

Succession Management: Positioning Your Organization's Leadership for Business Success



RIGHT VIEWPOINT™

In a recent poll,¹ nearly one-third of North American companies indicated they have failed to identify the future leaders within their organization. A further 30% reported having singled out potential leaders for only some key roles. Other research we have done in this area found that as many as 52%² of employees report they were approached by another employer with a possible job offer within the past 12 months. Further, 54%³ of organizations involuntarily lost high-performing workers during 2010. Never has there been such a critical time for organizations to clarify their business strategy and ensure that succession management is integral to the operations of their firm.

Actively managing succession is key to achieving strategic viability. It unlocks the potential for business direction, continuity, retention of high-value talent and institutional knowledge, and it builds a formidable culture that will outpace the competition. Enterprise-wide performance depends on the effectiveness, depth and breadth of an organization's succession management efforts.

INTEGRATING SUCCESSION MANAGEMENT INTO BUSINESS STRATEGY, PLANNING AND PROCESSES

Succession management secures future leadership capability, which is critical for driving organizational performance that wins in the changing world of work. It is an active and vital ongoing business process, embracing dynamic market imperatives to integrate the identification, assessment and development of talent with long-range strategic planning.

DR. DEBORAH SCHROEDER-SAULNIER

“Actively managing succession is key to achieving strategic viability.”

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When executed effectively, succession management is a core business process, built into the fabric of the organization. It is integral to an organization’s culture and is systemically linked to the foundational underpinnings of performance. It is not enough to focus merely on replacement planning. It needs to be recognized as a systemized business imperative; critical for long-term planning, capability development and execution of business strategy. Over time, it becomes a continuous process integrated with an organization’s business planning and organizational capability development cycles.

MANAGING SUCCESSION IN AN UNPREDICTABLE BUSINESS CLIMATE

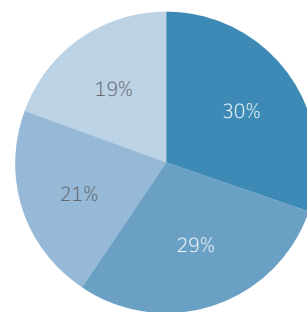
In the global economy, there are multiple dynamics at play which are making succession management an urgent business issue. Pressure is coming not only from the chaos and uncertainty in the marketplace, but also from boards of directors that are either lauded or denounced for their handling of executive transitions. Organizational stakeholders are demanding improvements in leadership capacity that can strengthen agility and growth and drive performance to achieve long-term success, while also delivering on quarterly results.

Adding to the complexity is the pressure coming from the growing talent mismatch. This will intensify as demand continues to grow for workers with leadership and specialized skills and the supply dwindles as working-age populations grow older and boomers retire. There is greater power for individual employees to exercise personal choice regarding the type of work they do and for whom they do it. Attracting and retaining skilled, knowledge-based talent will be a key competitive differentiator in the coming years. In fact, talent will be the only sustainable differentiator.

In spite of its importance, succession management is not well-executed in most organizations. Companies have been tested over the past few years as they experienced heightened levels of economic turmoil and unpredictability. Weaknesses in leadership capabilities are showing. As many as one out of every two managers fail.⁴ For many firms, leadership bench strength is proving to be shallow. Why? Because the way we do business is radically changing.

Looking for a quick fix, some companies opted for short-term approaches to declining revenues by cutting costs. Such firms are now restructuring and changing their business models, but struggling to find managers well-equipped with the leadership capabilities and behaviors needed to handle the kinds of dynamic changes experienced at an ever-quickening pace. Engagement, retention, productivity and performance are all suffering as a result of poor communication, erosion of trust, lack of customer focus, ineffective strategic thinking and the inability to link one’s workforce with the business strategy.

DO YOU HAVE FUTURE LEADERS IDENTIFIED FOR CRITICAL ROLES IN YOUR ORGANIZATION?



- Yes, for all critical roles.....30%
- Yes, for most, but not all critical roles29%
- Yes, for some critical roles21%
- No, not for any critical roles....19%

Source: Right Management online poll of 178 senior executives and human resource professionals conducted in August 2010.

