Succession Planning

Moving from Discussion to Execution

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Packard's Law

No company can consistently grow revenues faster than its ability to get enough of the right people to implement that growth and still become a great company.

Current state?

- Our organization has a succession plan.
  - Type I: Disruptive scenario / "Hit by a train" plan to quickly fill critical roles to ensure business continuity
    - Executives
    - Key contributors
  - Type II: A deliberate and routine organizational process to ensure staff are effectively identified, developed, and ready to fill key leadership positions in the company when required.
- Our succession planning process is effective.

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The biggest mistake leaders make is forgetting that excellence comes from people who care, not from a good reporting system or other system of control .   - Tom Peters
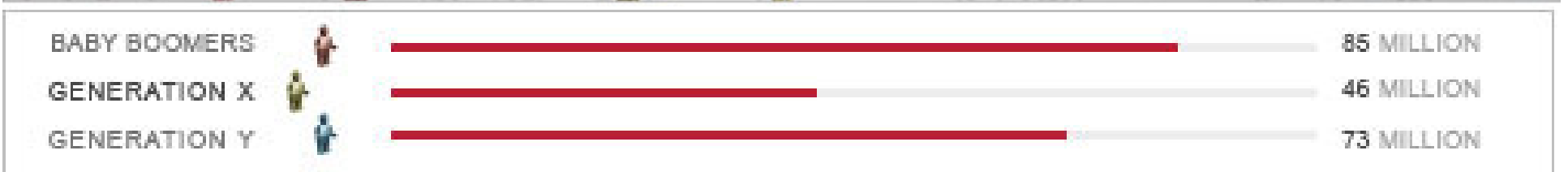
COLEMAN LEW +ASSOCIATES   RETAINED EXECUTIVE SEARCH + ADVISORY   AESC PENRHYN INTERNATIONAL
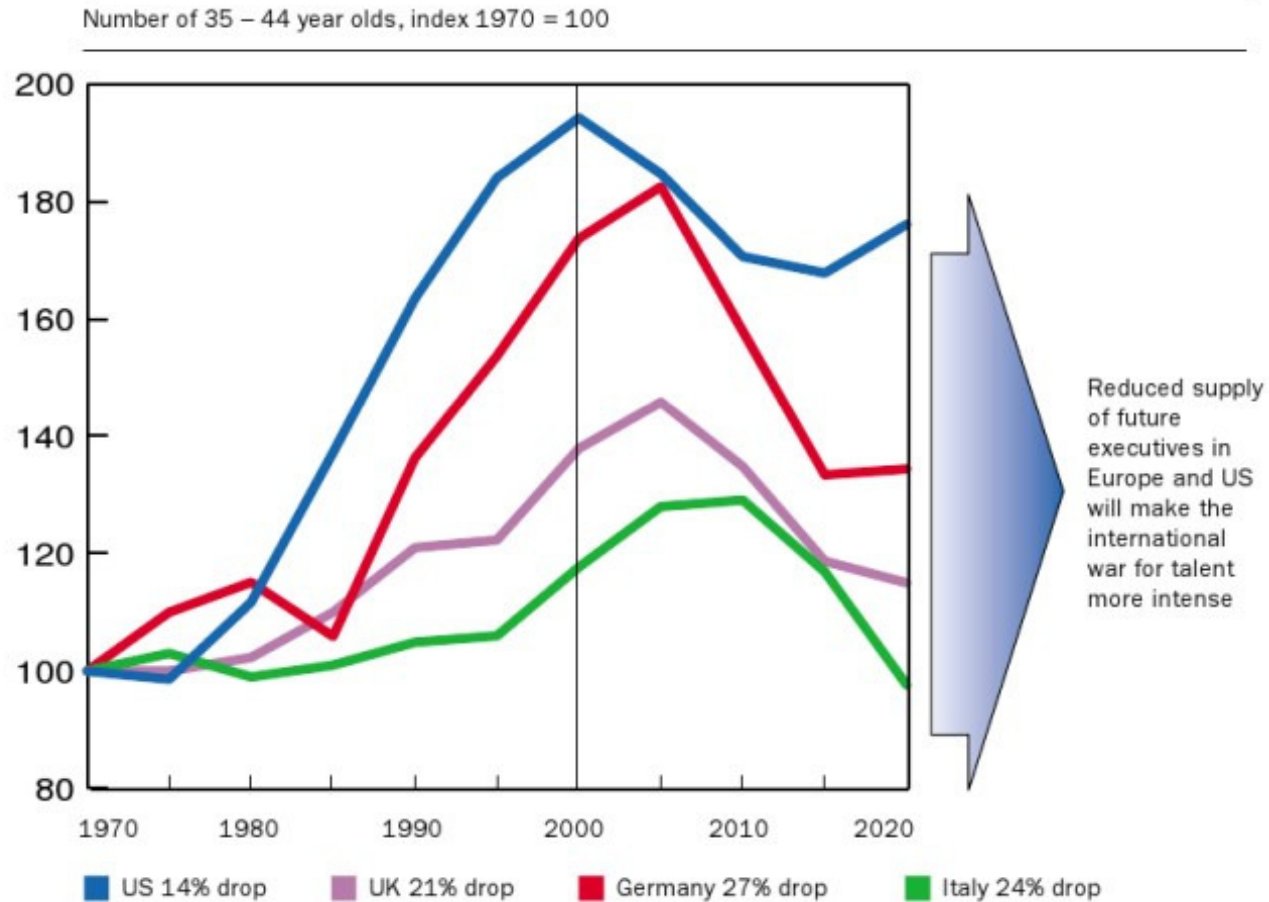
Basic Facts

- 32 Million workers over 50 years of age

- 40% of today's leaders eligible to retire in the next 5 years

- 10% of small-medium sized businesses have a formal succession plan
  - 38% have an informal plan
  - 50% have no plan

Has the 'war for talent' stopped?

