Succession Planning and Skill Matrix: The Board View

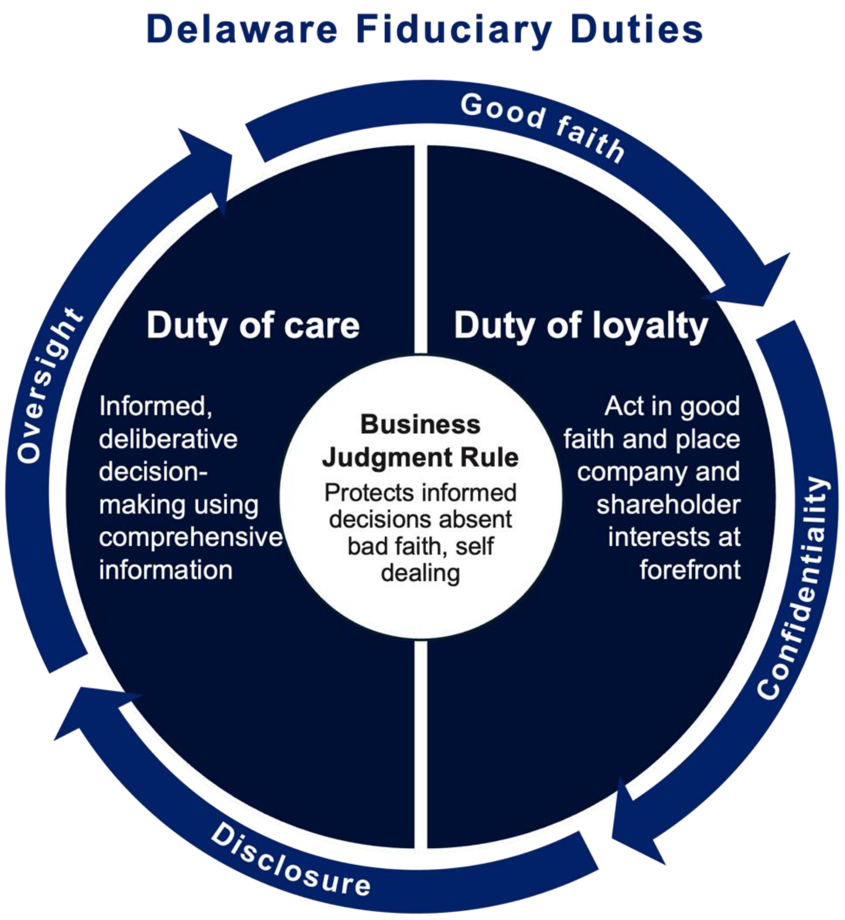
March 2026

R. McConnell Group PLLC

Fiduciary Duty Landscape for Directors Post-*Boeing*

Oversight

- Part of duty of care; *Boeing* highlighted importance of "mission critical" risk management and held Board liable for lack of monitoring and quality risk oversight
- Succession planning is a mission-critical governance function; failure to maintain a structured process for leadership continuity exposes directors to claims of inadequate oversight



Good faith

Component of duty of care and loyalty; Boards that defer succession planning until a crisis may face scrutiny for failing to act in the corporation's best interests

Confidentiality

Succession deliberations require strict confidentiality; premature disclosure can destabilize management and affect market confidence. Shareholders are not entitled to details of the Board's internal succession process

Disclosure

CEO transitions trigger securities disclosure obligations; the SEC and proxy advisors expect clear characterization of voluntary vs. involuntary departures. Boards must communicate honestly under the materiality standard

CEO Succession by the Numbers

Key findings from Larcker, Tayan & Watts on ~1,400 CEO turnover events (Stanford, 2022)

