

# SUCCESSION PLAN CORPORATE IMPLEMENTATION



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Cefeidas Group is an international advisory firm that helps clients achieve their goals in Latin America. Cefeidas has worked with IDB Invest and the IDB for over a decade. Cefeidas provides professional services in public policy, risk and strategy; corporate governance, stewardship and sustainability; and strategic intelligence and research. [www.cefeidas.com](http://www.cefeidas.com)



## 1. WHAT IS A SUCCESSION PLAN?

A Succession Plan is a structured and continuous process designed to identify, assess, and train internal and external candidates who can assume key executive positions in the company, particularly that of the CEO. This ensures the continuity of leadership and the operational stability of the organization.

The Succession Plan is not a single event, but rather a continuous process of preparing and guiding changes in leadership. This is fundamental to ensure the sustainability and longevity of the company. It must align with the strategic objectives of the company and support the way in which it must evolve to achieve its goals related to growth, profitability, and economic, social and environmental responsibility.

The Succession Plan should address two essential components:

1. **Contingency plan:** designed for emergency situations or unplanned transitions (sudden illness, unexpected resignation, death).
2. **Long-term succession plan:** focused on the systematic training of internal talent and identification of external candidates for planned transitions.

### Scope: Who does it apply to?

The Succession Plan has a multilevel scope that involves various actors in the governance structure:

#### Senior Managers:

- **Board of Directors:** ultimate responsibility for approving and implementing the Succession Plan.
- **Compensation and Corporate Governance Committee** (where applicable): coordination and supervision of the process.
- **Current CEO/General Manager:** advisory role in the identification and training of candidates.
- **Human Resources:** technical and administrative support in executing the plan.

#### Filled Positions:

- CEO - Primary and mandatory focus.
- Key Senior Management Positions (C-Level):
  - Chief Financial Officer (CFO)
  - Chief Operations Officer (COO).
- Other critical executives according to the organizational structure.

#### Important Note

Although this document focuses primarily on CEO succession, corporate governance best practices recommend extending the succession plan to all key senior management positions. The company must identify all functions with a “key person” risk, due to the nature of the role or the particular characteristics of the person who holds it.

## Goal: What is the purpose of this tool?

The Succession Plan pursues multiple strategic and operational objectives:

### Primary Objectives:

1. **Ensure business continuity:** ensure the company can continue to operate efficiently during and after a leadership transition.
2. **Preserve business value:** avoid the destruction of value that can result from poorly managed transitions.
3. **Give stability to decision-making processes:** preserve institutional memory and ensure continuity for developing processes.
4. **Maintain stakeholder confidence:** demonstrate to investors, employees, customers and partners that there is a clear plan for the future of leadership.

### Secondary Objectives:

- Develop and retain internal talent by creating clear opportunities for growth.
- Align leadership capabilities with long-term business strategy and strategic or emerging risks.
- Reduce the costs and risks associated with emergency external recruitment.
- Promote diversity and inclusion at executive levels.
- Facilitate the orderly transfer of institutional knowledge and key relationships.

Businesses that lack a formal Succession Plan face significant risks:



#### For listed companies:

Uncertainty regarding the continuity of leadership can negatively affect the stock market price and market confidence.



#### For family-owned businesses:

Lack of planning can lead to family conflicts and compromise the separation between family and business interests.



#### For all businesses:

The risk of losing key talent who do not see clear opportunities for professional development.

Table. Plan Features

An effective Succession Plan must be:				
Transparent	Objective	Dynamic	Comprehensive	Strategic
Clear in the communication of rules and criteria	Based on defined competencies and merits	Reviewed and updated regularly	Relevant to both internal and external candidates	Aligned with the company's vision and future goals

## 2. WHAT IS THE SIGNIFICANCE OF THE SUCCESSION PLAN?

Implementing a robust succession plan generates significant value for the organization, strengthening its resilience, improving its performance, and increasing the trust of all stakeholders. The benefits reach beyond operational continuity, creating real and sustainable competitive advantages.

### Business sustainability.

The lack of a Succession Plan can destroy a company's value and endanger its credibility within the market and among stakeholders. Unplanned transitions lead to:

- **Operational disruptions:** disruption of critical processes and loss of strategic momentum.
- **Loss of institutional knowledge:** abrupt departure of executives without adequate transfer of information and key relationships.
- **Strategic instability:** abrupt changes in direction that compromise ongoing projects and investments.
- **Deterioration of the organizational climate:** uncertainty that affects productivity and talent retention.

A well-executed succession plan ensures that the company maintains its strategic direction regardless of changes in leadership.

### Transparency and trust:

A well-structured Succession Plan communicates to all stakeholders:

- **Institutional maturity:** it demonstrates that the company does not depend on a single person.
- **Long-term vision:** evidence of commitment to continuity beyond current leaders.
- **Professionalization:** it demonstrates that decisions are based on objective criteria, rather than personal preferences.
- **Predictability:** it reduces uncertainty about the future of the organization.



#### Standards:

According to best practices identified by IDB Invest, companies without formal succession plans face “High” risk in their corporate governance matrix. This risk is especially critical in **family-owned businesses**, where succession involves not only leadership transitions but also ownership considerations, increasing the complexity and sensitivity of the process.



#### Case for Reflection:

Companies that developed succession plans that focused on digital capabilities prior to 2020 were better able to navigate the transformation accelerated by the pandemic.

See study: [Gobierno Corporativo: COVID-19 y la Junta Directiva \[Corporate Governance: COVID-19 and the Board of Directors\]](#) (IDB Invest, 2020).

Table. Cost and time savings

Aspect	Without Succession Plan	With Succession Plan
Vacancy period	Prolonged and uncertain	Minimized and controlled
Recruitment cost	High (external searches)	Significantly reduced
Learning curve	Extensive	Reduced thanks to prior knowledge
Risk of error in hiring	High	Substantially lower

Table. Advantages of effective Succession Plan implementation

 <h3>Strengthening Strategic Capacity</h3>			
<p><b>Proactivity</b> Anticipate the skills needed to meet emerging challenges</p>	<p><b>Growth and Innovation</b> Train leaders with specific skills for new markets or technologies</p>	<p><b>Experience &amp; Diversity</b> Build diverse and supportive management teams</p>	<p><b>Reaction to change</b> Prepare the organization for digital transformations or business model changes</p>
 <h3>Improved Performance Management</h3>			
<p><b>More objective assessments</b> Clear progression criteria</p>	<p><b>Ongoing peer feedback</b> Culture of lifelong development</p>	<p><b>Early identification of gaps</b> Allows for timely interventions</p>	<p><b>Team motivation</b> Clear and fair expectations</p>
 <h3>Leadership continuity and stability</h3>			
<p><b>Preservation of corporate vision and values</b> Internally trained successors have a thorough understanding of organizational culture</p>	<p><b>Strategic momentum maintained</b> Disruptions in the execution of long-term plans avoided</p>	<p><b>Uncertainty reduced</b> Speculation about future leadership minimized</p>	<p><b>Institutional knowledge preserved</b> Orderly transfer of key expertise and relationships</p>
 <h3>Competitive advantage in attracting talent</h3>			
<p><b>Clarity in career opportunities</b> Talented executives prefer companies with defined development trajectories</p>	<p><b>Culture of meritocracy</b> Demonstrates commitment to internal development</p>	<p><b>Enhanced employee retention</b> Reduces critical talent turnover by offering clear professional growth prospects</p>	<p><b>Improvements in skills</b> Training programs focused on real needs</p>
 <h3>Positive cultural impacts</h3>			
<p><b>Culture of development</b> Organization that learns continuously</p>	<p><b>Transparency</b> Clear and well-communicated processes</p>	<p><b>Equity</b> Merit-based opportunities</p>	<p><b>Innovation</b> Flexible leaders and organization ready for change</p>
 <h3>Access to capital</h3>			
<p><b>Increased confidence among institutional investors</b> Pension funds and other sophisticated investors evaluate succession planning as an investment criterion</p>	<p><b>Better credit conditions</b> Banks and financial institutions consider continuity of leadership when assessing credit risk</p>	<p><b>Access to capital and sales markets for strategic partners</b> To attract strategic partners, takeovers or bond issues, succession planning is often a requirement</p>	<p><b>ESG compliance</b> ESG criteria increasingly include succession planning as a key factor</p>

## Link to the pillars of good corporate governance

The Succession Plan is intrinsically linked to the four fundamental principles of corporate governance:

### 1. Accountability

- The Board of Directors is accountable for the company's readiness for leadership transitions.
- The process should include clear candidate assessment and training metrics.
- Periodic reports must be submitted to the Compensation and Corporate Governance Committee.

