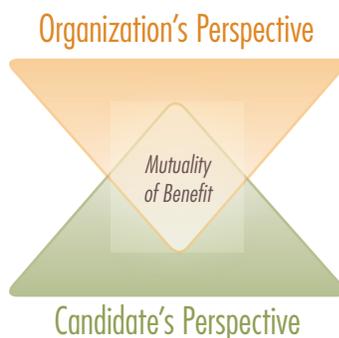


Succession Planning Done Right

A Best Practice Guide for Organizations and Candidates

by George Klemp

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INTRODUCTION

Succession planning is the process by which a company identifies and develops people inside the organization who are able to take on senior management roles. Most companies have some form of succession planning in place, although few of them do it particularly rigorously or well. Because of this, a significant percentage of new CEOs come from the outside, and a significant percentage of CEO's promoted from within aren't very effective in their jobs.

A balanced and thorough succession plan provides significant long-term benefits. In addition to supporting the company's current strategic goals, good succession plans cultivate leadership that is flexible and agile enough to help the company survive market disruptions and other unexpected events.

While a properly managed succession plan focuses primarily on identifying and developing talent within the pools of potential successors, it can also have positive external effects by incentivizing broader professional development within the organization. With a thorough succession plan, organizations also create a framework that facilitates measuring talent development outcomes. This too, can create positive effects on the success and profitability of the business.

Although replacement planning is an important aspect of succession planning, it is inherently a short-term solution with no guarantee that the designated candidate will actually get the next job.

While replacement planning usually falls to the job incumbent and talent review is the purview of the HR department, succession planning is the CEO's and the Board's responsibility.

Succession Planning Is More Than Replacement Planning or Talent Review

In some organizations, succession planning takes the form of replacement planning: designating executives who could move up should a key senior leader role become vacant. Although replacement planning is an important aspect of succession planning, it is inherently a short-term solution with no guarantee that the designated candidate will actually get the next job. A robust talent review process is also an important component of succession planning, but talent review is really about people, not jobs. It helps organizations to identify high-potential talent at all levels and to staff positions on an ad hoc basis with people who have the necessary critical skills and experience.

Succession planning, by contrast, is characterized by:

- A broader scope
- A connection to business challenges and strategy
- A long-term view of talent identification and development
- A focus on the top jobs *and* the people who could fill them
- A concern for having more than one person to fill each of those jobs as the need arises.

When we look at the differences among succession planning, replacement planning, and talent review, several clear differences emerge:

Dimension of Difference	Succession Planning	Replacement Planning	Talent Review
Responsibility	The CEO and board of directors	The job incumbent is expected to identify his or her successor	HR department
Scope	Broad, including both direct reports and candidates elsewhere in the organization	Narrow; generally limited to direct reports	Narrow; generally not linked to organization strategy as succession planning is
Time Horizon	10+ years	1 year or less	1–2 years

Let's start with a look at how organizations fill their succession talent pipeline. Think of this as the "demand side," a review of what jobs need to be filled and who might be ready now or ready soon to fill them. Then, let's look at succession planning from the candidate's perspective: what does he or she need to know and do to be prepared for advancement to one of these jobs?

The key is for the organization to understand which traits are most important from a strategic perspective and how they underpin leader effectiveness over the long term.

Position Profiles take into account:

- Responsibilities
- Business challenges
- Performance expectations
- Current and 5-year future needs
- Functional knowledge
- Business experience
- Personal competencies

THE ORGANIZATION'S PERSPECTIVE

Succession Planning Begins and Ends with DNA

Cambria's observation is that companies that understand and embrace what makes them distinctive and differentiated from their competition are likely to be more successful. You can think of these differentiators as the DNA of the company. Successful organizations generally start by hiring people with that DNA, and then accelerating their development throughout their careers.

When Jack Welch took the helm at General Electric, he defined the company DNA as "speed, simplicity, and self-confidence." This became the prescription for how GE and its people must act. Other companies may focus on other traits, such as intellectual curiosity, raw intelligence, and being a team player. The key, though, is for the organization to understand which traits are most important from a strategic perspective and how they underpin leader effectiveness over the long term. With a good match between company DNA and company strategic objectives in place, effective succession planning takes the long view of talent development, with a 5, 10, or 15-year perspective on growing talent to support succession needs.