BABY BOOMERS				85 MILLION
GENERATION X				46 MILLION
GENERATION Y				73 MILLION

Can the data be wrong?

Number of 35 – 44 year olds, index 1970 = 100

Reduced supply of future executives in Europe and US will make the international war for talent more intense

- ■ US 14% drop
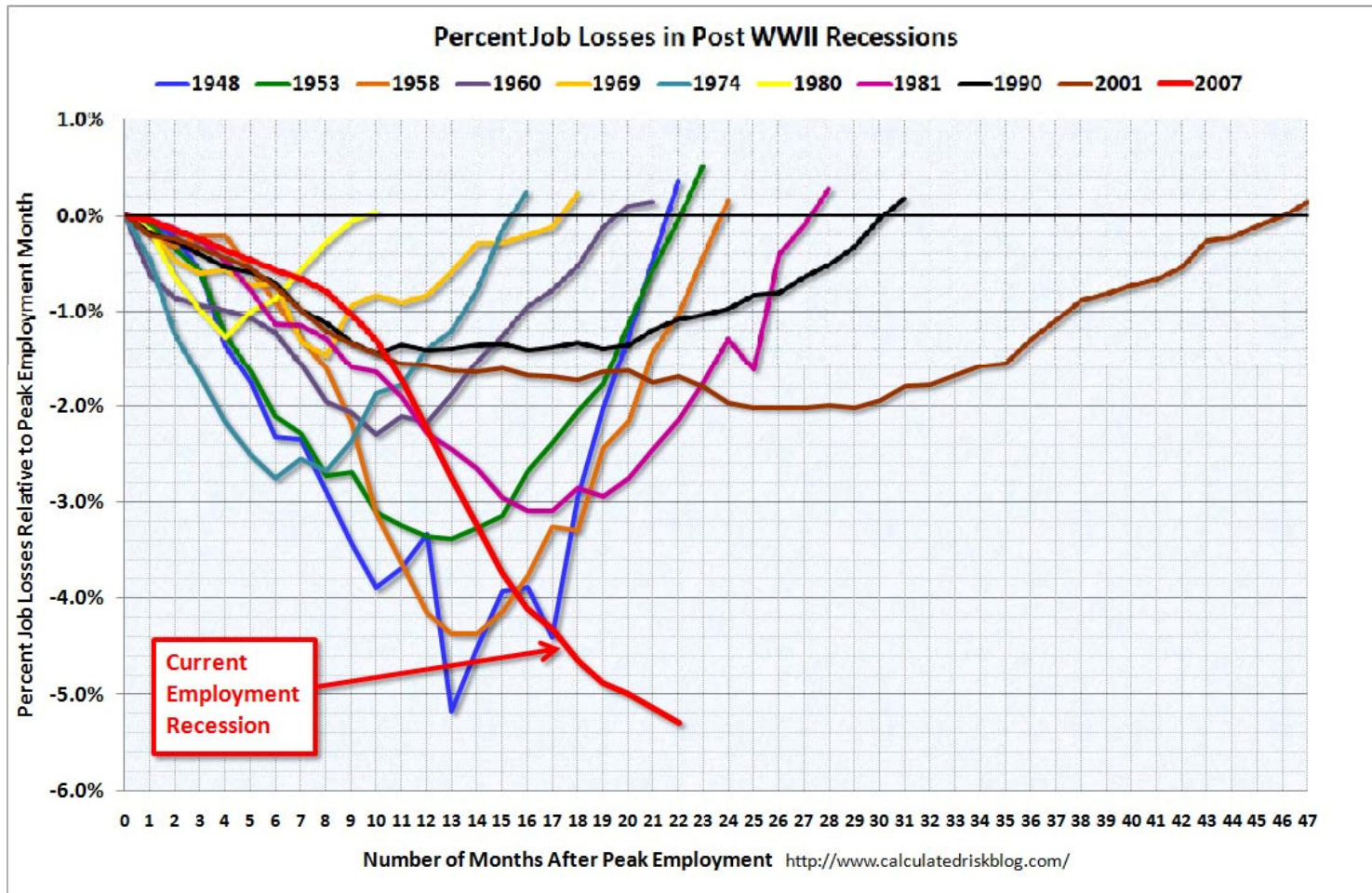- ■ UK 21% drop
- ■ Germany 27% drop
- ■ Italy 24% drop

