

**Lessons from the Top:
CEO succession and the role of executive chairman**



This Eric Salmon & Partners, 'Lessons from the top' is a thought leadership article based on an interview by Simone Maggioni with Don Allan, Executive Chairman of Stanley Black & Decker.

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You have played a central role not only in a remarkable career at Stanley Black & Decker, but also of two CEO successions. Let us focus on this topic: what would you say are the key priorities for a Board of directors?

DA


The responsibilities of a Board are centred around three areas. One is strategic input, oversight, and the ultimate execution success towards that strategy. The second one is governance oversight. The third is CEO succession planning. When I think of the first one, that is where a lot of the agenda is focused on every quarterly Board meeting. Then annually, usually in October, there is a strategic plan review & refresh with the Board. When I became CEO, it was a redo of the entire strategy for the company, because the company had evolved to a point where we needed to pursue more diversification of our portfolio. We had a strategy for two decades to create a diversified industrial company and type of diversified strategy was no longer looked upon in a positive way by investors. Investors really prefer companies to focus on one or two businesses which can differentiate in their industries and are considered core to the

company. I felt at the time, and the Board agreed, that we needed to get back to the core businesses that make this company great and have made it great for almost 200 years, which is our tool & outdoor products business and also an engineered fastening business that serves prime industrial manufacturers. So we aligned around that strategy and then I built an execution plan with the team towards that outcome. Then each Board meeting we discussed the five to seven things that we were doing to drive towards that strategy, what is working, what is not working, what are the key metrics that we have lined up and how we are doing against these metrics - green, yellow or red. We also would discuss any pivots or adjustments that need to be made and get their inputs and thoughts. So that would represent probably 80% of every Board meeting. On the governance side, governance changes every quarter: certain things around compensation happen in the early part of the year and the end of the year. Other areas like Board development, education, Board training, greater knowledge of our company and how we continue to educate our Board members. Governance pertains also to the Board composition and the recruitment of new Board members, not necessarily every quarter, but maybe once or twice a year.

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On that point, when you talk about governance, I guess you also discuss about the functioning of the Board. As a chairman you are interested in understanding if the Board is doing a good job, how do you assess that?

DA

 *“It is really important to have alignment for success, to ensure the Board is an inclusive environment, and to recognize that we are not management, we are a Board.”*

The first thing is the Board has to align around the strategy of the company. And it sounds like a simple thing, but I have seen examples of Boards where there is an appearance of alignment around the strategy, but in fact there is not unanimous support around the strategy. It is very important to work through that. If there is a certain member of the Board that does not agree with the strategy of the company, that has to be hashed out, talked about. And then ultimately we all have to align around it and support it. Sometimes Boards forget to take those second and third

steps, which require putting an extra bit of time, an extra meeting into it to make sure that there is true alignment. Because if you don't have alignment, then what happens is that we go through different Board meetings subsequent to a strategy review, and there is continual revisiting, someone saying "I am not sure I understand why we are doing this", if they don't get themselves past the first hurdle, they are always bringing it up, especially if something might not be going as well as expected. So, I think it is really important to make sure you have that alignment for success. The second thing is making sure the Board is an inclusive environment, specifically, everyone is able to offer their opinions and views. Don't let two or three Board members dominate the proceedings or the discussion. And that is probably the most common thing that I see in Boards is that there is always two to four people that have strong voices, strong opinions. And then there is another five that have voices, but they don't speak up as much. But they are qualified to be on the Board. They are smart, they are intelligent. The chair must really find a way to ensure that everybody is expressing their point of view. Even if somebody just says, "listen, I heard what everybody said, I am aligned, I agree", it is important that you go through that process in an efficient way. The last thing I would say is that we have to recognize that we are not management, we are a Board. There are a lot of Board members that struggle to figure that out, especially younger tenured Board members. They come into the Boardroom and they act like they are in a management review in their own company, and they are asking deep probing questions, drilling into different things, and that is not the role of the Board. Now, if you have lack of faith in a leadership team, you may have to temporarily play that role until you fix the leadership team, i.e. the CEO. But in general, we should not be playing that role. And yet there are many Board members that struggle with that. As a chair, after each Board meeting, I call certain Board members and we have a conversation about what went well, what do they think went well or how we could improve. And I also give them some feedback on how they interacted in the Board meeting. It's a back and forth conversation, but it is also a mentoring opportunity.

