



## Boards Should Identify and Embrace CEO Succession Risk According to Korn Ferry Report

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SYDNEY--(BUSINESS WIRE)--May 14, 2015-- Commencing the process of CEO succession, without first agreeing on the strategy and market factors that impact the role, is the highest risk to successful CEO succession, according to a survey of prominent business leaders in Australia and New Zealand. Korn Ferry (NYSE:KFY), the preeminent authority on leadership and talent, interviewed and surveyed key players in CEO succession to identify the greatest risks when replacing a CEO.

The survey also indicated that starting the process too late was the second highest risk and involving the current CEO in choosing their successor was the third highest risk.

Korn Ferry's Executive Chairman, Australasia, Katie Lahey, said: "Securing a smooth CEO succession is more than good governance; it makes sound business sense, for news of a departing CEO often impacts a company's value."

The report revealed that many chairmen keep two lists of names: one with potential CEO successors and the second of people who could be an interim CEO or a 'safe pair of hands.' Being identified as the 'safe pair of hands' is not necessarily a passport to the top job, as that person may be someone who can maintain the status quo but no more. When boards want a change agent, they are just as likely to look outside the company for their next CEO.

"This was an interesting development which those who are in the CEO succession pipeline need to consider. Are they contenders for the top job, or seat warmers for the next CEO?" said Ms. Lahey.

The relationship between the chairman and the CEO was identified as both the strongest or weakest link in CEO succession planning. "It is a highly nuanced undertaking where the personalities of two key individuals – the chairman and the incumbent CEO – may determine whether this risky business has a smooth path to transition," Ms. Lahey added.

Korn Ferry advises companies to start a search for a CEO by first assessing the risk that surrounds the process. "An experienced board will identify risks in CEO succession early, and use their risk assessment to guide and anchor the process. Risk can derail a succession. However, CEO succession viewed and managed through a risk framework will be stronger," said Ms. Lahey.

The key success factor of a smooth CEO succession is alignment between all parties involved in the process. In particular, the board must be aligned on the future strategy of the company. With every slippage in alignment, risk increases.

An unplanned or poorly executed CEO exit coupled with a clumsy replacement process may result in further loss of executive talent, diminished shareholder value, a drop in market confidence and lasting brand damage.

### Note to editors

Korn Ferry conducted interviews with: Yasmin Allen, Gordon Cairns, Antony Carter, John Durie, Dr. Robert Every, Ahmed Fahour, David Gonski, Belinda Hutchinson, Brian Jamieson, John Judge, Dr. Helen Nugent, Michael Wilkins, Joan Withers.

### Methodology

In this report, The Risky Business of CEO Succession, Korn Ferry spoke to 13 business leaders at the front line of CEO succession in Australia and New Zealand, and others who influence the process. Interviewees selected their top risks from a list of 14 nominated by Korn Ferry, or they identified other risks, discussing the issues, challenges and opportunities inherent in each. We also asked another 15 key players, most who attended a boardroom discussion on CEO succession in Korn Ferry's Sydney office, to nominate their top risks. Long form interviews with 13 business leaders are included in the report.

### About Korn Ferry

Korn Ferry is the preeminent authority on leadership and talent. For nearly half a century, clients have trusted us to recruit world-class leaders. Today, we are their partner in designing organizational strategy and developing their people to achieve unimaginable success. For more information, visit [www.kornferry.com](http://www.kornferry.com).

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