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Doing it right

RGA creates a standard for CEO succession

Sometimes, future planning in an organization is thought through clearly and executed crisply. Too often, however, it is left to chance and happenstance.

The outcome of a succession planning process that is poorly designed or executed can be devastating to an organization and its culture.

In 2011, the board of directors for Reinsurance Group of America Inc. (RGA) received a gracious gift from Greig Woodring, its chief executive officer. Woodring gave them the gift of time: he privately told them he would be retiring in five years, so the trustees had some time and space as they helped to craft a succession plan with Gay Burns, RGA's chief human resources officer.

CEO succession planning is one of a board's top priorities. Woodring's heads-up gave RGA time to do it right. And while not every company has the cushion of time that RGA enjoyed, the company's process stands as a sterling example of how to succeed in this crucial endeavor.

One of the first items on the agenda was for RGA to realize that continuity was important for the entire organization, not just the CEO role, especially in light of having several top executives all approaching retirement around the same time.

"We brought our senior leaders together to talk about the succession planning that needed to happen two to three layers below them," says Burns. "We needed to make sure we had the right skills and capabilities in those positions. If we didn't, we knew we needed to either develop people internally or bring them in from the outside.

"One benefit that RGA has that many companies don't is that we've been growing quite significantly. Growth offers opportunities to bring in outside talent who may bring different capabilities than what you possess internally."

The other distinction that RGA brought to succession planning was that Woodring was very much engaged in the process. At times, a company's succession process can become awkward; neither the board nor the CEO is always adept at ensuring a graceful exit.

While Woodring didn't create the company, he took it from a 50-person, $5 billion reinsurance in-force operation to a Fortune 500 company with a 2,400-person global workforce and over $3 trillion in-force. Because of his many years at the helm, he was truly perceived and valued as a founder in many ways.

Continuity was important to the board since the company had not leveled off and was, in fact, continuing to grow. The directors wanted Woodring's input on who might be the best candidate to keep momentum on the growth trajectory.

"An organization that has been effectively led by the same person for many years has some challenges if the organization is going to continue to grow once he or she is gone," says Joe Mazzenga, managing partner of NuBrick Partners, a talent advisory firm that assisted RGA's efforts. "So much of the organization's history is wrapped up in a single person, so that exit has to be handled with care."

Organizations often focus on the person, but it's also important to focus on the direction in which the organization is going and which leader best fits that direction.

"It was important to us and to Greig for him to know that he wasn't being pushed aside," board chair Cliff Eason says. "His fingerprints are all over RGA and his strategic vision is a large reason why the company has flourished. We thought it was important to get his input on what type of leader could best keep the trajectory going."

With Woodring's assistance, the board identified several executives in-house who had potential to ascend to CEO. But the organization didn't automatically assume the new leader of the company would be an internal candidate.

"Every year – at least once a year – we brought external candidates to the board," Burns says. "We identified several people in the market whom we believed could fit the culture of RGA and could be our future CEO. Although we hoped for an internal candidate, it simply was not prudent to put unnecessary risk in the process."

The evaluation of candidates didn't begin and end as a test of leadership. All the potential CEOs were known as strong leaders. "A critical factor in any succession comes down to fit: What type of leader does the organization need for the present and in the future considering both strategy and culture?" Burns says.

"This queston seems obvious," says Bob Clarke, NuBrick Partners CEO. "But too often, organizations simply seek the answer that's the most expedient without truly exploring the organization's immediate needs and strategic imperatives."

The strategy of an organization very much dictates what type of CEO and leadership team it needs. Organizations often focus on the person, but it's also important to focus on the direction in which the organization is going and which leader best fits that direction.

For instance, an organization that is in a high-growth mode needs very different leadership capabilities than an organization facing no growth.

Naturally, RGA's evaluations included testing, including leadership and 360 assessments. Burns and the board also turned to outside help.

"If the human resources leader tries to drive everything by herself, you can step into a world of real or perceived bias," Burns observes.

