

LEADERSHIP ASSESSMENT & DEVELOPMENT

Why Succession Planning Can't Wait: Four Steps for Building a Leadership Pipeline

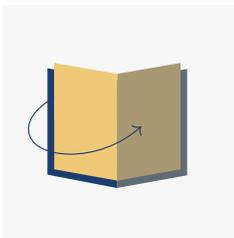
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Introduction

What if your organization's CEO suddenly had a stroke — how would your organization react? There would be anxiety, sadness, and concern. But would you be able to continue to operate, produce and deliver, meet customer needs, and stabilize employee and shareholder emotions? That depends on how thoroughly you have planned for succession.

Many companies avoid succession planning altogether, fearing it will be a painful process with hard conversations that result in hurt feelings among leaders. Other organizations may consider a succession plan completed when they have identified who the next CEO will be, or the person who could potentially step into the position several years down the line. After agreeing that the question has been answered, leaders may set the plan aside.

In reality, succession planning does not have to be unpleasant. It should consist of a process that is revisited often by company leaders, tweaked occasionally to align with the overall direction of the company, and carefully researched to provide guidance for leaders and potential leaders beyond the C-suite.



A succession plan should do far more than simply determine the path to replace just one person. It must create a talent pipeline dedicated to developing the capabilities of potential leaders as well as the people who will fill in behind them. Additionally, an organization will need to identify how the positions themselves will evolve to advance the company. Rather than simply replacing the people you lose today, a succession plan can help you stack your personnel in a way that it moves the organization — no matter its size — strategically toward the future.

This white paper will discuss:

- What a good succession plan looks like and an outline of the steps required to put together a succession plan.
- The importance of succession planning and the risks of not having a succession planning program.
- How succession planning is likely to change as millennials develop into leadership roles.
- Suggestions for managing the barriers you may encounter when incorporating a succession plan at your organization.

The Risks of Not Planning for Succession

Your company's success rests on the strength and stability of your senior leadership. A sudden absence in a key position can throw your organization into chaos. The risks of not making succession planning a priority are many and include:

- Critical leadership positions staying vacant, or worse, being filled by people who cannot handle the job. This can lead to a loss of momentum, a decline in production or service levels, or a drop in public or private reputation.
- A thinning of talent resources as key employees are deployed in a reactionary way that does not support business goals. Other departments or areas identified for strategic growth may then lag as leaders focus on putting out fires.
- Poor assimilation of new executive talent in the organization. Decisions made in haste can result in a bad fit – which only leads to new problems.

Talking about succession planning can make people feel uncomfortable, as it can imply a career change or a death, or that up-and-comers cannot wait for current leaders to move on. Instead, leaders should find the risks they face by not planning for succession more uncomfortable than discussing the realities of change that every organization faces.



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The Importance of Succession Planning

At its heart, succession planning consists of assessing the capabilities of prospective leaders and determining how they will need to be developed to meet the current and future challenges the organization faces. A holistic approach that identifies, assesses, develops, and transitions potential successors helps mitigate risk and establishes a rich pipeline of possibilities that can ensure the company's sustainability.

There is no way around it: Succession planning must be a priority for company leaders. But in many cases, organizations delay succession planning until they are compelled to start thinking about it. Pressure for creating a succession plan may come from:

- Forward-thinking boards who are focused on the organization's long-term success in a strategic way.
- A visionary CEO who understands the stakes involved with succession planning and creates buy-in with the rest of the organization's leadership.
- Analysts who are asking questions about the company's plans for the future, particularly in times of change.
- Regulators in financial services, health care, and other industries with strict oversight tend to emphasize risk management actions such as a robust succession plan. In these industries, succession plans will need to focus on positions beyond operational leadership and may address plans for financial leaders, information officers, and so on.
- Strategic HR leaders who understand the role of succession planning and building talent pipelines in an organization's long-term success.

Succession planning brings several advantages to any organization:

- It helps companies better understand their talent pipeline and highlights areas for development.
- It ensures that there are people ready to fill critical positions on multiple timelines.
- It helps manage the risk of human capital with the same rigorous standards organizations use to manage financial or business strategies by managing change proactively rather than reactively.
- It provides a competitive advantage as company leaders focus strategically on the future rather than on only the next few quarters.
- It keeps your organization ahead of the curve — if your board or regulators have not demanded a succession plan, chances are they will soon.
- It creates a process that quickly drives itself and requires much less input from company leaders as time goes on, and in fact saves time in the long run.

Any organization's future relies on the strength and stability of its senior leadership. These leaders must balance institutional stability with the need to drive positive change while dealing with significant risk posed by senior leaders' retirements, early departures, and vacancies.