### 2. Equity

- Ensures equal opportunity for qualified internal candidates.
- Favoritism and nepotism are avoided through objective criteria.
- This protects the interests of all shareholders, not just controlling shareholders.

### 3. Responsibility

- Clearly defines roles and responsibilities in the succession process.
- Establishes the fiduciary duty of the Board to prepare successors.
- Talent development is considered a corporate responsibility.

### 4. Transparency

- Clearly communicates selection criteria and processes.
- Enables internal candidates to understand their development opportunities.
- Informs stakeholders regarding the company's readiness for transitions.

#### Please note!

In companies where the CEO and/or CFO are related to the controlling shareholder, there is an elevated risk that succession decisions will prioritize particular interests over those of the company and minority shareholders. A formal Succession Plan helps to mitigate these risks.

Table. Specific benefits by type of company

For family-owned businesses:	For small businesses:	For mature companies:
<ul style="list-style-type: none"> <li>• Professionalization without loss of values</li> <li>• Structured resolution of family dynamics</li> <li>• Attraction of high-quality talent from outside the family</li> <li>• Preparation for institutionalization</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership scalability</li> <li>• Attraction of institutional investors</li> <li>• Preparation for IPO</li> <li>• Building a world-class team</li> </ul>	<ul style="list-style-type: none"> <li>• Orderly generational shift</li> <li>• Injection of new perspectives</li> <li>• Maintenance of competitive advantages</li> <li>• Adaptation to market changes</li> </ul>

## 3. KEY COMPONENTS AND STRUCTURE

### Breakdown of essential elements

The following is a simple model for writing the Succession Plan. Companies are invited develop their own detailed plans.

Notes:

*Cover Page*

#### **EXECUTIVE SUCCESSION PLAN**

*[Company Name]*

#### **Contents:**

1. Purpose and Scope
2. Roles and Responsibilities
3. Types of Succession
4. Objective Criteria for the Definition of Selection Profiles
5. Identification and Evaluation of Candidates
6. Development and Preparation
7. Transition Process
8. Mandatory Communication Plan
9. Monitoring and Evaluation
10. Special Provisions and Annexes: Candidate Matrix (Confidential), Individual Development Plans, and Communications Protocol

#### **1. PURPOSE AND SCOPE**

*"The purpose of [Company Name]'s Succession Plan is to establish an orderly and transparent process to ensure the continuity of executive leadership, thereby protecting the value of the company and the interests of all its stakeholders.*

*This Plan covers the following critical positions:*

- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- *[Other C-level positions according to structure]*

*The Plan is governed by the principles of meritocracy, transparency, internal development, and strategic alignment; it seeks to ensure that future leaders have the necessary skills to execute the current corporate strategy."*

#### **Don't forget to include:**

- Date approved by the Board
- Validity and next revision
- Confidentiality classification
- Document custodian
- Document version.

#### **Defines the plan's purpose and scope:**

- Statement of Strategic Objectives.
- Positions filled (CEO and key C-level positions).
- Guiding principles of the process.
- Alignment with corporate strategy.

#### **To consider:**

- Be clear and concise.
- Use language that reflects institutional commitment.

## 2. ROLES AND RESPONSIBILITIES

### 2.1 Board of Directors

*The Board of Directors has the ultimate and non-delegable responsibility for approving, supervising, and executing the plan; for this it must:*

- Approve the Succession Plan and its updates (section 3).
- Select and appoint the new CEO.
- Oversee the development of potential internal candidates and promote the identification of external candidates.
- Evaluate the effectiveness of the Plan annually.

### 2.2 Compensation and Corporate Governance Committee

*The Compensation and Corporate Governance Committee is responsible for supporting the Board of Directors in detailed analysis, recommendations, and monitoring; for this it must:*

- Review and recommend candidates to the Board (section 4).
- Coordinate evaluations of potential internal candidates (section 5).
- Propose individualized development plans for potential internal candidates (section 6).
- Submit an annual progress report to the Board.

### 2.3 Current CEO

*The current CEO plays an advisory role in candidate identification and training and must always act in good faith to:*

- Identify and propose potential internal candidates.
- Facilitate the training of internal candidates.
- Participate in evaluation (without a deciding vote).
- Ensure the orderly transfer of responsibilities (section 7).

### 2.4 Human Resources

*Human Resources will provide technical support, coordination, and documentation of the process."*

#### Important points to keep in mind:

- The Council has "ultimate and non-delegable" responsibility.
- The CEO participates, but does NOT make the final decision.
- Use clear action verbs.
- Specify frequency of activities.
- Define limits of authority.

#### Please note!

If the company does not have a Board of Directors committee dedicated to these functions, these responsibilities are assigned directly to the Board.

### 3. TYPES OF SUCCESSION

#### 3.1 Emergency Succession

In case of the unplanned absence of the CEO (incapacity, unexpected resignation, death), the following protocol will be activated:

Step 1 (Immediate - 24 hours): The [CFO/COO] will take on acting duties.

Step 2 (48-72 hours): Extraordinary call of the Board of Directors.

Step 3 (First week): Communication to key stakeholders.

Step 4 (First month): Start of the permanent replacement recruitment process and, if possible, the implementation of the Planned Succession if it is close to being ready for implementation. This decision will be taken by the Board of Directors.

[Add other protocol details as necessary]

#### 3.2 Planned Succession

For ordered transitions with a time frame of [add # of months] months. The planned succession must be prepared sufficiently in advance, at least [add # of years] years, to enable its execution:

- Phase 1 - Announcement: Formal communication of the transition.
- Phase 2 - Preparation: Overlap of 3-6 months between executives.
- Phase 3 - Transition: Formal transfer of responsibilities.
- Phase 4 - Shadowing: Post-transition support for 90 days.

The Compensation and Corporate Governance Committee will be responsible for executing this Protocol, which will implement the articles of sections 4, 5, 6, 7 and 8, with the assistance of Human Resources."

[Add other protocol details as necessary]

#### “Emergency Succession” Scenario (Contingency Plan):

- Procedures for unplanned immediate transitions, with precise time frames.
- Designation of Acting Successor(s).
- Crisis communication protocols.
- Predefined deadlines for permanent replacement recruitment.
- Temporary delegation of critical responsibilities.

Methods may vary and it is up to the Board of Directors to define what is best for the company. Methods may include:

- Protocol with designation of previously acting successor (example presented).
- Protocol with designation of acting successor by sealed envelope (keeps expectations low).
- Protocol for the definition of an executive committee (interim governing body).

#### “Planned Succession” Scenario (Long Term):

- Structured candidate training process.
- Preparation timeline (typically 3-5 years).
- Evaluation and development milestones; overlap period is critical.
- Retention strategy for high-potential candidates.
- Orderly transition plan, including post-transition support.

#### 4. HIRING PROFILES AND CRITERIA

##### "4.1 CEO Profile

Applicable to potential internal candidates. Core Skills:

*[- Strategic vision demonstrated in competitive markets.*

*- Minimum experience of 15 years, with at least 5 in executive positions.*

*- Leadership of cross-functional teams (>100 people).*

*- P&L management with minimum liability of USD [X] million.*

*- Proficiency in English and Spanish (Portuguese desirable).]*

Leadership Skills:

*[- Integrity and impeccable ethical behavior.*

*- Ability to inspire and develop talent.*

*- Results-oriented with a long-term vision.*

*- Adaptability and change management.*

*- Communication skills with various stakeholders.]"*

##### **Important:**

This is not an exercise in establishing fixed hiring criteria but rather setting up a framework to establish a dynamic matrix of profiles that can be periodically reviewed according to the strategic needs of the company.

##### **The following should be defined:**

- Technical skills required according to the strategy.
- Leadership skills and cultural values.
- Minimum experience and desired trajectory.
- Objective and measurable evaluation criteria.
- Updatable skills matrix.