Footnote: Percentage drop is peak to trough decrease over the period 2000-2020
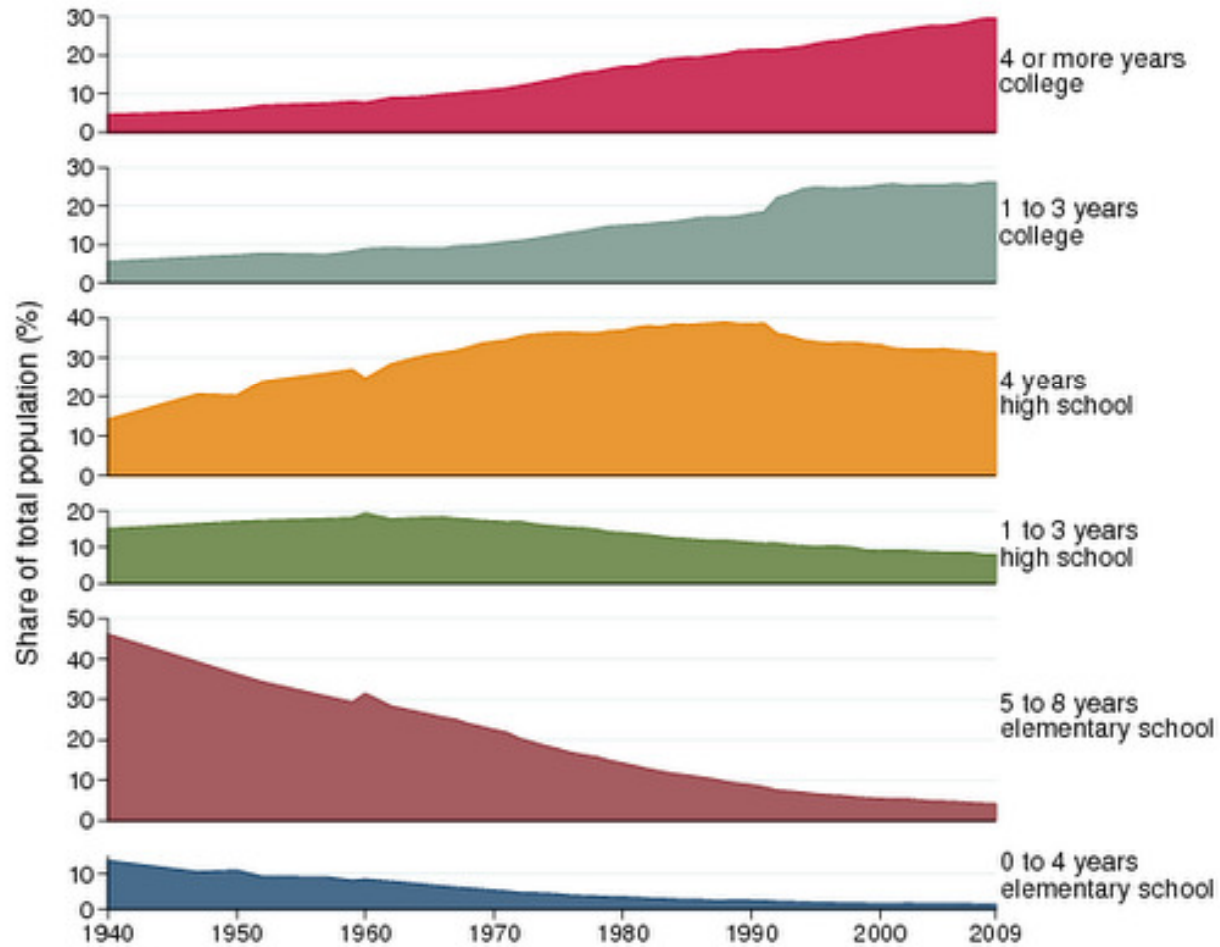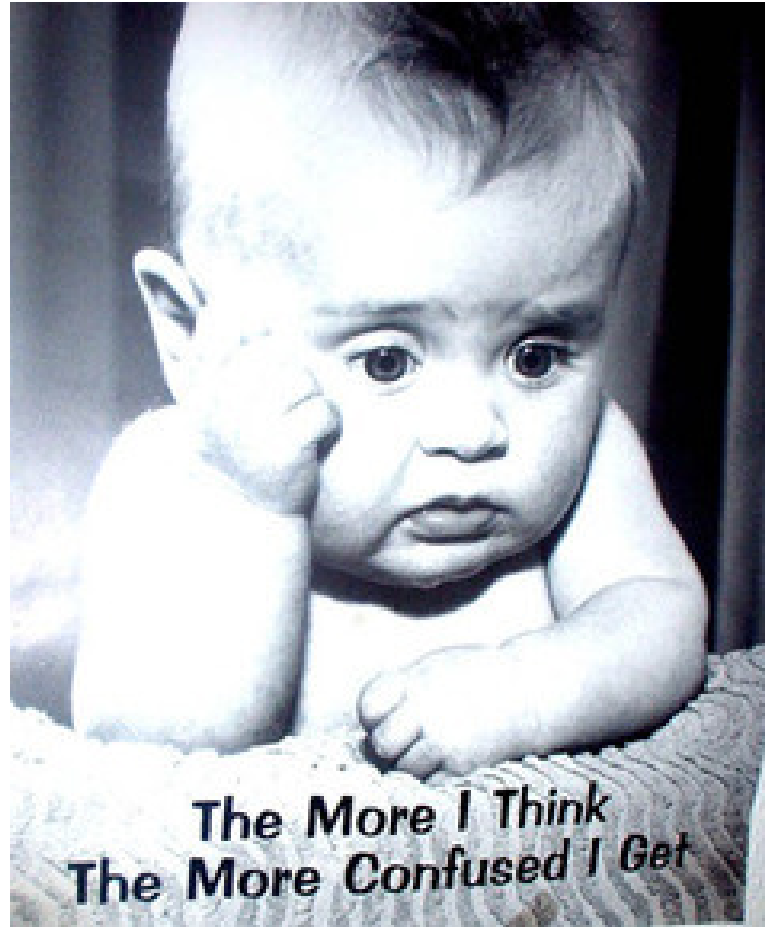Source: U.S. Bureau of the Census. International Data Base

