



# Considerations for emergency CEO successions

If a CEO is diagnosed with COVID-19, a board must be prepared to manage the unique consequences. The incoming CEO will benefit from keeping a few tested principles in mind in this unprecedented situation.

Many boards have some kind of emergency CEO succession plan in place. But the current crisis sharpens the need to be sure that plan is updated and can be executed swiftly; it also raises some unique considerations for both boards and incoming CEOs.

## Considerations for boards

Until now, boards have generally focused on planned CEO successions, working with the CEO to develop successors—in the nearer term, developing appropriate candidates from his or her direct reports and keeping a close eye on best-in-class candidates on the outside for benchmarking, and in the longer term, focusing on developing next-generation successors.<sup>1</sup> As part of this overall approach, most boards have identified someone who could step in in an emergency. But the possibility of having to invoke this choice remained somewhat remote for most boards. Until now.

In the COVID-19 crisis, the possibility is urgent: prudent boards need to have one or more emergency CEO succession candidates who could step in immediately and lead the company through an unprecedented crisis.

<sup>1</sup> For more on the board's role preparing for CEO successions, see Bonnie W. Gwin and Jeff Sanders, "The clock is ticking on CEO succession: Is your board ready?" Heidrick & Struggles, March 19, 2020, [heidrick.com](https://www Heidrick.com).

We offer several considerations that will help boards ensure they have the best-equipped emergency CEO successor, should the need arise:

- **Revisit your emergency CEO succession choice.** Does the board currently have a designated candidate, and if so, is that person still the board's choice? Think carefully about the specific scenario this person will be stepping into and make an honest, critical assessment of whether this individual is a good fit and available to serve on short notice.
- **Understand the must-haves.** Beyond the bare minimum, such as availability for several months, this is a situation in which familiarity with the organization and the board is crucial. Some things to consider include the following:
  - An emergency CEO candidate perhaps could be a recently departed CEO, the current CFO, a long-serving executive, or a board member; a retired CEO within the industry; or someone who has served as an interim CEO in another industry.
  - He or she must be acceptable to key constituents, including the executive team, employees, and external stakeholders, including the financial community.
- **Match the leader with the current challenge.** Not every CEO—even some very capable ones—excels at leading in a crisis. In a situation such as the current one, strategic wisdom and operating excellence, customary top-of-the-list CEO capabilities, need to be balanced with an even larger proportion of essential personal skills. To achieve this balance, boards should consider the following:
  - On the first point, boards should ensure that any candidate is fundamentally aligned with the board on strategy.
  - On the second point, potential emergency CEOs must have a calming, steady presence and a pristine reputation, enabling them to reassure and mobilize the organization.
- **Tailor communications to inform and reassure.** Boards should take the lead in being ready to share information quickly, according to a clearly defined communication plan and with an understanding that precedents may not apply. Some key elements of such a communication plan include the following:
  - Communications should start with employees, recognizing that there is likely widespread fear concerning the organization's as well as individuals' future.
  - Other key audiences are board members, the leadership team, the public, relevant external entities, and the financial community.
  - Communications should have a personal tone: people will want the facts about the leader's health as well as health and safety information regarding the organization and steps to maintain business continuity. A personal note from the outgoing CEO is the best way to set a clear and calm tone and emphasize plans for continuity.
  - Communications to other stakeholder groups, such as customers and investors, should be carefully tailored to address their primary concerns. In a time of uncertainty, information designed to reassure and inform, regularly, will help steer the organization through the crisis.
  - Though it's debatable whether testing positive for COVID-19 is a "material" regulatory event, it's clear there is an obligation to disclose a positive case due to public health concerns and the need for leaders to set an example of transparency.

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Also note that, since there are legal implications regarding compliance and disclosure, we advise boards to include in their considerations consultation with their legal adviser on how to proceed under specific potential scenarios for emergency CEO replacement.

Finally, boards also may want to consider having more than one emergency CEO replacement in mind. We would hope that no company faces the need for even one quick leadership change, but the current circumstances demand additional caution.

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## Considerations for incoming CEOs

Being named a corporate CEO is normally an honor and a challenge. Being considered a potential interim CEO by a board is usually a sign that someone is seen as experienced, knowledgeable, and a safe pair of hands. Now, during the current pandemic, an interim CEO named to replace a leader unavailable due to illness is in a particularly fraught position. We offer some considerations that will help emergency CEOs inform and reassure employees, customers, and shareholders about a continuing vision for the future and how they and the organization will be affected. Incoming CEOs who are able to take a deep breath and apply these proven strategies at the outset should greatly increase their odds of a successful tenure, whether as an interim or longer-term CEO.

