Getting Board Appointments Right: When to Build, When to Buy

Across every major economy, boards are facing pressures unlike any seen in recent decades. Technology cycles are shortening. Regulatory expectations are rising. Geopolitical volatility is reshaping markets at speed. At the same time, as shown in The Talent Squeeze At The Top (EM Autumn 2024 (1)), the competition for senior leadership talent continues to intensify, with global labour markets "tighter than at any other time over the past two decades" according to McKinsey(2).

Put simply: the old model of board succession planning centred on skills-gap analysis and slow rotation doesn't match the pace or complexity of the world in which companies operate.

Increasingly, boards face a deliberate choice: which future leaders must be developed early from within, and which capabilities must be brought in from an increasingly competitive recruitment market. The quality and timing of these decisions have direct implications for performance, risk, and continuity.

Why Board Appointments Are Becoming More Complex

Across the UK, US, Europe and much of Asia, demographic change and shorter CEO tenures are reshaping senior leadership markets. As opportunities expand in emerging markets, senior leaders now have more choice than ever before. Earlier EM analysis shows that CFO turnover in the UK has reached a decade high. Over the same period, average board tenure across the S&P 500 and FTSE 350 has fallen from 9.2 to 7.6 years in just four years. Research shows that many organisations remain ill-prepared for this level of churn, with 39% reporting no viable internal candidates for key executive roles (3).

This level of executive turnover matters because it directly affects business performance. It increases uncertainty and shortens the time leaders have to deliver results. It not only creates unpredictability, but it changes the expectations placed on senior managers: from stewards of stability to navigators of disruption.

At management team level, three challenges are becoming increasingly evident:

1. **Strategic uncertainty** where markets and technologies are shifting faster.
2. **Capability gaps are widening,** particularly in digital risk, AI, geopolitics and ESG. These gaps increasingly shape growth opportunities and risk exposure.
3. **Blind spots** what are the "known unknowns" and "unknown unknowns" that traditional skills matrices rarely capture.

Looking Through the Right Lens: Where Is the Company Going?

The first task is not to ask, *"Who do we need?"*
The first task is to ask, *"Where is the business going?"*

In practice this means:

- Defining the future strategic direction of the business against the pace of industry change.
- Assessing the implications of new geo-political relationships, technologies and business models.
- Identifying the capabilities required to manage emerging risks.

Executive search firms already take this approach when they track trans-national talent pools, expatriate flows and "returnee" candidates. EM explored this shift in detail in the last "EM Perspectives"(1).

Leaders must shape their senior teams around the organisation's operating reality, not past success. The debate often fails to contrast between whether to buy or build executives. The critical issue is not whether to develop or hire, but when and for what purpose.

Developing Existing Talent: The Case for Precision Coaching and Development

Global talent research shows that internal leaders often outperform external hires. They do so when organisations prepare them early and support them deliberately. Development of successors is not only a long-term investment; it is associated with stronger performance today. Research by Kevin Groves at Pepperdine University (4) shows that performance across multiple indicators is higher in organisations with established succession practices. This effect can be attributed to improved knowledge transfer, innovation and cross-fertilisation of ideas as successors develop in their day job(5).

EM case studies show that readiness is rarely accidental. Organisations that map talent over the long-term nurture candidates for years and match them to roles well before vacancies arise. This is particularly significant given that research by the Chartered Management Institute (6) shows that 82% of line managers are "accidental managers", having received little or no formal training for their role as leaders.

Precision coaching forms one element of a broader, role-specific development plan aligned to the business strategy prepares leaders for the next role. This typically includes:

- Support and challenge from their line manager.
- Clear development objectives within their current role.
- Precision coaching or mentoring outside the individual's day-to-day reporting line.
- Stretch assignments or project work that build experience beyond the current role.

Figure 1: Precision coaching is part of a development plan aligned to business strategy:

Leadership Coaching.	**Stretch through Delivery.**
Line Manager support and challenge.	Clear development aims in current role.
Coaching or mentoring outside their line.	Stretch assignments (or projects) beyond role.