The long road ahead…
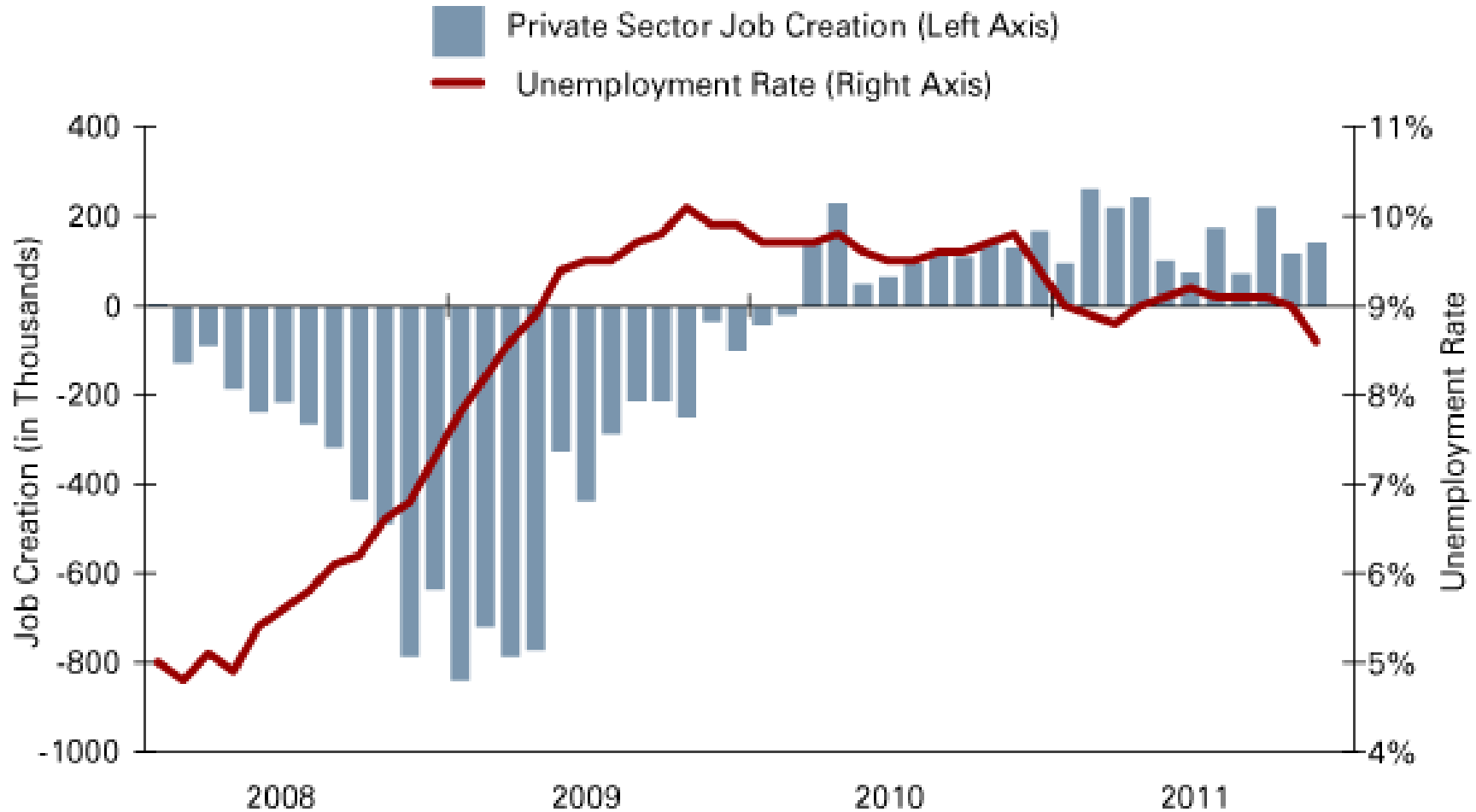
Recovery…   ETA: 2020

A more educated workforce

What to do?

