

2024 Survey on Board Succession Planning

A Board Search Consultant Perspective



Dr. Cornel Germann

Senior Research Fellow in Behavioral Aspects of Board of Directors and Vice-Director at the Institute of Law & Economics, University of St.Gallen.

1.0 Introduction

Corporate governance meltdowns, such as the Lehman Brothers bankruptcy, the BP Deepwater Horizon oilspill disaster, and the Wirecard fraud scandal, have highlighted the critical need for robust succession planning at the highest levels of an organization.¹ These high-profile failures underscore the increasing complexity of business environments and the growing demand for specialized competences within boards of directors.² As organizations face more intricate challenges, it has become essential to ensure that leadership transitions are seamless, strategically aligned, and capable of navigating such complexity.³ Despite this, there is currently not a «universally standardized» best-practice framework for succession planning, leaving companies to navigate this crucial process with varying approaches and effectiveness – about which (unfortunately) little is known in public.⁴

In response to the increasing complexity of board succession planning and the lack of a standardized approach, many nomination committees turn to board search consultants to support this critical process.⁵ An analysis of UK annual reports found that 73% of FTSE 100 companies and 60% of FTSE 250 companies said they had received support from board advisers in the past.⁶

Board search consultants are specialized professionals tasked with identifying, evaluating, and recommending suitable candidates for board-level positions.

- 1 Sonnenfeld, J. A. (2002). What Makes Great Boards Great. *Harvard Business Review*, 09, 1 – 10.
- 2 Fields, R., O’Kelley III, R., & Sanderson, L. (2021). Board Refreshment and Succession Planning in the New Normal. *Harvard Law School Forum on Corporate Governance*, Link: <https://corpgov.law.harvard.edu/2021/10/16/board-refreshment-and-succession-planning-in-the-new-normal/>; Huse, M., Hoskisson, R., Zattoni, A., & Vigano, R. (2011). New perspectives on board research: Changing the research agenda. *Journal of Management & Governance*, 15(1), 5–28.
- 3 Germann, C. (2023). *Chairperson Succession: Competences, Moderators, and Disclosure*. Springer Verlag: Wiesbaden.
- 4 Harrell, E. (2016). *Succession Planning: What the Research Says*. Most Organizations aren’t prepared. *Harvard Business Review*. Link: <https://hbr.org/2016/12/succession-planning-what-the-research-says>; Elms, N., Nicholson, G., & Pugliese, A. (2015). The importance of group-fit in new director selection. *Management Decision*, 53(6), 1312–1328.
- 5 Deloitte (2023). The never-ending story: CEO succession planning. Link: <https://www2.deloitte.com/us/en/pages/center-for-board-effectiveness/articles/the-never-ending-story-ceo-succession-planning.html>
- 6 Doldor, E., Vinnicombe, S., Gauglan, M., & Sealy, R. (2012). Gender Diversity on Boards: The Appointment Process and the Role of Executive Search Firms. Link: <http://thinkethnic.com/wp-content/uploads/2012/02/Gender%20Diversity.pdf>.

Their expertise extends across industries and company sizes, providing a broad perspective that enhances the decision-making process. One of the key reasons why nomination committees engage board search consultants is to promote objectivity in the selection process.⁷ With limited qualified candidates available, internal biases or constraints can make it difficult to ensure fair and effective leadership transitions.⁸ Board search consultants bring a level of impartiality by leveraging their vast networks and deep understanding of diverse industries, ensuring that companies are presented with a range of highly qualified candidates capable of addressing the evolving demands of corporate governance.

Much of that expertise – especially critical information about the succession processes and the competences required at the board level – resides within board search organizations and the minds of their consultants. This valuable knowledge, until now, has never been captured and published. As a result, there are limited insights into how board search consultants operate and the methodologies they use to guide companies through these vital transitions.

Having greater access to this information would allow us to better understand both the work that board search consultants do and how board nomination committees approach succession planning – shedding light on both the positive practices and potential shortcomings.

The 2024 Survey on Board Succession Planning addresses this gap. This «brain teaser» survey aims to provide initial insights into current succession practices and represents the views of managing directors, partners and senior executives of board search organizations. Conducted in-between May and June 2024 among 37 representatives from Switzerland (41%), Germany (39%) and Austria (20%), the survey provides insights into the complexities and challenges of preparing for board leadership transitions. Given the demographics of the survey (table 1), the findings are dominated by unlisted, family-owned companies (approximately 4,200 employees) in the manufacturing sector (46%).

This article presents the key findings of the survey in relation to current consulting approaches by company boards (chapter 2) and board search consultants (chapter 3).

As with «brain teasers», the content of the survey is not exhaustive, but intends to provide initial insights into board search and succession planning. Both are practices often associated with sensitive information and little communication (company perspective) and a highly competitive market (consultant perspective). Understanding how succession planning works allows to benchmark one's own processes against others (quality) and to prepare candidates (transparency).

**Are you curious and want to exchange thoughts?
Get in touch: cornel.germann@unisg.ch**

7 Schepker, D. J., Nyberg, A. J., Ulrich, M. D., & Wright, P. M. (2018). Planning for Future Leadership: Procedural Rationality, Formalized Succession Processes, and CEO Influence in CEO Succession Planning. *Academy of Management Journal*, 61(2), 523–552.

8 Giambatista, R. C., Rowe, W. G., & Riaz, S. (2005). Nothing succeeds like succession: A critical review of leader succession literature since 1994. *The Leadership Quarterly*, 16(6), 963–991.