WHEN FOCUS IS LACKING

Recent research by Stanford University found that more than half of all companies cannot immediately name a successor to their CEO should the need arise.⁵ Additional research by Bersin & Associates⁶ proves that participation dwindles the further one dives into an organization's employee ranks. While better than 50% of research respondents said their companies implement succession management processes at the most senior executive levels, fewer than 40% said they included mid-level managers and skilled professionals in succession planning initiatives. Further, only 11% included first-line supervisors. Very few (12%) of the companies' succession management programs were integrated with talent management programs, such as performance management and employee development.

By our definition, succession management is far broader than the more common focus on succession planning. The latter almost exclusively focuses on replacements for only the most senior levels of leadership. Our experience in studying global organizations⁷ shows that a more robust workforce solution is warranted. That solution begins with a focus on the strategic business intents and encompasses those employees identified as high potentials who may not be immediately slated as successors or may have a somewhat longer timetable for development. It also includes the identification and assessment of the skills available now—the key roles critical to optimal business performance and the talent needed to lead the organization in the future.

BEST PRACTICE RECOMMENDATIONS

We believe succession management is at the core of strategic, long-term organizational viability. Aligning talent with business strategy in this way enhances the prospects of delivering on short-and long-term objectives. Having a solid, systemic approach to succession management is essential for organizational growth and sustainability.

Our best practice recommendations are based on more than 30 years of experience in helping organizations align talent strategies with business objectives. In essence, there are five key steps involved in developing an effective succession management process:

1. Review and refine with executive leadership the strategic business imperatives required for success;
2. Determine critical roles required to achieve the business imperatives and also assess current and future leadership capabilities;
3. Conduct systematic talent reviews integrated with the business planning process;
4. Reinforce the execution of development plans; and
5. Monitor progress against success measures and adapting where necessary.

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Let's dig a little deeper to learn more about each of these key steps in the process.

1. Review and Refine with Executive Leadership the Strategic Business Imperatives Required For Success

It is our perspective that leadership and succession challenges can only be understood in the context of current and strategic imperatives for the business. To ensure relevancy and "fit," succession management practices need to support the organization's vision and strategy, while also being aligned with the organization's core values and culture.

Succession management is an enterprise-wide business process owned by the CEO and executive leadership and executed by leaders of all levels throughout the organization. It is an integrated part of an organization's workforce strategy and systems, supported by Human Resources.

Developing a robust pipeline of leadership capability is a long-term business proposition, and requires a systemic and systematic approach to identifying, assessing, and developing the succession of leadership talent, facilitated by technology.

2. Determine Critical Roles Required to Achieve the Business Imperatives and also Assess Current and Future Leadership Capabilities

A necessary step in the process is to identify the roles, skills and capabilities needed to be fulfilled by talent today, as well as understand how these will be different in the future. Many skills and capabilities needed yesterday are no longer working today and the key competencies today will likely continue to evolve and change over time. Changes in how leaders need to lead will drive the creation of new leadership models. The ultimate goal is to continually align the leadership talent and succession needs with the business strategy.

To begin, pinpoint the unique set of characteristics that drive the business strategy. These are the qualities and attributes dictated by the organization's culture and values. One way to accomplish this task is by studying the strategy and culture to determine the kind of employees needed to make the strategy work. Another is to evaluate the characteristics of top performers already in the company, since those behaviors are likely to be predictors of future success. Finally, it is important to "reverse engineer" the talent profile using forward-looking business plans and strategic directions, as well as a view of how the culture will need to look in the future.

SUCCESSION MANAGEMENT BEST PRACTICES

1

Review and Refine the Strategic Business Imperatives Required For Success with Executive Leadership

2

Determine Critical Roles Required to Achieve the Business Imperatives and also Assess Current and Future Leadership Capabilities

3


Conduct Systematic Talent Reviews Integrated with the Business Planning Process

4

Reinforce the Execution of Development Plans

5

Monitor Progress Against Success Measures and Adapting Where Necessary



It's also important to evaluate the whole person—including knowledge areas, experiences, motives, values and personality traits. The resulting cascading competency model for the organization can then be applied to role expectations, to ensure they account for both current and future success requirements.