Focus on Critical Positions First

When you think about succession planning, the first thing to consider is the critical succession jobs the organization must fill and what will it take to fill those jobs. At Cambria, we create what we call a *position profile* for each succession job. The position profile contains the responsibilities, business challenges, and performance expectations that describe the content of the job, taking into account what's needed for today as well as five years from now. It should also include the functional knowledge, business experience, and personal competencies needed to carry out those responsibilities, challenges and performance requirements. It takes a lot of work to do this well, so not every enterprise-level job should be designated as a succession job. Current incumbents are the primary source of information used to build position profiles but not the only ones; the CEO and Board will also have ideas of their own.

Organizations should have two to three candidates ready to assume every succession pool position in order to mitigate the risk of external hiring.

Pool Candidates and Positions

Large companies with fifty or more succession jobs are likely to find that some of these jobs share a number of characteristics such as required business experience, business challenges, and competencies. These positions can be grouped into pools based on their similarities, thereby reducing complexity where it makes sense to do so. By pooling positions, the company can provide opportunities for successor candidates to be considered for more than one job. In addition, talented individuals can see more possible opportunities in their career path. This can inform career development options far in advance of one's being considered for a critical succession role.

The same pooling process also applies to candidates with similar experiences and competency profiles, based on the outcomes of the talent review process. Pooling candidates allows an organization to see at a glance where it has strengths in particular areas (e.g., manufacturing, sales, key staff roles) and where it needs to focus attention on filling other pools where talent is needed.

Identify Vulnerabilities

In an ideal world, an organization should have two or three candidates who are immediately ready to assume every position in a pool. In most organizations, this is not the case. If there is no one ready to fill a key position, you need to hire from the outside, bearing in mind that the failure rate of outside executive-level hires is greater than that for people promoted from within.

A different kind of vulnerability exists when you have a few people who could fit into many pools, which means that you do not have as many successors as you think for a given position. Additionally, when identifying candidates who are ready now and those who may be ready soon, the talent review process can inadvertently overlook talent pool diversity. For this reason, you also need to check whether there is enough diversity in the talent pool.

Finally, the organization should not assume that a person designated as a potential successor is actually interested in any of these jobs. Simply asking the candidate if this is part of his or her career game plan can easily avert this vulnerability. In any event, regardless of how candidates are identified, development conversations need to happen before key positions have to be filled in order to get people engaged in the process and ready in time to fill a key vacancy.

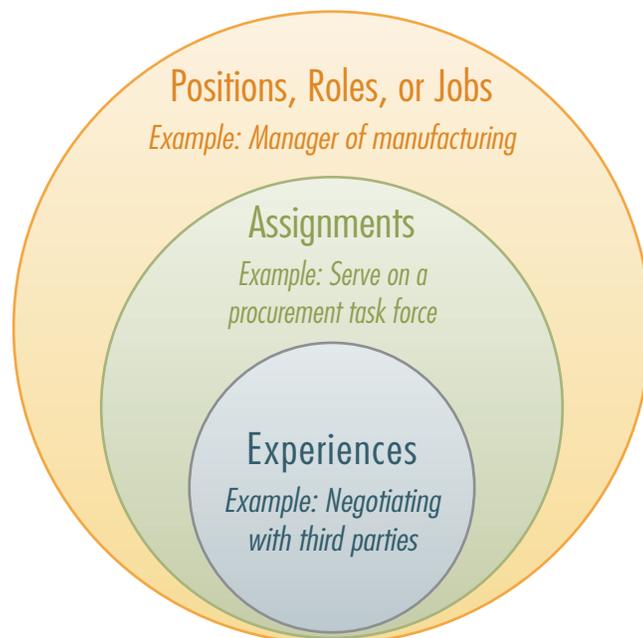
Focusing on assignments instead of jobs clarifies the experiences needed to fill the top jobs while signaling the career path that a high-potential employee should take to be a succession candidate.