"As the head of HR, I worked with these internal candidates all the time on various topics. Sometimes

'The handoff is very important, both internally and externally.'
-- Anna Manning, new CEO of RGA

those topics can stress relationships. At times, we share very different opinions on how we're going to accomplish something. We needed that outside perspective so the board and the candidates would have faith that I was not bringing personal bias for or against any of the candidates."

At least two years prior to the departure of the CEO, the Board got a lot of face time with the candidates. This helped immensely with the decision, because the board was able to get to know the candidates and form their own opinions regarding strengths and gaps. Burns, Woodring and the board also turned to NuBrick's Mazzenga for advice and counsel.

"The focus of this process was to attempt to remove as much bias as possible in the decision-making process, which is difficult since the internal candidates' reputations and leadership brands were well known," Mazzenga says.

"We leveraged ongoing quantitative and qualitative elements to accelerate our knowledge and exposure to these candidates to determine how they might lead the organization, who they might become, and how they might behave in the CEO role."

The team made two key changes in its evaluation process along the way. "In 2011, Greig had just reorganized the company, so he was able to put people in roles to stretch them so we could see how they would evolve and adapt," Burns says. "Later, we had another reorganization at the very top so we could give even bigger blocks of our business to those individuals whom we saw as having the potential to be the CEO within two to three years."

They also identified areas that would help round out the candidates' experience.

"For instance, we had individuals who had not had the experience of being on a board," Burns notes. "We assigned them to serve on one to two subsidiary boards so they could have the experience of working with external directors."

In other cases, candidates had many leadership qualities but had not had responsibility for multiple countries in RGA's global platform. RGA gave those leaders responsibilities with a broader scope of businesses to grow their experience.

RGA ultimately selected Anna Manning to succeed Woodring. She was installed as president for the 2016 calendar year and announced at that time she would move into the CEO role upon Woodring's retirement. But even with the announcement finalized, the work was not over for Woodring, Burns and the board.

Eason personally met executives who were not selected as CEO to reaffirm RGA's commitment to them. Woodring and Manning conducted live webcasts for the company's global workforce as a strategic element of gaining internal trust that Manning was the right person for the job.

In the year leading up to her promotion to CEO, Manning logged thousands of miles on the road, meeting clients, employees, regulators and industry peers, plus she attended Harvard's new CEO program and was coached by Woodring and other experts in various fields to ensure a smooth transition.

"The handoff is very important, both internally and externally," Manning says. "A CEO's retirement can cause disruption for a company and its many stakeholders. We wanted to minimize the impact of the change on our team, our clients and our shareholders."

Meanwhile, the cycle of succession planning has not ended. Although new in her role, Manning and Burns are already preparing for discussions with the board on succession for the CEO and other top executives. Organizations must always be prepared. **MPI**

How Often Do Boards Need To Talk About Succession?

Research shows that succession planning is among a board's top two priorities, along with helping the organization to succeed. So how often should a board be talking about succession?

"If you ask a board, they will tell you that succession planning is a high priority," says Bob Clarke, NuBrick Partners' CEO. "However, a process to ensure an appropriate transition is rarely planned and executed. It remains a mystery to me why so many organizations leave this to chance."

Gay Burns, chief human resources officer for the Reinsurance Group of America, Inc. (RGA), says succession needs to be a constant topic of discussion for boards. And CEO succession should be at the top of the list.

"A board should have serious discussions about CEO succession at least once a year," she says. "It's that important. At a minimum, emergency successors should always be identified and they should be willing to accept the charge if that day ever becomes reality."

With Greig Woodring's retirement as chief executive officer of RGA, the company's board intensified its discussions. Ideally, Burns says, boards should concentrate on one aspect of succession quarterly:

- **Performance.** Are the candidates excelling in their current roles?
- **Potential.** Do the candidates continue to trend upward in readiness for the role?
- **Gaps.** Where do the potential successors have gaps in their abilities and behaviors? What can the board and current CEO do to close those gaps?
- **Organizational Strength.** How can the board and CEO expand the capabilities of the leadership team as a whole? How can the layer below the CEO become strong enough to weather CEO disruption?

In the end, however, it comes back to fit, Burns says. "You have to understand where the organization is going," she says. "The person who can step in and hold things together may not be the person who can set the strategy and vision for where the company can go in the future."

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