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So you also seek their feedback and their advice to you?

DA

I actually seek out their input before I give them any input. I want to understand what

was their perspective of the meeting, what do they think went well and what could we do better, and also if there is anything I should be doing differently with the CEO or other Board members. Then I shift the second half of the conversation to me giving them some thoughts and advice on how they can continue to improve as a Board member. I don't know if a lot of chairs do that, I think they do it when they have to, like when somebody is really not performing well in the Boardroom.

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that is also my perception...


DA

I prefer to do it in a proactive way so that over time, you are gradually improving the performance of the overall Board, as well as the individual performance of each Board member, including me as Chair.

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I think this is actually best practice. So how did it work in your case, switching from CEO to chairman, did you also have to think about it and to work on it?

DA

 *“When becoming chair, I had to really be thoughtful about my interactions with the new CEO and his team and not do what I used to do as CEO and remind myself constantly that I am not running the Company.”*

I actually joined another Board about 10 years ago, and as I went into that Board I was one of those young tenured people who never really served on a Board before. It was a large company and I had to learn the skill not to be management, but be a Board member. And so I fortunately had 10 years of practice

of learning that, which I think was helpful for me as I transitioned away from management into the Board role at Stanley Black and Decker. I knew how a Board member should behave and should act. Having said that, I had been running the company and in a senior role for almost 20 years, and suddenly I wake up last October and I am no longer running the company and I am playing a much different role. I had

to really be thoughtful about my interactions with the new CEO and his team and not do what I used to do.

What I needed to do was listen, let him give me his thoughts, his recommendations, his perspectives, how he made the decision. If I felt it was very logical, which 90+% of the time it was, then I said that is well thought out, great. On the contrary, if I felt he was a little bit off the mark, I would say things like, "you really should consider these two things, as you finalize this decision, consider this and how that might impact your ultimate decision". Do not make the decision for him, just give him some things to think about. I can think of only one example over the last six months, when I said to the CEO "listen, I am not sure that is exactly where you want to go with it, and here is why; ultimately, it is your decision, but I want you to really think hard about these three things". In that case he changed his view, and he ultimately did something different, which had a better outcome for the company. I had to really work hard at that because it was a big behavioural change for me. And I have talked to other CEOs who have transitioned to executive chair, several of them that talked about how they didn't handle it well, that they still behaved like they were running the company. I had some examples on my own Board of retired CEOs that had gone through this transition and I leaned on them for guidance. It was helpful for me to talk to them about what they did well, what they didn't do well, what regrets did they have after the fact. I even had one of them say the Board and he agreed that he should just retire because he realized he didn't have the type of change in his DNA. It was helpful for me to hear all that in advance of me making the transition. Something I always kept in mind is that the reason I am executive chair is to help the CEO be very effective Year 1 which should elevate his likelihood of success for however long he wants to be CEO. This year is an incredibly important part of that transition. If I am just making the decisions for him, he is not developing the way we want him to develop. I had to continue to remind myself of that. I am chair to help him develop faster. I am here to help the Board with new Board members that we brought in and educate them on the company and how we do things, but also learn from their unique experiences and skills and how they can help us. I remind myself constantly that I am not running the company.

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You are executive chair, was that a solution engineered in light of a certain transition plan into the new CEO? I guess it is not a kind of model that necessarily needs to continue or to be replicated in the Board.


DA

I think it depends on who the heir apparent is. When Chris, the current CEO at Stanley, decides to transition, there should be somebody that is on the team and ready to step in the role and has been working for him for four or five years in a variety of different roles. If they have prepared that person to become CEO, then I would argue they probably want Chris to be around as executive chair to help with his/her transition. If the Board decided they wanted to go outside to replace Chris because they don't feel like they have the right internal candidate, then I think it would be hard for the new CEO coming in to have Chris as executive chair.