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What a Strong Succession Plan Looks Like

Putting together a succession plan does not have to be complicated. In fact, keeping a succession plan simple will help ensure that reviewing and updating it becomes a routine process performed every quarter, or at least once a year, rather than every several years when it is remembered. Highlights of a strong succession plan include:

- Evaluations of potential successors based on the requirements of the position, both now and in the future.
- Assessments based on rigorous and holistic reviews that are openly discussed, rather than subjective reviews that may rely on rumors or one-sided perspectives.
- Concrete plans that accelerate the readiness of successors for their roles.
- Board governance that assures effective risk management.

A strong succession plan is all about the future. It is aligned with ongoing business needs and helps prepare the organization for the future by developing leaders. It should be informed by the organization's values and reflect its culture in its implementation.

The steps that go into a strong succession plan can be applied at any level of leadership in an organization, not just the C-suite. The outcomes can be used to fill leadership openings in departments and divisions and create leadership development plans for individuals. While it must never be framed as a promise or commitment for future promotions, the succession plan can serve as a framework for development even two or three levels deep for any position. Here is how to put one together.

➤ Define Future-Focused Success Profiles for Critical Roles

1. First identify the skills, competencies, and capabilities that the organization needs now and in the future. These profiles go beyond simple job descriptions and instead provide a holistic view of the key skills, knowledge, relationships, traits, and experiences that are required to be successful in the position.
2. Start by communicating with key stakeholders and identifying the positions most at risk for lack of succession. Discuss what success profiles look like for these positions and interview those currently in the positions to find out what makes them good at what they do. The more specific you can be in these profiles, the easier it will be to identify and develop those capabilities in possible successors.
3. You will likely find common factors across senior roles, but going through the process can help you generate deeper insights into the vision for each position. All of this information will help establish a baseline for current and future success.

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What a Strong Succession Plan Looks Like

➤ Assess the Potential Successors

The potential candidates for future positions should then go through a rigorous assessment process that determines their fit for the success profiles. These assessments may consist of:

- Interviews focusing on career aspirations, experiences, self-awareness, and leadership style.
- Multisource 360-degree input from colleagues, including interviews with managers, peers, and direct reports.
- Business-case simulations that provide realistic scenarios built around what the candidate might face in a future position.
- Personality assessments that provide insight into how they work and lead.

These assessments go beyond performance reviews and can dig into a candidate's potential in a robust, fact-based way. At this point, resist over-engineering the process and look for a partner that relies on clear-cut assessment and useful data. A structured and data-driven approach that relies on scientific assessments of the positions themselves and the people expected to fill them will provide a solid foundation for a future succession planning team.

➤ Discuss and Plan

At this point the executives or senior-level leaders who are overseeing the succession planning process should discuss the results and implement plans for the future. It can help to have a facilitator who can manage the dialogue and debate that may arise. It is vital that the senior leadership team support the result.

It is important to realize that this step does not need to take weeks or even days. If you are focused and have clear, useful data from scientific assessments, the discussion can be completed within a matter of hours. The more preparation you do through setting success profiles, reviewing performance, and assessing candidates, the better the outcome will be.

When it is finished, you will be able to put together a slate of candidates – graded as “ready now,” “ready soon,” or “ready later” – based on an objective and fact-based process.



What a Strong Succession Plan Looks Like

➤ Move Beyond Planning to Management

The steps above will help you put together a succession plan. For continued success, organizations should consider succession management to maintain the process of focusing on the future. Revisit this plan periodically — every quarter, or at the very least every year, depending on your company culture — to determine whether people are on track for their potential positions and whether the plan is keeping up with market realities and organizational evolutions. The worst thing an organization can do after putting in the hard work is to store the information in a binder and fail to use it again.

According to Kincentric research, top companies all do the following when it comes to succession planning:

- Review talent at least once a year.
- Develop internal successor pools.
- Identify a leader's current performance vs. potential for advancement and gaps in skills.
- Rate candidates as "ready now," "ready soon," and "ready later."
- Strive to have two "ready now" candidates for each critical role in the organization.

Assessing candidates for succession is part art and part science. Weaving the art — subjective perceptions, biases, and discussion — with scientific data from assessments brings rigor to the conversation about every possibility and helps ensure success while mitigating risk.



Succession Planning Now and in the Future

To help develop a deep talent pool to lead your organization, take your succession planning efforts beyond the C-suite. While developing top leaders should obviously be the first priority, once the process has been established it's easy to apply it to division and department leaders as well as other key positions. This will become increasingly important as millennials mature in organizations.

