

Case Study IV: Succession Planning

The board of directors of Grain Belt cooperative was reviewing the report from their annual strategic planning meeting. One issue had no real action plan. The board had identified “succession planning for both the CEO and board members” as a critical issue. Their CEO had just turned 60 but had not expressed plans to retire within the next 3 years. While CEO succession was not necessarily imminent it was obviously possible. There was a basic plan of chain of command to address immediate issues if the CEO was out of action, but the board had no formal plan for identifying, selecting and hiring a replacement. The composition of the board had also been very stable. All of the members had served three or more terms. Like many cooperatives, Grain Belt formed a nominating committee each year and elicited nominations from the floor at the annual meeting. Despite this formal process it was clear that the board had no real strategy for recruiting, much less developing, the next generation of board members.

Board member Jerry Granger agreed to draft a simple succession plan for both the CEO and the board and present it at the next board meeting. As Jerry pondered CEO succession planning he first considered whether the board could simply rely on an outside headhunter. That plan eliminated the possibility of internal candidates and seemed to Jerry to be almost the same as not having a plan. Jerry next considered the issues of promoting from within. Many of the branch and division managers were similar in age to the CEO. At first assessment, none of the younger staff members appeared to have the qualities and motivation for development into higher management. Jerry considered a number of alternatives including: developing existing bench strength, creating a new mid-level position and hiring someone who could be eventual CEO material, or attempting to identify and maintain a pool of potential candidates. All of the solutions seemed to raise issues. Even discussing what the board wanted in a CEO was complicated. Holding the discussion with the CEO in the room would be uncomfortable but holding a long executive session might also be concerning to the CEO.

Jerry was aware of horror stories from other cooperatives where a board became dysfunctional after the election of a rogue board member. Developing a plan for board succession was complicated. For one thing, board selection was a member responsibility so the board had to be cautious as to their involvement. There was not a large pool of producers who were interested or willing to serve on the board. Most of the younger producers were heavily committed with their farming activities and/or off-farm employment. In a perfect world, the diversity and skill set of the board would also be need consideration.

Jerry had read somewhere that a good plan had three components. He therefore sat down to write three tangible activities for the board to complete to better prepare them for CEO succession and three steps to improve board member recruitment.

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TEAM GROUND RULES

1. Appoint a Chairperson to Lead Analysis and Discussion – Invites all Team Members to Participate and Share Perspectives during Analysis and Discussion; Keeps Discussion on Point in Line with Case Analysis Steps.
2. Appoint a Recorder of Your Team's Case Analysis and Discussion Key Points and Conclusions (The Recorder will Report the Key Points and Conclusions during the Team Report Outs for Each Case)

GENERAL CASE ANALYSIS STEPS

1. Review the "Guiding" case questions to obtain clues on what the key issues are to be resolved.
2. Identify the key issue(s) of concern, problems, challenges, or opportunities] and their significance. Focus on the most important key points and facts surrounding the case.
3. Specify alternative courses of action
4. Evaluate each course of action.
5. Recommend the best course of action.
6. Summarize and Record key points, conclusions, answers to questions, and recommended courses of action.
7. Report summary during team report outs.

Guiding Questions for Discussion:

1. What should the board include in creating its plan for identifying, selecting and hiring a replacement for the CEO including key issues, considerations, and timeline?
2. What strategy and tactics should the board consider for recruiting and developing, the next generation of the co-op's board members?
3. Should the board retain a headhunter to assist with a CEO search? What are the pros and cons of doing so?
4. What about promoting a person from within the co-op to the CEO position?
5. To what extent should the current CEO be involved in the CEO succession planning and/or recruitment process?
6. What can the board do to encourage younger members to serve on the board?
7. Help Jerry out by identifying three tangible activities for the board to complete for CEO succession and a similar list for board member succession.