## Upon taking the helm

Some new CEOs may be well known within the organization—a former CEO, a current CFO or other long-serving executive, or a board member—but it's also possible the new CEO will be an outsider. Either way, a crucial first step is learning, including taking the following steps:

- First, consult with the board to determine strategic priorities, key issues, and a complete financial picture.
- Then hold one-on-one conversations with individual management team members.

Very quickly, and in coordination with communications from the outgoing CEO, if available, and board, the interim CEO should be ready to update the entire organization with the information and reassurance that employees need, including what they can personally expect. Particularly when the interim CEO isn't well known within the company, ensuring that these communications—like those from the outgoing CEO—have a personal tone will be most reassuring for employees.

In parallel with employee communications, it will be important for the interim CEO to reach out to key external constituents, including large shareholders, key customers, suppliers, and others, as soon as he or she is up to speed.

## Settling into the role

Beyond these initial critical communications, following are several steps that emergency CEO appointees should take to sustain, as much as possible, cultural equilibrium and business continuity:<sup>2</sup>

- **Take time to look inward.** While it may seem counterintuitive when immediate action is called for, we suggest emergency CEOs take the time to assess their personal strengths and weaknesses in the context of their new role, as well as the leadership style that will be most effective.<sup>3</sup> Identifying and leveraging distinctive strengths they can bring to bear right now, as well as potential personal derailers and blind spots that, if left unchecked, may keep them from achieving important goals, will bolster their chances of success.
- **Understand how decisions are really made in the organization.** The new CEO needs to gain a speedy understanding of who influences key decisions and where the power to accelerate or block decisions resides. In normal times, he or she can do this by gathering data through both informal conversations and more formal techniques, such as surveys. Today, the emergency CEO may need to rely more on one-on-one conversations, so it's important to have those with people across the company. With a clear understanding of key influencers, the interim CEO will be more effective.
- **Establish priorities based on what success will look like.** Initial alignment with the board in key areas is crucial but will typically be high level, so the new CEO needs to develop a more detailed understanding of what is expected in the immediate and longer term and, relative to that, what to tackle and in what order, even in the context of a situation that changes daily.
- **Mobilize the top team quickly.** A high-performing senior team is one of the most important assets to a new CEO. The emergency CEO should work quickly to develop a baseline understanding of the team's individual and collective skills against the organization's mission and strategic goals. He or she should then make decisions on how to bolster team effectiveness and on any changes that need to be made, though those decisions must take into consideration the overall stress level of the organization and how much change it can manage at any given point.
- **Shape a supportive culture.** The crisis is already upending working norms at most companies. Those with strong cultures are more resilient, and a new CEO can tap into cultural strengths to connect. Companies with less productive cultures will require an emergency CEO to be particularly compelling and personally authentic in connecting with the organization and shaping a new culture for a new time.<sup>4</sup>

Boards and leadership teams are now preparing—and working—in ways that only a few months ago would have been unimaginable.<sup>5</sup> We hope that these considerations for boards and incoming emergency CEOs offer useful support.

<sup>2</sup> Some of the steps presented here are adapted from our advice for incoming CEOs to accelerate quickly in the role; see Sherry Duda, "Chief executive acceleration: How new CEOs can integrate quickly and effectively," Heidrick & Struggles, March 5, 2019, [heidrick.com](#).

<sup>3</sup> For more on CEO leadership styles, see Bonnie W. Gwin and Jeffrey S. Sanders, "A guide to reading your CEO's leadership style," Heidrick & Struggles, May 17, 2018, [heidrick.com](#).

<sup>4</sup> For more on the importance of a thriving culture during a crisis, see Rose Gailey, "Leading through the crisis by counting on purpose and values," Heidrick & Struggles, March 31, 2020, [heidrick.com](#).

<sup>5</sup> For more on how boards can help their companies lead through the crisis, see Alice Breeden and Bonnie W. Gwin, "Boards and the COVID-19 crisis: Leading right now, preparing for the future," Heidrick & Struggles, April 13, 2020, [heidrick.com](#).

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