8 Mistakes Made In Succession Planning … and How to Fix Them

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Succession planning is critically important, now more than ever. What is it? Why is it important now? What are common areas where succession planning goes wrong … and what can be done?

What Is Succession Planning?

Succession planning (or management) is a systematic approach to ensuring that an organization has a steady, reliable pipeline of talent that will meet its future needs in leadership and other linchpin roles.

The business case for succession planning is not new, but the business mandate has never been stronger. The labor market – both the demand and supply sides – continues to shift. In the U.S. for example, the shifting age mix of workers brings to the fore the need for effective succession planning. We have all seen statistics like these: the Bureau of Labor Statistics (BLS) and the Census Bureau project that there will be almost no growth in the number of younger workers (e.g., age 25 to 44) in the U.S. labor force in this decade. Meanwhile, the number of workers age 55 and above will grow by over 40 percent. Besides the common sense need for succession planning given these statistics, it has also been shown in research studies that companies who do effective succession planning have better business results. For example:

- The DDI Leadership Forecast (2005-2006) showed that companies with stronger leadership development systems enjoy higher returns on equity and profit when compared to their competitors.
- A Hewitt Associates and Human Resources Planning Society report (2005) showed that the majority of top financial reporting companies (85% of the top 20 in a field of 373 companies) hold their leaders accountable for developing talent, compared to just 46% of leaders in the non-top companies.

Everything doesn't always go smoothly with succession planning – bumps in the road, wrong turns, and other challenges can come up. Let's look at some real-world examples. Do any of them sound familiar?

Case Studies:The 8 Mistakes and Their Fixes

The stories below are "hybrid case studies" from our succession planning consulting – no case represents a real company, as all details are disguised. We base these hybrid case studies on succession planning challenges and opportunities that we see again and again.

<u>Mistake 1:</u> Assume that succession management is "just an HR program" rather than a core senior management program.
Company ABC was hell-bent on implementing succession planning. They went at it two different times with two different heads of HR before they gave up. They spent big dollars on an automated system (a very popular one) the second time they tried – and they couldn't get it rolled out. The problem? Succession planning was driven out of the HR office and it did not have support from the CEO, COO, or the senior leadership team (SLT). The SLT had been paying lip service to HR. Later, succession planning became a board-level priority … and then an SLT priority. With this level of support, the company was successful on the third try with the third HR head.

<u>Mistake 2:</u> Fail to be flexible when flexibility makes better business sense.
Company DFG wanted to roll out succession planning across their organization. They had a very enthusiastic senior leadership team with real commitment – no problem there. The

business unit (BU) heads were also enthusiastic; however, one of the BUs was acquiring another company and requested to be "out of scope" for the rollout of succession planning. The CEO and COO did not agree to this request, and the BU plus its new acquisition was included in the implementation. The acquisition was completed (correct priority), but the quality of the succession work in the BU was lacking and incomplete. It became an "exercise." The BU senior team did not have the bandwidth to accomplish both a merger and succession management in a quality way. In retrospect, all agreed that the BU should have been "out of scope" and picked up later or "off cycle."

Mistake 3: Try to do too much, too fast.
Company HJK had an informal, manual succession planning process at the CEO's direct report level across four large business segments. The CEO drove a stake in the ground that succession planning was now a business priority: right message, good high-level support! The HR organization was charged with designing the system to be rolled out. HR was asked to "automate" the process as part of the roll-out. The IT organization worked with HR to modify an off-the-shelf solution for implementation. It was decided to start with rolling out a pilot – great decision! However, a number of delays ensued, which pushed launch of the pilot into the middle of the fiscal year-end cycle of budgeting, appraisal, and bonus implementation. This resulted in a stack-up of work on the line management team, and the launch of succession planning became "one more HR program" on the backs of the line organization. In retrospect, the head of HR should have identified the "stack-up" problem to senior leadership and pushed implementation out. An alternative would have been to roll out on-time manually and automate later.

