



THE COMPLEXITIES OF CEO SUCCESSION

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Few moments test a board's preparation like the departure of a chief executive. When it happens without warning, the result is often a scramble for an interim leader and a period of uncertainty that can unsettle employees, investors, and customers alike. Yet in most cases, a sudden transition is less a matter of bad luck than of a board that treated succession as an event rather than an ongoing responsibility.

That theme anchored our most recent Women Get on Board Speaker Series, which Southlea was proud to host as sponsor. Moderated by Deborah Rosati, the session brought three of Southlea's founding partners — Amanda Waldie, Ryan Resch, and Tara Armstrong — together for a candid conversation on the complexities of CEO succession. Drawing on their experience advising boards across the country, they offered a clear-eyed look at what distinguishes a smooth transition from a disruptive one.

The key takeaways at a glance:

- Internal successors are more common than external hires.
- Succession is an ongoing discipline, not a one-time event.
- External hires can cost far more than the offer letter suggests.
- Define the CEO of the future, then measure candidates against it.
- A strong chair-CEO relationship is the greatest safeguard.

STABILITY IS THE PREVAILING TREND

It is easy to assume CEO succession is fraught everywhere, in part because the most difficult transitions attract the most attention. The data suggests a more encouraging picture.

Tara Armstrong opened with Southlea's research on TSX 60 companies between 2021 and 2023. The finding was reassuring - just under three-quarters of CEO transitions went to internal successors, most of them sitting COOs or CFOs.

"The stat signifies that boards are largely looking for stability through internal succession — and that they've been successful in ensuring they have an appropriate successor in place when they need a transition."

— Tara Armstrong, Vice President & Partner, Southlea Group

Those internal promotions also tend to perform better over one-, three-, and five-year periods, largely because they avoid the organizational disruption an external hire can introduce. The quieter successions rarely make headlines, but they are frequently the most effective.

SUCCESSION IS AN ONGOING DISCIPLINE, NOT A SINGLE EVENT

If internal succession works so well, why do so many boards still find themselves unprepared?

The answer, the Partners suggested, is that boards often treat succession as a project with a defined start date rather than a continuous rhythm. A central idea ran through the discussion: the CEO is, fundamentally, an employee — the only one who reports directly to the board — and warrants the same cycle of



development, honest assessment, and feedback as anyone else in the organization. That is precisely where many boards fall short.

"We sit around the boardroom table at year-end and ask, 'How did the CEO do?' There's a laundry list of great things... and then the chair sits down with the CEO and says, 'You had a great year — here's your salary increase.' None of the real feedback gets translated and shared."

— Ryan Resch, Vice President & Senior Partner, Southlea Group

The remedy requires discipline rather than complexity: build talent and succession into the regular agenda, set aside dedicated time at each HRC meeting, and make the conversation routine.

"Start early, chat often. My line is always — don't make it weird. It's weird if you don't talk about it and then suddenly start talking about it. So, talk about it all the time."

— Amanda Waldie, President & Managing Partner, Southlea Group

EXTERNAL HIRES CARRY COSTS BEYOND THE OFFER LETTER

When boards do look outside, the expense rarely ends with a higher salary. External appointments often involve transition payments to offset forgone incentives, a ratcheting effect on the wider executive team's compensation, meaningful severance exposure if the appointment does not succeed, and the implicit pressure of expecting perfection from a leader brought in at a premium.

The Partners' counsel was to resist accepting a recycled employment contract by default. A new CEO presents an opportunity to consider each provision deliberately — and to think through the entire life cycle of the role, including how the relationship will eventually conclude, not only how it begins.

CONNECTING THE CONVERSATIONS BOARDS TEND TO SEPARATE

Two practical ideas stood out. The first was to document the profile of the future CEO rather than the individual already in mind. As Amanda noted, boards should describe the CEO the organization will need and then assess current candidates against that standard, recognizing that the demands of the role continue to evolve.

The second was to stop treating talent and compensation as separate discussions held in separate meetings. Southlea shared its "talent vulnerability index," a simple framework that maps how much retention risk a key individual carries against how much retentive value the organization actually holds. It prompts a question boards too often raise too late: how exposed are we to losing this person, and what would it take to keep them?

RELATIONSHIPS DO THE ESSENTIAL WORK

For all the structure and frameworks, the partners agreed that the most demanding part of succession is the human element — managing egos, delivering honest feedback, and sustaining trust. The single most protective factor, they noted, is a strong and ongoing relationship between the board chair and the CEO.

When that relationship is healthy, transitions tend to unfold naturally rather than abruptly. When a CEO is reluctant to engage in regular check-ins, the issue is rarely about scheduling.



"I'd be more concerned if they're reluctant to meet. That's a bigger sign that something else is going on."

— Ryan Resch

Deborah Rosati drew that thread together as she closed the session, returning to the balance between process and people that defined the discussion.

"I loved your framing of the hard structure versus the soft structure. You gave us tools and references, but it's not easy — every CEO is different and every process is different."

— Deborah Rosati, CEO, Women Get on Board

THE FINAL TAKEAWAY

Effective CEO succession seldom looks dramatic. It takes the form of a board that addresses the question before it becomes urgent, develops its leadership bench openly, designs compensation that rewards executives for preparing their own successors, and protects the chair–CEO relationship as the strategic asset it is.

In the end, succession planning is less about predicting the future than about ensuring the organization is never caught unprepared by it.

ABOUT US

Southlea Group is a national independent compensation advisory firm that provides global perspectives as a GECN Group company working with over 150 compensation professionals across 6 continents. We are headquartered in Toronto with offices in Montreal, Calgary, and Vancouver, and clients across Canada, representing all industries and organization structures. Our team of advisors is multi-disciplined with diverse backgrounds and experiences. We are proud to be a certified Women's Business Enterprise by WBE Canada and to be Rainbow Registered as an LGBT+ friendly organization.

We would be pleased to address any questions and/or explore how we can support your challenging compensation needs. Please email us at hello@southlea.com and we will follow up to set-up a time to discuss further.