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Executive Search & Board Advisory

BOARDS WITH NO EXTERNAL CONTINGENCY PLAN – LOSS OF COMPANY VALUE



In recent discussions with analysts and key investors, a number aired their concern of what they argue is Boards “full of compliance and not enough relevance.”

Many were frustrated by the limited questioning around the competency of individuals being appointed to the Boardrooms. They felt that there was a lack of breadth of candidate pool and too much of the shuffling of the pack between companies.

The analysts and investors described how Chairs and Board Directors “who have had oversight of poor behaviour or performance in their capacity as Directors, have not taken decisive action on a number of Chief Executives.” They went on to say, “it is only when the issue is raised by markets, press, or poor results in the reporting season, is the CEO then encouraged to depart.” Their concern is, why aren’t the Board Directors dealing with an underperforming CEO? “Rather than face the music, a number of the Board Directors discretely step down and pop up elsewhere.”

“Our concern is that there are too many appointments of inexperienced executives to tick the boxes, who lack the all-round experience to fulfil their role and obligations. We accept that Board Directors are part timers, and that their role is to ensure a safety review. The problem is they aren’t doing that,” said one. A sacking of a CEO is so rare, compared to

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disappointing results by a CEO. Why are they allowed to continue? In the recent few years, there have been some very disappointing results and public scandals. Why were CEO's allowed to remain, when the news broke on either the poor results or the scandal?

“Public trust in business leadership is being eroded. We would encourage Boards to appoint Directors who have the appropriate skills, who have actually led an organisation, or had a major influence.”

“There are CEOs in roles who the market is aware of, who will not reach the numbers and who will disappoint. Unfortunately, we also know the Board has no contingency plan, but instead, is hoping for a miracle.” “It defies belief that Boards do not have succession plans for CEOs in place, that they have limited engagement with potential CEOs and high performers. It is not appropriate in this day and age to have Boards without serious succession plans in place, and not just internal succession plans. If there is a significant event where the organisation is tarnished, the internal candidates will struggle to be accepted. There must be a strategy in place for external candidates. Unfortunately, a number of major Australian companies obviously have not had in place any external contingency plan, and have allowed the CEO to remain whilst a search begins and the company value declines. It is poor form.”

The discussions were engaging and brought forth serious concerns about Board performance and responsibility to stakeholders and shareholders.

As Headhunters, we cannot create people, our belief at Blenheim Partners is there is an outstanding opportunity to adopt a far more effective succession planning strategy than is currently being considered by many of the Australian ASX Boards. We believe there are key critical hires that have associated risk if they depart, and believe that a succession planning strategy needs to take into consideration more than just the CEO role.

“The numbers speak for themselves, the loss of company value, high quality staff and morale when inadequate or no succession planning processes are put in place is significant. It is not good enough to rely on the CEO reaching their end date to allow for a smooth transition. It is also not good enough to rely on internal executives to be the natural successors. It is not recommended to have a time lag between the announcement of the current CEO departing, and the announcement of the new CEO arriving.”

Blenheim Partners specialise in:

- Executive Search;
- Non-Executive Director Search;
- Board Strategy and Structure Consulting;
- External Succession Planning; and
- Executive Re-Engagement / Transition.

Founded in 2012, our team have acted as specialist adviser to many of the world's leading corporations on Board and Executive performance, capability and succession planning.

Our consultants have worked with clients from all sectors and a broad range of geographies. They include over 80 of the ASX 100, 10% of the FTSE 100, Private Equity, Multinational, Private Family and Mutually Owned Companies.

Our work includes assignments that are both local and international in scope.

Our team consists of senior Search Consultants, Human Resource Directors,

Psychologists, Coaches and exceptionally experienced Researchers.

Blenheim Partners is continually investing in knowledge and understanding as exemplified by our Thought Leadership "The Challenges of Attaining Growth", Industry Papers and monthly Market Intelligence reports.

Our philosophy is to develop deep and committed relationships with a select number of clients and help them deliver a superior performance by optimising the composition of their Board and Executive team.

Our culture is built on pride, professionalism, esprit de corps and client service.

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