Close Gaps with Experiences

A typical career progression consists of promotions to positions with increasing levels of complexity, challenge, and span of control in a particular business unit or function. In addition, there may be other positions that a successor candidate should have had, either because they provide specific needed development experiences or are part of tradition (for instance, a company may expect that no one gets to an executive position without a tour in finance). Another way to think about developing successors, however, is to focus on the types of assignments that a candidate should have rather than specific positions or roles that provide necessary experiences for honing leadership and management skills.

For example, let's assume that a manufacturing manager has been identified as a high-performer with the potential to join the succession pool. If this candidate is promoted along org-chart lines, he or she may miss out on essential experiences that a top leader needs in order to perform well. An understanding of pivotal experiences, the capabilities that they help to develop, and the assignments that provide those experiences, is important.

The illustration on this page shows the essential differences among jobs, assignments and experiences. The job of manufacturing manager includes a host of responsibilities, challenges, and performance objectives. As part of his or her responsibilities, this person might be assigned to participate on a task force on procurement as part of a cost reduction initiative.



CASE STUDY

A global energy company identified the pivotal assignments a high-potential individual should have at different phases of his or her career. These stretch assignments were chosen because they provide key leadership experiences.

In the first five years, he or she should get a “nuts and bolts” assignment (e.g., in-plant, face-to-face sales, etc.), supervisory experience, and membership in a cross-functional team. In the next five years, he or she should get assignments in two or three different disciplines, an international assignment, and a job with a profit and loss (P&L) target. In the five years after that, he or she should lead a large business unit, set up a new organization, or turn around a failing business, depending on the experiences and competencies needed to fill a particular position pool.

Focusing on assignments instead of jobs helped identify the experiences needed to fill the top jobs while signaling the career path that a high-potential employee should take to be a succession candidate.

In this assignment, he or she might also be involved in negotiations with suppliers to work out agreements that benefit all parties while keeping the company’s interests foremost in mind. Experiences like this can be identified to target developing the competency of negotiation skill.

The key, then, is not to start with the job or assignment, but with the competency that the person needs to develop. Then, identify different types of assignments in which the person can get the experience that will require him or her to develop the competency.

Identify Jobs that Provide Pivotal Experiences

Most organizations have particular positions that provide especially valuable development experiences. For example, an overseas assignment may provide experiences like establishing a beachhead in a new market, collaborating across culture barriers, and innovative thinking. These positions should be reserved as pass-through jobs for succession candidates. The best way to identify these jobs is to ask successful high-level leaders what experiences were pivotal for them in their own development. Making these jobs available as development assignments for potential successor candidates, however, is often not easy. In many companies, these jobs may be held by long-time incumbents who like being in these jobs and are good at doing them. The senior leadership of these companies should recognize the value of these jobs for developing successors and move to unblock them where possible.

These opportunities give emerging executive talent the freedom to try new approaches, make mistakes, learn from experience, and develop as leaders.

If you have a person in the succession pool with significant potential but who has never managed a turnaround, the organization should consider making the investment in giving them that experience as a developmental challenge.

Another way to develop great leadership experiences that doesn't depend on unblocking pivotal jobs is to identify or create what GE has called "popcorn stands." These are small new business ventures or non-core business units where high-potential people can sharpen their skills without hurting the overall enterprise if they fail. These opportunities give emerging executive talent the freedom to try new approaches, make mistakes, learn from experience, and develop as leaders. (Occasionally, what started out as a popcorn stand was "ruined" by being turned into a thriving new business. Not a bad outcome at all!)

The CEO Drives the Process

As noted earlier, succession planning should be the responsibility of the CEO and the Board; however, the CEO needs to own the process. This is because the process must be driven by someone with the power in the organization to open up key developmental assignments for high-potential candidates in the succession pipeline. This is generally only the CEO, or certainly someone with more power than the candidate's manager.