##### **Recommendations for profiles:**

- Be specific, but not restrictive.
- Include technical AND soft skills.
- Consider the cultural context.
- Align with future strategy.
- Avoid unconscious biases.

## 5. IDENTIFICATION AND EVALUATION OF CANDIDATES

### "5.1 Evaluation Methodology

Candidates will be evaluated by:

#### [a) Historical Performance Assessment (30%)

- Financial results achieved.
- Execution of strategic projects.
- Team development.

#### b) Competency Diagnostic (40%)

- Professional psychometric evaluation.
- Business simulations.
- Competency-based interviews.

#### c) Development Potential (30%)

- Learning capacity
- Adaptability to new challenges.
- Strategic vision].

All evaluations will be documented in a confidential format and archived by Human Resources."

### Good practices to consider:

- Leading companies should maintain a "pool" of at least 2-3 viable internal candidates for the CEO position, and 1-2 candidates for each critical C-level position. This is known as "bench strength".
- Use multiple assessment tools and methodologies.
- Weigh criteria objectively.
- Also use as an internal mapping process.
- Document the entire process.
- Involve specialized third parties.
- Maintain strict confidentiality.



### Models:

**Annex I** of this document presents a model and the most relevant features of the Skills Matrix, with examples of its implementation. [Click here.](#)

## 6. DEVELOPMENT AND PREPARATION

### 6.1 Individual Development Plan (IDP)

Each identified internal candidate will have a customized PDI that will include:

#### a) Gap assessment

- [• Detailed analysis of current vs. required competencies.*
- Identification of 3-5 priority development areas.
- Specific timeline to close gaps (12-36 months)].

#### b) Development Experiences

- [• Assignment to high-impact strategic project (mandatory).*
- Functional rotation: minimum 6 months in a different position.
- P&L responsibility: business unit management.
- International exposure: assignment in a different geographic location (desirable)].

#### c) Executive Training

- [• Top Management Program at Top 20 business school.*
- Individual executive coaching (minimum 12 sessions/year).
- Mentoring by a member of the Board of Directors (quarterly).
- Participation in industry forums as a representative].

### 6.2 Exposure to the Board of Directors

Candidates must:

- [• Submit results for their area quarterly.*
- Lead at least one annual strategy session.
- Participate in Board committees as guests.
- Accompany operational visits of Board members].

### 6.3 Progress Assessment

- [• Half-yearly review with CEO and HR Manager.*
- Updated 360° annual assessment.
- Annual report to the Compensation Committee.
- Adjustment of the IDP according to progress and strategic changes].

#### The critical elements of development are as follows:

- IDP should be personalized, not generic.
- Combine practical experiences with training.
- “Tasks outside the comfort zone” are critical (in different roles and geographic locations).
- Gradual but systematic experience of the Board.
- Include experiences of controlled failure.
- Formal mentoring, not just informal (CEO time: 10-15% dedicated to development).
- Commitment of Board members as mentors.
- Exposure to all stakeholders (external visibility opportunities).

## 7. TRANSITION PROCESS

*"The transition will take place in four phases, all of which will be important and mandatory. The Board of Directors is responsible for defining the tasks delegated in the transition process.*

### 7.1 Pre-Announcement Phase (Confidential)

*Duration: 30-60 days before announcement:*

- *Final selection by the Board of Directors.*
- *Final due diligence of the candidate.*
- *Negotiation of compensatory package.*
- *Preparation of communication plan.*
- *Identification of transition risks.*

### 7.2 Announcement Phase

*Day 0: Internal and External Announcement: following the "Communication of Succession Matrix" (see Annex [X]) and in accordance with the Mandatory Communication Plan (section 8).*

*Key Messages: continuity of strategy, strengths of successor, full Board support, and transition timeline.*

### 7.3 Active Transition Phase

*Duration: 3-6 months*

*Month 1: Immersion: thorough strategy and financial review, 1:1 meetings with direct subordinates, visits to main operational facilities, meetings with key customers.*

*Month 2-3: Co-leadership: joint participation in key decisions, gradual transition of responsibilities, joint presentation to stakeholders, transfer of institutional relationships.*

*Month 4-6: Supervised Leadership: the new CEO leads with advice from the outgoing CEO, who is available but not present; evaluation of initial decisions, adjustments according to feedback.*

### 7.4 Consolidation Phase

*First 100 days of the new CEO:*

*Week 1-2: Establishment: confirm or adjust executive team, communicate vision and priorities, set management pace.*

#### Success factors in the transition:

- Crystal-clear communication.
- Visible support from the outgoing CEO during the transition.
- Do not unnecessarily prolong the process.
- Allow the new CEO to set their style.
- Manage team anxieties.

#### Post-transition best practices:

- Clearly define the role of the Outgoing Post-Transition CEO: *Senior Advisor* for 6-12 months (optional), non-participation in operational decisions, availability for strategic consultations, support in relationship transition, non-interference/competition clause.
- Celebrate the new leader's accomplishments.
- Monitor organizational climate.
- Visible support from the Board and avoid micromanagement.

#### Please note! Common risks:

- Unconscious sabotage of the overlap.
- Confusion about who makes decisions.
- Loss of key talent.
- Loss of business momentum.

Day 30: First Report: confirmation or adjustment of strategy.

Day 90: Formal Evaluation: report to the Board of Directors, communication of initial achievements.

## 8. MANDATORY COMMUNICATION PLAN

### 8.1 Obligation of the Board of Directors

The Board of Directors **MUST** approve a comprehensive Communication Plan for any succession process (planned or emergency) that includes at least a Communication Matrix and an Escalation Protocol (see Annex [X]).

### 8.2 Compliance Deadlines

- For planned succession: the Communication Plan must be approved at least [XX] days prior to the public announcement.

- For emergency succession: there must be a pre-approved Plan that is activated immediately.

### 8.3 Specific Responsibilities

The Board of Directors shall: a) Designate a Crisis Communication Committee for successions, b) Approve all key messages and Q&A prior to public communication, c) Formally authorize designated spokespersons, and d) Review and update the Communication Plan annually.

### 8.4 Minimum Elements of the Plan

The approved Communication Plan **MUST** contain:

- Pre-approved statements for each audience.
- Coordination protocol with external advisors (PR, legal).
- Media and social media monitoring plan.
- Reporting procedure to the Board on impact.
- Pre-authorized budget for crisis management.

### 8.5 Non-compliance

The lack of an approved Communication Plan will constitute a serious breach of the Board's fiduciary duty (potential personal liability), giving reason for observation by external auditors and being a reportable breach to regulators (if applicable).

### 8.6 Review and Practice

The Plan should be reviewed after each executive succession. Plan simulations should be conducted annually and lessons learned should be incorporated into updates. The Internal Audit team may include it as part of its plan.

#### Keys to effective communication:

- Consistent message but tailored to each stakeholder (prepare Q&A for each audience).
- Coordinate all messages with legal areas (pre-approved statements).
- Coordinated time frames.
- Anticipate difficult questions.
- Have prepared spokespersons (and substitutes).
- Plan B for crisis.
- Monitor reactions in real



#### Models:

More relevant models and features of the Communication Matrix and Escalation Protocol are presented in **Annex II** of this document. [Click here.](#)

#### Synergies:

- Link with evaluation of Board members.
- Report compliance in the Annual Report.

*This section is mandatory and may not be waived without the unanimous vote of the Board of Directors and documented justification."*

## 9. MONITORING AND UPDATING

### 9.1 Effectiveness Metrics

*The Plan will be evaluated annually by at least the following metrics: a) Average time of executive vacancy coverage, b) Percentage of positions with at least 2 viable candidates, c) Retention rate of high-potential candidates, and d) Diversity in talent pipeline [Add other metrics deemed relevant].*

### 9.2 Mandatory Annual Review

*The Board of Directors must fully review the Succession Plan during the first quarter of each fiscal year, evaluating the: a) Validity of the Plan, b) Status of the Talent Pipeline, and c) Effectiveness of the Process. To this end, the CEO will present the Board with an Annual Report that includes as a minimum: the current state of the succession pipeline and its metrics, progress vs. the previous year's plan, investment in talent development, benchmarking with best practices and competitors, risks identified and the relevant mitigation measures, the action plan for the next period, and recommendations to improve the process.*

### 9.3 Mandatory Extraordinary Updates

*The Plan must be updated within 30 days in the event of the following: a) Change in corporate strategy approved by the Board, b) Exit of any candidate from the succession pipeline, c) Significant changes in the organizational structure, d) Merger, acquisition or material divestment, e) Change of shareholding control, f) Relevant regulatory modifications, and g) Identification of new succession risks [Add other reasons deemed relevant].*

### 9.4 Continuous Monitoring Metrics

*The Compensation and Corporate Governance Committee will monitor the minimum indicators defined by the Board of Directors and any others it considers necessary on a quarterly basis.*

*Every quarter, the Board of Directors will receive from the CEO a visual dashboard that shows the main data, which are material and updated. The Committee shall submit the dashboard to the Board of Directors after its review, in the format defined in Annex [X].*

#### Keys to effective monitoring:

- Consistent message but tailored to each stakeholder (prepare Q&A for each audience).
- SMART metrics (specific, measurable, achievable, relevant, timely).
- Clearly identified managers.
- Auditable documentation format.

