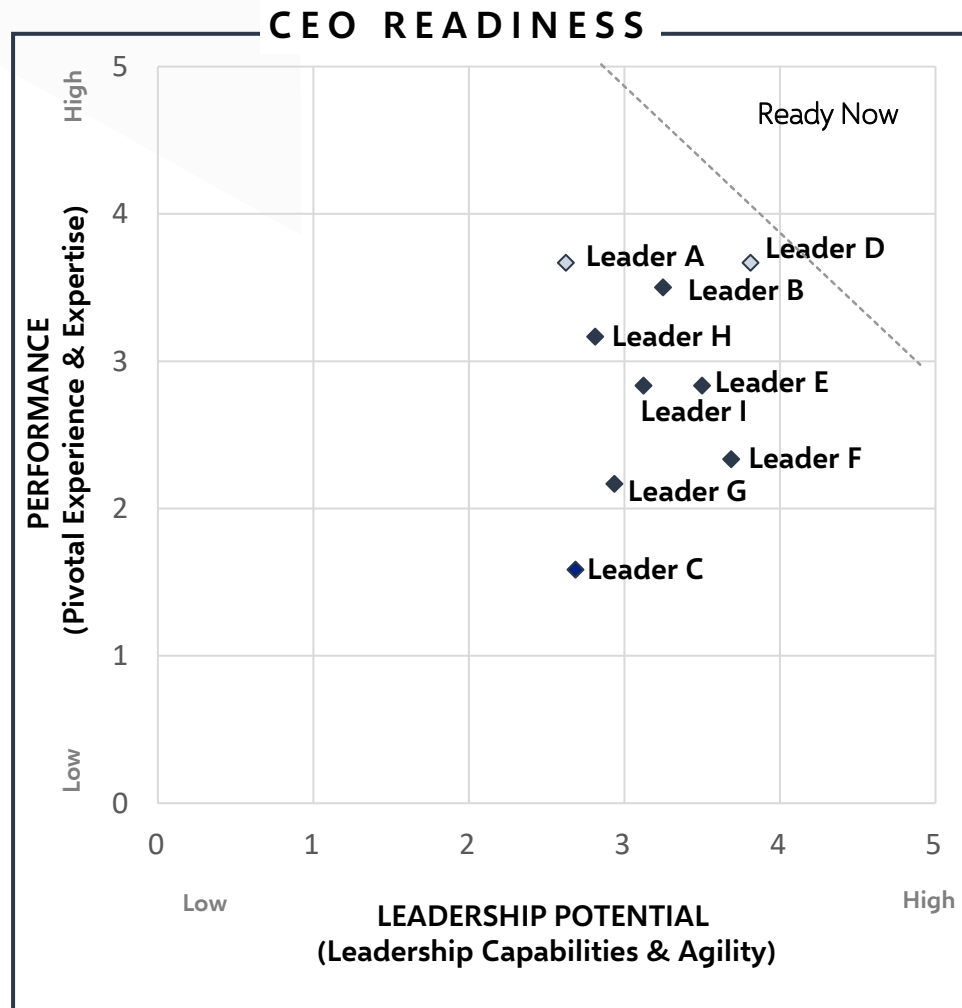
How will the Succession Committee choose viable candidates to be included in the process? What if someone wants to be included and is not deemed viable?

What development is needed for each candidate?

Is the Succession Committee and the broader Board aligned with the candidate choices?

CEO Readiness & Succession Planning Insights

Time to CEO Readiness: Talent Map



Of the nine executives assessed, we consider **none to be “ready-now” to begin the transition process for the CEO position**. The leader with the inherent ability and capacity to be CEO is Leader D, and we estimate approximately 2-3 years for her to be “ready now”. Leader B could be considered a short-term interim CEO in an emergency context.

READY IN APPROXIMATELY 2-3 YEARS

- **Leader D** has strong leadership potential; she requires continued accelerated development to be ready for a CEO position, including operational P&L experience in her current role, and incrementally increasing exposure to the Board, corporate finance and Investor Relations to round out her leadership expertise.

NEXT GENERATION LEADERS – READY IN 5+ YEARS

- **Leader F** has strong leadership potential; she is 5+ years from being CEO ready with continued accelerated development based on expanding general management P&L experience and more complex strategy development and implementation.
- **Leader I** is a next level leader with strong leadership potential and solid experience. He could take on additional operational responsibilities in 1-3 years and would benefit from developing and implementing digital growth strategies.
- **Leader E** could be CEO ready in 7+ years by broadening his operational experience and M&A strategy to successfully build out the IT practice.
- **Leader G** can expand his current role and is 10+ years from being CEO ready, once he has had a chance to increase his operational acumen (e.g., expanding his scale of P&L) and strategic leadership of a global consulting practice.

LIMITED CEO POTENTIAL, BUT OPPORTUNITIES FOR FURTHER GROWTH

- **Leader A** is at level with less potential to develop into a strong CEO candidate given his leadership gaps. He is well suited to client-focused growth strategies.
- **Leader B** is well-placed in his current role and would be suited for executive operating roles, such as future Chief Operating Officer. He could be considered as an “alternate” short-term interim CEO in an emergency but has limited long-term CEO potential.
- **Leader H** is at level. He would benefit from driving growth in digital initiatives, leveraging technology to create a new business line.
- **Leader C** is managing a P&L for the first time while expanding strategic capabilities by integrating digital services in other programs.

The “Recipe” for Succession Success and Pitfalls to Avoid



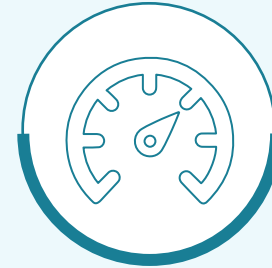
1. ALIGN

- Board and top team must align on strategic priorities and desired organizational culture
- *Then* agree on the pivotal experiences & expertise; leadership capabilities; culture fit & impact; and agility and potential that define the Ideal new CEO/Executives



2. ASSESS Talent

- Identify who to assess
- Assess identified leaders to prioritize development areas – light touch, high touch
- Provide honest, insightful and objective assessments - identify signature strengths, potential derailers, culture fit & motivators and development opportunities



3. ADVANCE

- Accelerate development via assignments, rotations, promotions, coaching, leadership development modules & other mechanisms
- The best development happens on the job
- Use time to your advantage



4. ACCELERATE TRANSITION AND IMPACT

- Identify successors for identified roles
- Accelerate role transition & impact
- Continue/refresh process

Ongoing commitment to “talking talent”, optimizing skills and diversity, and proactive planning.