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Talking HR by GRAEME FIELD

Success in the world of succession!

For a succession plan to work, potential successors need to be identified early and be trained correctly

ALMOST all organisations have certainly thought about Succession Planning.

Most even probably do some Succession Planning. But the research is quite clear – most organisations don't do it very well! How about your organisation? How well do you do Succession Planning? Are you simply a form-filling organisation?

You have succession plans but they are fairly meaningless ... Or do you conduct a robust, organisation-wide succession exercise that starts at the very top of the organisation and cascades 4 or 5 levels?

When was the last time that a clearly designated successor moved into an identified role, having had the requisite developmental exposure to be able to perform adequately as they stepped into the new position?

What does the research tell us about our ability to carry out great, organisation-wide succession planning?

The picture is gloomy.

In their 2007 Public Company Governance Study, the National Association of Corporate Directors reported that half of companies with revenues over US\$500mil had no CEO succession plan! Of those companies that do have a succession plan, Bersin and Associates (2009)

report that only 40% include mid-level managers and skilled professionals in succession planning initiatives, that barely half (52%) of half do pool planning for senior positions using talent reviews and building robust development plans, and only 11% (of half) include first-line supervisors!

When the Corporate Leadership Council surveyed 276 large companies in 2005, they found that only 20% of those who did succession planning were 'satisfied' with their efforts.

A DBM study in 2002 found that only 2% of companies rated their succession planning efforts as 'excellent' while more than two-thirds of the companies rated their efforts at 'fair or worse.'

Additionally, our own research shows that 66% of CEOs and directors feel CEO succession does not receive the time and attention it deserves (KFI, Completing the CEO Succession Planning Picture, 2009).

On top of all this – and there is much more research – remember that people are moving into similar roles at a much younger age than they did 10 years ago and often don't have the 'experience' to be truly effective (see "The Young and the Clueless" by Bunker et al, HBR, 2002) and that the length of CEO tenure is

dropping and therefore succession concerns continue to rise (Harvard Business Review, 2005).

Lucier and team (2005) showed that Europe's CEO turnover rate had increased by 425% over the last 10 years and non-Japan Asia's turnover rate had increased by 256% over the same time frame.

In 2008, Rogers found that the average CEO tenure at 440 organizations that had been part of the S&P 500 for the past decade was a mere 4.3 years! And Ciampi showed that 2 of every 5 new CEOs fail in the first 18 months (HBR, 2005).

Clearly succession planning isn't just an HR issue – it is a difficult, perplexing business issue that requires attention, effort and commitment from the 'top' – in the same way that all business issues that impact the bottom-line do!

So, how do you improve/install good succession planning in your organization? You can start by thinking about your mission-critical roles – so that's most of them. It must be the CEO and the C-suite and functional leaders (marketing, manufacturing, sales...), business unit heads, country heads, specialist positions in R&D and innovation – at least!

And then be very clear about the role and leadership requirements (competencies).

Assess risk – what is the likelihood of retirement/turn-over/promotion in those mission-critical roles? So, that's a good start – and also the 'easy' piece. The more difficult piece is assessing who we have for what roles, what do we have to do to get them ready and when they will be ready?

Most organizations are well-aware of the 9-box grid that is used to locate an individual's performance and potential. Unfortunately research shows that most talent review processes don't use the 9-box effectively; they are too narrow, don't go deep enough into the organization and are often very subjective.

Most importantly, we know that most executives and managers confuse performance and potential.

The reason for this confusion is often that they do not have a good definition or a valid measure of 'potential'. In their 2005 High-Potential Management Survey, the Corporate Leadership Council found that "71% of high performers are not high potentials, whilst 93% of high potentials are high performers!"

Read that statement carefully... The implication is that when it comes to the "crystal ball" of assessing potential, most managers use "today's performance – because that

should predict tomorrow's performance!" That is not true, however.

The psychological construct of Learning Agility is the only known measure of potential where research shows the individuals with high levels of Learning Agility are more successful after promotion.

Unfortunately, many organisations operate using the well-known 'Peter Principle' which states that "organisations tend to promote people to the level beyond their competence!"

The sad thing is that they don't find out until they have!

In their paper "There are seven CEOs working for your organisation today – do you know who they are and do you know what to do?", Eichinger and Peters show that every organisation has at least seven CEOs in the making – one or more at every level below the current CEO.

To be "Successful in the World of Succession" the only requirements are to: identify these people early, develop them correctly, retain them successfully and utilise their skills wisely!

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