Table 1: Survey Demographics

Question	%	Question	%
Which industry do you mainly advise?		Experience in board search consulting (in years)?	
Manufacturing	46%	≤ 4 years	16%
Others (*or not willing to provide)	19%	5 – 8 years	14%
Financial institutions	11%	9 – 12 years	22%
Information and communication	11%	13 – 16 years	16%
Health services	5%	17 – 20 years	14%
Construction	3%	21 – 24 years	5%
Consumer goods and retail	3%	> 25 years	14%
Transport and logistics	3%		
What is the predominant ownership structure of your clients?		Your Title/Role?	
Institutional investor ownership	38%	Partner	54%
Family ownership	32%	CEO/Managing Partner	27%
Dispersed ownership	22%	Other	11%
Government ownership	8%	Executive Director	8%
Are your clients predominantly stock-listed or privately owned?		Your Gender?	
Private ownership	73%	Male	68%
Stock-listing	27%	Female	30%
		Diverse	3%
What is the average number of employees working for your clients?	4 228	Your Age (in years)?	51

2.0 Result in Succession Planning from a Company Perspective

2.1 Background

In practice, the nomination committee or designated board members are responsible for addressing succession planning. Who this is often depends on size (SME, multinational), corporate form (listed, private) and ownership background (family, free float). They usually act as «independent gatekeepers», linking the company's strategic competence requirements with external candidates. There are four main tasks associated with this responsibility: overseeing succession planning, identifying and recommending candidates to the full board, onboarding new members, and conducting annual board assessments.

According to the «father of corporate governance», Sir Adrian Cadbury, a well-structured and goal-oriented process is essential for effective succession planning, which should be «on merit and not by any form of patronage».⁹ Essentially, there are three main reasons why a systematic approach should be taken:

- (1) Succession planning is time-consuming and requires a candidate with functional role expertise and teamwork attitude;
- (2) Succession planning needs a transparent, fair election in the board and its process sequences are company-specific; and
- (3) Succession planning requires a careful and confidential search to identify suitable candidates.

⁹ Cadbury, A. (1992, p. 23). Report of the Committee on the Financial Aspects of Corporate Governance. Burgess Science Press.

As mentioned above, the individuals tasked with this responsibility are usually the head of the nomination committee or the board chair, so they are often given a strong voice in the process. However, one significant drawback of concentrating power in the hands of one single individual, is the risk of «silo thinking».¹⁰ On the one hand, this can cause board members to divide into groups based on their characteristics, which can lead to one-dimensional thinking. On the other hand, it may reduce the focus on promoting independence and diversity in the future composition of the Board. This can limit the variety of perspectives and ideas necessary for the board's balanced development.

The survey primarily aimed to evaluate, from a company's viewpoint, who holds responsibility for succession planning and the thoroughness with which this process is handled within boardroom settings. Thereby it sought to identify how aligned the company's succession practices are with best-practice standards, as well as the overall effectiveness of these practices in facilitating seamless leadership transitions. Key aspects explored included:

- Timing of the succession process (A.1 Timing)
- Identification of the responsible party for oversight (A.2 Process Lead)
- Duration of the process (A.3 Duration to Appoint)
- Degree of institutionalization of the succession planning (A.4 Institutionalization)
- Competences required (A.5 and A.6 Competence Dimensions)
- Key steps integral to the succession process (A.7 Key Process Attributes)
- Benefits of structured succession planning (A.8 Benefits of Planning)

Through these elements, the survey focused on whether the company's approach to succession planning is systematic, well-timed, and aligned with leading practices to support smooth leadership transitions.

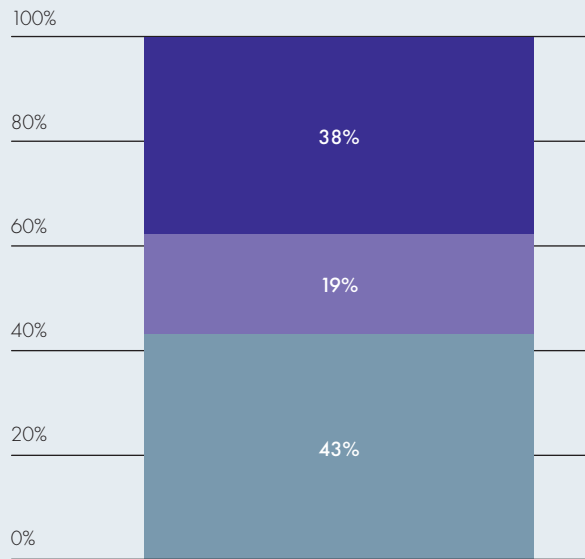
2.2 Survey findings

- **A.1 Timing:** Succession planning at the board level is typically forward-looking and strategically launched before being formally discussed. However, it's still treated as a «time-limited project» rather than an ongoing activity.

- **A.2 Process Lead:** In nearly 90% of cases, either the board chair or the nomination committee chair leads the process. Less commonly, the vice-chair or company secretary takes charge. In cases with private equity involvement, the investment company often manages the process.
- **A.3 Duration to Appoint:** On average, appointing a CEO takes 184 days, a board chair 120 days, and a board member 111 days. This reflects a growing trend to carefully manage executive succession, especially in two-tier governance systems (e.g. Germany, Austria).
- **A.4 Institutionalization:** Larger companies tend to institutionalize succession planning, dedicating more resources and keeping the process a priority. However, about 30% of respondents believe there is room for improvement in formalizing processes, despite time-related challenges.
- **A.5 and A.6 Competence Dimensions:** Board search consultants identify business, leadership, and personal competences as the most critical qualities, with business/industry knowledge, visionary leadership, and HR management being currently the top three skills to prioritize.
- **A.7 Key Process Attributes:** The most important attributes for effective succession planning include identifying individuals' ambitions, utilizing multiple identification methods, and applying a step-by-step transition strategy. Addressing these three dimensions helps better understand the political dynamics within the organization (individual-related factors) and clarifies the scope of the process (organization-related factors), ensuring a smoother and more transparent succession approach.
- **A.8 Benefits of Planning:** Professional succession planning brings several benefits, including maintaining a continuous agenda, enabling quick decision-making, and reducing market uncertainty – all of which benefit shareholders and other stakeholders support in scope and candidate elected.