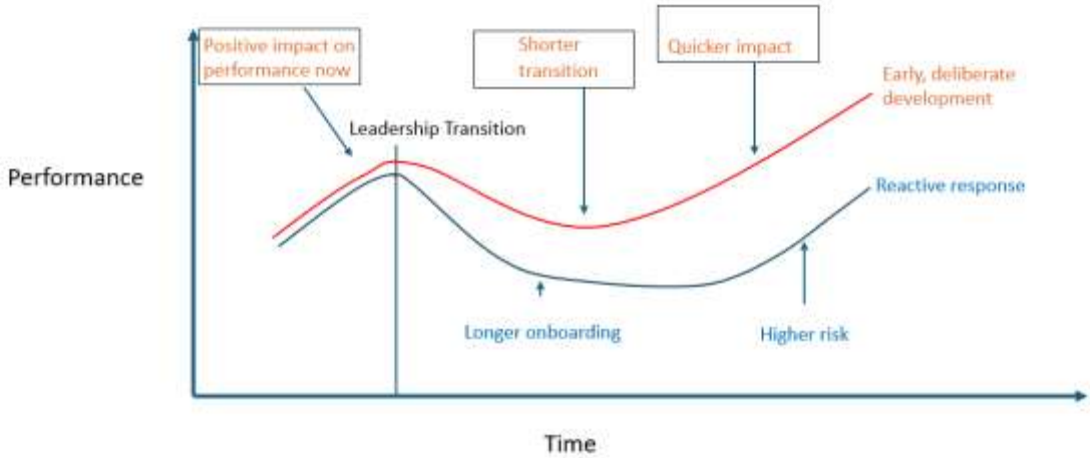
"I found that coaching delivered most value when it was embedded in the job, owned by the line, and aimed at preparing leaders for a specific next role rather than used as a standalone intervention. Treated as part of an overall approach, it accelerated readiness where it mattered most.(7)".

Many organisations pilot this approach with a small number of critical successors, then refine and scale it over time(8).

High levels of churn in senior teams often create short-term performance plateaus. Businesses that invest in strengthening internal pipelines develop future executives to be better at their job today, reaping the benefit of improved performance today, as well as reducing the pressure to hire reactively. However, such succession plans require sustained investment over time.

The successors themselves also need protecting: high performing talent attracts Head-hunters' attention. At many points along the journey they could be lured away by perceived financial up-sides or apparent steeper career trajectories. To counter this the nurturing needs to be conscious, deliberate and well sign-posted. At every step they must know they are a highly valued leader of the future.

Figure 2: Early succession investment improves current performance and reduces the cost of leadership transitions:



1 Early succession investment improves current performance and reduces the cost of leadership transitions.

Don Schepke (9) at University of South Carolina shows that internal recruitment creates superior long-term returns. A benefit of the targeted development approach (combined with structured onboarding) is that by preparing people internally it reduces the time lag to higher impact.

Conclusion: How Companies Should Decide When and Whom to Appoint

At its simplest, the evidence points to a clear three-part discipline:

1. **Assess the business in the context of the future** and clarify build-versus-buy decisions. Align leadership choices to tomorrow's strategy, not yesterday's structure.
2. **Coach and develop existing talent** through precision development. Strengthen internal pipelines, improve current performance and reduce reliance on reactive hiring.
3. **Hire the best available talent** from the international marketplace where required.

Leadership markets are now global and increasingly competitive. Organisations make the strongest senior management appointments when they act early, decide deliberately and apply foresight. In a world of accelerating change, the companies that apply this discipline will be the ones that endure.

How EM can help

Despite the value of developing internal successors, the reality is that many of the capabilities needed for future board effectiveness may not currently exist within the organisation.

In these cases, companies must look outward.

EM supports boards and senior leaders in making earlier, better-informed succession decisions by combining strategic foresight with disciplined talent assessment.

Specifically, EM helps organisations to:

- **Clarify future leadership requirements**, linking strategy, operating model change and executive capability.
- **Identify and map internal successor pools**, distinguishing between potential, readiness and risk.
- **Design precision development plans** for critical roles, integrating assessment, coaching and stretch experience.
- **Support selective global hiring**, where future-critical capabilities cannot be developed internally in time.

By working across development and appointment decisions, EM helps organisations reduce reactive hiring, shorten time to impact, and build leadership teams that are fit for the future rather than optimised for the past.

Endnote

1. The Talent Squeeze At The Top - A Look Ahead… EM Consulting; 2024 [Available from: https://www.e-m.co.uk/wp-content/uploads/2024/12/EM-perspectives-The-Talent-Squeeze-at-the-top.pdf.
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