

# Board Succession in a Changing World



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Board succession has emerged as a critical topic in recent years, driven by increased CEO turnover and the growing responsibilities of statutory Boards to uphold governance standards. Despite significant efforts from organizations such as the MCA to recruit and qualify potential Directors, the pool of relevant talent remains insufficient. This has perpetuated a perception that board composition and succession is dictated more by an “old boys’ club” approach.

necessitates a forward-thinking approach to leadership.

In every industry, technological advancements and market disruptions have rendered the future more uncertain than ever. Therefore, Boards must start by identifying the competencies that future leaders will need to navigate these challenges.

While enduring leadership attributes such as **strategic thinking**, **inspiring people**, and being a **strong communicator** remain essential, their meanings have shifted in today’s context. Strategic thinking now includes anticipating disruptive changes within the industry, recognizing new emerging competitors, and understanding the future of work. Leaders must be able to draw insights from diverse industries and grasp the various forces driving market changes. If we look around us at the changes that have happened in the banking industry, the impact of ecommerce and quick commerce on many of our consumer and retail industries, the challenges that leaders in several industries have had to navigate in their businesses is apparent.

The debate surrounding the need for strategic thinkers versus strong executors has become more intense in this environment and the balance required will depend on the unique circumstances of each company.

## Professionalizing Board Composition and Succession Planning

How can Boards adopt a more professional approach to planning their composition and succession? What steps can they take to enhance the robustness and effectiveness of this process? How can they access a larger talent pool of well qualified candidates especially for non Executive director positions?

In my discussions with various Boards, either as a member or consultant, I have observed that the impetus for succession discussions often arises from impending retirements or the challenges of CEO succession. Unfortunately, these conversations frequently occur in crisis mode due to inadequate anticipation or planning.

A major issue that confronts many Boards is that internal talent often falls short of future requirements. The gap between the current CEO and potential successors often appears insurmountable. Additionally, the fear that external hires could introduce instability within the senior team, particularly in talent-scarce markets, leads Boards to extend the existing CEO’s term as a stopgap solution.

To adopt a professional approach, Boards must begin preparations well in advance—ideally, at least 18 months prior to a succession event. Thoughtful consideration before the hiring process is initiated is paramount, as these preliminary steps can significantly impact long-term outcomes.

## Planning for CEO Succession: Identifying Future Leadership Needs

Succession discussions should start with a thorough analysis of the company’s future leadership needs. Over the years, the articulation of leadership competencies has evolved from merely “managing business” and “managing people” to a more nuanced focus on swift performance outcomes, effective execution, and stakeholder management. The pressure for quarterly results has intensified this focus, yet the rapidly changing landscape

## Emphasizing Digital Fluency and Growth Mindset

In the evolving landscape, digital fluency and a profound understanding of technology’s impact have become essential competencies. They dictate both strategy and tactical execution ability.

The changing workforce dynamics have also altered expectations for leadership styles. Leaders today must embody empathy, transparency, and openness while remaining results-oriented. Balancing these often-conflicting demands will be increasingly challenging as organizations strive to retain top talent amid a competitive landscape shaped by AI and the future of work.

And finally, what we see clearly in an ambitious India, that is poised for aggressive growth, is the need for leaders who have a “Growth” mindset. The ability to think of disruptive growth and take bold bets, may be necessary just for survival.

## The Challenge of Balancing Leadership Competencies

It is unrealistic to expect one individual to embody all desired competencies. Boards must therefore carefully consider which attributes to prioritize in their selection of a CEO and how to mitigate the associated risks. Additionally, the modern CEO should be viewed as the “first among equals,” leveraging their team, rather than adopting a solitary “hero” approach. This necessitates a comprehensive strategy for balancing the abilities of the entire executive team. Boards have to therefore have a deeper view on the entire executive team.

Leadership pipelines are built by ensuring that the gap between the CEO and the next level is not too large. This would require pro actively mentoring other members of the Executive team. Non executive board members can play an important role in this respect and influence

managements to give the team adequate exposure and responsibilities to scale up. This needs to be a continuing focus to build talent.