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When you go about the CEO succession, there is a case for having an executive chairman when you are promoting someone internally, just to make that stepping up more smooth and have some coaching. But if you end up hiring a new CEO from the outside, probably it wouldn't really work to have an executive chair, with distribution of powers.

DA

 *“Developing your CEO successor requires the sitting CEO to not have a huge ego, which could prevent a well-planned & thoughtful transition from occurring. He/She must be humble enough to recognize that this is the right thing for the company.”*

Exactly right. Ideally, the way that we did it is the way that I would recommend every company try to do it, which is identify one or two people that you believe are successors. When you get within one year of the CEO transition, you must narrow it down to one person and should really start

grooming that person. You also have to make sure that the current CEO is completely aligned with that timing and that transition. One of the bigger challenges of these

transitions is many CEOs don't like having somebody nipping at their heels. And because they want to control the timing, they want to be able to decide when they want to retire. Unfortunately, you can't always achieve that, but I think the Board has a responsibility to find a way to make that happen. This ultimately is the smoothest, most effective transition. It results in less disruption to the internal employees. It allows you time for your investors to get to know the person. With Chris, I had him on the road with investors two years before he became CEO, therefore, our investor base knew him. He was our chief operating officer. They got to know him as a very strong operator that ultimately they recognized he could become the next CEO of the company. Then, internally the senior leadership team started seeing him do more and more of things that I used to do. We did that in the last year or so. That helped his development and helped the team see him as my ultimate succession. But it does require the sitting CEO to not have a huge ego, which could prevent a well-planned & thoughtful transition from occurring. He/she must be humble enough to recognize that this is the right thing for the company. Unfortunately, that does not always happen which is why these transitions are so hard.

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Isn't what you just described one of the fundamental roles of a CEO?

DA

It is, but it doesn't happen all the time. We talked about this as a Board, this is the first transition that we have had in the way that it should be done in 30 plus years. Many Boards struggle with these types of transitions. It requires a lot of focused effort and planning, but always remembering to do what is best for the company.

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Congratulations indeed. That looks like a landmark. In terms of the timeline, the internal candidate was on your radar screen since a couple of years, is that the right timing, 24 months before time zero?

DA

“It is the ultimate responsibility of the CEO and the Board to ensure that there is an effective CEO transition.”

Two or two and a half years, it is somewhere in that time horizon, which gives the current CEO enough time to feel like he/she can finish key initiatives and begin a transition to the next leader of

company. He/she can also start to think about what it means for them after stepping out of CEO role. It gives the current CEO enough time and the Board enough time to say, is this person really ready? Is this the right solution? I did this at the Board that I had joined 10 years ago, where I am lead director. We went through a CEO transition about four years ago, and we did the same thing there. We started almost two and a half years in advance, then we narrowed it down to one candidate a year and a half out. We really developed him to the point where we thought he was ready. The team thought he was ready, the Board thought he was ready, the shareholders thought he was ready. It is another example of how effectively it can be done. But the sitting CEO at the time was somebody who was ready to retire and wanted to leave company in the right hands. He was very supportive of this individual. So, all these things have to work together for this to really work out, because it is the ultimate responsibility of the CEO and the Board to ensure that there is an effective CEO transition.

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What was the main challenge in this process? Was it, for example, to assess the qualifications of Chris, as internal candidate? Was it more how to manage the communication to him? Or to have some alternative candidates and options? Is there any particular thing that represents the challenge for you as a sitting CEO and for the Board when facing the CEO succession plan?

DA

“When you start to get a year out and the person knows that they are the candidate ...it is that period of impatience that you have to manage.”

