



Do You Have a Successor?

Many general counsel believe they have an internal successor, but do CEOs and boards agree?

Many general counsel are confident that they have groomed their successor. In fact, more than three-quarters (77 percent) of Fortune 500 general counsel we interviewed reported having one or more potential successors and 30 percent said they have “ready-now” successors. Although instances in which an internal candidate succeeds a sitting Fortune 500 general counsel are on the rise, our research indicates that internal candidates are only promoted in approximately 50 percent of cases. Further when companies hire an external candidate, they appoint an experienced public company general counsel 27 percent of the time.

These statistics suggest that although a company may have a viable internal successor candidate, the CEO and board often choose to hire an external candidate. In some instances, the factors driving this decision are unrelated to the qualifications of the internal candidate. However, in those instances where an internal candidate could be a true contender, we have found that there are **four key strategies** that general counsel should embrace to best position their internals for promotion to the general counsel seat.

- 1 Conduct early formal assessments of key team members to identify specific development needs.
- 2 Find ways to give successor candidates meaningful exposure to the CEO and board.
- 3 Expose successor candidates to business units and other key functions to build their commercial knowledge, broaden their skill set and strengthen successors’ relationships across the business.
- 4 Keep them engaged by providing candid feedback regarding their prospects for advancement in the company and ongoing coaching on their development.



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Embracing talent development

Our discussions revealed that the majority of general counsel prioritize formal talent development programs. Some leverage broader company-initiated talent development programs and create programs tailored to the legal department. Many general counsel we interviewed focused on developing leadership skills and encouraging lawyers to view themselves as partners with other functional leaders and general managers. Explained one general counsel, “A big focus since I joined has been on getting the legal team to become business partners versus client advisers — to be able to talk about ‘what and why’ not just ‘how and when.’ We succeed when our clients succeed. The impact and demand for our services has increased, which is what we wanted.”

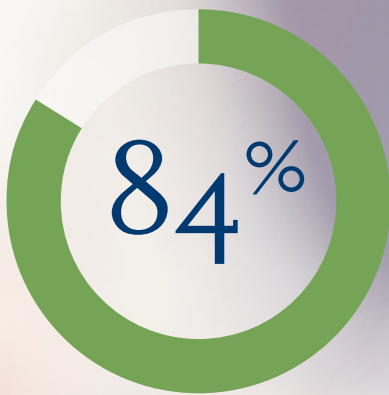
Best route up

Forty-eight percent of the general counsel we surveyed said that there is no one optimal path to the general counsel position. The “right experience” depends on the strategic vision and risk profile of the company, as well as how the CEO and the rest of the senior management team leverage the skills and experience of a general counsel. Roughly the same number of general counsel argued in favor of commercial experience gained by serving as a significant business unit general counsel.

While the incumbents we interviewed seemed to prioritize commercial acumen and experience with key business leaders, our experience suggests that most boards and CEOs prioritize corporate experience and, in particular, past experience as a trusted adviser to the board and public company governance and securities experience. Interestingly, only three general counsel saw the corporate secretary position as the optimal role for developing future general counsel talent.



GCs who say they have one or more potential internal successors



GCs who say their board and CEO would be very or somewhat receptive to an internal succession candidate



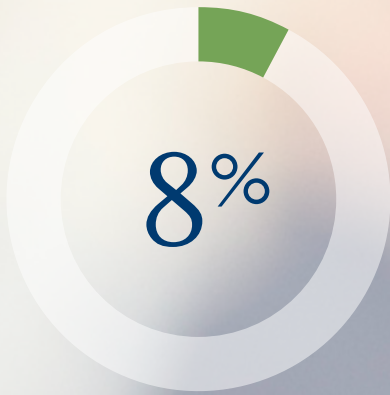
I see why people go outside; it's hard to see a lawyer as a 'doer' from within."

In addition to seeking candidates with business judgment and the ability to serve as a trusted adviser broadly, we are increasingly instructed to look for the broadest skill sets available, including significant board exposure, public company securities, governance and risk mitigation expertise, strong commercial acumen and experience in international markets. As one general counsel said, "When I consider a successor, I look for a best athlete first and foremost, but candidates need some functional depth in litigation or corporate, time spent with the board and a command of public company issues. Ideally they will also have had a divisional role and some international experience."