#### Please note! Common mistakes to avoid:

- Unconscious sabotage of the overlap.
- Superficial "check the box" exercises.
- Metrics without actual tracking.
- Updates without implementation.
- Lack of consequences for non-compliance.
- Bureaucratic process without added value.



#### Models:

A dashboard model is presented in **Annex III** of this document. [Click here.](#)

## 10 . SPECIAL PROVISIONS

### 10.1 Management of Conflicts of Interest

*No member of the Board or executive may participate in decisions about their own succession or that of immediate family members.*

### 10.2 Expert Support

*The Board of Directors may use expert consultants or external firms (e.g. Headhunters) to provide objective, independent, and professional assistance to the Board, Committees, CEO (outgoing or incoming), and management in any of the actions related to the Succession Plan.*

### 10.3 Confidentiality

*[Request this clause from the legal department]. "*

#### Legal considerations:

- Anticipate extraordinary situations.
- Establish conflict of interest rules.
- Consider regulatory aspects.
- Include confidentiality clauses.
- Align with corporate bylaws.

#### Note of interest:



## International Standard - OECD

The OECD Principles of Corporate Governance state that “The Board of Directors is required to perform certain key functions, including... the selection, remuneration, control and, where necessary, replacement of senior executives and oversight of succession planning” OECD, “G20/OECD Principles of Corporate Governance” (2023).

## 4. STEP-BY-STEP IMPLEMENTATION GUIDE

Successful implementation of a succession plan requires a methodical and structured approach involving multiple levels of the organization. **Before starting the development of the succession plan**, it is essential to establish the appropriate foundations:

- **Total commitment of the Board of Directors:** The Board of Directors must formally approve:
  - The succession policy as an integral part of corporate governance.
  - The assignment of specific responsibilities.
  - The budget for the development of the plan (allocation of necessary resources).
  - The deadlines and goals of the process.
- **Designation of clear line managers:** the Board of Directors must formally designate a line manager to lead the succession planning process. Typically, this responsibility falls on:
  - The Compensation and Corporate Governance Committee (or Nominating Committee), who will work closely with the CEO.
  - A Lead Independent Director, especially in companies where there is concentration of power.
  - Human Resources, as technical and operational support.
- **Assessment of the current state:** before drafting the plan, it is essential to carry out a thorough diagnosis:
  - a) Analysis of the current organizational structure:
    - Mapping of key positions (CEO and Senior Management).
    - Identification of critical roles for business continuity.
    - Evaluation of the extent of internal talent.
  - b) Review of existing practices:
    - Are there informal probate procedures in place?
    - Have potential successors been identified?
    - What previous transition experiences has the company had?
  - c) Risk assessment:
    - Age and retirement plans of key executives.
    - Vulnerabilities due to lack of prepared successors.



- o Potential impact of unplanned resignations.

## Drafting stage

Profiles should align with future business strategy, not just current needs. Consider what kind of leadership the company will need in 3-5 years?

**1**

**Development of a profile for each key position**

<p><b>For the CEO:</b></p> <ul style="list-style-type: none"> <li>• Required technical skills.</li> <li>• Leadership and management skills.</li> <li>• Necessary sectoral experience.</li> <li>• Strategic capabilities.</li> <li>• Alignment with corporate values.</li> </ul>	<p><b>For Senior Management:</b></p> <ul style="list-style-type: none"> <li>• Specific functional experience.</li> <li>• Ability to work in a team.</li> <li>• Growth potential.</li> <li>• Change management skills.</li> </ul>
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**2**

**Drafting of the plan document, which should include**

<p><b>Emergency Succession Plan:</b></p> <ul style="list-style-type: none"> <li>• Procedures for immediate temporary replacements.</li> <li>• Chain of command in crisis situations.</li> <li>• Internal and external communication protocols.</li> <li>• Temporary delegation of authority.</li> </ul>	<p><b>Planned Succession Plan:</b></p> <ul style="list-style-type: none"> <li>• Candidate identification process.</li> <li>• Talent training schedule.</li> <li>• Progress assessment metrics.</li> <li>• Feedback mechanisms.</li> </ul>
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**3**

**Obtaining key inputs**

The drafting process must be participatory:

- **Work sessions with the Board of Directors** to align expectations.
- **Interviews with the CEO and Senior Management** to understand specific needs.
- **Consultation with Human Resources** on internal capabilities.
- **Benchmarking with best practices** in the sector.



## Validation and approval phase

4

### Internal Review Process

#### First instance - Compensation and Corporate Governance Committee:

- Detailed review of the document.
- Validation of profiles and processes.
- Adjustments according to feedback.

#### Second instance - CEO:

- Review from an operational perspective.
- Confirmation of feasibility of implementation.
- Identification of necessary resources.

5

### Formal approval by the Board of Directors

#### The Board must:

- Review the complete plan in a formal session.
- Discuss implications and commitments.
- Issue approval by documented resolution.
- Establish the implementation schedule.

**Important:** the approval must be recorded in the minutes of the Board, clearly establishing the responsibilities of the governing body and its commitment to the process.



## Implementation phase

6

<b>Differentiated Plan communication strategy:</b>	<p><b>For Senior Management:</b></p> <ul style="list-style-type: none"> <li>Detailed briefings.</li> <li>Explanation of roles and responsibilities.</li> <li>Clarification of expectations.</li> </ul> <p><b>For identified candidates:</b></p> <ul style="list-style-type: none"> <li>Individual and confidential communication.</li> <li>Explanation of the development process.</li> <li>Definition of career path.</li> </ul> <p><b>For the organization in general:</b></p> <ul style="list-style-type: none"> <li>Communication about the existence of the plan (without specific details).</li> <li>Reinforcement of commitment to talent development.</li> </ul>
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7

Training Program	
<p><b>For those responsible for the process:</b></p> <ul style="list-style-type: none"> <li>Training in talent evaluation.</li> <li>Mentoring and coaching techniques.</li> <li>Management of professional development plans.</li> </ul>	<p><b>For potential internal candidates:</b></p> <ul style="list-style-type: none"> <li>Leadership development programs.</li> <li>Stretch assignments.</li> <li>Rotation in key positions.</li> <li>Exposure to the Board of Directors</li> </ul>

8

<b>Integration with existing policies</b>	<p><b>Performance Management System (for internal candidates):</b> integrate harmoniously with annual evaluations that identify high potential, key performance indicators (KPIs), and continuous feedback on development.</p> <p><b>Compensation Policy:</b> establish incentives for retention of key talent, variable compensation linked to successor development, and retention packages for identified candidates.</p>
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## Monitoring and review phase

9

### Establishment of monitoring mechanisms

#### Periodic reports to the Committee/Board:

- Quarterly progress reports.
- Annual update of the status of candidates.
- Emerging risk alerts.

#### Indicators of effectiveness:

- Number of positions with identified successors.
- Average time to fill key vacancies.
- Retention rate for high-potential candidates.
- Effectiveness of transitions carried out.

10

### Process audit

#### Periodically (every 2-3 years), consider:

- Evaluating the effectiveness of the plan.
- Benchmarking with updated best practices.
- Feedback from key stakeholders.
- Recommendations for improvement.



#### Best Practices:

The succession plan is an evolving document that must be updated at least annually or when significant changes occur in the organization.



