

Succession Management— What's Missing?

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The Right Person,
In The Right Position,
At The Right Time...

Every Time

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“Megatrends such as the dawn of the Knowledge Economy, rapidly changing demographics, and the increase in globalization and outsourcing are creating a war for talent – challenging the way companies attract, develop, motivate, and retain their human capital assets.”
(ThinkEquity Partners’ 2008 Industry Report).

As we move into the second decade of the 21st century, Human Resource Professionals are faced with a new set of challenges. There is significant dissatisfaction with the adequacy of existing talent management practices for meeting these challenges. This is particularly true for leadership talent management. Talent management practices for leaders are both inefficient and ineffective. Recent survey results published by Development Dimensions International in concert with the Economist Intelligence Unit indicate:

- **55%** of business leaders feel their organizations are sub-par at **identifying** leaders
- **50%** of business leaders feel their organizations are sub-par at **developing** leaders

These shortcomings are even more pronounced in the area of succession management. Upcoming baby boomer retirements coupled with high executive failure rates and ever shrinking and flattening organizations have caused corporate directors, CEO’s, and Senior Human Resource professionals to wonder where successors are going to come from and how ready will they be to assume key roles. There is little confidence in current practice:

- **16%** of corporate directors feel they are effective at succession planning (National Association of Corporate Directors, 2008)
- **38%** of HR leaders rate their succession management practices as effective or very effective (High Impact Succession Management Study, 2009 Center for Creative Leadership)
- **70%** of organizations surveyed plan to modify their succession planning processes (Succession Management Survey 2006, Institute for Corporate Productivity)

Why the wide-spread dissatisfaction with succession management? We feel there are a number of core contributing problems.

Problem 1: The Basics are Not in Place – Limited Talent Measurements

“Clearly identifying the characteristics (skills, knowledge, personality, etc.) required for successful performance, and then evaluating talent against those characteristics must be at the heart of any talent management System.”

(Survey from the Conference Board 2008 Talent Management Strategies Conference)

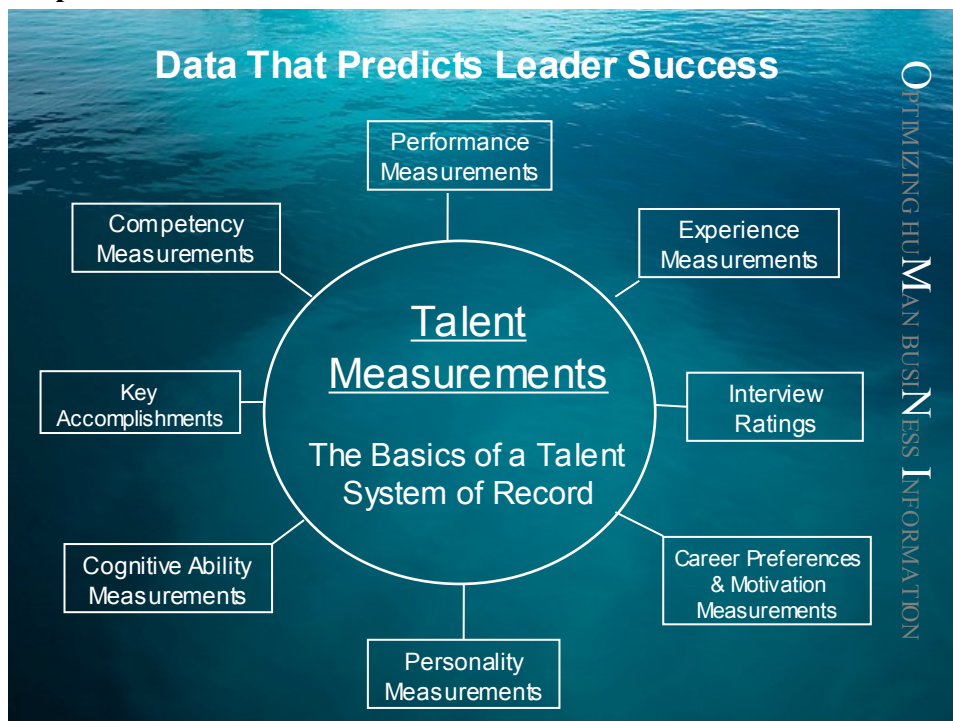
In order to evaluate talent readiness for a key role, you need three core elements:

- clear and sufficient definition of the requirements for success in the role
- reliable and predictive talent measurements relevant to the requirements
- method for comparing or matching role requirements with talent profiles

Too often, organizations naively feel that they “know” their leadership talent and key roles and can make accurate subjective determinations of “fit” and “readiness” of potential successors for key roles. There are limited attempts to bring in objective data beyond personal observations and opinions. These practices have resulted in high failure rates. A Manchester Consulting study found that 40% of newly promoted leaders failed within the first 18 months of being placed in the role. Another global study conducted by Development Dimensions International found that one third of internally sourced leaders fail.

However, there is extensive research that demonstrates there are proven predictors of leadership success and argues that these predictors should be routinely gathered and considered in the context of succession. These proven talent measurements for leaders are illustrated in Graphic 1.

