

STRUCTURE AND ANALYSIS OF CEO SUCCESSION PLANNING

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Company's performance is affected by CEOs who can direct it to the new opportunities, manage its structure and strategy. Thus, CEO succession, as a change of one CEO to another, is likely to influence on all of these aspects. The aim of the article is to explain CEO succession planning process and identify its benefits and costs in order to understand whether this strategy is useful in order to prevent early failure of a new CEO. Succession is not commonly known as a successful process. It is said that the first 18 months of the new CEO are turned into failure in 40% of the cases [3, 47]. If new executive fails, the board members would like to change the executive again. That is why there is an growing CEO turnover.

The problem arises not in the increased number of leaders' changes, but in the way they are chosen [2, 73]. Brady et al. [1, 270] confirm that not all companies use succession planning. Authors present the sample of 1,484 corporate presidents, where not even half used succession planning for future change of their CEOs.

Sharma, Chrisman & Chua [5, 7] write about set of activities for succession planning. These include choosing and teaching successor, designing a post-succession plan, and discussion about the event with main stakeholders. CEO succession planning implies the readiness of the company to make quick and efficient transaction of the executive. Moreover, it means that there possibly is a person who is ready to take over without any formal selection processes and preparations.

As in every process, there are benefits and costs of succession planning on the firm's side. Among pros there are absence of stressful changes within firms, reduced uncertainty, and improvement of firm-specific human capital. Nevertheless, there are costs which can deteriorate incentives for preparation to succession. For example, time of successors' preparation for the position and incurred costs. Next problem can arise when a company is not sure whether it prefers to choose the heir apparent who was taught by them or whether they should choose another person [4, 2].

A number of studies have been reviewed in the article. It can be concluded that even though succession planning is known as the process which tends to increase the chance of winning succession, researchers complain that companies that use succession plan have two dilemmas regarding it: one is about nonprofessional approach and the other is its weak implementation [2, 75].

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