

Corporate Governance Exchange: Former Unilever CHRO Doug Baillie on CEO Succession and Talent Management

By Sonny Iqbal and Namrita Jhangiani

In February 2021, Egon Zehnder convened its first-ever Corporate Governance Exchange in India. Corporate Governance Exchange, or CGX, is an event series created to bring together non-executive directors who are also members of their companies' Nomination and Remuneration committees. We welcomed 11 board members virtually, in addition to Egon Zehnder Chair Jill Ader.

Our guest speaker, on the topic of Talent Management and CEO Succession, was Douglas Baillie, the former CEO of Hindustan Unilever and currently a director at Huhtamaki and Airtel Africa. Some of the most significant takeaways follow.

Succession Begins on Day One

It seems like overkill: You've just selected a CEO. Why on earth would you begin thinking about her replacement the same day she begins? And yet, says Baillie, that is exactly what companies should be doing if they want to have an effective succession process. Few companies do so, however, primarily because they don't have a strong talent management system in place. That must happen first. "If you're

going to start thinking about a CEO really, really early on in the process, Baillie says, “the bench and the framework for that is you better have a really, really good internal talent process. You’d better have a structure.”

Succession Planning is not an HR-only Project

Baillie says that when he was CHRO of Unilever, he and the CEO and the ExCo would regularly spend at least half a day annually on talent discussions. “I insisted that the functional head or the leader of that particular area do the presentation, not HR. If it was delegated then I knew I had a problem.” Most companies don’t do this, however. One director said that’s because executives are not evaluated on how they develop talent. “The moment you put in people development as one of the criteria that you’re going to use to evaluate that person, the game changes completely,” he said. “The moment we as the NRC said yes, we will also look at succession planning and people development, both the founder and even the CEO completely transformed.”

HR still must steer the ship, however. “HR can play a very good role as being the challenger on lists,” says Baillie, “asking ‘is this the right candidate, have we got the diversity right, why have you got no female managers on that slate..?’”

The Nominations Committee is Critical

But the nominations committee must not simply accept the company’s assessments; it must lead the process from the outside. “One of your most fundamental core and responsibilities is to appoint the CEO, says Baillie. “There should be a standing [agenda] item about talent movers, shakers, what’s happening to high potentials and it’s a discussion that takes place regularly, four or five times a year. As the NRC you own this agenda and you should be asking whatever questions you want. You should be demanding where it should be on the agenda, how often you should be discussing it and not wait for management to feed you what they want to feed you.”

Directors need to be able to say about candidates that they are “vetting them properly. We know them properly. We understand their soft side. We understand their hard side. We are very clear as a board about the capabilities we need for the next five years.” How to do this? By regularly meeting to evaluate key talent, through board presentations, country visits, and informal, one-on-one coffee sessions, etc. It

is not a passive process. One director pointed out that in India, it is now mandatory for the NRC to evaluate the CEO's direct reports—so this is a formal responsibility and no longer a choice.

Purpose

Egon Zehnder's Ader made the point that companies' embrace of objectives beyond financial performance has changed the way leaders should be evaluated. "Purpose-driven organisations are changing the nature of top leadership into much more authentic leaders, those there not for the position, but the contribution they can make," she said. "Particularly now after Covid-19, performance absolutely matters, but so does this higher level of consciousness. And what we're seeing is the demand for those leaders is going to be far outstripping the supply of them at the moment. So if organisations don't start developing those early in the pipeline on talent management and even at CEO level then we've got a problem."

Succession Planning: Boards Need It Too

It is ironic, says Baillie, that boards focus on executive succession but so infrequently look at the issue on the board itself. "I would take board succession as seriously as we take CEO succession," he says. "Because you've got to have independent, diverse thinking. It should be a regular discussion item: Who is going when, and more importantly what skills do we need to come on to the board so we future proof for the next five or 10 years?"

For more information, contact:



Sonny Iqbal
New Delhi
sonny.iqbal@egonzehnder.com



Namrita Jhangiani
Mumbai
namrita.jhangiani@egonzehnder.com

Covid-19 Micro-Website

We have launched a micro-website where this and other informative pieces are posted. This site will be regularly updated: [click here](#) for further details.

About Egon Zehnder

Egon Zehnder is the world's preeminent leadership consulting firm, sharing one goal: to help people and organizations transform. We know what great leaders can do and are passionate about delivering the best solutions for our clients.

Our more than 500 Consultants in 68 offices and 40 countries form one powerful, collaborative team. Our services include: leadership development, individual, team and organizational effectiveness, CEO search and succession, executive search and assessment, Board advisory, and cultural transformation.

For more information visit www.egonzehnder.com and follow us on [LinkedIn](#), [Twitter](#), and [Instagram](#).