## 5. TIMING CONSIDERATIONS

The success of a succession plan depends largely on its timely implementation and regular review. This section addresses the critical moments to trigger the review process, the frequency of updates needed, and how to integrate these activities within the annual corporate governance calendar.

**Fundamental principle:** succession planning should not be a one-time event, but rather an ongoing process that adapts to the changing circumstances of the company and its environment.

### Triggers of governance reform

#### Structural changes in corporate governance:



**Creation or strengthening of the Board of Directors:** when the company establishes its first formal Board or moves from an advisory model (Advisory Board) to a decision-making one.



**New institutional investors:** the entry of private capital or investment funds typically requires formalized succession processes.



**Preparing for stock market listing:** companies considering listing on the stock exchange should have robust succession plans as part of their governance practices.

#### Business transformation events that require activating or reviewing the plan:



**Significant business expansion:** entry into new geographic markets, launch of additional lines of business, or accelerated growth requiring new capabilities.



**Changes in the business model:** significant digital transformation, strategic pivot to new sectors, integration of disruptive technologies.



**Major corporate operations:** mergers and acquisitions, significant strategic alliances, organizational restructurings.



**Unexpected crises or events:** sudden resignation of key executives, current leadership health issues, abrupt changes in the competitive environment, incidents that negatively impact company integrity.



#### Practical note:

In **family businesses**, the generational transition is a natural trigger that must be anticipated 5-10 years in advance to allow for adequate preparation. Family dynamics and the gradual preparation of the next generation must be taken into consideration.

## Regulatory or contractual requirements that require succession plans:



**Listed companies:** compliance with corporate governance codes.



**Financial sector:** banking regulations on suitability and continuity.



**Regulated companies:** sectors with specific requirements, such as energy or telecommunications.



**Multilateral commitments:** companies with financing from **BID Invest** or other organizations.

## Review and update cycle

### Regular review cycle

Establishing a fixed review schedule is essential to prevent the succession plan from becoming obsolete and to ensure it continues to be relevant and to serve as an effective mechanism for managing risks of planned or unexpected succession. The plan must be **reviewed annually**, ideally during the strategic planning process, with the Compensation and Corporate Governance Committee being primarily responsible for this process. The minimum scope of this review should include the validation of profiles and competencies, the updating of candidate status, evaluation of progress in development, and adjustments necessary for organizational changes. Additionally, **every three years a thorough review** will be necessary to allow a comprehensive evaluation of the entire process, analyzing the effectiveness of the current plan and its alignment with the long-term strategy, and comparing it with the best practices in the market and redefining profiles if necessary.

### Extraordinary Updates

Specific situations require an immediate review of the succession plan, without waiting for the regular cycle. These situations include changes in the executive team (such as the resignation or retirement of Senior Management members, incorporation of new key executives, or changes in organizational structure), significant



### Key Recommendation:

Integrating succession planning within the Board's regular calendar ensures systematic attention and prevents it from becoming an isolated activity. For example:

**First Quarter:** performance evaluation of the previous year, identification of development needs, and updating of individual development plans.

**Second Quarter:** annual review of the succession plan by the Board, presentation of the status of candidates, and approval of necessary adjustments.

**Third Quarter:** start of development programs, mid-term evaluation, and adjustments to special assignments.

**Fourth Quarter:** integration with strategic planning, budgeting for development activities, and preparation of the annual succession report.

strategic events (approval of a new strategic plan, relevant changes in the market, or new applicable regulations), and warning signs that cannot be ignored (such as the loss of high-potential candidates, negative feedback on performance evaluations, or changes in the personal plans of key executives).

### Continuous monitoring

To ensure the effectiveness of the plan, it is essential to implement a **quarterly monitoring** system based on specific indicators. These include tracking the development of identified candidates and key talent retention rates, the execution of established training plans, and the early identification of emerging risks that may impact succession. This continuous monitoring makes it possible to make timely adjustments and uphold the validity of the plan in a dynamic business environment.



#### Reflection:

Effective timing in succession planning is as important as the content of the plan itself. An excellent plan implemented too late loses its value, while systematic and timely review ensures that the organization is always prepared for successful leadership transitions.

## Core questions for the Board of Directors

### Initial implementation:

Have we identified the correct trigger?

### Regular checks:

Is the annual review scheduled?

### Integration:

Is it in line with other governance processes?

### Monitoring:

Do we have quarterly monitoring indicators?

### Flexibility:

Can we respond to unexpected changes?

### Documentation:

Do we log all updates?



## 6. COMMON OBSTACLES AND WARNING SIGNS

The implementation of a succession plan faces multiple challenges that can compromise its success. Identifying these potential pitfalls and recognizing early warning signs is critical to avoiding costly and disruptive failures.

### Warning signs of poor implementation



#### Governance-level risk indicators

Absence of or weakness in the commitment of the Board of Directors is the clearest sign that a succession plan is destined to fail:

- **Lack of awareness:** the Board of Directors does not understand its responsibility to ensure the proper management of risks of planned or unexpected succession.
- **Lack of active oversight:** the Board does not review the plan regularly or fully delegate to management.
- **Absence from the agenda:** the issue of succession appears sporadically or only in crisis.
- **Inadequate composition:** Board dominated by executives or without a specialized committee.
- **Poor documentation:** there are no minutes that show discussions on succession.



#### Problems in plan drafting

A common problem is **limited coverage**, where organizations focus exclusively on the CEO, without considering other key executives whose absence could lead to major operational disruptions. This restricted vision is often accompanied by the absence of contingency plans for emergency situations.

Another recurring weakness is the use of **generic profiles** that do not reflect the specific needs of the organization; this occurs when job descriptions are simply copied from other companies without adaptation, do not align with the company's particular strategy,

#### Quantitative alert indicators, for example:

- The frequency of reviews is less than 1 (one) year.
- The Plan has not been updated for more than 24 months.
- The Board has a majority of executive



#### Particular dilemma of family businesses: nepotism

This occurs when the founder's son/daughter has been appointed as the natural successor but does not deserve or meet the requirements for the position, casting aside any objective assessment of skills. In these cases other talented executives are marginalized and the Succession Plan - which is ineffective - exists only to legitimize the decision already made to seat the family member in the vacant

and do not incorporate the cultural context and organizational values that are essential to ensure successor compatibility.

Finally, many plans fail due to **inadequate identification or evaluation** of candidates, characterized by the absence of objective metrics for measuring the development of potential successors, the lack of formal evaluation processes that allow fair comparisons between candidates, and the lack of systematic feedback mechanisms that support the professional growth of the identified successors.



### Execution Failures

The implementation of succession plans is frequently compromised by significant deficiencies in their practical execution. A critical problem is the **non-existent or inadequate development of internal candidates**. This occurs when the organization manages to identify potential internal successors but does not establish concrete plans for their professional development, implements generic training programs that lack specific focus on the competencies required for objective leadership roles, or does not provide challenging and meaningful experiences that allow candidates to demonstrate their ability to assume greater responsibilities. **Poor communication** is another fundamental obstacle, as in many cases candidates are not even aware that they are being considered for future positions. Expectations about their career progression may remain ambiguous or poorly defined, and the lack of transparency in the process generates an environment of speculation that can negatively affect the organizational climate and talent retention. Furthermore, the **insufficient allocation of resources** undermines the success of the succession plan when no specific budget is allocated for development activities, no protected time is allocated within working days for candidates to participate in training initiatives, or the organization lacks specialized Human Resources personnel who can follow up and provide professional support to the development of future leaders.

### Common traps



#### Form over Substance:

Creating an elegant document that meets compliance requirements but lacks actual implementation.



#### "Check-the-box" mentality:

Creating a Plan that exists only to satisfy regulators or investors. It is an archived document with no active use. Its updates are mechanical and without real analysis.



#### Looking to the past, not the future:

"Clones" of the current leader are sought or changes in the competitive environment are ignored. The new capabilities required are not anticipated.



#### The Indispensable CEO Syndrome:

The CEO is the source of all knowledge and relationships. He/She does not develop strong second-line management and subtly sabotages potential successors. The Board does not intervene out of convenience.



#### False Competition:

The process appears open, but has a predefined winner, where external candidates only serve to "validate" the internal election. This causes other candidates to feel demotivated and pull out.