### **Beyond Immediate Challenges: Long-Term Planning**

Succession planning should extend beyond immediate concerns, such as retirements or functional gaps. Decisions driven by short-term pressures, especially issues related to people equations can lead to dysfunctional long-term outcomes. Recognizing that leaders set the cultural tone of an organization is crucial, as their values influence what is prioritized by the Board and the company.

When selecting Executive Board members, it is essential to create a cohesive team that not only meets immediate needs but also fosters the desired organizational culture. Boards may have to consider building such a team with careful planning and institutionalizing processes that create a pipeline of appropriate leaders.

### **Internal vs. External Talent: A Critical Debate**

The debate over internal versus external talent has never been more pressing. Often, competencies required for future readiness and transformation can only be found outside the organization. Many leaders have successfully transitioned across industries, highlighting the importance of diverse experiences. While internal candidates may possess industry-specific competencies, they may lack the transformative skills needed for future success.

Thus, Boards must engage in a thorough evaluation of both internal and external talent to make informed decisions regarding their key teams. Making strategic bets on leaders is one of the most critical responsibilities of a Board.

In this context, it is important to note that many Boards struggle with managing and assimilating a new brand of leaders who often are vocal on their aspirations and their needs for wealth creation. It is important for Boards to evaluate this new generation with greater understanding on the changing workforce, while having clarity on what the organisation needs for future success including its cultural values.

### **Non-Executive Directors**

Boards play a crucial role in governance while also nurturing and challenging Executive Directors to achieve sustainable performance. It is therefore important that non Executive Board members also have a deep appreciation of the future needs of the organisation and an ability to mentor. To maintain a meaningful Board composition, ongoing evaluation of competencies of Board members in light of the changing environment is vital. The ability of Directors to stay informed and relevant is especially important, given that many come from a retired workforce.

Board composition should aim at bringing together competent members with diverse experiences that can be meaningful for the company in addition to focusing on governance aspects. As part of the reflection on the future of the organisation, it would be important to articulate what experiences besides functional competencies should be sought from non executive members. This would help the succession planning process.

Boards should actively reflect on their composition and effectiveness to establish a robust succession process and balanced structure. Unfortunately, many Board evaluation processes tend to be superficial, lacking in-depth self-reflection. Best practice is to proactively have a discussion as a team on what needs to be done to add more value without focusing only on statutory governance requirements.

A proactive approach involves seeking feedback from internal senior management and key external stakeholders, including investors, regarding their expectations and perceptions of the Board's effectiveness. This reflection can provide valuable insights for future Board composition and development.

Boards also need to have a robust process for selecting non Executive board members. This process is often left to managements alone. It is essential that NRCs play a more active role in this process and ensure succession of Board members is done in a professional and diligent manner. Automatic reappointment of Board members should not be assumed but must be evaluated objectively based on the future needs of the organisation.

### **Enhancing Directors' Competencies**

A significant gap exists in initiatives aimed at enhancing Directors' competencies in today's business environment. Many Directors have not navigated the current market landscape, making it essential to prioritize learning about technology and its impact on the future of work. Development programs for Directors should focus on future-ready competencies, alongside financial literacy and compliance standards.

Companies also need to ensure that they proactively educate their Directors on key changes that the Company foresees including innovations in the market and in products. Best practice would be to consider at least 10 to 12 hours a year as learning time to be spent by Directors.

### **Enhancing the Director Talent Pool**

Finally, enhancing the overall talent pool for Directors is critical. Boards do need diversity in age as well, rather than largely reflecting retired executives. This is more so as we have overall a younger workforce with a much stronger Growth mindset.

Currently most organisations including professional firms do not allow their senior teams to serve on other Boards. This is viewed as a distraction from their full time jobs. However, such opportunities can enable enhancing the overall perspective of leaders and provide a meaningful learning opportunity. This would enable enhancing the pool of younger leaders available.

### **Conclusion**

In conclusion, Board succession is one of the most critical responsibilities facing Boards today. It demands both the time and attention necessary to ensure an effective and forward-thinking process. By adopting a strategic, thoughtful approach, Boards can navigate the complexities of succession and leadership in an ever-evolving landscape.