The More I Think
The More Confused I Get
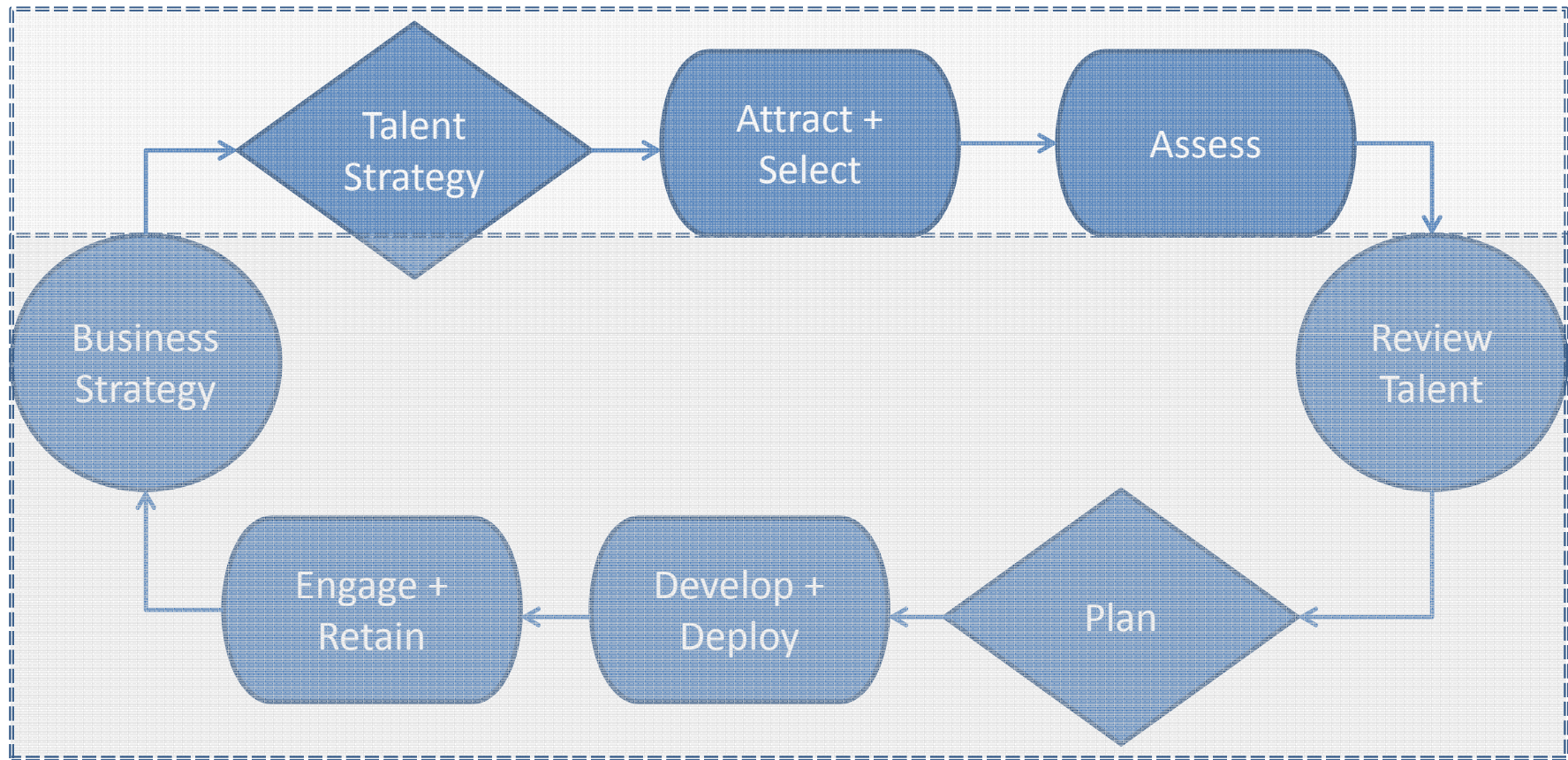
Options for your business

- Build a bench of viable successors by:
  - Assessing and developing existing talent
  - Recruiting outside talent
- Find a buyer
- Dissolve the company and liquidate assets
- Let fate decide (i.e. Do nothing)

Talent Management + Succession

From Discussion to Execution

Institutionalize the change

Consolidate + build on the gains

Create short term wins

Empower people to act on the vision

Communicate the vision

Develop a clear shared vision

Create a guiding coalition

Establish a sense of urgency

Source: Kotter, ., Leading Change, 1996

Pre-cursors

- Clarity regarding competitive position and organizational strategy relative to the market.

- Rigorous review and assessment of the effectiveness of existing organizational practices.