Mistake 4: Suffer from internal myopia and assume "nothing will happen to our top people" and that succession planning is something only other companies need to do.
Company LMN is a technology company that started "in a garage" and ultimately became a multibillion-dollar company. The original founder served in various top posts in the company. An analysis of ages in the company showed major "baby boomer suck-out" for 60% of the SLT positions over the next two to four years, which should have served as a major wake-up call. However, when confronted with the data, the founder replied, "Nothing is going to happen to me…." Fortunately, major shareholders and the board reminded the founder of his responsibility to the people who own the company. A succession planning process was introduced that ultimately not only ensured succession but also increased the value of the company on Wall Street.

Mistake 5: Do succession planning in an HR vacuum: fail to link succession to other HR systems.
Company PQR came to us wanting to improve their existing succession planning system. They were into the second cycle of a good process. Scope was about right for this company, and they had done a good job of identifying their top talent. However, they were having problems with retention. Their "best-and-brightest" were walking out the back door. In this case, the HR organization worked in "silos": the staffing head reported in to the VP of compensation, and the HR person responsible for succession planning reported into the training function. We recommended taking an integrated approach to Talent Management. We suggested that the staffing, training, and succession planning people report up through a new position – a new head of Talent Management -- to improve visibility and coordination. We also recommended implementation of an engagement survey, followed by a plan to address issues found, to get a handle on the cause of turnover.

Mistake 6: Try to do succession planning with inconsistent or vague definitions of what constitutes high-quality leadership for the company.
Company RST, in the retail industry, asked us to help them with a problem they had identified:

they believed that the quality of their high potential employees was not where it needed to be. We discovered through a series of interviews that the definition of "high potential" in their setting was not well-defined and, as a result, not well understood. We also learned that the company's good multi-rater assessment was optional and that the definition of high-quality leadership in the company was at best, vague. We recommended implementation of a leadership competency model; a 360-degree assessment process based on leadership competencies; and a clear, tight definition for high potential employees. Business leaders were trained on the process and the quality and consistency of identified high potentials improved dramatically during the next cycle.

Mistake 7: Neglect individual development plans as a part of succession planning.
Company UVW was doing a credible job of identifying key roles, high potential talent, and appropriate successors. However, bench strength (depth of the bench and readiness) was not where it needed to be. During our assessment of their situation, we found two problematic dynamics: "hoarding" of talent and that individual development planning was optional. When development planning is an option in the succession planning process, it rarely, if ever, gets done. We started by designing a program and gaining the CEO's support – the CEO mandated the program. We created an Individual Development Plan (IDP) form, training on the IDP process, and we added an IDP inspection process at the formal annual review. Into the Individual Development Plan process, we layered in emphasis on on-the-job developmental experiences, such as rotations and stretch assignments, as opposed to"off-the-job" formal training programs. Within two years, bench strength and readiness had improved markedly and the silos were coming down.

Mistake 8: After a great start, fail to sustain succession planning.
We have heard the story a number of times about the "one great formal succession planning review meeting we had, but nothing more came out of it." What happened? In our experience, succession planning process must be viewed as an essential part of a company's business planning cycle. Elements of the planning process must be repeated on a defined, regular basis (every twelve, fifteen months or other period appropriate to the business). We recently worked with Company XYZ to ensure that succession planning is sustained following the "hugely successful formal succession planning review meeting." To reinforce the work done at the formal meeting, we designed and helped with a short meeting six months after the formal meeting. This "Development Review Meeting" focused on a much smaller segment of the population reviewed formally. The goals of the meeting were to review progress on individual development plans and to target rotational/stretch assignments and cross-organizational moves. Leaders were invited to talk about one or two of their "best-and-brightest" and bring potential developmental assignments in their organization to the table. This created a talent marketplace, resulted in rich discussions and concrete, measurable follow-up actions to the formal review meeting.

These 8 mistakes and their resolutions demonstrate these benefits of effective succession management:

- Uses a step-by-step process that determines the bench strength in critical areas of business capability and management competency
- Permits cross-organizational sharing of people
- Maintains a diverse pool of talent
- Ensures you have leaders to fulfill your business plans
- Reduces turnover of key top talent

- Reduces replacement cost
- Creates better quality data and decision-making about candidates

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