As the oldest millennials begin to enter leadership positions, forward-thinking organizations have begun to look at applying succession plans to division and department leaders with an eye on the future. Their rise in the ranks has been inspiring deeper rigor into succession planning for several reasons:

- For many organizations succession planning has been a “black box” enterprise — discussions happen behind closed doors and most people are not informed about decisions if they do not need to know about them. As millennials begin to enter leadership circles, they bring their love of transparency with them and succession planning processes are revisited with an eye toward more openness and communication.
- Millennials’ love of feedback makes them natural candidates for a renewed succession planning process. They are eager to learn more about how they can develop their skills and competencies and like to have career steps carefully planned out. As you revisit your succession management, keep in mind that action on skills gaps and feedback throughout the process will be paramount for your junior leaders.

- Because millennials tend to change employers more frequently than their older counterparts do, the cycle time for your succession planning will likely begin to decrease as millennials enter leadership positions. Revisiting your succession quarterly (and in some cases even monthly) for a few hours can ensure your organization will be prepared in the event someone decides to change jobs quickly.

Applying your succession planning process to lower levels can help ensure a rich employee development philosophy that holds onto high-potential millennials as they prepare to enter leadership positions.



How to Avoid Barriers to Succession Planning

You are bound to face at least some resistance to the idea of succession planning or changes to your established process. To prepare your organization for change, be aware of what your succession planning team might face as you develop a new process.

➤ Fear of Commitment

Some leaders may resist succession planning because it creates a sense of expectation that certain people are guaranteed certain positions. They may worry that they are creating a contract situation. The solution is simple: Transparency around the process and clear communication that no guarantees are implied by the succession planning process. This barrier is a common one and can be awkward to move through; straight talk without emotional attachment is the antidote.

➤ Fear of the Unknown

Behind succession planning discussions is the acknowledgment that unexpected things can happen to people, which taps into an almost universal fear of talking about disaster and the unknown. Top leaders may resist talking about their successors, as it forces them to consider what they may do with retirement and beyond. It can be scary and threatening. To push through, avoid talking about “worst-case scenarios” and keep the discussion as neutral as possible while focusing on the process as a risk management exercise.

➤ Reluctance to Allocate Resources

Succession planning may get short shrift from those who set the budget, but it is vital that the succession planning team have the resources — time, money, and technology — to do the work necessary to build a strong plan. Whether it

is the organization’s board or leadership team, buy-in from the top is key to recognizing succession planning as a priority. A discussion about the talent, vision, energy, and commitment that defines a business strategy can illustrate the importance of mitigating the risk that occurs when leaders are not there to see the vision through. Highlight the sustainability a succession plan can bring for business strategy as well as operations.

➤ Fear of Complications

Simple solutions that take a lot of the emotion and subjectivity out of the succession planning process are available. While open discussions and interviews are a key part of succession planning assessments, technology can help automate assessment data and performance data analyses, resulting in:

- Future-focused success profiles.
- Developmental feedback to potential successors.
- Individual development plans for each potential successor.
- Manager debriefs on each potential successor.
- Succession plans for key senior roles.
- Defined targets for external recruiting.

Do not let any of these barriers keep your organization from embracing the power of succession planning. Getting bogged down in internal politics or complicating what should be a simple process will only leave your organization at risk.

Conclusion

There is a lot of mystery around succession planning when there should not be, as it is an important part of employee development, business management, and risk management. While it is often seen as a touchy subject that requires weeks of sifting through performance reviews and career tracks, it can instead be a relatively fast, neutral process that relies on science and research to provide a clear path for development and succession.

The risks of doing nothing are clear: Internal uncertainty and even strife can lead to poor business performance, customer attrition, and loss of reputation in the market. The time is now to begin a plan that will protect your organization and its talent. When you look for succession planning solutions, keep it simple and rely on strong data to fuel the important conversations. Incorporate these conversations into the cadence of the organization and soon succession planning discussions will become second nature and simply a part of doing business. If your CEO does have a heart attack or your VP of Operations suddenly resigns, your organization will be prepared to move on quickly. It may not be the smooth transition that you would prefer, but it will be leaps and bounds ahead of having no plan at all.

How Kincentric Can Help

Whether you need a succession management philosophy or an entire plan that includes paths, movement criteria, and the mechanisms to put it into action, we can help. We have the policies, procedures, tools, and templates to define the framework and process for succession management, no matter the size of the company. We can help you define the critical levels where you need succession planning, the criteria for success in those positions, and the means to assess your talent pool against those findings. In addition, we can help integrate career and succession management systems with your other HR systems.



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Contact us to talk about how we can help.

About Kincentric

Kincentric, a Spencer Stuart company, approaches human capital differently – we help you identify what drives your people, so they can drive your business. Our decades of expertise in culture and engagement, leadership assessment and development, and HR and talent advisory services enable us to help organizations change from the inside. Our global network, proven insights and intuitive technologies give us new ways to help organizations unlock the power of people and teams. For more information, visit kincentric.com.

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