## 7. WHAT-IF SCENARIOS

The implementation of a succession plan rarely follows a linear path. Anticipating and preparing for different scenarios allows organizations to respond effectively and flexibly to unexpected challenges. This section explores common situations and provides adaptive strategies for overcoming them.

### "What if there's resistance?"



#### Resistance from current leadership

The founding or long-term CEO is reluctant to plan for succession, viewing the process as a threat to his/her legacy or position.

The resistance of current leaders to the succession process frequently manifests through recognizable patterns such as **the indefinite postponement of discussions on the subject, the subtle sabotage of potential candidates, persistent arguments that “no one is ready” to take office, or the deliberate creation of artificial operational dependencies** that hinder any transition.

To address these resistances, there are several effective approaches that can be implemented. A **phased engagement strategy** is particularly useful, starting with conversations about “talent development” rather than using the more threatening term of “succession,” focusing the dialogue on positive aspects such as legacy and long-term business sustainability, actively engaging the CEO as the lead mentor for candidates, and creating transition roles that allow the outgoing leader to maintain some influence during the process.

When these soft approaches prove insufficient, **more direct intervention by the Board of Directors** may be necessary, such as establishing mandatory retirement age policies, linking executive compensation to demonstrable progress in succession planning, assigning an independent counselor as a facilitator of the process, and formally documenting in the minutes the risks identified if resistance persists.

In particularly complex cases, **specialized external support** is a valuable option, through the incorporation of a facilitator who can confidentially assess the situation, hold individual sessions with the CEO to address your concerns, develop a personalized transition plan that respects your needs, and provide professional coaching that can help the CEO to visualize a new stage of life beyond his/her current role.



### The CEO is also the Chair of the Board of Directors

In companies where the position of CEO is held by someone who also serves simultaneously as Chair of the Board of Directors, executive succession planning presents an additional layer of complexity. While this duality of roles may appear to be a strength in certain contexts due to the unified vision it offers, it generates an inherent risk of concentration of power that can significantly hinder objective evaluation and a transparent transition process. A CEO who is also the Chair of the Board may show a **reluctance to actively plan for a replacement, viewing this process as a challenge to his/her influence or to the continuity of his/her mark** on the organization. This stance can manifest in **recurrent delays in addressing conversations on succession, in the veiled disqualification of potential candidates, or in the reiteration of the idea that there are no individuals “sufficiently prepared”** to assume the role. In addition, by centralizing knowledge and strategic relationships, there is a risk of not adequately cultivating future internal leaders, and even of hindering their development, often without the Board intervening effectively, either out of complacency or due to the absence of balancing mechanisms.

To address these complexities, **the Board of Directors must assume its “ultimate and non-delegable” responsibility in overseeing succession planning.** A key strategy is to consider **separating the roles of CEO and Chair of the Board**; this is a good corporate governance practice that promotes a greater balance of power and more independent oversight.

It is crucial to ensure that the Board, and specifically the Compensation and Corporate Governance Committee (where applicable), has a strong composition that includes independent members capable of actively overseeing the succession process. In these cases, the **involvement of a leading independent director, with specific experience in succession processes**, can be decisive in guiding the Board and ensuring objectivity in evaluations.

Likewise, the hiring of **consultants or specialized external firms (such as headhunters) can provide objective and independent assistance** in both identifying and evaluating candidates and in facilitating the critical stages of the process. It is essential to establish objective and transparent hiring criteria for successor profiles, based on competencies and merits, and to ensure that these criteria are clearly communicated. Finally, to mitigate the risks inherent in an unexpected resignation, it is essential to develop a robust emergency succession plan that clearly defines the procedures to be followed and the designation of interim successors.



### Executive and employee resistance

The implementation of succession plans frequently faces resistance not only from current leaders but also from the executive team and employees in general, manifesting through clearly identifiable symptoms in organizational dynamics. These include **patterns of withholding or selectively sharing critical information with the purpose of maintaining political advantages, forming strategic alliances between different actors to preserve the status quo that benefits them, and proliferating rumors and speculations** that generate an environment of uncertainty and destabilize the work climate, ultimately fostering a widespread demotivation that affects productivity and organizational commitment.

To effectively manage such resistance, it is advisable to implement a systematic approach with multiple components. Firstly, finetuned transparency is essential: **communicating the existence of the process without prematurely disclosing details that may generate unnecessary anxiety**, emphasizing the aspects of organizational continuity and the opportunities for growth that will arise, and involving key leaders as ambassadors of the process to build trust at all levels.

**Establishing incentives that align with the objectives of the succession plan** is also highly effective, through the implementation of specific retention plans for talent considered critical during the transition period, the creation of professional development opportunities accessible to all employees, and the explicit recognition of those who constructively support the process.

Finally, the **application of change management principles** is essential, hosting workshops that explain the benefits of orderly succession for the stability and future of the organization, establishing channels that allow for anonymous feedback to identify and address legitimate concerns, and celebrating the milestones reached during the process to generate positive momentum and reinforce collective commitment to the leadership transition.



### Family resilience

In the context of family-owned businesses, resistance to succession plans presents unique characteristics that require special attention. This resistance can come from various members

of the family environment: **spouses who fear losing their social status or influence within the family-business system, children who experience excessive pressure to assume leadership roles or feel insecure about their preparation, relatives not directly involved in management but who question decisions from their position as owners, or different generations with fundamentally opposed views** on the future direction of the business.

To address this complexity, it is advisable to implement strategies adapted to the family context. A structured participatory process is essential, starting with the creation of a **Family Council** that functions as a legitimate forum for discussing sensitive issues. This aids in establishing a solid family protocol as a preliminary step to the succession plan, incorporating an **expert specialized in family dynamics**, and clearly delimiting the separation between family and business roles to avoid conflicts of interest. In tandem, a **differentiated communication strategy** is crucial, adapting specific messages according to the audience: for the core family, focus on the impact on family heritage and the preservation of unity through private meetings; for the extended family, emphasize values of transparency and equity through formal family assemblies; and for members not directly part of the family, convey how professionalization benefits all owners through formal and structured communications.

Finally, it is essential to address the specific fears that underpin resistance: mitigating the fear of conflict through clear decision-making rules, addressing concerns about potential economic losses with plans that ensure financial sustainability, responding to the fear of exclusion by creating non-executive but meaningful roles for family members, and implementing change gradually with clearly defined milestones to reduce anxiety about transformations.

## "What if the Board of Directors or Management have limited capacity?"



### Limited capacity within the Board of Directors

The reality in Latin America and the Caribbean is often that the Board of Directors does not have the capacity to lead sophisticated succession processes, which represents an additional challenge for the effective implementation of these governance practices.

These limitations often manifest through recognizable patterns: **limited experience of directors in formal executive succession processes, a governing body dominated by internal or related members who lack the necessary objectivity, insufficient time dedicated by Board members to adequately address a complex process such as succession, and absence of specialized committees** that can give detailed follow-up to this type of initiative.

To overcome these hurdles, it is best to utilize adaptive solutions that allow for progressive implementation. It is advisable to pursue the progressive strengthening of the Board's capacities, starting with an **education phase through workshops on best practices, benchmarking exercises with peer companies, and analysis of relevant sector case studies**. This should be followed by a phase of external support that incorporates **specialized advisors on a temporary basis, with the integration of at least one independent director** with specific experience in succession processes, and the external facilitation of critical sessions. It will end with a institutionalization phase through with **a Nominating Committee is formally established**, the implemented processes are adequately documented, and an annual evaluation of the effectiveness of the succession system is carried out.

In addition, the **adoption of an initial simplified model can facilitate implementation, focusing exclusively on the succession of the CEO** in an initial stage, first developing a basic contingency plan for emergency situations, gradually expanding the scope to other key executive roles, and maintaining minimal but clear documentation that facilitates process management.



### Management's limited operational capacity

Among the most common obstacles are **small and already overburdened executive teams with daily operational responsibilities, the absence of HR professionals** with succession planning experience, **constant pressure to deliver immediate financial results** that relegates long-term initiatives to the background, and restricted availability of financial resources to invest in talent development programs. Despite these limitations, there are pragmatic approaches that allow us to move forward effectively.

A recommended strategy is **phased and clearly defined implementation**. It should start with a first stage focused exclusively on developing an emergency plan for the CEO position, using minimal resources. It should then move towards a second phase focused on identifying potential candidates for key positions, with moderate allocation of resources. The third stage will then implement basic development programs for the

identified candidates, with gradual increase in investment, before finally establishing a continuous process that keeps the entire plan updated with the sustained allocation of resources.

