



SUCCESSION PLANNING: HOW TO EFFECTIVELY PASS THE BATON OF LEADERSHIP

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As an entrepreneur, you've created a business that has had years of success, guided by a team of executive leaders who are effective, ambitious, and focused. But now the time has come to replace some of them.

When formulating a leadership succession plan, one choice looms as the most critical: inside or outside? That is, will you nurture and cultivate your most promising internal team members for future leadership roles? Or will you seek your successors from the outside, bringing in potentially fresh ideas and perspectives?

There are pros and cons to each approach, as anyone who has been involved in this process knows. The truth is a strategic blend of both internal and external approaches can be highly effective. The key to success lies in maintaining transparency throughout the process, ensuring that all stakeholders are well-informed and aligned. This approach helps prevent any surprises, regardless of whether the chosen successor(s) emerges from within the organization or is sourced externally.

The need for a sound succession plan has never been more vital, given that:

- Executives are doing more job hopping. The number of different companies where executives worked, including their current job, rose each decade—to 3.3 in 2021 from 2.2 in 1980, a 50% rise. More job hopping means more executive holes to fill.
- The number of years the executives worked elsewhere before joining their current company jumped by a third, to 15 years, over that same period. As a result, more outsiders are being hired directly into executive roles. In 1980, 9% of C-suite executives fit that bill; in 2021, it had risen to 26%.

The ultimate goal is to identify individuals who have the potential to exceed current standards – those who can surpass the current leadership in capability. If this potential is not available internally, the search may need to extend outside the company.

There's no sugar coating the fact that it is a long and detailed process. What's more, the market has been faced with a talent shortage, leaving key roles unfilled or filled with personnel not fit for the position.^{1,2} This requires a strategic approach to succession management that includes:

- Creating a continuous pool of strong talent
- Aligning people with the most appropriate roles
- Enabling a business to successfully adapt and change
- Engaging talent by developing and allowing them to contribute
- Enhancing employee satisfaction and engagement
- Improving bottom-line performance through:
 - Lower turnover/improved retention
 - Cost savings
 - Higher performance benchmark

Although succession management has been identified as a critical component for business success, organizations often fall short of “doing it right” for various reasons:

- Organizations do not allocate substantial resources to developing talent, in part due to the lack of focus, attention, alignment, support and attention from senior leadership.²
- Often succession management is not tied to the strategic mission of the organization or integrated into the culture.
- Succession management is viewed as a one-time event vs. a process.
- Organizations demonstrate a lack of follow through on development plans.
- Companies are too often focused on hiring from outside rather than promoting internally.

Following are some key components of an effective succession planning to consider. This plan can be modified to suit the structure and culture of your company.

- **Determine Key Positions:** Identify the key roles within the organization for which successors are needed. If it isn't clear based on which leaders will transition out, identify

them by the critical roles that, if left vacant, could impact the company's performance and ultimately, its success.

- ***Initiate Open Conversations:*** Engaging in open dialogues forms the cornerstone of effective succession planning. It's crucial to initiate these conversations with leaders after the first year in their respective roles, exploring their future aspirations and tenure expectations, both within the organization and beyond.

Flexibility is key, as aspirations may evolve; however, it's imperative that such changes are communicated promptly.

- ***Identify Candidates:*** Pinpoint up to five candidates for each leadership position, especially for higher-level roles, realizing that the greater the responsibility, the more candidates are needed. Ideally, this process should start at least two years before any anticipated leadership changes, allowing ample time for development and transition. And don't put too much weight on past performance vs. potential when identifying successors.
- ***Assess Talent:*** The art of talent assessment lies at the heart of preparing for the future. It's a journey through the current workforce, identifying those with the spark and potential to step into key roles later. This quest involves a deep dive into their skills, competencies, and leadership qualities. While there's no one-size-fits-all assessment tool, a comprehensive approach is crucial. This might include a 360-degree review accompanied by a trust index, detailed analyses of multi-year performance and leadership across various organizational sectors, accompanied by a behavioral evaluation.
- ***Engage the Candidates:*** Engage in meaningful conversations with each potential successor. Together, explore the insights gleaned from these assessments. Discuss their areas for growth in relation to the new role, aligning them with existing or future job descriptions and benchmarks for success.

It's not uncommon for individuals to be flagged as potential successors for multiple roles. This is perfectly fine, provided that each candidate - especially the future leader - is comfortable with the growth trajectory and that there are enough qualified successors to step into any role that may unexpectedly become vacant. It's also ok if some candidates decide that the path of succession is not for them.

