



#### PEOPLE & ORGANIZATIONS

## Who's Next? 4 Steps To Effective Succession Planning

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### OVERVIEW

Look around. Future leaders are everywhere. Today's intern could start tomorrow's billion-dollar company.

But how do you plan for tomorrow's leaders and what is the role of succession planning? Often misunderstood, succession planning is not simply naming a leader to a key role when a position needs to be filled. Instead, it is a much more robust process that many experts believe begins at day one, when talent steps into a role.

Attracting and developing tomorrow's leaders is increasingly becoming a board-level priority – a process that should engage senior leaders at every level of an organization. Organizations that prioritize talent development as an ongoing discipline often see that their talent pipeline is ready for the natural – expected as well as unexpected – need to name a successor in key roles.

Yet about a third of companies don't have a plan: One survey of senior executives from public companies, portfolio companies, and private equity firms found that 31% said their organizations provide no formal preparation or training whatsoever for the successor to their current CEO.

While succession planning tends to focus on senior level roles, organizations that embrace leadership development throughout the organization are well positioned to have a talent-focused culture that thinks about talent at *all* times. When accountability for naming tomorrow's leaders is driven from the top, succession planning becomes a natural process that's already woven into an organization's culture. It is well-executed over time with senior leaders taking responsibility for cultivating and engaging talent over the course of everyone's career.



## IN DEPTH

For any organization, the right talent in the right role is key to success. A good succession plan should also include ways to smoothly manage people out of key positions if they turn out to be unsuited for them.

"To successfully plan for tomorrow's leader, executive management teams should assess leadership skill gaps throughout the organization and develop internal high potentials to be added to the internal successor pool throughout the organization," says Francine Tremblay, Vice President, Talent, Rewards and Performance, Aon Hewitt Canada.

Lorraine Stomski, Ph.D, Partner and Global Practice Leader for Assessment and Leadership, Aon Hewitt, agrees, "management should take a disciplined, fact-based approach to ensure the firm does not have vacant seats or inadequate skills in critical roles."

To help with this over the long term, the best succession plans also involve robust strategies to enable and encourage employee development and career progress within the company at all levels, not just at the top. By prioritizing long-term talent development, organizations have a better chance of ensuring future business performance, and also calm shareholder concerns by communicating how talent – current and future – aligns with the long-term vision.

### Effectively Managing Leadership Change

An effective succession management process accelerates and ensures smooth leadership transitions, explains Stomski.

In most companies, it is appropriate to engage the board *before* a decision is necessary. An agreed upon approach outlining which skills and experience a potential CEO candidate should have helps management teams align on needed leadership traits well in advance of an actual need. No organization can expect to have the best leaders without a robust plan to attract and keep them. After all, if having the right employees with the right skills is important, having the right people setting the direction, culture, and practices of the company is even more important.

Finding the right leader can take significant time, effort and research. Without a plan, leaders are too often chosen for bad reasons – perhaps because of board members biases, a need to calm vocal shareholders, or because a decision needs to be made quickly. "When leaders aren't aligned in their definition of top talent, not only might they choose leaders that aren't the right fit for the role but overall, the pace of which they need to develop talent doesn't match the speed of their growth initiatives," warns Tremblay. "Leaders need to try to eliminate any personal biases so they are assessing individuals using well-defined and founded assessment methods."

A truly effective succession management approach means not just identifying, but also assessing, developing, and transitioning potential successors for senior executive roles – often far in advance of there being a vacancy.

However, to truly drive results, "the assessment must focus on the organization's mission, values and challenges; support long-term growth and desired change; and perpetuate the enterprise by ensuring a leadership pipeline," Stomski says.

### Four Steps For Effective Succession Planning

Proactively identifying high potential individuals is central to effective succession management. This means developing talent further down the organization; to use a sporting metaphor, ensuring that the organization has "a strong bench."

In order to assess whose talents to develop, a robust talent assessment process is key – and this is not as simple as looking at resumés and performance review feedback. A proper talent assessment strategy will:

1. **Evaluate potential successors** – at all levels within the organization – based not just on the requirements of today, but also of the future, to ensure that the skills needed are present among all candidates.
2. **Incorporate open discussion** – amongst senior leaders to ensure alignment on the types of skills and traits needed by future leaders.
3. **Examine the candidate pool for critical roles** – the best succession management plans have three or four potential successors who are either ready now or soon, to take on each of the most important roles in the organization.
4. **Align leaders with organizational strategy** – to assess the strengths needed to continue to advance the long-term vision of the organization

There's also the question of how transparent to make this process. With an active plan to identify and develop existing employees with high potential for future leadership roles, this can prove a powerful tool for retaining top talent and ensuring that successors are still available when they are needed.

### **Eight Lessons For Building a Talent Culture**

Developing the right talent in the first place is an underrated aspect of succession planning. After all, the ability to pick out employees with potential is only as useful as the number of employees who have potential.

"The leadership pipeline starts as soon as new hires come in the door," says Stomski. "Once the right talent is on board, the onus is on senior leaders to begin cultivating the talent bench."

The organizations which do this most effectively tend to do the following:

1. Hold sessions to work out who should be in the leadership program several times a year.
2. Ensure clear accountability in the talent review process.
3. Actively involve senior management.
4. Give everyone in the organization an individual development plan so that each employee knows which areas they most need to focus on.
5. Customize the training they offer so that each employee can receive training in the area they most need to improve.
6. Use annual developmental events to offer tools, provide a focal opportunity for training, and motivate employees.
7. Ensure career development meetings result in action items.
8. Focus on building a pipeline of talent 7 to 10 years before executive level.

### **To Develop Tomorrow's Leaders, Get Today's Leaders Involved**

The organizations that are most successful at building a strong bench are those that demonstratively value talent. Their commitment starts at the top and permeates all levels of the organization. In the very best, says Stomski, "Leaders are on the front lines, involved in the identification, assessment, and development of their high potential talent. They know who the rising stars are, what their needs are, and how they are performing at any given time."

When organizations prioritize a culture of leadership development, "a way of behaving that is woven into every aspect of the business – the culture, the way decisions are made, and the growth strategy – as an ongoing discipline... succession management becomes natural," says Tremblay.

Robust succession planning is no small task and needs to be done with care. Promoting the next cadre of leaders internally will create gaps at the next level of the organization, which is why succession plans for talent need to run throughout the organization.