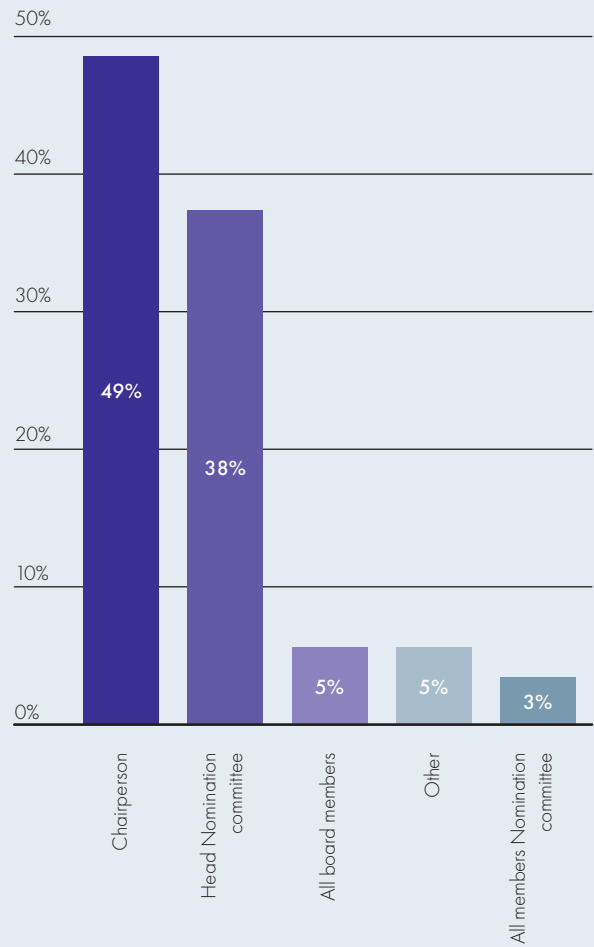
¹⁰ Olson, J. F., & Adams, M. (2004). Composing a Balanced and Effective Board to Meet New Governance Mandates. *Business Lawyer*, 59(2), 421–452.

A.1 At what point in time does board succession planning usually takes place in a company?

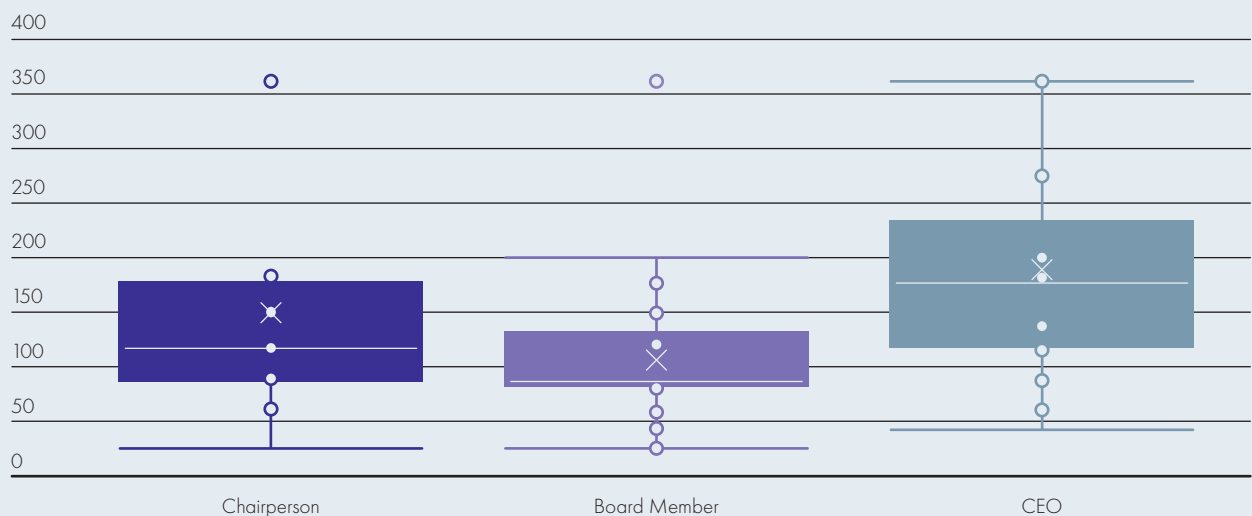


- Board succession takes place before the person has announced internally to step back/retire, also planning is part of an ongoing activity
- Board succession takes place before the person has announced internally to step back/retire, but planning is not part of an ongoing activity
- Board succession planning takes place after the person has announced internally to step back/retire