To identify high performers, a tailor-made assessment process is crucial. This involves creating a set of online tools and deploying best practices for evaluating candidates that typify a specific talent profile. After candidates answer a set of questions about themselves, those responses are integrated with the requirements of the success profile. The result is a considerably more accurate way of predicting the suitability of a candidate and the likelihood he or she will have the behaviors needed not just for the position, but also to fit the organization as it evolves over time.

Likewise, to identify high-potential employees, a customized assessment process is important. This process focuses on key criteria for being considered “high potential”:

- Ability
 - A track record of achieving objectives (based on archival data) for a period of at least two years.
 - Consistent performance over time (based on archival data), including at least two jobs and two different managers.
 - A results-driven personality.
- Desire
- Commitment

3. Conduct Systematic Talent Reviews Integrated with the Business Planning Process

Approaches to talent reviews vary considerably across companies. When conducted effectively, talent reviews are focused on the business strategy, and are consistently deployed and integrated with the business planning process in a disciplined and rigorous manner. When senior leaders sit down to discuss the demonstrated capability of their high performers and perhaps high potentials, they have sound data (as a result of the tools used and the due-diligence process) for understanding the capability and capacity of the proposed candidates. They engage in candid conversations about strengths and needs with a continued lens on the business imperatives.

As markets, industries and companies change, rules of the game need to change. Organizational structures and role expectations may also need to change. It follows then that the players may need to change. As blockers surface, they must be discussed and perhaps redeployed or replaced with leaders who have the necessary skills to drive innovation and change in the organization.

“The ultimate goal is to continually align the leadership talent and succession needs with the business strategy.”

4. Reinforce the Execution of Development Plans

As the challenges confronting organizations proliferate—such as globalization, economic turbulence, new business models, transformational technologies, changing demographics and virtual working—bringing leaders to the peak of their potential with maximum efficiency assumes increasing urgency and attention to development.

Building an effective pipeline of leaders requires commitment to making the investment and addressing the development of current and future leaders in ways that keep them engaged. This often includes executing development plans with a blend of learning methods, such as individual coaching, business case studies, large- and small-group discussions, individual and team feedback, simulations, games, executive interaction, applied learning, problem solving and personal reflection. Assuming high-potential employees are identified through the succession management process, it will be necessary to customize the development approach. That approach must focus on the overall business, the culture and the development of the organization at an accelerated rate of learning to stretch the thinking and business application of those high-potential employees. The time and attention given to the execution of development plans and ensuring the achievement of desired outcomes serves to accelerate the capability and capacity of a company's leaders and drives competitive advantage.

5. Monitor Progress Against Success Measures and Adapting Where Necessary.

Simply stated, there are four main reasons for monitoring and measuring the progress of your succession management process: to validate, direct, justify and intervene. Monitoring and measuring provides the validation that assures the right steps to drive the necessary business outcomes. It sets direction for activities to meet established targets. It delivers factual evidence or proof that a course of action is required. And it identifies a point of intervention for changes and corrective actions. It will help you to reduce the risks associated with retaining a pool of future leaders and ensure readiness to address unanticipated leadership changes so that you can respond with agility and foresight to changing workforce and market dynamics. The resulting organizational culture will be one competitors aspire to and one that candidates vie to join.

THE IMPORTANCE OF MEANINGFUL METRICS

Right Management conducted research to learn more about the current succession management practices within global organizations. We learned that 90% of study participants had an interest in succession and some level of a plan in place to address it. But most acknowledged they needed help to make it stronger, viable, sustainable and integrated with the broader short- and long-term strategic intent of the organization.

The most common gaps inhibiting the success of succession management processes were the following:

- 40% of respondents cited the issue of measurement, which included such variances as identifying competencies; rating potential; improving raters' understanding of assessment/evaluation techniques at all levels; and improving objectivity.
- 37% cited the ability to ensure that the valuable data collected during the succession management process translates into developmental action. The heart of this issue relates to holding people accountable for development.
- 25% of the sample indicated that they were operating with less-than-optimal succession software (e.g., Excel) and, surprisingly, some of these examples were reported by large organizations.

Source: Right Management qualitative research of 43 organizations in 10 countries on their succession management practices, July 2010.