- **Form Development Plans:** Once the baton of potential leadership is passed to the chosen successors, the next pivotal step is to formulate comprehensive development plans. These are the blueprints for equipping candidates with the requisite skills for their future roles. This might include a mix of internal and external training programs, mentorship opportunities, job rotations, and other developmental experiences. Think of these as practice sessions, in which each successor is given projects aligned with their prospective roles. It's in these practical scenarios that their capabilities are truly tested, unveiling key performance indicators (KPIs), and highlighting areas for further development.
- **Widen the Responsibility:** Crafting these development plans is not solely an endeavor for the CEO, or C-suite leaders. It requires a collaborative effort, with talent development coaches/specialists, HR professionals, senior leaders, organizational owners, even board members. Each of these stakeholders plays a vital role in shaping the journey of these future leaders; consequently, their involvement is mandatory.
- **Put Board Meetings on the Agenda:** A central component of these practice sessions is ensuring that they involve interactions and presentations to the Board of Directors, privately held company owners, or key senior leadership teams or divisions. Navigating these often high-pressure environments is an indispensable skill for any future leader, and these experiences provide practice in managing these complex dynamics.
- **Establish KPI's:** It's imperative to establish and monitor Key Performance Indicators (KPIs) throughout this process. These indicators become the compass that guides the development journey, highlighting successes, progress, and areas needing attention. By tracking these KPIs, the organization can finely tune the development plans, ensuring that each successor is not just prepared for their future role but poised to excel in it.
- **Conduct Regular Reviews and Updates:** Regular reviews and updates help ensure the viability and relevance of succession plans. These plans must be living documents, evolving to mirror the organization's shifting strategies, structures, and personnel. This dynamic approach guarantees that the plan stays in sync with the overarching goals of the organization. Each successor should actively participate in this process by conducting formal reviews of their work and updating their (KPIs) along with any other significant

changes. Ideally, this should be done monthly in collaboration with their supervising leader – often, the executive whom they are poised to succeed.

➤ **Scorecard**: To streamline this process and enhance visibility, the use of a scoreboard for tracking KPIs is highly recommended. This allows for continuous monitoring of progress and trajectories, accessible to all relevant parties. A transparent and real-time tracking system not only simplifies updates but also provides a clear, ongoing snapshot of the succession journey.

➤ **Communication and Transparency**: Sharing the roadmap of succession with employees not only fosters a culture of openness but also strengthens trust within the organization. When employees are in the loop about succession plans, it inspires them to invest in their own professional growth.

Moreover, each successor should feel free to openly discuss their journey of professional development, whether it's directly tied to the succession plan or not. This openness serves as a powerful motivator, encouraging fellow employees to embark on their own paths of personal and professional growth, which in turn helps to cultivate a workforce committed to continuous improvement and excellence.

➤ **Emergency Succession Planning**: This approach equips organizations to handle sudden departures or unforeseen crises. It's like a safety net, ensuring that the organization remains stable and functional even during turbulent times. Weaving in an emergency component should be approached with the same diligence as the primary plan. A practical approach is to set a recurring monthly date for reviewing and updating this emergency plan. This regular rhythm of updates ensures the plan remains current and relevant.

➤ **Diversity and Inclusion**: Embedding diversity and inclusion into the fabric of succession planning is not just a token gesture but a strategic imperative. A comprehensive succession plan that embraces diversity enriches the talent pipeline, bringing a wide variety of perspectives and experiences. This diversity is a catalyst for resilience and innovation within the organization. While diversity should not be the sole driving force, its integration becomes more seamless when multiple potential successors are considered. This allows for the identification of candidates who not only bring diverse viewpoints but are also potentially more skilled and insightful than the current leaders.

While all the elements listed here are integral to creating a sound succession plan, there is one overarching factor that should not be overlooked: START NOW. It's easy to put this job aside in favor of the litany of everyday tasks that come across your desk. But the sooner you begin the process, the easier it will be – and you'll have a much greater likelihood of filling your leadership vacancies with long-term successor, rather than simply plugging a leadership “leak.”

References

1. Wellins, R. S., Smith, A. S., & Erker, S. (2009). Nine best practices for effective talent management. Development Dimensions International, 1-14.
2. Church, A.H. & Silzer, R. (2013). Going behind the corporate curtain with a blueprint for leadership potential: An integrated framework for identifying high-potential talent. People & Strategy Journal, 36(4). 50-58.

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