How CEOs Actually Leave

- Stated reasons mask reality: 40% “retired,” 21% “resigned,” 17% “stepped down” — but Stanford’s Push-Out Score reveals 29% of departures were actually forced (scored 8-10 on a 0-10 scale)
- Only 30% of CEOs who announced “retirement” actually retired; 38% joined outside Boards and 16% remained on the company’s own Board
- Performance impact is stark: companies with planned, low-pressure successions saw +7.6% cumulative abnormal returns over three years; high-pressure forced departures saw -42.3%
- Share of transitions under pressure has fluctuated: 23% (2017), 15% (2018), 13% (2019), 20% (2020) (Spencer Stuart), showing Boards must always be prepared

The Successor Equation

- Overall, 59% of successors are internal, 33% external, and 8% are Board members stepping in — but these numbers shift dramatically based on preparation
- When Boards are prepared and name a permanent successor immediately: 72% internal, 22% external — the pipeline works
- When Boards are unprepared and must delay: only 18% internal, 74% external — forced to go outside at higher cost and risk
- One-third of Boards cannot name a permanent successor at the time of departure; the average delay to identify a permanent replacement is 177 days
- Boards that appoint an interim CEO do so primarily because the outgoing CEO was terminated and the Board was not prepared with a successor

Succession Planning: The Current State

Research on ~1,400 CEO turnover events reveals critical gaps in Board readiness (Larcker, Tayan & Watts, 2022)

The Data (Stanford/Larcker)

- One-third of CEO transitions result in Boards unable to name a permanent successor at the time of departure
- Nearly 40% of Boards reported having zero viable internal candidates ready for the CEO role (Heidrick & Struggles/Rock Center, 2010)
- Average time to identify a permanent CEO replacement: 177 days after departure — an eternity for a publicly traded company without a leader
- 29% of CEO departures were forced (Push-Out Score 8–10), though frequently characterized as voluntary retirements; Stanford’s research shows companies routinely frame forced departures as “retirement”
- Companies with planned successions saw +7.6% cumulative abnormal returns over three years; forced departures saw –42.3% (Larcker, Tayan & Watts, 2022)
- Over half of directors say their Boards would benefit from significantly more time devoted to succession planning

Board Readiness Gap

- Most Boards treat succession as an event triggered by departure signals rather than as a continuous governance process — the opposite of how they treat audit or risk oversight
- CEO performance paradox: the single most common barrier to timely planning is that the incumbent CEO is performing well, creating a false sense that there is no urgency
- Boards lacking a structured internal pipeline are significantly more likely to rely on external hires, which carry higher failure rates and longer onboarding periods
- Emergency succession plans, where they exist, often name a single individual without meaningful Board exposure, development, or credibility testing
- The legal mechanics of CEO transitions — contractual notice periods, separation agreements, securities disclosure triggers, non-compete implications — are rarely addressed proactively (Stanford Directors’ College)

What Good Succession Planning Looks Like

A continuous governance discipline — structured, recurring, and documented — not a fire drill

The Standard

- The Board can answer three questions at any given moment: (1) Who could step in tomorrow in an emergency? (2) Who are the 2-3 internal candidates being developed over a 2-3 year horizon? (3) What does the external market look like if we needed to go outside?
- Succession is a standing Board agenda item from the day a new CEO is seated — not triggered by retirement signals or health concerns
- The leadership profile is defined by the company's 3-5 year strategic direction and revisited annually as market conditions change
- The CEO's role in succession is explicit: identifying, developing, and giving candidates meaningful Board exposure is part of the CEO's mandate and annual evaluation
- The Board regularly benchmarks internal candidates against the external market through confidential assessments — not to go outside, but to calibrate pipeline quality

Best Practices from Leading Boards

- Dedicated committee or full Board owns the process with clear accountability and regular reporting cadence; structure matters less than consistency
- Candidates rotate through critical business functions and present directly to the Board on strategic matters — not just at social dinners
- Board members conduct independent assessments of candidates through substantive one-on-one engagement, not solely relying on CEO evaluations
- Annual talent review includes both internal pipeline assessment and external market scan through confidential third-party benchmarking
- The process is documented contemporaneously: questions asked, information received, and decisions made create the evidentiary record of adequate oversight

