

## EXECUTIVE SUMMARY

### RESEARCH QUESTION

What are the factors that most impact an organization's effectiveness in identifying, developing, and utilizing successors for leadership positions?

### INTRODUCTION

Succession planning and the development of successful leaders is key to driving business success. While nearly all corporations recognize the importance of strong leadership, a study of 350 corporations found that less than 44% of corporations have formal processes for identifying and developing high-potential leaders.<sup>1</sup> For those companies that do have processes in place, the effective and efficient development of leaders can then yield competitive advantage over peers in their industry. There is an abundance of materials available on the topic of leadership, however, we have identified several key components for driving the effective **identification, development** and **utilization** of successors to executive level leadership positions.

### KEY PRACTICES

#### Identify Future Leaders

According to an analysis of 50 organizations, 31% of leaders are in newly created positions and 55% of high performers will exit leadership development programs within 5 years (See Appendix A). These trends lead to key issues in the identification of candidates for leadership roles.<sup>2</sup> These practices address the issues and drive the successful identification of high performers and future leaders:

- **Potential Not Performance:** Given that many new types of leadership positions are being created in today's ever changing business world, it is important to begin identifying future leaders on the basis of high potential rather than high performance.<sup>3</sup> High potential candidates can be distinguished as high performers with a particular set of competencies, particularly high aspiration and also high engagement within the organization. People with these competencies tend to remain in the organization longer and transition from the leadership bench into actual leadership positions (See Appendix B).
- **Define your Leadership Model:** Only 16% of companies have clearly defined leadership models being communicated through their organizations.<sup>4</sup> Given the quick pace of change in today's business world, it's important to continuously define the leadership model within a company and what effective leadership looks like. In doing so, HR can facilitate more effective decisions when choosing successors and engage employees in more productive leadership development.<sup>5</sup>

#### Develop Future Leaders

In the U.S. alone, an estimated 40 billion dollars is spent on leadership development programs. To fully maximize the returns on these investments and create viable future leaders, programs need to be aligned with not only today's business needs but also the predicted needs in the future.<sup>6</sup> Some key practices of successful development programs are:

- **Individual Ownership:** With a greater emphasis placed on the individual, training can become more catered to individual needs and more effectively develop the key strengths of different employees. In a development model where the employee is the driver rather than the passenger, the employee will exhibit higher engagement in developmental opportunities and also maintain a continuous development mentality to facilitate continuous growth.<sup>6</sup>
- **Engage Executives:** The engagement of leaders in developing future leaders is critical for successful implementation of development programs. Leader engagement ensures that the program will be taken seriously and in high regard and that the program is aligned with the business strategy.<sup>7</sup> Coaching from senior management allows high potential employees to learn about key issues in the organization and about the future direction of the company as well. As leaders currently define issues, they can also define the direction of development for future leaders to drive successful and pertinent development of skills and competencies.

## Support New Leaders

Identification and development of high potential candidates is key for creating a strong bench of talent, however, it is important to also note successful practices for deploying this bench of talent. Successful leaders will need to be properly placed into roles in order to fully leverage their individual skillsets and provide a return to the organization for its investment in development.<sup>8</sup>

- **Assess Readiness:** Due to the immense variance in duties of different leadership roles, careful assessment of candidates to be moved into leadership roles must be conducted. For example, Cisco assesses candidates using a two-part assessment involving a highly structured evaluation of competencies and traits; and then a series of in-depth interviews with peers and supervisors to assess leadership ability. These results could then be benchmarked against other executives to give an indication of an individual's readiness to assume a particular leadership position.<sup>9</sup>
- **Provide Continuing Support:** Even after placement, it is critical to continue coaching and developing leaders. Particularly for new leaders, it will be important for HR to facilitate networking opportunities for them to learn about the culture and politics that affect the executive level workplace.<sup>10</sup> The support of other leaders will facilitate a smooth transition and help the new leader in building rapport and trust with employees.

## PRACTICES IN ACTION

The following examples highlight how some of the aforementioned practices have helped companies align their succession planning to business strategy and achieved increased organizational effectiveness.