The other thing the CEO can do is take the chance on someone who hasn't had a particular business experience and put him or her in a role that someone else might take because they have been good at it in the past. For example, if a job opens up that involves turning around a failing business, the usual move is to give that job to someone who has done a turnaround before. This is sometimes called the "safe fill". However, if you have a person in the succession pool with significant potential but who has never managed a turnaround, the organization should consider making the investment in giving them that experience as a developmental challenge, while also providing a safety net in the form of a mentor, sponsor, or advisor to support the person's success.

THE CANDIDATE'S PERSPECTIVE

Discounting or devaluing the candidate's perspective on succession can actually jeopardize the results of the process. By keeping high-potential people in the know about their status as succession candidates, they become engaged and psychologically prepared for the rigors of the process while increasing their commitment to staying with the organization. By considering the candidate's perspective, you can develop a higher-quality pool of successors and realize a mutuality of benefit wherein both the candidate and the organization win.

Let the Candidates Know

Organizations constantly struggle with whether they should let their high-potential people know that they are in the high-potential talent pool. Other people in the organization already have their ideas, right or wrong, about which people are the high-potentials, often based on their promotion history, the positions they hold, and the time senior managers spend with them. In many companies, however, the high-potentials themselves have no idea that they are on the list, particularly if they are on the list of succession candidates.

There are two good reasons why Cambria recommends informing candidates that they are being considered for a succession pool. First, as noted earlier, it would be good to know whether the person aspires to or wants any of these jobs; otherwise, you have a false sense of how deep the succession talent pool really is. Second, by not telling someone that they are being considered as a successor, they may take an opportunity to join another company if they don't see their career going anywhere.

What to Tell the Others

A different issue is whether you tell others that they are not in the succession pool. Here, the fear is that those people will try to find another job in a different company if they learn that they are not “on the list”. What we found at one company, however, is that this did not happen when those people knew their status. Instead of leaving, they wanted to know what it would take to get into the succession pool. If the requirements for being in a particular succession job were clearly stated, as they would be in a position profile, and the necessary experiences and performance levels were attainable, then those who wanted one of those jobs could take the initiative to jump-start their own development and become a contender.

Transparency is the Key

Whether an individual is in the succession pool or not, it is important for the organization to be clear about what it takes to become a member. A track record of stellar performance in a variety of assignments is normally a prerequisite. Other prerequisites may include having specific areas of expertise, having dealt successfully with ever-increasing levels of challenge and responsibility, and having demonstrated the ability to implement new strategies and build high-performing teams. Lastly, personal characteristics, such as energy level, resiliency, focus, and intellectual curiosity are typical hallmarks of great business leaders.

The criteria for membership in the succession pool should be clear and directly linked to the business strategy, the challenges of the role, and the expectations of the culture.

Lest we forget, high ethical standards, honesty and personal integrity should also enter into the mix.

Whatever they may be, the criteria for membership in the succession pool should be clear and directly linked to the business strategy, the challenges of the role, and the expectations of the culture. Being transparent won't completely rule out political considerations in the choice of a successor; for example, being likable and a good team player are often deciding factors. Nevertheless, transparency signals what it will take to get to the top — and why these things are important.

Conversations with the Candidates

Once successor candidates have been identified, have a development conversation with them. They should know why they are in the pool and what will be expected of them in order for them to be ready to move up when the time comes. Focus the conversation on the experiences and strengths the person has that put him or her into the pool and what he or she will need to do to be ready.

Rather than highlighting weaknesses or gaps, the conversation should be about the requirements of the next job or jobs. This allows the person to reflect on what takes to be considered, the kinds of knowledge and experiences he or she needs, and the assignments and experiences that will best prepare him or her for the next opportunity.

CASE STUDY

A Fortune 100 large-equipment manufacturer that was poised to grow from servicing a primarily North American market to a global market had a very strong suite of existing leadership strengths in the form of core market expertise, logistical expertise, manufacturing expertise, and plant operation expertise. However, for any company, going global requires a different focus on acquiring new skills and more collaboration across the business to meet the unique needs of new regions and markets. This illustrates the need to look beyond merely cultivating the same leadership qualities that have proven successful in the past. Those leadership qualities will probably support continued success in the North American market, but a different configuration of qualities will be needed to support the company's globalization strategy.

