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CEO SUCCESSION AND CRISIS MANAGEMENT

Advance planning for CEO succession by boards of directors, the authors argue, is an essential tool in managing such potentially disruptive events. In discussing such planning, they address the key role of independent directors, SEC reporting and disclosure obligations, and recent studies indicating that boards are taking planning for CEO succession more seriously. They close with "practical advice from the trenches."

By Tanuja Dehne, Anne Meyer and Katayun Jaffari *

Succession planning for a chief executive officer is one of the most important oversight roles of a board of directors, arguably the most important. While it may sound like a relatively straightforward task, effective CEO succession planning can be very challenging, especially for a public company. Difficult interactions between the board and the CEO can arise, particularly if the CEO feels threatened or, in contrast, if the board is too deferential to the sitting CEO. In addition, public company boards have significant and increasing workloads; thus, when a CEO appears to be established, a board may focus on many other matters, inadvertently taking its eye off the CEO succession ball.

In the past decade or so there has been a significant push from companies, their advisors, and the governance community with respect to improvements around CEO succession planning. These efforts include crafting policies and procedures in order to aid companies to train and build their talent pipelines. And yet, there continue to be high profile instances where a CEO succession event turns into a crisis.[1] Many of these

* *TANUJA M. DEHNE is a public company director and former C-level executive of a Fortune 250 power company. She has spent her career as a corporate governance attorney and human resources professional, advising and serving on boards. ANNE C. MEYER is a Senior Managing Director at Georgeson LLC and leads their corporate governance consulting practice; prior to joining Georgeson, she was counsel in the capital markets group at Debevoise & Plimpton. KATAYUN I. JAFFARI is a partner in Ballard Spahr's business and finance department. She counsels public and private companies in corporate governance, securities law and compliance, including reporting requirements. Their e-mail addresses are tmdehne@gmail.com; ameyer@georgeson.com; and jaffarik@ballardspahr.com.*

[1] Examples include (1) Yahoo! Inc. When hired in 2012, Marissa Mayer was Yahoo's sixth CEO in five years. In January 2009, Yahoo replaced its then-CEO and founder with outsider Carol Bartz. The Board fired her a short two years later. An interim CEO served until internal successor Scott Thompson was appointed, but he was forced to resign a mere four months later when it was discovered that he included false education details on his resume; (2) E.I. Dupont de Nemours and Company.