As humans of course we are not perfect. When you go through a transition like this, two or more years out, it is not that challenging to manage. When

you start to get a year out and the person knows that they are the candidate, they know it is highly likely they are going to get the job in a year, it is that period of impatience that you have to manage because the exact date isn't always definitive; the Board is likely not going to set a definitive date. The Board is more focused on the things that the internal candidate must demonstrate, to be ready to take on the role. But as the successor checks off more and more of those items, and it becomes a very short list, they start to get a little impatient. The Board also tries to manage the dynamic as they don't want to upset the current CEO by doing anything too quick. And they don't want to upset the heir apparent because they don't want to lose him. This is a delicate balance that is very hard to manage. We went through this in the early spring of last year, where the date wasn't really nailed down and finalized, and the Board was talking to me about it and ultimately, I made clear that I was more focused on making sure he is ready. I suggested a couple of ways we could do this. We could continue to have him stay in current role longer, likely into the spring of 2026, and then we make a change and I retire and he becomes CEO. Then we started talking about the idea of an executive chair: if you want to do this faster you could have me step out of the CEO role in late 2025 and have me be executive chair for 9 to 12 months, and then I retire. That is ultimately the path we agreed upon and then I explained to Chris why we were going this path. His first reaction was to question whether I was staying around longer because I thought there was something wrong with him. I had to explained that that path had nothing to do with that, on the contrary it meant to elevate his success, to make sure he will have a much higher probability of being a very successful CEO at Stanley Black & Decker for a long period. Next, we discussed about how we were going to work together. I was not going to be running the company. I decided I will not have an office in Stanley Black and Decker buildings, because if I was in the building, people would still be coming to me, asking me questions. These transitions are very uncomfortable when you get down to the last six months, for the Board, for successor and for the sitting CEO but everyone must have open communication and stay the course on the plan.

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[In terms of the decision to appoint Chris, that was how long before?](#)

DA

I would say by early 2025, we had agreed and we announced it in June and it was effective as of October 1, 2025. Therefore, six to nine months in advance of him getting the job. There was no doubt that he was the next CEO. It was more of a question of how to help him in his first year. In this crazy world, with tariffs and all the macro events going on, the worst thing that can happen to a CEO in year one is to have a major problem. It just sets the person back and it becomes a long road to recovery from there. We were very focused on making sure he had a successful first year. The other thing I have not mentioned is that during my time as CEO and even the later stages of CFO, I built a lot of relationships in Washington, DC, I was the face of the company there, all the way up to the President. The Board obviously did not want to lose that, they thought they need me to help continue to be a voice in DC. and eventually figure out how to transition it to Chris. This was another aspect of why it was important to have me as an executive chair.

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It sounds like a blessing for the incoming CEO.

DA

Yes, he could be CEO in his first year and not have to worry about any of the DC responsibilities. I have now transitioned all of this to Chris and he is the "face to DC".

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Was there any risk factor that you had in mind during that process? For example, Chris may have at some point an alternative and leave.

DA

In that case we would have gone outside to bring somebody in. A couple of times I had heard through the grapevine (bankers and other folks on Wall Street) that there was a CEO opening and maybe recruiters were reaching out to Chris. I always spoke to him to make him feel like "if you need to move somewhere else to get in the CEO seat, you need to talk to me first because we will figure out a way to make it happen here". I was fortunate with Chris because he is one of those types of people

that when he makes a commitment he is going to finish it. And he was committed to become CEO at SBD. He wanted to become CEO. He was willing to wait. He didn't want to push me out but he wanted it to be a reasonable wait. We had a very open dialogue. Every time the Board would bring this up I could reassure them that Chris was not going to leave us unless he gets a sense from the Board that he is not the right guy. Chris is very loyal but of course the Board needed occasionally to be reassured. Ultimately, we decided to go ahead with the timing because we felt that if we waited another six or nine months before we announced it, he would get too impatient and we believed he was ready.

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Is it a fair assumption that in 2025 this specific subject took a good portion of your time and the Board's?

DA

 *“In the year leading up to becoming the new CEO, I step away from certain decisions and meetings to give Chris the opportunity to show his leadership.”*

It definitely did. The company was running well at that point in 2025 and continues to in 2026. The markets are slow, but the company is doing well versus the market, and so there wasn't a big distraction in the Boardroom or a big distraction for me

to figure out how to get ourselves back on track. One of the primary reasons for this was having Chris as our COO and him being such a strong operator. That allowed us as a Board to ensure we were investing the right time on CEO succession. And it allowed me to do more coaching and development with him in that period of time. There were phases of development through this whole process. In the year leading up to him becoming the CEO, I did a lot of things to really step away from certain decisions, step away from certain meetings, to give him the opportunity to show his leadership, to show his decision-making ability. And then he and I would talk before and after those sessions, and I would use those as coaching and mentoring sessions occasionally. Frankly, he has great instinct and did not need a lot of mentoring. Now there is this transition that we are currently in to help him continue to develop, where I am playing

a different role and he is in the CEO seat. We have had two years of working on this transition which is ultimately going to really elevate his likelihood of success.