What Boards Need to Think About

Seven dimensions of effective Board succession oversight

Start with Strategy	• The single biggest mistake Boards make is jumping to names before aligning on what the company needs over the next 3-5 years • The leadership profile must account for the company's competitive landscape, regulatory environment, capital allocation priorities, technology modernization, ESG pressures, and digital transformation • This profile should be dynamic and revisited annually; the right CEO for 2026 may not be the right CEO for 2030
Own the Process	• Who "owns" succession varies widely — full Board, dedicated committee, or nominating/governance; the structure matters less than the clarity • Someone must be accountable for keeping succession on every Board agenda, and the full Board needs regular updates regardless of which committee leads • Treat succession like audit oversight: structured, recurring, and documented — not episodic or informal
Engage the CEO from Day One	• The biggest obstacle to timely planning is that the current CEO is performing well, so Boards don't want to rock the boat — about a third of directors identify this as their top barrier • The best Boards normalize the conversation by making succession a standing item from the moment a new CEO is seated; baked into the job from the start, it removes the awkwardness • The CEO's role is to identify and develop internal candidates, give them meaningful Board exposure, and rotate them through different business functions
Build a Real Pipeline	• Directors consistently rank maintaining a strong internal pipeline as the number-one challenge in succession planning • A good pipeline gives candidates first-hand experience in CEO-level functions — including presenting to the Board, leading M&A evaluations, managing regulatory proceedings, and overseeing major capital projects • Boards should periodically benchmark against the external market through confidential assessments — not to go outside, but to sharpen their understanding of how internal candidates compare

Emergency Planning, Retention, and Transition Mechanics

Proactive preparation prevents value destruction during leadership transitions

Emergency Readiness	• Given that ~29% of CEO departures are under pressure (Stanford Push-Out Score), Boards need a genuine emergency plan — not just a name on a piece of paper • Identify at least two individuals who could serve as interim CEO; ensure they have spent enough time with the Board and the business to be credible • Decide in advance whether a Board member might temporarily step in; review and update the emergency plan annually
Plan for the Non-Selected	• When multiple internal candidates compete, anticipate that executives passed over may leave — a real retention risk for the GC, CFO, or COO • Scenario-plan: which non-selected candidates are critical to retain? What retention packages or expanded roles can be offered? • Address retention proactively before the selection announcement — not after; cascading C-suite departures can follow a CEO appointment
Five Critical Transition Mistakes	• Unrealistic timelines: rushing the process creates legal exposure in separation agreements, securities disclosures, and communications • Ignoring contractual triggers: a CEO departure may activate “good reason” provisions in other executives’ agreements, accelerating departures across the C-suite • Ambiguous characterization: failing to clearly define the departure as voluntary or involuntary creates SEC disclosure risk and proxy advisor scrutiny • Neglecting the outgoing CEO’s separation: cooperation clauses for ongoing litigation, non-compete implications, and Board transition roles must be resolved before announcements • Skipping structured onboarding: the new CEO needs a genuine transition plan covering strategy, culture, key relationships, and regulatory matters — not just a title

Leadership Competencies: CEO, General Counsel, and CFO

Core capabilities for senior leadership — evaluated against the company's strategic direction

CEO

- P&L ownership, capital allocation, and credible investor communications
- Strategic transformation — repositioning the business amid competitive, technological, and regulatory shifts
- M&A and integration — identifying targets, executing transactions, and realizing post-close value
- Technology and AI fluency — how emerging technologies create competitive advantage and enterprise risk
- Crisis management under public scrutiny — regulators, media, investors, and employees simultaneously
- Talent strategy — attracting and retaining senior leaders while managing workforce transformation

General Counsel

- Regulatory and enforcement fluency across the company's operating jurisdictions
- Investigations readiness and compliance program design that withstands DOJ scrutiny
- M&A transaction management and multi-jurisdictional litigation strategy
- Board advisory — translating legal risk into governance-level language and action items
- Data privacy, cybersecurity, and AI governance — the fastest-growing risk portfolio