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CONCLUSION

Succession management is at the core of strategic, long-term organizational viability. Aligning talent with business strategy in this way enhances the prospects of delivering on short- and long-term objectives. Having a solid, systemic approach to succession management is essential for organizational growth and sustainability.

CASE STUDY

Succession Management Ensures Continuity of Leaders and Sustained Organizational Performance

Client

A large financial investment firm recognized as a leader in the industry.

Situation

This privately-owned investment firm has succeeded in retaining customer-focused values throughout a time of rapid growth. As the organization expanded its customer services, the industry became increasingly more competitive, and the firm recognized a need for new business strategies and talent capable of driving that strategy.

Workforce Solution

Right Management began working with the firm by consulting on a rolling five-year Strategic Alignment Process and the creation of yearly business goals and objectives. Emanating from this process, we helped articulate the business case and desired outcomes of an overarching Talent Management Strategy. We then assisted with its implementation by designing a dynamic Succession Management process and integrated it with the firm's annual business planning cycle. The focus was on critical leadership roles that would ensure continuity of leaders and future organizational performance.

In the first two phases, Right Management worked collaboratively with the Executive Leadership Team and a Project Team representative of the organization to establish Executive Director and Director-level "Success Profiles." These profiles articulated the abilities and personal characteristics required of leadership talent to successfully manage the business practices aligned with the firm's strategy. Next, Right Management's Ph.D. assessors administered a suite of executive assessments—mapped to the Executive Director Success Profile—to the 12-member Executive Director team. In feedback sessions, we provided team members with detailed information on how their individual and collective skills and abilities aligned with current and future business challenges. Then, Right Management's coaches worked with the Executive Directors to establish individual developmental plans and ensure individual progress. After that, the assessment process was cascaded to 35 Directors as we trained the firm's Executive Directors to support their direct reports with developmental action planning.

(Continued)

Results

- The Chief Executive Officer (CEO) and Executive Team have been provided with information that allows them to look at their combined strengths in light of the current business environment.
- A dialogue between Right Management's Lead Consultant and the CEO about each leader's strengths and development plans has led the CEO to commit support for specific development activities.
- The Executive Team now views talent as an enterprise-wide resource.
- Right Management's work has resulted in a greater level of alignment between members of the Executive Team.
- Because of the Executive Team's ability to work in a more strategic manner, the firm has grown with new business ventures and trading practices.
- As a result of its relationship with Right Management, this client is better prepared for fending off competitors' attempts to replicate the firm's business model.

1. Right Management poll of 178 senior executives and human resource professionals conducted across North America in August 2010.
2. Right Management online survey of 3,316 individuals conducted with LinkedIn® between May 20 and May 27, 2010.
3. Right Management online survey of 558 individuals conducted between May 2010 and June 2010.
4. J. Hogan, R. Hogan, and R. B. Kaiser (in press). Management Derailment: Personality Assessment and Mitigation. In the *American Psychological Association Handbook of Industrial and Organizational Psychology*. Sheldon Zedeck (Editor). Washington, DC: American Psychological Association.
5. Research conducted by Stanford University's Rock Center for Corporate Governance and Heidrick & Struggles, as reported in WorldatWork's WorkSpan Weekly, June 18, 2010.
6. Lamoureaux, K., Campbell, M., and Smith, R. (April 2009). *High Impact Succession Management*. (p. 9). Oakland, CA: Bersin & Associates and Center for Creative Leadership.
7. Right Management global survey of 43 organizations representing 10 industries, conducted in August 2010.

About the Author

Dr. Deborah Schroeder-Saulnier is Senior Vice President for Right Management's Global Solutions Team with responsibility for overseeing the firm's Leader Development, Organizational Effectiveness, and Employee Engagement solutions portfolio—focused on aligning talent management strategy with business strategy.

About Right Management


Right Management (www.right.com) is the talent and career management expert within Manpower, the global leader in employment services. Right Management helps clients win in the changing world of work by designing and executing workforce solutions that align talent strategy with business strategy. Our expertise spans Talent Assessment, Leader Development, Organizational Effectiveness, Employee Engagement, and Workforce Transition and Outplacement. With offices in over 50 countries, Right Management partners with companies of all sizes. More than 80 percent of Fortune 500 companies are currently working with us to help them grow talent, reduce costs and accelerate performance.

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