It's not the specifics of the experience that are important; it's all about the competencies that the experience is designed to develop.

Create Targeted Development Plans

It is very helpful to give successor candidates learning experiences such as assignments filled with new challenges along with the understanding of what these assignments are intended to do for his or her development. When moving a person into such an assignment, there should be a learning contract that spells out why the experience is a good one, what gaps it is expected to close, and what competencies it is designed to develop. For example, if the person has not had the experience of developing relationships with stakeholders outside of the company, and this is an important competency for the next big job, one possible assignment might be leading a joint venture. Alternately, a targeted development plan can have the candidate join a board to gain director experience. Again, it's not the specifics of the experience that are important; it's all about the competencies that the experience is designed to develop.

Don't Make Promises You Can't Keep

One of the reasons for organizations not letting people know that they are on the succession list is that those people might think that they have a guarantee of getting the next job. Therefore, it is very important to set realistic expectations at the outset. Even if the candidates do everything right and fulfill their development plans, the best we should be able to guarantee is that they will be competitive for whatever openings may occur.

You can't predict how future events will affect the requirements for successor jobs, particularly that of the CEO. The financial meltdown of 2008–2009 upended many assumptions about the challenges that companies would face. Other occurrences in the industry, such as merger activity and the emergence of disruptive technologies, can dramatically alter succession position requirements as well. Therefore, all the organization can do is to provide the opportunity for a successor candidate to be competitive, but circumstances may dictate that a different person will be better suited to the job when the time arrives.

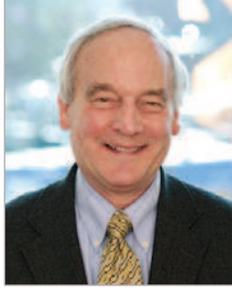
CONCLUSION

Succession planning is fundamentally straightforward if you think about it: What is our future strategy, what are the roles that are needed, how do we articulate those roles, what do people have to have in terms of experience and competency, and can we assess people against those dimensions well? If we do these things and we identify gaps, do we have a strategic plan to close those gaps for people? Do we have the jobs and assignments in our organization that will provide the on-the-job experiences needed for these people, because a lot of what you need to learn is on the job?

Answering these questions and consistently applying a succession plan that considers both the organization's and the candidate's needs will increase both successor and company performance.

In your succession planning effort, keep the following in mind:

- Have a 10-to-15 year perspective in developing successor candidates. Identify high-potential people early and make sure that they get a variety of stretch assignments throughout their careers.
- Make sure that the organization's vision and goals are stated so clearly that they can be easily translated into succession planning initiatives.
- Create a process that addresses future needs and skills, not just current needs and contingency requirements, and establish pools of both successor positions and talent.
- Focus development on getting experiences that fill gaps, not just particular jobs or general leadership education.
- Make succession planning a priority for the CEO; use the power of that position to open up key development jobs and take risks to put potential successor candidates into jobs with real consequences.



About the Author

George Klemp is one of Cambria's founding partners. He leads Cambria's executive assessment practice and co-leads the consulting practice. George has more than 35 years experience in consulting and assessment and is an acknowledged thought leader in the field. He helps his clients define and develop the leadership qualities that are essential to their business strategies, as well as implement competency-based talent development programs that boost organizational performance. His clients have included a variety of leading organizations, including Accenture, Assurant, CVS Caremark, Deloitte, Exxon Mobil, Fidelity Investments, Limited Brands, Microsoft, Timex, and United Technologies Corporation.

About Cambria Consulting, Inc.

Over the years, Cambria has bench-marked the practices of companies known for their talent development and succession effectiveness, including:

- Alcoa
- Corning
- Deloitte
- ExxonMobil
- General Electric
- Intel
- Marriott
- Merck
- PepsiCo
- United Technologies
- Xerox

We have also advised other organizations on incorporating succession planning best practices into their talent management processes. Although we found that each organization does things a bit differently and that there is no one best way to manage succession planning, there are a number of essential principles that create a framework for how to have the right talent at the top when needed.