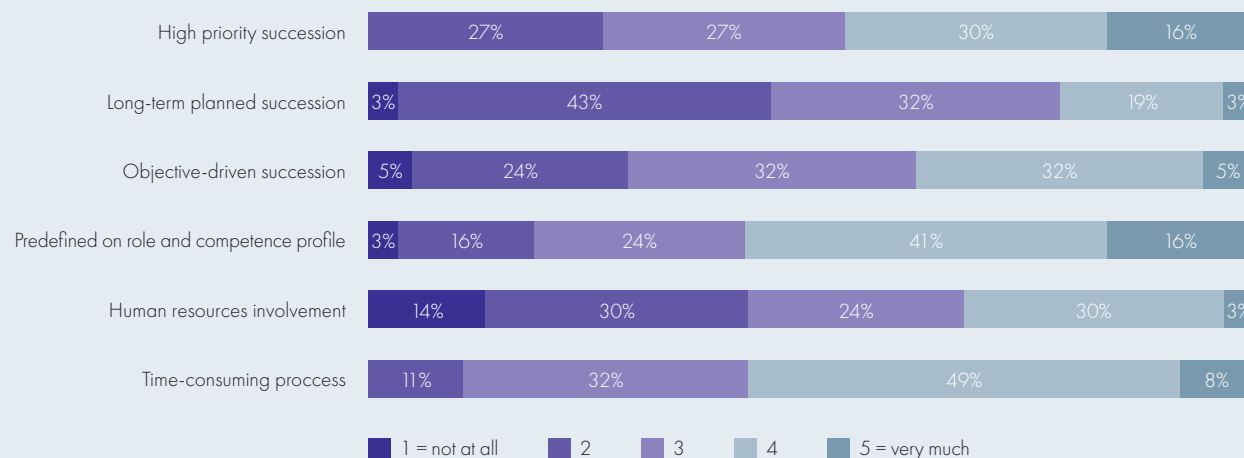
A.2 Who leads the succession process at board level?



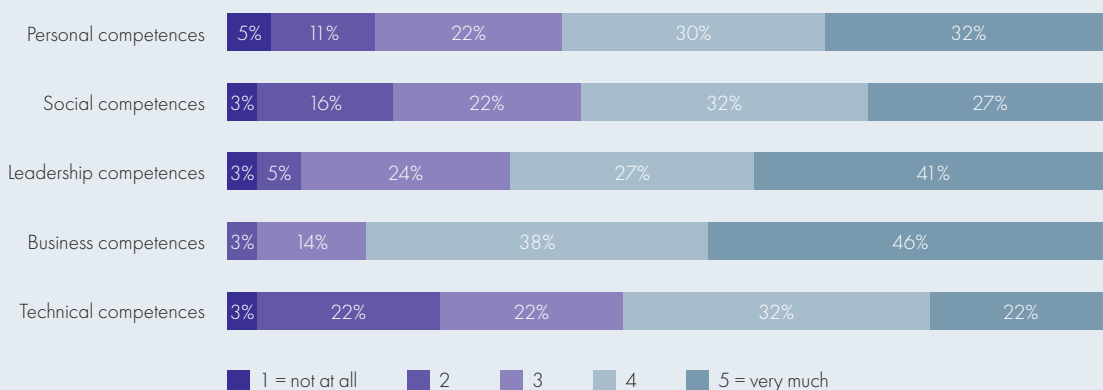
A.3 How long would it take for a company to appoint a successor if one of the following member leaves tomorrow (in days)?



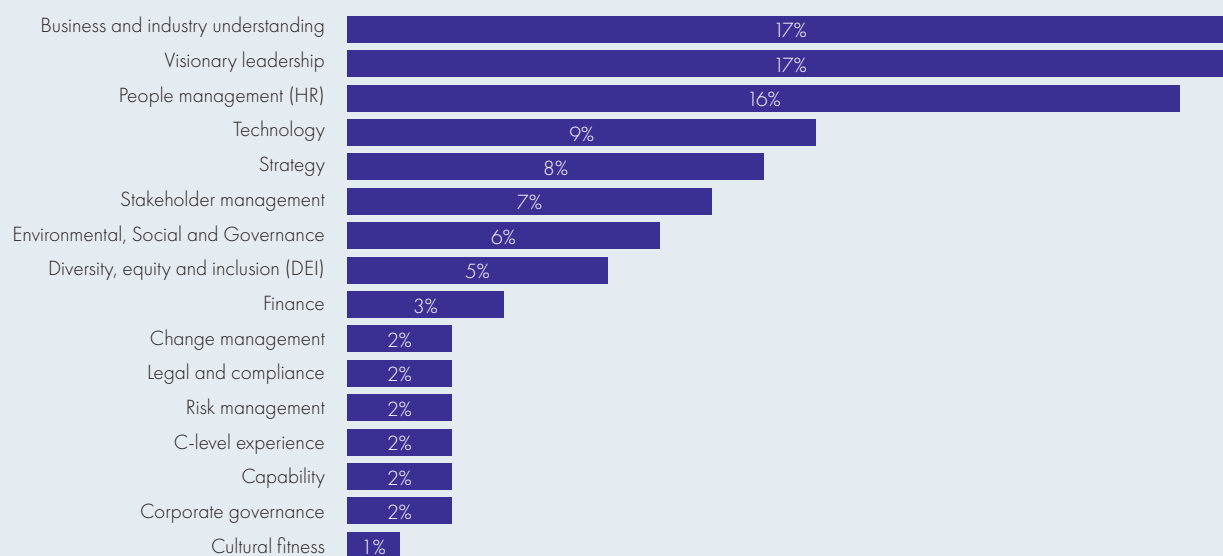
A.4 How institutionalized is board succession planning in companies?



A.5 To what extent focus companies on the following five areas of competences at board level?