SM

Talking about the CEO succession, I understand you had an internal candidate, but what about the surrounding team, the key reports, how do they become part of the discussion about succession planning?

DA

 *“The whole team needs to transition together to ensure the new CEO is not distracted in the first year.”*

One of the rhythms that we have as a Board is every December we have a virtual meeting specifically dedicated to talent development and succession planning for the senior leadership team. It includes

the CEO direct reports, plus some other reports, individuals that are key leaders in the organization but not CEO direct reports. When I was CEO I was building a team that ultimately would be able to ensure that we are successful as a company for the next decade. In the back of my mind I was wondering if each person in C-suite roles will work well with Chris? When Chris becomes CEO, I want the whole team to transition so that they all transition together and to make sure that he is not distracted in his first year because he feels like he needs to change his team. I want him to be part of the process to say, yes, that is my CFO, that is my HR leader, my business presidents, my general counsel, et cetera. And so as Chief Operating Officer, he had to find the right business presidents and the teams around them, while I handled the right corporate function leaders, but as I did that, I made sure that had or would have a strong relationships with Chris, and Chris saw those individuals working for him when he became CEO. This was important because I changed out virtually the whole leadership team when I became CEO, as we did not have the right people in several roles. I had to factor this into it because I didn't want to be CEO for three to four years and then have my heir apparent come in and change them all out again, that is very disruptive to the overall team.

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Next time you do the CEO succession, is there anything you would add to the process or consider doing differently?

DA

One dynamic was interesting is that as I was talking to individual Board members through this transition, I always had to be careful that it didn't come across like I was pushing a personal agenda. I think I did a reasonably good job at that, but there may have been moments in time where I wasn't perfect doing that. Obviously I did have a personal agenda, in the sense that I wanted to retire within a certain year. I did want to have a transition that helped him be successful. So, there were things that I really felt I wanted because it was the right thing for the company. If I revisit all those conversations, probably they were not all perfect. I could probably go back and fix and tweak a few of those. I could have used the chairperson back then a little bit more to help have some of those conversations. Maybe that was a learning, it might have been better to have her, the chair, drive some of that agenda instead of me. However, it was important to me so not sure I would do differently.

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This CEO succession process seems very efficient and effective. Has it now become a more consistent and institutionalized way of operating within the Board of Stanley Black and Decker?

DA

Yes it has, and in fact we have already named the next chair after me. She is somebody who has been on the Board for twelve years and she has seen what we did, good and bad and she can take the learnings from this and make sure that we institutionalize these processes going forward around succession. We have been talking a lot about CEO succession but there is also Board succession which is very important to ensure good refreshment in a rapid changing world. We have institutionalized a process around this as well. We don't have hard tenure rules, just an age tenure of seventy five. We want new & current Board members to be aware that they likely will stay on the Board for ten-twelve years, but this is not a hard rule; there might be certain occasions

where they stay thirteen or fourteen years, or there might be another occasion where you only stay nine years. We have worked through a process and we have a really good governance chair, she is a new Board member that we brought in three years ago, outstanding. She was a CFO in some large companies. She gets succession planning for the Board; I think we have a great process. We have another retirement from the Board probably in about a year or two. And then our next chair will probably retire in about three and a half years. So there's still a lot of succession planning that they have to continue to focus on. Then, as Chris gets into year three, the Board will start to think about the next CEO succession plan. In today's world, I don't think CEOs are going to stick around as long as they used to 20 years ago.

SM

Why is that?