Graphic 1



Problem 2: No Common Framework for Predicting Fit and Readiness – Limited Consideration of the Business Context

While the first problem focuses on a lack of talent measurement, this problem focuses on a failure to consider unique situational or work context variables. A CIO position in one company may demand a very different set of executive qualities than a position in another company even though their position descriptions may read very similarly. This is because so much of leadership success depends on the business context surrounding a role. *What are the key challenges facing the role? Updating and integrating internal systems? Creating a new product development vision and implementing new product development processes? What is the culture of the company? Is it entrepreneurial? Is it overly conservative? What are the key stakeholders' and senior executive teams' characteristics and expectations? Who will fit in and who will not? How is the role evolving? Is what is required today going to fit with the future?*

Let's review the conceptual model of leadership success illustrated in Graphic 2. It highlights the interaction between talent measurements (in blue) and the business context (in red) in predicting successor readiness for a given role.

To evaluate the potential success of a given leader in a given role, we start with understanding their “hard-wired” characteristics or raw potential. What are their natural cognitive capacities and innate behavioral predispositions (i.e., personality profile)? How does their core profile compare to the requirements of the future role, is there a match? If the future role requires high energy and collaborative influence, are these natural predispositions for the individual? If the business challenge for the role is to carve out a strategic vision from complex and ambiguous data, are we comfortable with someone with mediocre abstract reasoning skills?

Graphic 2



Next, we must understand where the talent is most motivated to further develop their raw potential. Is there a good fit between their motivations and preferences and the realities and opportunities of the future role? For example, if they are highly motivated by entrepreneurial opportunities, are they a good fit for a future role that offers limited entrepreneurial opportunity? What is their interest in advancement, travel, or global assignments? These interests may have significant impact on their “fit” for certain future roles.

As we continue our evaluation, we must understand the leadership experience foundation of the individual. Have they been afforded the right experience opportunities to transform raw potential into leadership competence? Are there key experience gaps in their profile relative to the experience requirements of the future role? If the business context requires working through a down turn cycle, does the talent have any experience in turn-around situations? If the future role requires extensive business development or product development experience, how does the talent’s experience compare to other potential successors in these areas?

The final talent measurement consideration is demonstrated competencies, both leadership competencies and technical or functional competencies. Here again we must consider if the talent’s competency profile is consistent with the demands of the future role.

Problem 3: Gathering Relevant Data is Manual— Not Automated

While information on physical and financial assets is relatively structured and readily available, information on talent assets is largely unstructured and difficult to assimilate. Human resource professionals may take weeks to pull together information for a succession review event. Preparation is likely to include gathering many different types of information such as assessment data, performance data, development data, and historical data. Unfortunately this information is likely to be found in various information systems such as performance management, HRIS, and learning management or exist only in paper form (a 2006 Aberdeen Group study found that 62% of companies still rely on a paper based solution).

What is needed is a leadership talent “system of record”. A system of record produces a comprehensive and reliable foundation of data that is then leveraged to produce a consolidated succession management report. The report would take clicks instead of weeks to produce and would include all of the data needed to evaluate successor readiness. Key data areas would include background data, motivations and preferences, experience foundation, leadership competencies, technical/functional competencies, personality profile, and key accomplishments. Ideally, the degree of “fit” or readiness would be quantified relative to a unique position with specific gaps identified so that appropriate developmental actions could be taken (see Graphic 3).

Graphic 3

Individual Succession Summary Report - Susan Kadecky

Target Position - CIO

July 21, 2009

Readiness - Ready in Twelve Months

Leadership Level: Senior Executive

Competency Source: CIO Talent Reviews (5/11/2009)

Results Source: CIO Talent Reviews (5/11/2009)

Potential Source:

Sub-group: Southern, Florida, IT

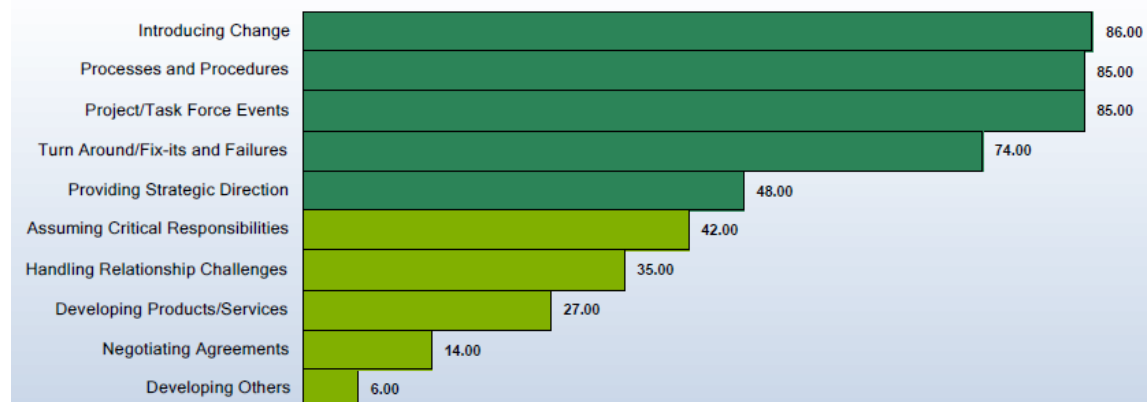
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Norm Standing on Experiences Critical for Position Success



A consolidated report would also include data that was uploaded into the system of record. The net result would be a single powerful report, easily generated, that truly informs and drives effective succession management decision-making.

By addressing these problems, your organization can feel confident that the best succession decisions are being made to ensure success.

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