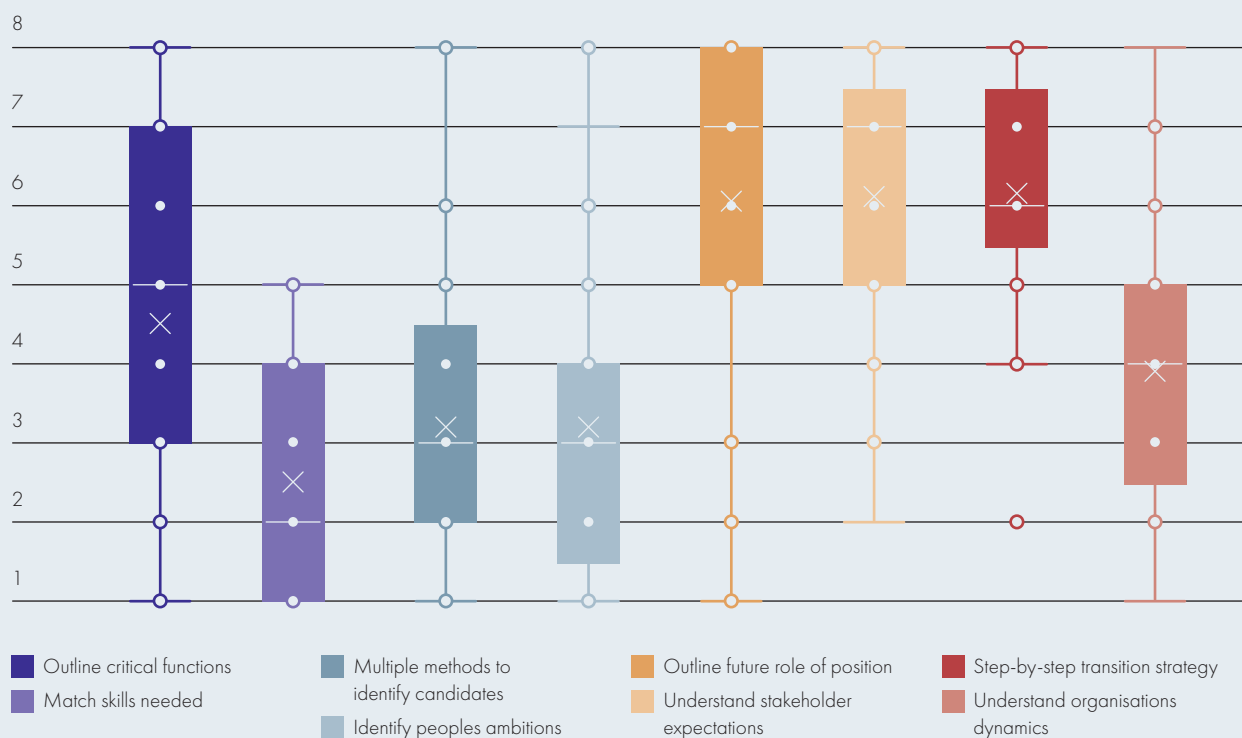


A.6 What are currently the top three specific competences at board level?



A.7 What are the most important attributes to include in a «board succession plan»?

* 1 = most important attribute, 8 = least important attribute



A.8 What are the main benefits of a professional «board succession plan»?

* 1 = most important attribute, 8 = least important attribute



3.0 Result in Succession Planning from a Consulting Perspective

3.1 Background

Once it is clear who will lead the board succession process, the designated individuals decide whether to involve a board search organization in the process. Typically, the choice of search partner is based either on traditional aspects (the search partner has been involved in similar processes in the past) or personal connections (a partner of the search firm is part of the board's professional network).

The involvement of a board search consultant may vary depending on the complexity of the assignment (the situation the company is in), the board's knowledge of succession planning (experience in leading such a process) and the nature of the leadership change (resignation, deselection or forced transition). Against this backdrop, and more specifically following the academic argument, there are four key reasons why organizations most often turn to board search partners:¹¹

- (1) To bring objectivity and transparency to the process;
- (2) To enhance the external perception of professionalism;
- (3) To provide guidance in defining the selection process and required competences; and
- (4) To widen access to a larger pool of candidates.

Another important advantage of board search consultants is that they gain valuable insight from working with companies in a variety of industries.¹²

They are «in tune with the times» and have an eye for trends. This helps them to assess a company's approach to succession and identify areas for improvement, ultimately enhancing the quality of their advisory services.

Board search firms therefore play a crucial role in facilitating the recruitment process by managing the communication and activities between the company and the candidate.¹³ However, these services come at a cost, which the board should consider when deciding whether or not to engage them.

The survey aimed to evaluate, from a consulting perspective, how board search consultants assess the quality and effort involved in succession planning. It sought to understand how consultants perceive both the efforts made by company boards and their own contributions, identifying areas of strength and potential improvement. Key aspects of the survey included:

- Quality of succession practices and reasons for either improvement or stagnation of quality aspects (B.1 and B.2 Quality)
- Company adherence to consultant recommendations (B.3 Best-Practice Realization)
- Pros and cons of involving board search consultants in succession planning (B.4 Value of Board Search Consultants)
- Unique selling points of board search consulting services (B.5 Unique Selling Points)
- Time commitment required for board search consulting projects (B.6 Time Effort)
- Fees associated with board and executive search mandates and related compensation models (B.7 and B.8 Search Fee)

By focusing on these areas, the survey aimed to shed light on the perspectives of board search consultants regarding the effectiveness of succession planning, the value they bring to the process, and the alignment between companies' efforts and consulting recommendations.

11 Doldor, E., Vinnicombe, S., Gauglan, M., & Sealy, R. (2012). Gender Diversity on Boards: The Appointment Process and the Role of Executive Search Firms. Link: <http://thinkethnic.com/wp-content/uploads/2012/02/Gender%20Diversity.pdf>; Schepker, D. J., Nyberg, A. J., Ulrich, M. D., & Wright, P. M. (2018). Planning for Future Leadership: Procedural Rationality, Formalized Succession Processes, and CEO Influence in CEO Succession Planning. *Academy of Management Journal*, 61 (2), 523–552.