- **Assess Readiness:** PepsiCo's CEO spends an entire day reviewing 300 critical roles and their succession plans, placing potential successors in a matrix based on readiness (ready now, ready in 1-3 years, ready in 3-6 years).<sup>15</sup>
- **Define Your Leadership Model:** Raytheon uses a workforce planning model to identify roles most important to their business strategy, and then identifies actions to take with regard to succession planning. They identify successors and work to close potential "talent gaps" before they open up.<sup>15</sup>
- **Engage Executives:** Deere & Company uses a self-developed coaching program so leaders can coach others regarding the responsibilities of their position—speeding up the succession planning process.<sup>15</sup>

Overall, the key takeaway is that succession planning and leadership development are a continuous process rather than a single event. Likewise, succession planning is only truly effective with the support of top leaders and integrated, individualized development of high potential candidates.<sup>16</sup> This becomes even more important when considering that healthy companies report better results from leaders promoted internally rather than those brought in from the outside.<sup>15</sup>

## CONCLUSION

The development and sharpening of succession planning programs is critical for the smooth transition of leadership at the highest levels of the organization. Without effective succession planning and the proper identification of future leaders, organizations will not be able to effectively drive strategic initiatives in an increasingly competitive business world. As companies look to improve their succession planning processes, these three key principles can guide them in formulating effective processes for identifying, developing and utilizing future leaders:

- I. There needs to be visible, sustainable and real commitment by top leaders within the organization towards identifying and developing future leaders
- II. The process must be continuous and on-going to maintain flexibility and adaptiveness as leadership roles continue to change and new roles emerge. An ongoing assessment of competencies and candidates must take place in order to keep up with changing business needs
- III. Individualized assessment and continued support need to be provided as high potential candidates transition into their new roles to ensure their success

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## APPENDIX A

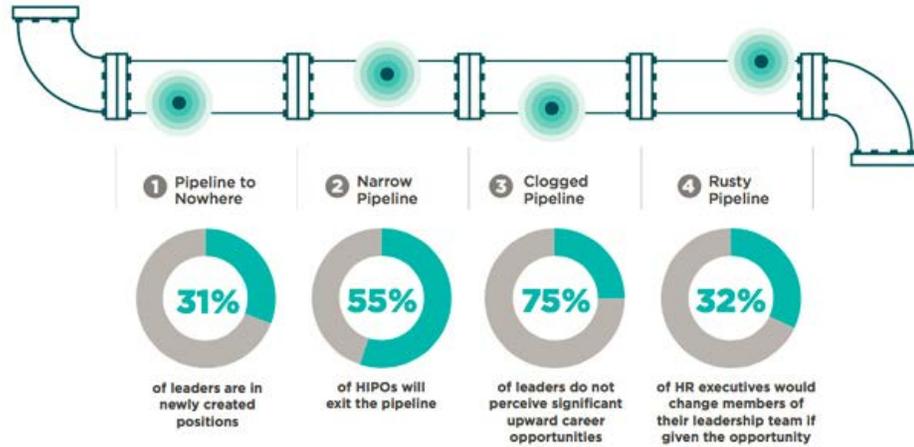
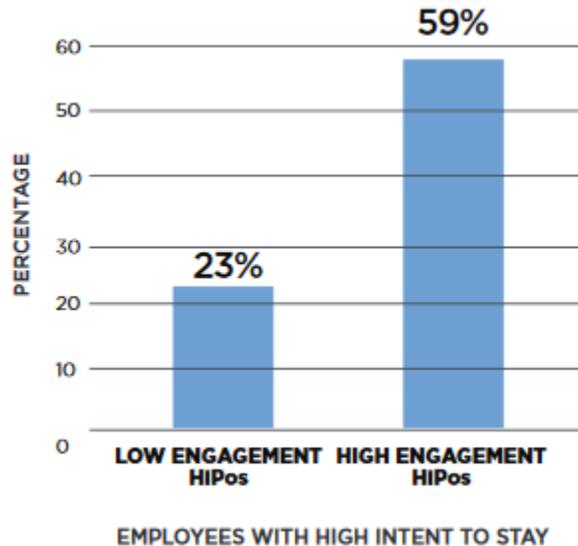


Chart 1: Breaks in the succession pipeline Source: CEB analysis

Source: <https://www.cebglobal.com/blogs/succession-planning-4-tips-for-building-your-leadership-bench-strength/>

## APPENDIX B



Source: <http://www.ucop.edu/human-resources/management-development-program/2014/Donna%20Handout.pdf>