A potential disconnect with boards and CEOs

How likely is it that the successor candidates being groomed by today's general counsel will move into the top role? The general counsel we surveyed generally expressed confidence that their development process would result in an internal successor. Eighty-four percent said their board and CEO would be very or somewhat receptive to a qualified internal succession candidate.

Yet general counsel themselves recognize how challenging it can be for internal candidates to be viewed as able to contribute beyond their functional expertise. As one said, "I see why people go outside; it's hard to see a lawyer as a 'doer' from within." Another observed, "When I was a deputy general counsel, I thought, 'How hard can it be to be a GC?' But now I think differently. When you've been in the company for a long time, you develop a niche for yourself and people don't see you as a GC."



GCs who said they did not have any probable internal succession candidates



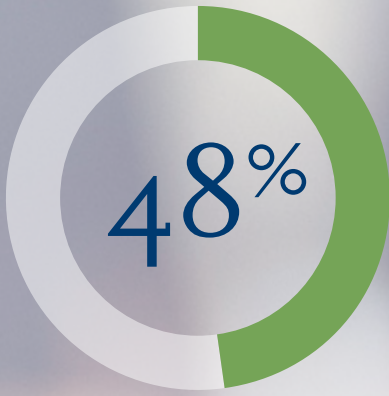
Sitting Fortune 500 GCs who were promoted from within the company

Boards are less likely to see internal succession candidates as real contenders for the top role if they have never seen them in action.



27%

Sitting Fortune 500 GCs with previous public company general counsel experience



48%

GCs who said there is no one optimal role or path to the general counsel position

Source: Analysis of Fortune 500 general counsel backgrounds and interviews with 61 Fortune 500 general counsel from more than a dozen industry sectors, including industrial, energy, financial services, consumer, healthcare, technology, media and professional services.

Improving the succession odds

How can general counsel prepare potential successors and combat perceptions that can inhibit their chances of being promoted?

Start early. Formal assessments of possible internal candidates should happen early to provide time to develop. Potential successors may need to be assigned to new roles to gain experience and prove that they can be stretched. Starting early also gives the CEO and board time to see candidates develop. It also is valuable to get a view of the external talent market through research, informal or formal introductions or executive search.

Expose possible succession candidates to the CEO and board. About 15 percent of general counsel told us that they ensure potential successors gain exposure in the boardroom. Boards are less likely to see internal succession candidates as real contenders for the top role if they have never seen them in action. One general counsel explained his approach, “I have the chair come in and meet the team. The chair gets exposure to the team and the team learns more about the board perspective.” Others find opportunities for direct reports to work directly with the CEO. Said one, “My direct reports have good visibility with the CEO. I encourage my direct reports to speak directly to the CEO; I don’t need the face time, and it is a benefit to my direct report.”

Rotate potential successors to different parts of the business, if you can. Of the general counsel surveyed, 48 percent said there is not one optimal role or path leading to becoming general counsel. Most agreed, however, that diverse experience and rotations through headquarters and the business provide a robust understanding of the business and its legal and commercial challenges. Only 15 percent of the surveyed general counsel explicitly said job rotation was part of the development process for succession candidates. Formal job rotation may not be practical, especially in smaller legal departments, but cross-functional assignments or projects may be an alternative.



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Keep succession candidates engaged. Retention of succession-ready (or near-ready) team members can be a challenge, especially when the current general counsel is several years away from retirement. "The challenge is to keep someone engaged while I'm still here. They need to be patient and not move and take another role," said one. At the same time, maintain an open line of communication. When successors don't know where they stand, they start contemplating departing to further their career goals.



Even with the best preparation, there may be circumstances when the CEO and board ultimately decide to look outside for the next general counsel. Nonetheless, general counsel can improve the odds that an internal successor will be viewed as ready if they identify and develop potential successors early, provide exposure to the board, the CEO, functional leaders and the broader business and find ways to engage and retain these high performers.

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In addition to general counsel assignments, we regularly work on searches for other senior lawyers, including the chief compliance officer, corporate secretary, chief patent or IP counsel, chief regulatory counsel and other members of a company's legal department. Spencer Stuart also works with clients on executive assessments for succession planning and leadership development.

About Spencer Stuart

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