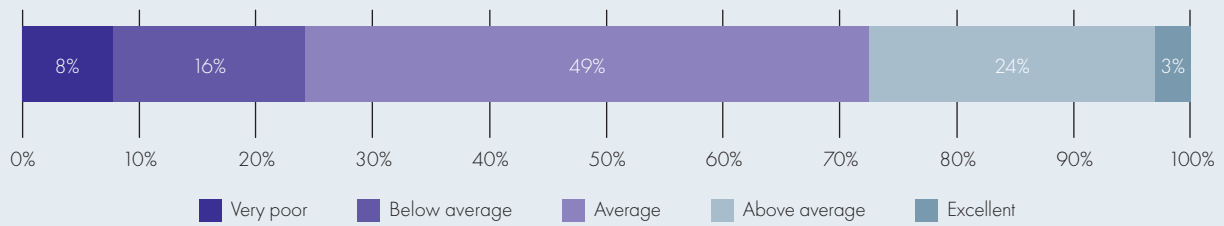
12 Coverdill, J. E. & Finlay, W. (2018). Contingency Headhunters: What They Do – and What Their Activities Tell Us About Jobs, Careers, and the Labor Market. In: Klehe, U. & van Hooft, E. The Handbook of Job Loss and Job Search. Oxford University Press: Oxford.

13 Simmons, O. S. (2019). Forgotten Gatekeepers: Executive Search Firms and Corporate Governance. *Wake Forest Law Review*, 54(3), 807–858.