- Evaluation of board- and executive-level support for succession and talent management practices.
  - Understand where you are and what is realistic given your history and culture.
  - Broad vs. Narrow Inclusion, Satisficing vs. Maximizing

Clarity of Market Position

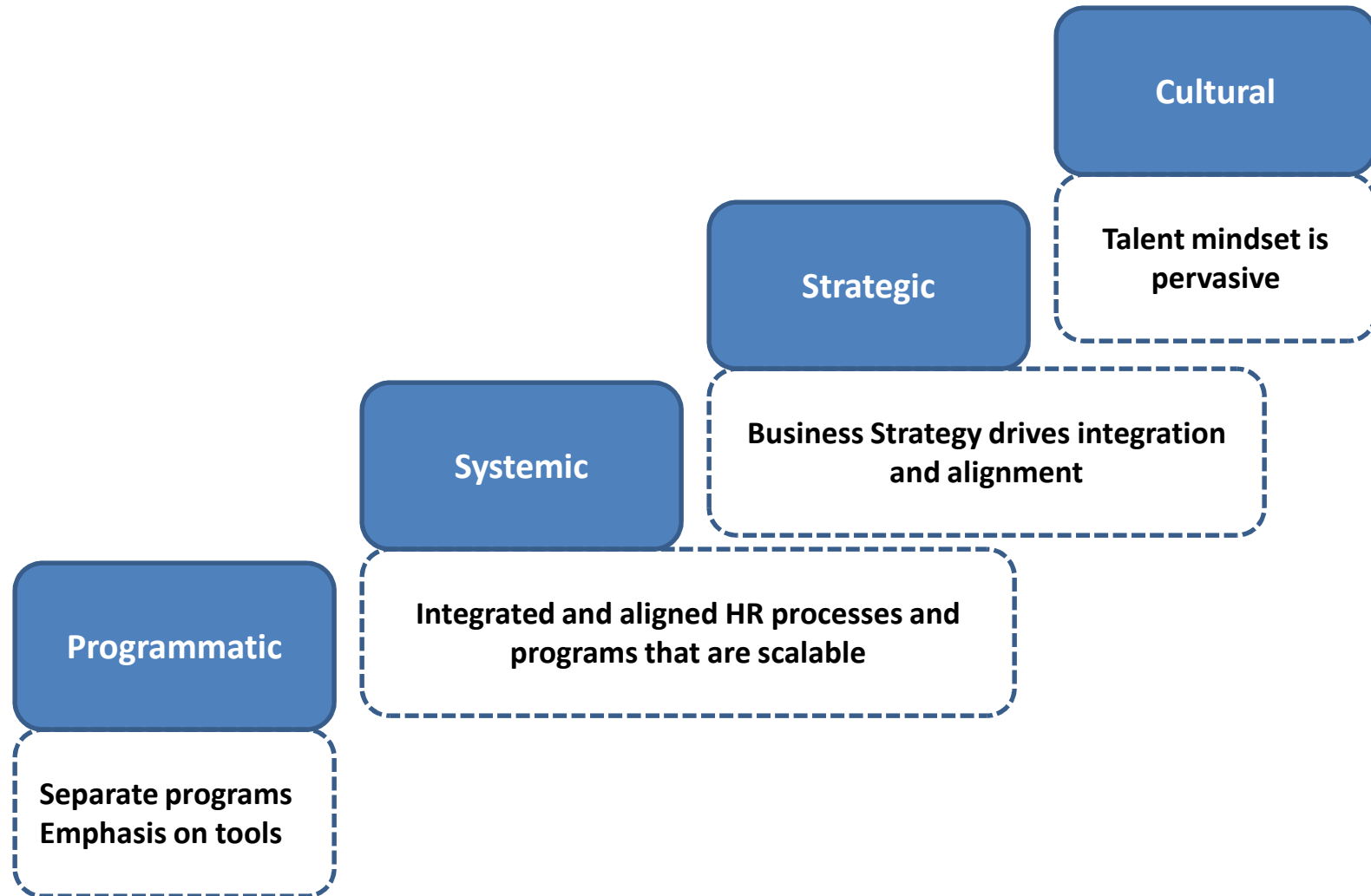| Organizational Growth Strategy	Predictable External Environment	Unpredictable External Environment
High Growth	Focus on immediate next steps for internal talent (bi-annual calibration) Recruit externally to fill gaps	Focus on retention efforts for internal talent. Identify external talent to fill immediate needs
Moderate Growth	Focus on 2-3 year development plans for internals and build depth in talent pool.	Focus on 12-18 month development plans for internals.
Slow Growth	Focus on 5-year development of succession candidates for critical roles.	Focus on strategic implications for talent needs and Performance Mgt.
Decline	Focus on careful evaluation and retention of critical talent	Focus on performance of current talent and talent needs based on new strategy.

Metabolic rate for succession must match growth rate

"Visibility" Considerations

- What are the most significant strategic issues facing our organization? Competitor activities, changes in regulation, advances in technology, commoditization of products,...etc.

- Which functions (IT, Sales, Purchasing...etc) are most critical to our strategic success and how well are they currently performing relative to "best in class"?

- Which individuals within those functions would be particularly difficult to replace?

