

Catherine Woods  
Financial Reporting Council  
8th Floor  
125 London Wall  
London  
EC2Y 5AS

[successionplanning@frc.org.uk](mailto:successionplanning@frc.org.uk)

28 January 2016

## CIMA Response to FRC Discussion paper on Board Succession Planning

Dear Ms Woods,

CIMA is the world's leading and largest professional body of management accountants, and is committed to upholding the highest ethical and professional standards of members and students and to maintaining public confidence in management accountancy as well as contributing to the advancement of the science of accounting. Through extensive research CIMA continues to believe that succession planning is a vital, if sometimes overlooked discipline for all business leaders, particularly at Board level.

In particular we would note that our report entitled *valuing talent*<sup>1</sup> published in July 2015 highlights the need for organisations to realise the true value of their human capital through a dedicated framework which underpins their business model and company strategy.

CIMA noted in this report that to maximise success companies need to increasingly ensure that the full potential of this capital is harvested in the right way. This includes focus on customers, investors, employees and wider society. Part of this framework should be reinforced by robust metrics being in place around succession planning such as the use of targets for internal recruitment to senior management and board positions, including where necessary targets around diversity.

As part of this framework there are clear merits in resourcing succession planning effectively. This may include tools such as profiling employee skills and talent forecasting and mentoring. It also means robust performance management systems as this can have a huge impact on the quality and availability of future leadership candidates.

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<sup>1</sup> [http://www.cimaglobal.com/Documents/Thought\\_leadership\\_docs/Organisational%20management/Managing-value-of-talent.pdf](http://www.cimaglobal.com/Documents/Thought_leadership_docs/Organisational%20management/Managing-value-of-talent.pdf)

Furthermore, CIMA would note that a business model as defined by the organisation should take account of the long term and as such Boards should understand how a change in personnel might affect their future viability. In particular, we would note that where a business model may be too reliant on the personality of one or two influential individuals that a full risk analysis is done to ensure that plans are in place should these individuals leave the organisation. This ties in with our belief that business leaders at Board level should seek to add value in the short medium and long term and should seek to understand how this value creation may change over time.

In recent research we would particularly, note the Board's important role of employing, monitoring and potentially replacing the Chief Executive. In our view this is one of the most important roles of the Board as the Chief Executive can have a profound effect on the culture of a business by, for example, focussing on a longer term, ethical perspective as opposed to being short term and opportunistic.

As you may be aware, we are partnering with the FRC on the current culture project and we believe that it is important that succession planning should be explicitly linked with the organisation's culture as an important means of ensuring that the desired values and behaviours are embedded.

Finally, CIMA research shows that Boards consistently underestimate the need for focus on the long term and in particular succession planning. It is clear that Boards have historically found this task challenging, perhaps due to the inherent nature of people not wishing to address their own fallibility. We therefore very much welcome the emphasis that the FRC are placing on this issue in this paper.

Yours sincerely,

*D.J. Hackett*

David J Hackett  
Policy & Technical Manager