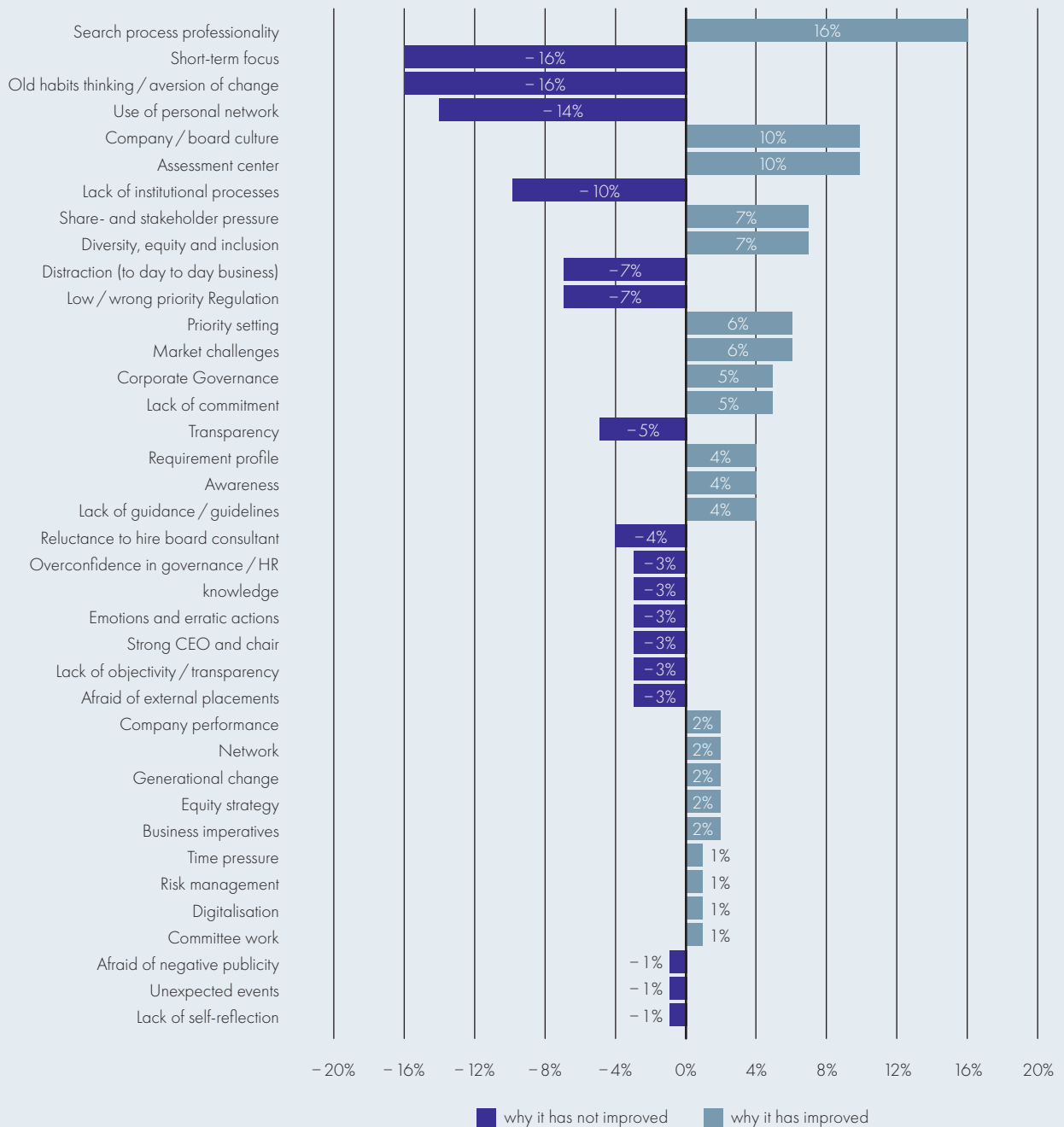
3.2 Survey findings

- **B.1. and B.2 Quality:** Quality Improvement: Board search consultants generally rate board succession practices as 'average' (49%) or 'above average' (24%). Survey participants highlighted improvements in succession processes, particularly through increased professionalism, a stronger focus on company and board culture, and the use of assessment centers to thoroughly address both personal and business-related dimensions. However, there are still areas that require further improvement. The three most significant areas there include expanding the time horizon from short-term to long-term planning, overcoming reluctance to change that often stems from reliance on outdated thinking and traditional routines, and reducing the dependence on personal networks during key process steps and candidate selection.
- **B.3 Best-practice Realization:** Board search consultants are engaged as strategic sparring partners, with a key responsibility of critically evaluating existing processes and providing improvement recommendations. When consultants suggest enhancements to the board member search process, companies are most likely to adopt changes in areas such as expanding the candidate pool and addressing gaps between candidate profiles and required competences. To a lesser extent, recommendations are also implemented in refining internal processes and considering independent input from third parties.
- **B.4 Value of Board Search Consultants:** Survey participants highlighted several key advantages of involving board search consultants in the succession process. The top three include increased professionalism, an independent external perspective to counter biases, and broader market expertise with access to a wider pool of candidates. However, the disadvantages mentioned include higher costs due to fees and remuneration systems, longer timeframes – leading to higher transaction costs for proper planning – and, in some cases, a perceived lack of quality in the advice provided.
- **B.5 Unique Selling Point (USP):** Board search consultants distinguish themselves by asserting USPs in several key areas, especially in comparison to their competitors. These include the deep expertise of their consultants (presumably in specific industries and processes), the quality and breadth of their services, extensive market networks and access to a wide candidate pool, and the proprietary tools they have developed to provide a comprehensive 360-degree evaluation of candidates.
- **B.6 Time Effort:** The average board search involves 115 hours of consulting work, allocated across several key activities: time for evaluating, which includes briefing candidates for the vacant position and supporting interview rounds (44 hours); time for identifying, which entails screening CVs and evaluating candidates' backgrounds to ensure they match the profile (39 hours); time for profiling, which involves defining the necessary competences for the position and proactively challenging those definitions with the designated board member or board committee (17 hours); and time for selecting, which means supporting the strategy to ensure all board members meet the final candidates and familiarize themselves with their backgrounds before the final decision-making in the board (16 hours). However, a comparison of the data reveals higher distribution patterns in the time spent for identifying and evaluating candidates. This variation may be influenced by the priorities set by the board search firm or the complexity of the client's needs. So, for example, reported one participant to spend as much as 250 hours only on candidate evaluation.
- **B.7 and B.8 Search Fee:** Board search firms charge an average fee of CHF 92 000 for a chairperson, CHF 78 000 for a board member, CHF 165 000 for a CEO, and CHF 110 000 for an executive committee member. There are significant discrepancies in responses, particularly for CEO mandates, with fees ranging from CHF 500 000 to less than CHF 50 000. These variations are likely linked to differences in the market (Switzerland, Germany, Austria) and the size of the company (private vs. listed). Beyond that, among respondents, 59% report using only a fixed compensation system, while 38% use a combination of fixed and variable compensation. A small minority focus solely on fully variable compensation components.

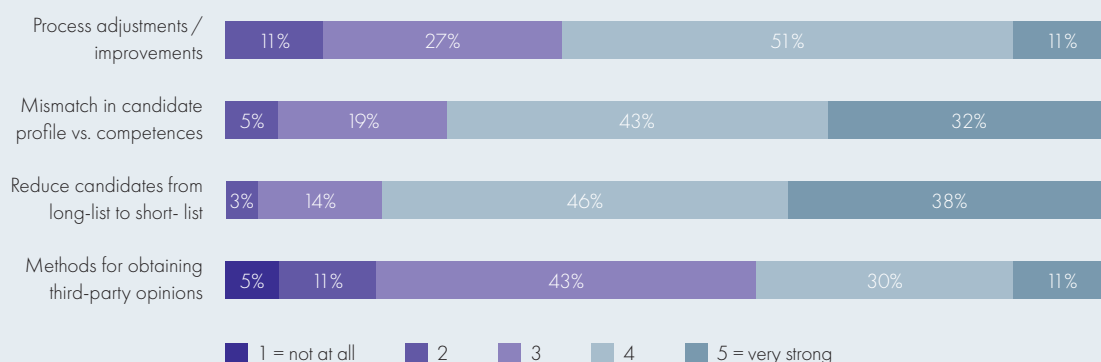
B.1 From the consultant point of view who has gained insight into a large number of succession cases, how would you assess the quality of board succession practices in companies?