Stages of Talent Management

Cultural

Talent mindset is pervasive

Strategic

Business Strategy drives integration and alignment

Systemic

Integrated and aligned HR processes and programs that are scalable

Programmatic

Separate programs
Emphasis on tools

Systems Review

Attract + Select	Assess	Review + Plan	Develop + Deploy	Engage + Retain
Recruitment + Staffing	Performance Mgt.	Shared understanding	Career planning	Leadership Engagement
Selection systems	Leadership Assessments	Talent calibration	Talent movement	Retention Analysis
Leadership Brand	Multi-rater feedback	IDP's	Coaching + Mentoring	Differentiated Rewards
	Engagement Surveys		Early Career programs	Re-recruitment meetings
	Business outcomes		Leadership Development	

Aligned systems that "fit" together and reinforce business strategy

Known errors in any system

- Variability in performance appraisal data due to:
  - Raters: Orientation: Past vs. Future, Thoroughness, Bias, Leniency/Severity/Central Tendency, Halo…etc
    - Performance ratings correlate .27 with objective criteria
  - Process: Defining performance, timing (Recency effects)
- The "Form over function" problem; process paralysis, importing, "busy-work"…etc
- Disparate views of "potential".
- Politics
- The "Black Box" of assessment

Mitigation Strategies

- Carefully defining performance (objective + subjective) and the "precious few" differentiators.

- BARS based performance appraisals paired with robust rater training.

- Shared vision + routine conversation about terminology (talent, potential) and priorities.

- Effective enabling systems.

Examples of the "precious few"

- My leader facilitates effective communication between different levels within my facility.

- The person I report to gives me useful feedback on a regular basis.

- Generally, decisions are made in a timely manner within my work unit.

- Employees in my work unit are recognized for their contributions to my facility's performance.

Example
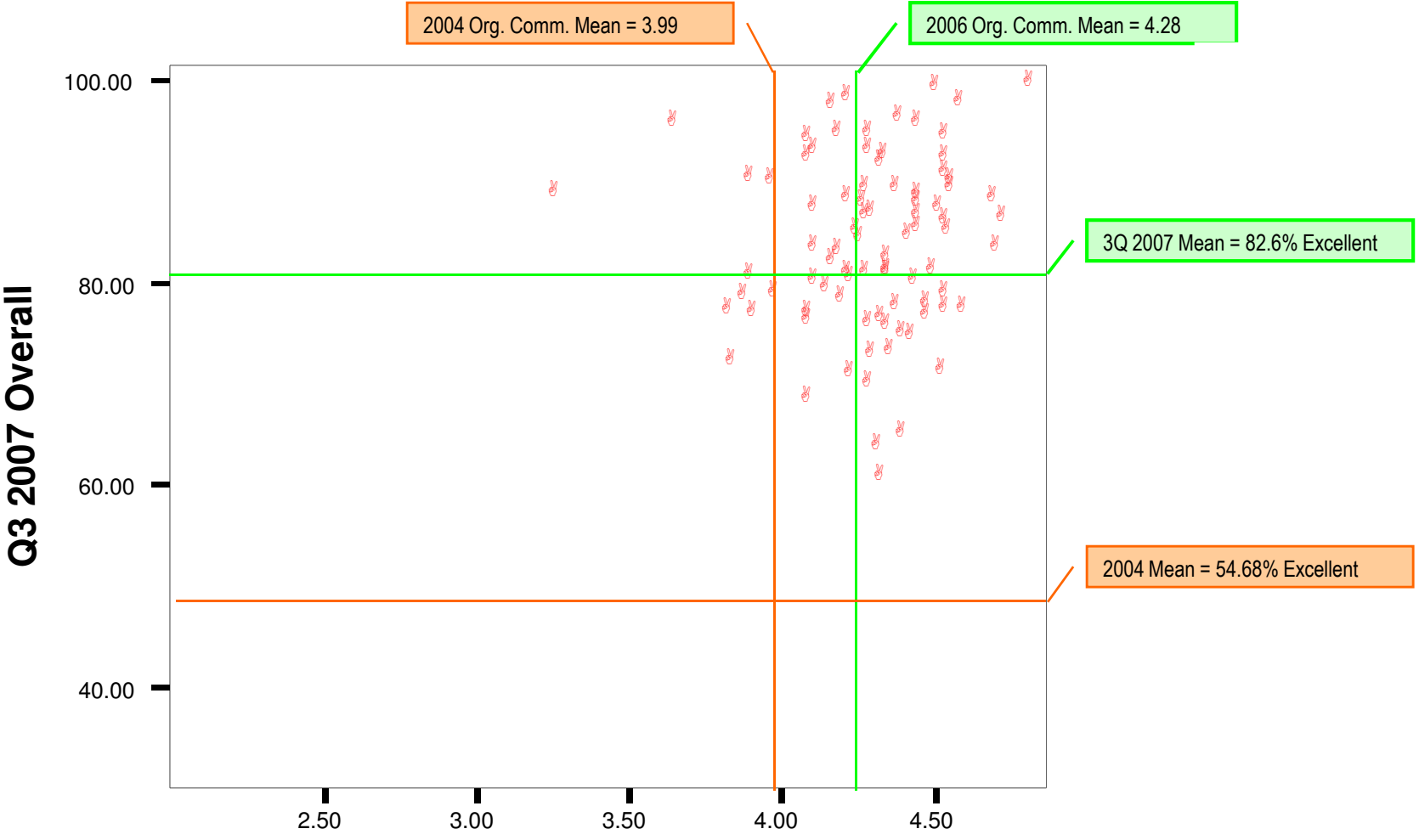
Defining "Potential"

- "Performance" and "Potential" are often comingled.

- Potential defined broadly as the "ability, energy and aspiration to grow, adapt and learn"
  - Defined further by role (hi-Pro), level (2 or more positions above current role), breadth (scope), or record (consistent track record of excellence).