**Existing resources and processes should also be employed intelligently**, integrating elements of the succession plan within the annual performance evaluation system, using regular meetings to incorporate discussions on succession issues, leveraging established corporate training programs for the development of relevant competencies in potential successors, and documenting the process in administrative systems currently in use.

Finally, the implementation of low-cost creative solutions can maximize impact with limited investment, through **cross-functional mentoring programs** between executives from different areas, temporary "job shadowing" rotations where potential successors accompany current executives, the assignment of special projects such as development opportunities and demonstration of capabilities, and establishment of strategic alliances with local universities for specific training programs at affordable costs.

## "What if the local context doesn't align with global standards?"



### Cultural divergences

When implementing a succession plan in the context of Latin America and the Caribbean, it is critical to recognize that sensitivity must be used to adapt global best practices to the local cultural environment without compromising the fundamental principles that ensure the effectiveness of the process. This adaptation requires identifying and effectively managing the cultural divergences that characterize the region. One of the most significant is the **tension between personal relationships and pure meritocracy**; while the global standard promotes hiring processes based exclusively on merit and demonstrable competencies, in Latin America and the Caribbean considerable importance is attached to interpersonal relationships and trust built over time, which demands an adaptation that achieves a balance between the objective evaluation of competencies and the assessment of the candidate's cultural and relational fit with the organization.

Another relevant divergence arises in the **dynamics between hierarchy and collaboration**; international models usually favor open collaborative processes where multiple levels participate on equal terms, while the regional context generally maintains a marked respect for established hierarchies, making it necessary to adapt to incorporate structured consultation mechanisms that allow participation without openly challenging recognized hierarchical levels.

There is also a notable difference in **preference between formality and flexibility**; global standards emphasize rigorously documented processes with detailed protocols, while Latin American and Caribbean cultures tend to value flexibility and adaptability, requiring an approach that maintains essential process documentation but preserves space for situational adjustments. To effectively navigate these divergences, it is advisable to **clearly distinguish between global non-negotiable principles** (such as fundamental process transparency, the objective evaluation of candidates, the systematic development of potential successors, and active supervision by the Board of Directors) **and aspects that allow more flexible local adaptations (such as the communication style used, the pace of implementation, the level of formality in documentation, and the specific roles assigned to different stakeholders in the process)**. This will produce a succession model that respects international standards while remaining culturally relevant and viable in the context of Latin America and the Caribbean.



### Regulatory divergences

The implementation of succession plans must consider the wide diversity of regulatory contexts that characterize the business ecosystem of the region, adapting practices to the specific circumstances of each organization. These contexts vary significantly: from family-owned businesses that operate without formal corporate governance obligations but seek to professionalize, to companies in highly regulated sectors such as finance that face specific requirements imposed by supervisors, to subsidiaries of multinationals that must balance global corporate policies with local realities, or companies in the process of institutionalization that are preparing to attract investment or list on stock markets.

This diversity demands a carefully designed adaptive approach to each type of context. For **unregulated companies, an effective approach is to emphasize the voluntary adoption of best practices as a competitive advantage**: focusing communication on the tangible benefits for business continuity rather than on aspects of regulatory compliance; implementing processes



#### Guiding Principle:

Perfection should not be the enemy of progress. An adapted and implemented succession plan is infinitely better than an ideal plan that is never executed.

gradually without generating unnecessary pressures; and maintaining a level of documentation proportional to the size and complexity of the organization.

In the case of companies subject to local regulation, it is essential to: carry out a **detailed mapping of the minimum legal requirements** applicable to succession planning; **establish a roadmap** to progressively exceed these minimums and achieve higher standards; align practices with the specific expectations of the sector in which the company operates; and maintain a proactive attitude that anticipates the natural evolution of the regulatory framework towards greater demands.

Finally, for subsidiaries of multinationals, the challenge is to **constructively negotiate the necessary adaptations with the parent company**: formally documenting the divergences of the local context; developing gradual convergence plans that allow global standards to be achieved in realistic timeframes; and **establishing adapted evaluation metrics that recognize the unique aspects of the Latin American environment** without compromising the fundamental principles of corporate governance.

## 8. ANNEXES AND RESOURCES

### Glossary of Terms

Below, we present a comprehensive glossary of the terms used in this document, including the terminological variations employed in the largest Latin American countries.

Term used	Meaning	Variations by country/region
<b>Alta Gerencia (Senior Management)</b>	A group of top-level executives who report directly to the General Manager/CEO, including vice presidents and executives in key areas	Argentina: Gerencia Superior, Gerencia Chile: Plana Ejecutiva Brazil: Alta Administração, Diretoria Executiva Anglicism: Management
<b>Asamblea General de Accionistas (Shareholders' Assembly)</b>	A company's highest governing body, where shareholders exercise their rights and make fundamental decisions	Brazil: Assembleia Geral de Acionistas Peru, Ecuador: Junta General de Accionistas
<b>Benchmarking</b>	Process of systematically comparing practices, processes, and results with leading companies in the sector	This Anglicism is widely accepted Alternatives: Comparative study, Analysis of best practices
<b>C-Level / C-Suite</b>	Senior executives whose title begins with "Chief" (CEO, CFO, COO, etc.)	English-language term adopted with increasing frequency Local alternatives: Primer nivel ejecutivo (First-level executives), Plana gerencial (managerial level)
<b>Candidato de Alto Potencial (High-Potential Candidate)</b>	Identified employee with capabilities and potential to take on roles of greater responsibility in the future.	Mexico: Talento clave. Argentina, Chile: High potential (Anglicism is used). Colombia: Cuadro de reemplazo. Alternative: Sucesor potencial.
<b>CEO (Chief Executive Officer)</b>	A company's highest executive authority, responsible for day-to-day management	This Anglicism is widely accepted. Mexico: Director General Argentina: Gerente General Colombia: Presidente Ejecutivo, Presidente (in large companies) Brazil: Diretor Geral, Diretor Presidente.
<b>Comité de Compensación y Gobierno Corporativo (Compensation and Corporate Governance Committee)</b>	Board committee overseeing remuneration, role appointments, and governance issues.	Common variations: Comité de Remuneraciones y Nombramientos, Comité de Talento Humano, Comité de Gobierno y Compensaciones, Comité de Recursos Humanos (the name may reflect different functions).
<b>Conflicto de Interés (Conflict of Interest)</b>	Situation in which personal interests may interfere with the interests of the company	Used consistently in all countries
<b>Consejo de Familia (Family Council)</b>	Family governance body that manages the relationship between the family and the company.	Mexico, Central America: Asamblea Familiar. Southern Cone: Consejo Familiar. Colombia: Junta de Familia. Brazil: Conselho de Família.
<b>Consejero Independiente</b>	Board member with no material relationship to the company,	Used generally throughout the region, except in Mexico: Director Independiente Chile: Director Externo Independiente