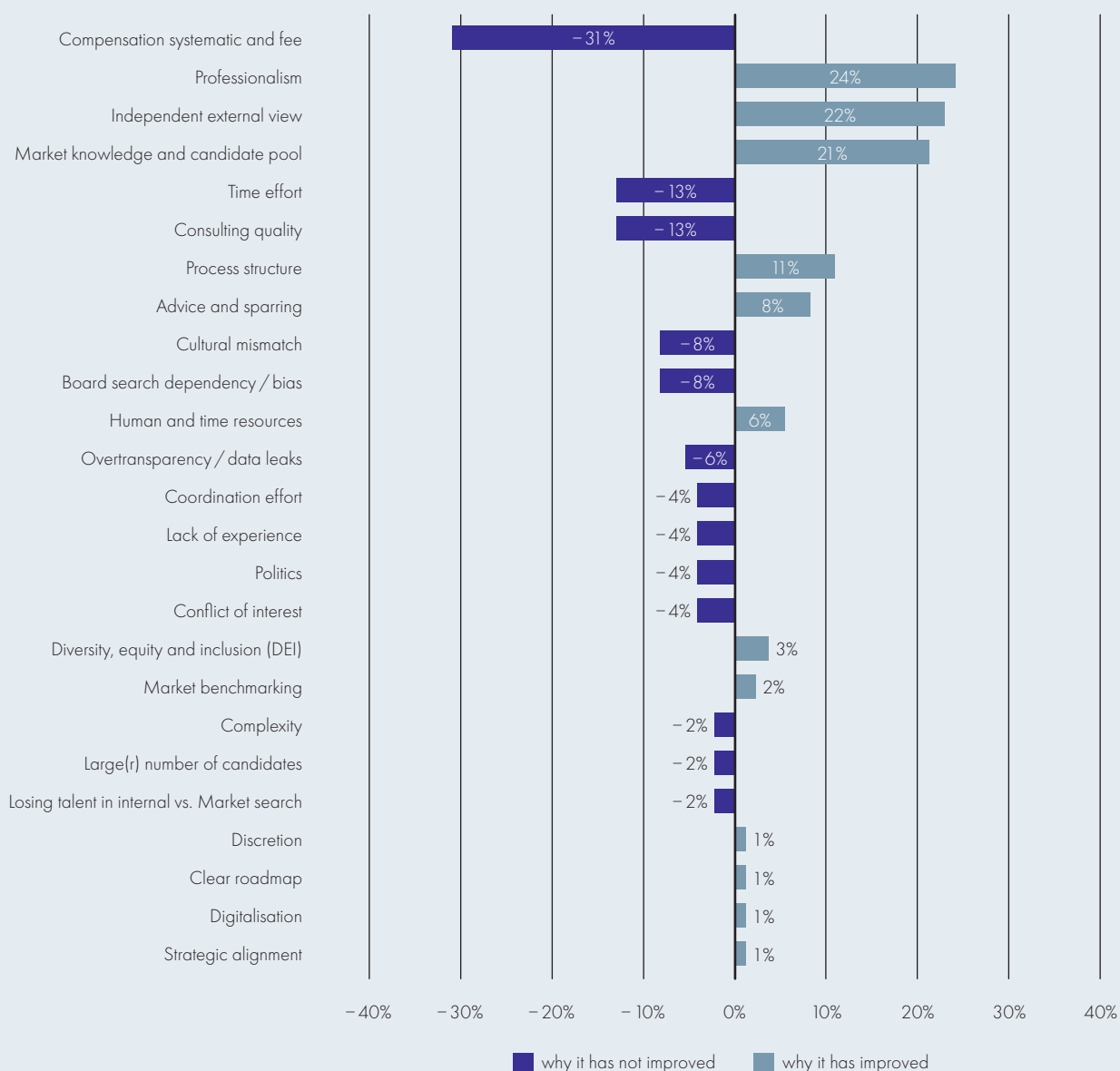
B.2 What are the reasons why board succession planning has / has not improved over the last few years?



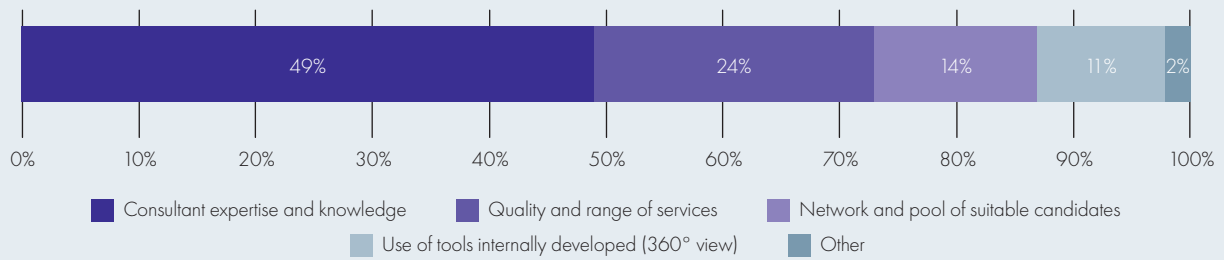
B.3 As a board search consultant, you recommend that companies should meet certain «best practices». How do companies comply with your recommendations in the following categories?



B.4 What are the advantage / disadvantages of involving board search consultants in succession planning?



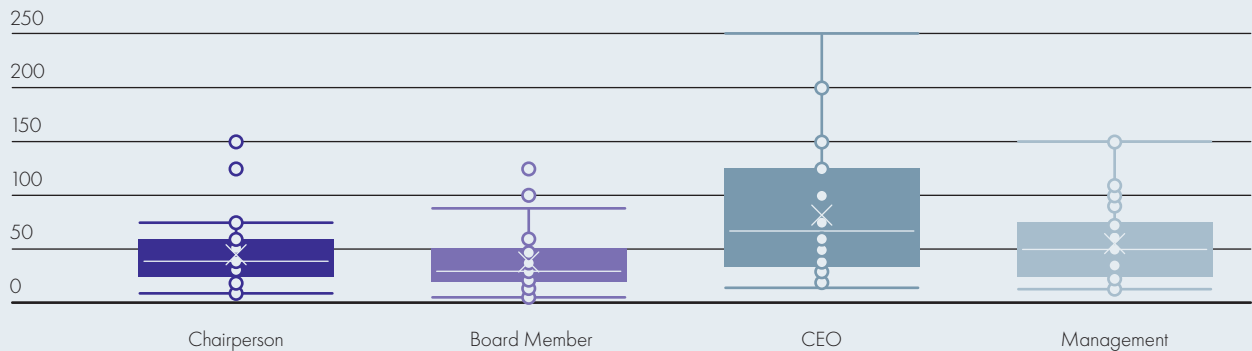
B.5 Compared to your competitors, what is your unique selling proposition (USP) in board search services?



B.6 What is the average time effort for a board search mandate (in hours)?



B.7 When offering consulting services in succession planning for one of the following positions, what is the average fee (assuming 1 CHF = 1 EUR)?



B.8 What is your revenue model in board search consulting mainly based on?