- Shared understanding and consistency matters as much as methodology.

Cultural Review

- Improving organizational talent is a top 3 priority for the executive team.

- The executive team is willing to spend 10-25% of their time on talent issues, (reviews, planning, development).

- The organization will budget and spend the same on talent management despite the business cycle.

- The executive team exhibits a positive view regarding of the value of assessments and development.

Execute

ex-e-cu-tion (ek si kyoo shun), *n*.   **1.** The missing link.   **2.** The main reason companies fall short of their promises.   **3.** The gap between what a company's leaders want to achieve and the ability of their organizations to deliver it.   **4.** Not simply tactics, but a system of getting things done through questioning, analysis, and follow-through. A discipline for meshing strategy with reality, aligning people with goals, and achieving the results promised. **5.** A central part of a company's strategy and its goals and the major job of any leader in business.   **6.** A discipline requiring a comprehensive understanding of a business, its people, and its environment.   **7.** The way to link the three core processes of any business – the people process, the strategy, and the operating plan – together to get things done on time.   **8.** A method for success articulated in 2002 by Larry Bossidy and Ram Charan in *Execution: The Discipline of Getting Things Done*.

Beginnings

1. Involve key business and executive leaders

2. Define the nature of the relationship between business strategy and talent strategy

   a. Are there any existing talent strategies that do not fully support the business strategy?

3. Define the scope of work (key roles, geographies, technologies), succession priorities

4. Define a shared vision for future leadership requirements (critical KSA's + competencies)

Middle

4. Communicate the vision
5. Empower people to act
6. Create short term wins

- Based on strategic priorities, identify relevant pools of potential future leadership candidates (cross-calibrated).
  - Solicitation and Nomination processes.

- Uncover and understand individual aspirations + constraints.

- Assess current and potential future leaders with measures of personality, leadership, competencies, ability, motivation, and other factors relevant to current and expected future work performance in order to craft highly individualized development plans.

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Middle

- Actively involve business unit leaders in review process of targeted individuals.

- Facilitate review and ensure cross-calibration and acceptance by senior executive team.

- Once accepted, work with the executive team and business unit managers to identify appropriately accelerated development opportunities and growth experiences and are slated for future roles.

- Monitor and communicate progress to all stakeholders.

Middle

4. Communicate the vision
5. Empower people to act
6. Create short term wins

- Rank Order of Development Efforts by Impact
  - Amount of decision-making authority
  - Creating a unique and detailed LDP
  - Interacting with a peer learning group
  - Meeting with an executive coach and/or being mentored
  - Feedback
  - Turning around a struggling business unit or business
  - Working in a new functional area, geography or line of business
  - Launching a new business
  - People management skills courses
  - Number and quality of direct reports
  - Off-site seminars/course in business skills and/or technical skills

**70% experiences
20% relationships
10% training**

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Supporting mechanisms

- Executive and managerial role/responsibilities refined or redefined to reflect talent strategy:
  - Position Descriptions

  - Performance Reviews

  - Developing expertise in recruiting, evaluating, developing, coaching, deploying + retaining talent

  - Compensation (Merit and Incentive)

  - Recognition

Example

5 = Far Exceeds Expectations; Exceptional Results

- **Self:** Champions the ongoing refinement and communication of information about the strategy, values, and performance expectations of the company. Establishes processes to systematically identify, study and understand the underlying reasons for performance and/or failure in his/her own performance and of others. Creates and utilizes a broad set of ongoing inputs and performance indicators to understand individual, team and organizational problems and possible barriers to improvement. Leads and influences others to quickly and effectively adjust their behavior and priorities to ensure alignment with those of the organization. Champions the adoption of best practices throughout the organization.

- **Management of Others:** Effectively communicates what the company is trying to accomplish. Has a track record for building robust "best in class" engagement among direct reports; inspires peer group. Achieves wide adoption of an "owner" mentality within sphere of influence; ensures others know what is expected of them, have the needed materials, equipment and training to accomplish their objectives, and receive the appropriate level of direction and support. Develops clear and compelling linkages between individual, team and organizational performance and actively creates ways to dramatize, recognize and reward progress. Effectively teaches others to verify achievement of their assigned performance targets. Ensures individuals and teams earn a sense of accomplishment through production of meaningful results that contribute materially to the advancement of the organization. Helps others rapidly integrate new information and learnings to modify their plans when efforts do not produce expected outcomes.

Follow Through

- Start small and build organizational will through evidence; i.e. linkages to strategic business plan.

- Develop success measures on the front-end and relentlessly communicate outcomes.

  - Individual and Pool-based progress (promotion rates, movement, flight risk, performance, time in role/speed of transition.

- Economize the process (KISS)

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Examples

- Ingersoll Rand (2x2x2+5 Model)
- Others

Legacy discussions

"Whether you prevail or fail, endure or die, depends more on what you do to yourself than on what the world does to you."

- *Jim Collins*

Author of: *Good to Great*

Options for action

Your options when lifting a large spacecraft out of a swamp
using The Force, according to Yoda

- DO
- DO NOT
- TRY

Do we really need to do this?

NO	YES