DA

Because it is just too intense of a role. I don't know if it is the same thing in Europe, but it is definitely in the US. If you talk to people that are qualified to be CEOs, or have been in the seat, they will confirm that the day-to-day chaos and the week-to-week chaos of this world can be managed and people rise to the occasion, but you do that for five years, it can be a grind. It also depends on your industry, there are industries around that are strong and growing which makes the role less stressful. However, there are a lot of other industries that are struggling in this economy and could be struggling for another two to three years. I think you are going to see shorter tenure of CEOs versus some CEOs who have stayed in the seat for 10-20 years.

SM

Let's do a little jump into the future. The 2030s are closer than probably we like; so what kind of CEO do you imagine for the 2030s, is there anything that come to your mind that could be really important to have?

DA

“When you look at the pace of change today, you have to be making decisions and moving at a much faster pace, faster than we have ever done in the past.”

I think that a lot of the traditional stuff is still relevant. CEO has to be a great talent builder, builder of outstanding teams, motivational, inspirational leader who empowers people to be successful and develops an overarching strategy,

someone everyone aligns around and is executing towards. I think all those things are still very, very relevant. However, when you look at the pace of change today, you have to be constantly pivoting, rethinking, questioning whether I need to change my strategy, or the business model, or the execution plan. You have to be making decisions and moving at a much faster pace, faster than we have ever had them do in the past. You need to be able to have that agility and speed in your DNA as a CEO. You can't have decision making process be slow, like let's have five pre-meetings to discuss this topic and then make a decision. We might have one meeting and then we get together the next day and make a decision. A lot of decisions get made in one meeting. Things have to move fast and you have to go fast. And you will break some glass and then clean things up later. The other thing I would say that is relevant to the CEO of today, and also the 2030s, is that we don't really know what technology is going to do to all of our business models and the workforce. There are extremes out there, are we going to have all kinds of people unemployed because of AI? I think that is extreme but none of us really know exactly how it is going to play out. I think a CEO has to be thinking about that and must be ahead of it and really trying to understand what is it going to do to his or her company and how do we make sure we are proactive about it without causing a major distraction to running the business day to day. It is a skill that probably was always relevant, but it is become even more relevant because of the pace of technological change. Having that ability to look ahead, look around corners to see what might be coming; you have always wanted a CEO with curiosity, that wants to learn, that wants to really look at what is coming around the corner. But it is now about the pace of change that continues to accelerate. If you have been around as long as I have, you remember how things were moving in the 1980s and it seemed fast, but then things moved faster in the 1990s, and then they moved faster each next decade, and nowadays the pace of change continues to go faster and faster and faster. Technology has accelerated this pace of change and will continue to accelerate changes.

SM

That is a huge challenge indeed. Do you observe an increased level of emotional reaction in the company, you have thousands of people at different levels in different regions, is the level of anxiety or concern about life and future becoming more of a relevant issue in business?

DA

Indeed, workforces have had to deal with a lot during the last ten years, and you could argue it goes back even further than that. But especially the last five or six years, they really had to absorb a lot of intense change. You still hear a lot of people in the workforce that say something like "I just want things to settle down and get back to normal", and then I try to explain to them that things are not going to settle down and this is the new normal and the new normal will continue to probably be redefined as we go forward. The best thing that we can do is recognize it as the new normal and recognize that we have to adjust ourselves the way we think, the way we work, the way we live our lives outside of work, and just have to realize that this is the world we are in. But it is easy for me to say, it is not so easy to do.

SM

Yes, of course and thank you for saying that.

DA There is a lot of anxiety that people have because of this. You have things like AI and if you are reading stuff like "well, we won't need accountants anymore, we won't need this person, we won't need this anymore, we won't need that anymore" then you get anxious. The best thing a CEO can do with their leadership team is help understand what some of these technologies are going to do within their company and what is the strategy for AI at your company. Then, just be honest and upfront with people and let them know that if they are displaced they will be handled respectfully. Ideally, what we are trying to do is take away some of the work from folks that is not as value added, so

“The best thing a CEO can do with their leadership team is being honest and upfront, help them understand what some of these technologies are going to do within their company, and what the company’s AI strategy is.”

they can work on things that create more value for the company. I look at AI as a co-pilot. You are the pilot, you are doing the job, AI can take a lot of the mundane things away from you, so you are freed up to do more of the things that create more value for the company.

SM

Thank you Don.

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