CFO

- Capital markets access, treasury, and enterprise risk management
- Financial modeling for transformation — new business models, capital investments, and technology shifts
- Tax strategy, investor relations, and complex financial narrative communication
- ESG and non-financial disclosure frameworks increasingly driving institutional investor decisions

Leadership Competencies: COO and External Affairs & Regulatory

Core capabilities for operational and regulatory leadership

COO

- Core operations management — maintaining service quality, safety culture, and operational discipline across the enterprise
- Large-scale project delivery — on time, on budget, with clear accountability structures and executive-level reporting
- Balancing operational continuity with strategic transformation — running the business while changing the business
- Supply chain management, vendor governance, and technology deployment across distributed operations
- Enterprise resilience — business continuity planning, cyber threat response, physical security, and crisis operations
- Workforce transformation — managing talent pipeline gaps, automation integration, and the shift to technology-augmented operations

External Affairs & Regulatory

- Government relations and regulatory strategy at federal, state, and local levels — including testimony, lobbying, and agency engagement
- Navigating political dynamics around regulatory proceedings, licensing, and strategic initiatives that require government approval
- Stakeholder engagement and media relations — managing communications across customers, communities, investors, and public officials
- Managing competing stakeholder narratives — balancing growth, cost, quality, and social responsibility messaging
- ESG communications and credible sustainability positioning that withstands investor and activist scrutiny
- Coalition building across advocacy groups, industry associations, consumer organizations, and political stakeholders

Firm Lawyers

Matthew Boyden Matthew Boyden is a trial lawyer and former federal prosecutor with more than thirty-five years of experience. He represents companies and executives in high-stakes criminal, civil, regulatory, and governance matters. He is regularly engaged where litigation risk, regulatory scrutiny, and institutional exposure intersect. Matthew's practice includes federal criminal defense, complex civil litigation, internal investigations, and board-level advisory work. He has represented clients in matters involving securities fraud, sanctions and trade controls, anti-corruption, anti-money laundering, and financial misconduct, as well as parallel civil and regulatory proceedings. His work frequently involves emerging technology, financial services, and cross-border risk.

Larry Finder Larry Finder is a trial lawyer and former United States Attorney with more than four decades of experience handling complex criminal, civil, and regulatory matters of national significance. He represents individuals, corporations, and boards confronting serious legal, institutional, and reputational risk. Larry began his career as a felony prosecutor in Cook County, Illinois, where he tried major criminal cases early in his career, including serving on the John Wayne Gacy prosecution team. He later joined the U.S. Department of Justice, serving in increasingly senior leadership roles, including Chief of the Criminal Division and First Assistant U.S. Attorney, before being appointed United States Attorney for the Southern District of Texas in 1993. After government service, he was appointed by the U.S. Court of Appeals for the Fifth Circuit to investigate and litigate judicial misconduct by a federal judge, work that resulted in impeachment by the House of Representatives and conviction by the United States Senate.

Ryan McConnell is a former federal prosecutor and trial lawyer who represents companies, boards, and executives in high-stakes criminal, civil, and governance matters. He is called when litigation risk, regulatory exposure, and institutional credibility intersect. Ryan has tried nearly twenty federal jury trials and conducted hundreds of investigations involving complex fraud, cross-border enforcement, and sensitive regulatory issues. His practice focuses on federal criminal defense, complex civil litigation, internal investigations, and advising boards and senior executives on governance issues and matters requiring judgment under pressure. Ryan served as lead trial counsel in *U.S. v. Rovirosa*, a federal criminal prosecution brought by the Department of Justice's Fraud Section under the Foreign Corrupt Practices Act. Before founding his firm, Ryan was a partner at three international law firms, where he handled a broad range of complex civil and criminal litigation and led internal investigations across industries and jurisdictions. His civil litigation experience includes civil fraud, antitrust, securities, and derivative litigation; D&O and fiduciary-duty matters; shareholder and partnership disputes; and complex commercial litigation in state and federal courts nationwide.