Term used	Meaning	Variations by country/region
<b>(Independent Director)</b>	management, or controlling shareholders	
<b>Consejo de Administración (Board of Directors)</b>	Collegiate body chosen by the shareholders to oversee company management	Argentina, Chile: Directorio, Junta Directiva Colombia, Venezuela: Junta Directiva Peru: Directorio Brazil: Conselho de Administração
<b>Due Diligence</b>	Comprehensive research and analysis prior to a major transition or decision.	This Anglicism is widely accepted. Alternatives: Debida diligencia, Auditoría previa.
<b>Empresas de Capital Cerrado (Privately Owned Companies)</b>	Companies whose shares are not publicly traded, making them subject to transfer restrictions	Argentina: Sociedades cerradas Chile: Sociedades anónimas cerradas Brazil: Empresas de capital fechado
<b>Evaluación 360° (360° Evaluation)</b>	Assessment method including feedback from superiors, peers, subordinates and self-assessment.	Variants: Evaluación integral, Evaluación multifuente.
<b>Gobierno Corporativo (Corporate Governance)</b>	Framework used to direct and control a company	Brazil: Governança Corporativa Academic variant: Gobernanza Empresarial, Gobernanza Corporativa
<b>Inversionista (Investor)</b>	Person or entity that contributes capital to the company expecting a return	Southern Cone: Inversor Brazil: Investidor
<b>KPI (Key Performance Indicators)</b>	Critical performance metrics used to measure progress toward objectives	This Anglicism is widely accepted. Alternatives: Indicadores clave de gestión, Métricas de desempeño
<b>Mentoring/Mentoría</b>	Developmental relationship in which an experienced person guides another less experienced person.	General use: Mentoría, Tutoría. Variant: Padrinazgo (informal).
<b>Plan de Contingencia (Contingency Plan)</b>	Plan prepared to respond to unexpected events or crises.	Variants: Plan de emergencia, Plan de crisis.
<b>Plan de Sucesión (Succession Plan)</b>	Systematic process to identify and develop successors for key positions.	Variants: Plan de reemplazo, Planificación de la sucesión. Brazil: Plano de Sucessão.
<b>Presidente del Consejo de administración (Chair of the Board)</b>	The person who presides over and leads Board meetings	Argentina, Chile: Presidente del Directorio Colombia: Presidente de la Junta Brazil: Presidente do Conselho
<b>Protocolo Familiar (Family Protocol)</b>	Document that establishes the rules of relationship between family, property, and company.	Variants: Constitución Familiar, Acuerdo de Familia.
<b>Stakeholders</b>	All parties affected by the company	This Anglicism is widely accepted. Alternatives: Grupos de interés, Partes interesadas
<b>Stretch Assignment</b>	Challenging assignment designed to develop new competencies.	Alternatives: Proyecto de desarrollo, Asignación especial.

## Annex I: Skills Matrix

### General Structure (Guide by Quadrant)

POTENTIAL	UNDERPERFORMING	AVERAGE PERFORMANCE	HIGH PERFORMANCE
<b>HIGH POTENTIAL</b>	<b>Quadrant 7</b> Future Talent Untapped potential Needs coaching Reassign role	<b>Quadrant 8</b> High Potential Almost There Accelerated Development Future Leader	<b>Quadrant 9</b> Star Ready for promotion Immediate successor Retain at all costs
<b>AVERAGE POTENTIAL</b>	<b>Quadrant 4</b> Inconsistent Potential Review Obstacles Improvement plan Possible reassignment	<b>Quadrant 5</b> Key Employee Effective in current role Gradual development Backbone of the team	<b>Quadrant 6</b> Great Professional Expert in their area Potential lateral promotion Mentor of others
<b>LOW POTENTIAL</b>	<b>Quadrant 1.</b> Underperforming Evaluate continuity Urgent improvement plan Possible exit	<b>Quadrant 2</b> Solid contributor Reliable in current role Keep motivated Not for promotion	<b>Quadrant 3</b> Functional expert Valuable specialist Recognize expertise Senior technician role

### Matrix References

Color	Meaning	Required Action
 Green	Ready Now (Matrix Quadrant 9)	Maintain engagement, prepare transition
 Yellow	Ready in 1-2 years (Quadrants 6, 8)	Accelerated development, key experiences
 Orange	Ready in 2-3 years (Quadrant 5)	Long-term development plan
 Red	Not viable for CEO (Quadrants 1-4, 7)	Retain in current roles or reassign

**Example Applied: Candidates for CEO Succession**

POTENTIAL	UNDERPERFORMING	AVERAGE PERFORMANCE	HIGH PERFORMANCE
<b>HIGH POTENTIAL</b>	<i>Vacant</i>	<b>María González</b> (CFO). Ready: 12-18 months. Develop: Strategic vision. Action: Executive MBA	<b>Carlos Rodríguez</b> (COO). Ready: Immediately. Strength: Operations. Action: Transition ready
<b>AVERAGE POTENTIAL</b>	<b>Luis Martínez</b> (marketing VP). Ready: Not viable. Gap: Leadership. Action: Intensive coaching	<b>Ana Pérez</b> (HR VP). Ready: 2-3 years. Develop: Finance. Action: Rotation to support CFO	<b>Mariana Silva</b> (Sales VP). Ready: 18-24 months. Gap: Global vision. Action: International assignment
<b>LOW POTENTIAL</b>	<i>There are no candidates in this category</i>	<b>Jorge López</b> (Operations VP). Ready: Not a CEO candidate. Excellent Ops. VP Action: Retain in role	<b>Patricia Kato</b> (Finance VP). Ready: Not a CEO candidate. Technical expert. Action: Project Leader

**Example Applied: Tracking Metrics**

Metric	Target	Current	Gap
<b>Candidates "Ready Now"</b>	2	1	-1
<b>Candidates "1-2 years"</b>	3	2	-1
<b>Candidates "2-3 years"</b>	2	1	-1
<b>Gender diversity in pipeline</b>	50%	75%	+25% ✓
<b>High-Potential Retention</b>	90%	80%	-10%

## Annex II: Succession Plan Communication Matrix and Escalation Protocol

### Succession Communication Matrix

This model tool (which must be adapted by each company to its context and needs) structures all communications related to the executive succession process. The matrix addresses five key elements to ensure effective messaging and minimize resistance. Thoroughly identify internal and external critical audiences. Establish differentiated messages for each group, recognizing that their concerns and interests vary significantly. Define the most appropriate channels based on audience and message type, from face-to-face meetings for sensitive information to formal communications for broader messages. Appoint managers with formal authority to communicate different aspects, avoiding inconsistencies in messages. Finally, incorporate a sequential schedule that ensures orderly information flow, respecting the sensitivity of the process throughout implementation.

Audience	Key Message	Channel	Person responsible	Timing
<b>Employees</b>	"Continuity with renewal, same DNA, new energy"	Town Hall + Email CEO	Outgoing and incoming CEOs together	Day 0, 9:00 AM
<b>Key Customers</b>	"Your trusted partner continues with strengthened leadership"	Personal Call + Letter	Outgoing CEO introduces the new CEO	Day 0-1
<b>Investors</b>	"Planned transition that strengthens strategic execution"	Conference call + Communiqué	Chair of the Board + CEOs	Day 0, 2:00 PM
<b>Media</b>	"[Company] appoints [Name] as new CEO after orderly process"	Press release + Selective interviews	VP Communications	Day 0, 10:00 AM
<b>Regulators</b>	"Corporate Governance Compliance in Leadership Transition"	Formal notification	Secretario Corporativo (Corporate Secretary)	According to regulation
<b>Strategic Suppliers</b>	"Strengthening alliances under new leadership"	Letter + Meeting in 30 days	VP Supply Chain + new CEO	Day 1-2
<b>Financial Community</b>	"Financial strength and guaranteed strategic continuity"	Roadshow + One-on-ones	CFO + new CEO	Week 1-2
<b>Corporate Council</b>	"Appreciation for support and continuity of their role"	Special meeting	Chair of the Board of Directors	Week 1
<b>Trade Union</b>	"Ongoing Commitment to Workplace Wellness"	Formal meeting	HR VP + new CEO	Day 2-3

<b>Alumni/Network</b>	"New stage of growth and opportunities"	Newsletter + LinkedIn	Outgoing and incoming CEOs	Week 1
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**Escalation Protocol**

This component defines the response structure to critical situations during the succession process. The protocol identifies different potential scenarios and establishes gradual levels of response corresponding to the severity of each situation, from minor rumors to crises that threaten organizational stability. It designates specific official spokespersons according to the level of crisis, ensuring that only duly authorized and prepared persons communicate in sensitive situations. For each scenario, it details concrete actions to be implemented, from clarifying communications to direct interventions by the Board of Directors. It includes continuous monitoring mechanisms to detect early warning signs and rapid response systems to contain problematic situations before they escalate, preserving the integrity of the succession process and organizational stability.

<b>Scenario</b>	<b>Level of Response</b>	<b>Primary Spokesperson</b>	<b>Actions</b>
<b>Positive market reaction</b>	Standard	New CEO	Keep original plan
<b>Questions about strategy</b>	High	Chair of the Board + CEO	Additional conference call
<b>Stock Falls &gt;5%</b>	Crisis Level 1	Chair + CFO + CEO	Immediate explanatory statement
<b>Rumors of internal problems</b>	Crisis Level 2	Chair of the Board	Mainstream media interviews
<b>Questioning the process</b>	Crisis Level 3	Full Crisis Committee	Full transparency of the process



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