

Executive Summary

Question: What are the best practices within each stage of executive succession plans?

Introduction

Succession planning is a critical aspect of organizational strategy, ensuring a seamless transition of leadership roles and safeguarding the future of a company. To achieve a successful succession outcome, it is essential to have a well-designed succession plan in place. This summary will begin by introducing the overall succession planning process. Then, it will delve into best practices for each stage of succession planning.

Succession Planning Process

The succession planning process consists of three main stages: preparation, planning, and development (See Figure 1)^[12]. An effective succession plan requires careful design for all three stages.

Stage I Preparation: This stage indicates what companies should do before initiating the succession planning process, including three steps:

1. **Vertical Alignment:** translate the business strategy into a talent strategy to ensure the following steps align with business needs^[1].
2. **Managerial Approval:** gain support and commitment from the management level of the company^[1].
3. **Identify Key Positions:** identify and prioritize the key positions that need to be filled by succession planning^[23].

Best Practices for Preparation

Deloitte's Four C Model (Figure 2) can provide companies with a clear idea of how well they balance empathy and objectivity^[17]. Ideally, a centered approach that is engaging and empathetic, using business-centric & behavioral criteria to identify successors, will produce the most effective succession plan.

Human behavior can be the biggest hindrance to effective succession planning preparation. To mitigate the consequences of self-preserving or apathetic behavior, consider identifying the short- and long-term business objectives behind executive succession planning. Communicating these objectives is critical to the participation of the incumbent executives in the rest of the succession planning process.

Stage II Planning: This stage, also consisting of three steps, is where companies design proper succession plans for key positions before implementation:

1. **Identify Expectations:** evaluate the target job position to identify what knowledge, skills, and abilities of successors are expected to possess^[2].
2. **Assess Potential Successors:** measure the current ability that the future successors possess to understand the gap between expectation and status quo^[6].
3. **Design Development Plan:** create specific plans to upskill talent to the expected level^[9].

Best Practices for Planning

- Structure and clarity are critical to effective succession planning. The process owner of the plan should be clear, and the incumbent executive should know their role in the creation of the plan^[19]. Identify stakeholders and communicate with them throughout the entire process.^[14]

- When assessing potential successors, utilize data, not simply politics, to determine their fit for the role. Obtain performance data from current and previous managers and consider how it aligns with the role expectations.
- Companies need to choose suitable training plans. The mentoring program, leadership development program, and cross-training are three major approaches to develop talents.^{[9][21][22]} Each of them has its unique advantages and limitations. Companies can make the selection based on suitability.

Stage III Development: This stage is where pre-established succession plans are implemented. However, in real practice, various barriers impede the succession planning process^[13]. For instance, challenges like properly retiring executives and motivating candidates to participate in development plans need to be addressed^[4]. Introducing appropriate HR interventions is essential to facilitate succession planning by ensuring the accountability of all parties.

Best Practices for Development

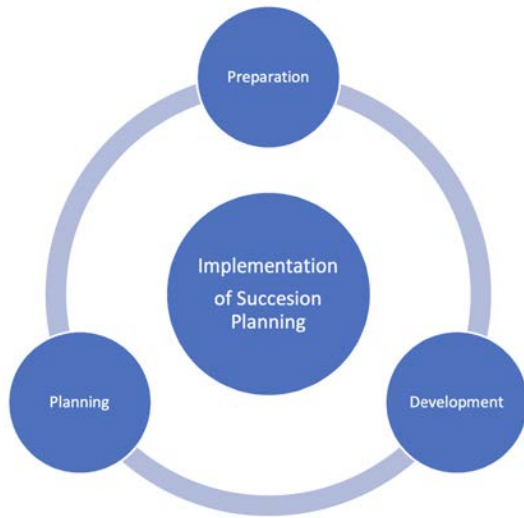
Research provides multiple recommendations for implementing succession plans to ensure proper development of the successor:

- **Data-driven approach:** In refining succession planning amid dynamic business shifts, a skills-based strategy is crucial, aligning plans with role requirements rather than individuals. Accurate data is pivotal to close gaps, promoting transparency and inclusivity. Integrating technology, in the case of TalentGuard, helps mitigate biases, utilizing data-driven insights and AI for an objective leadership identification^[20].
- **Accommodating remote workers:** Navigating the implementation of succession plans in the era of remote work presents challenges, notably in ad agencies, where observing senior executives in person becomes challenging. Some experts argue that blaming remote work is an excuse, emphasizing the need for intentional programs to identify and promote talent^[16]. Addressing these challenges is crucial for preventing higher turnover and ensuring diversity and inclusion in leadership roles within the industry.
- **Transparent communication:** Prioritize transparent communication in succession management, echoing the call from 71% of employees, as revealed by Gartner^[3]. Cultivating transparency not only enhances employee engagement and targeted development but also delivers significant advantages like heightened brand loyalty, increased profits, and an overall enhancement of employee experiences, ultimately fostering positive business outcomes.
- **Avoid leader-driven nominations:** This practice helps prevent workplace homogeneity. Prioritize diversity in leadership for innovation and adaptability, recognizing the risks of a uniform organizational culture^[10].
- **Address resistance to change:** Resistance can be addressed by seamlessly integrating succession planning into existing talent management or employee development programs. By building on familiar processes, employees perceive the initiative as an improvement, reducing disruption. Additionally, showcasing internal talent value and emphasizing growth opportunities helps alleviate concerns about job insecurity, reinforcing a positive narrative and building trust in the program^[18].

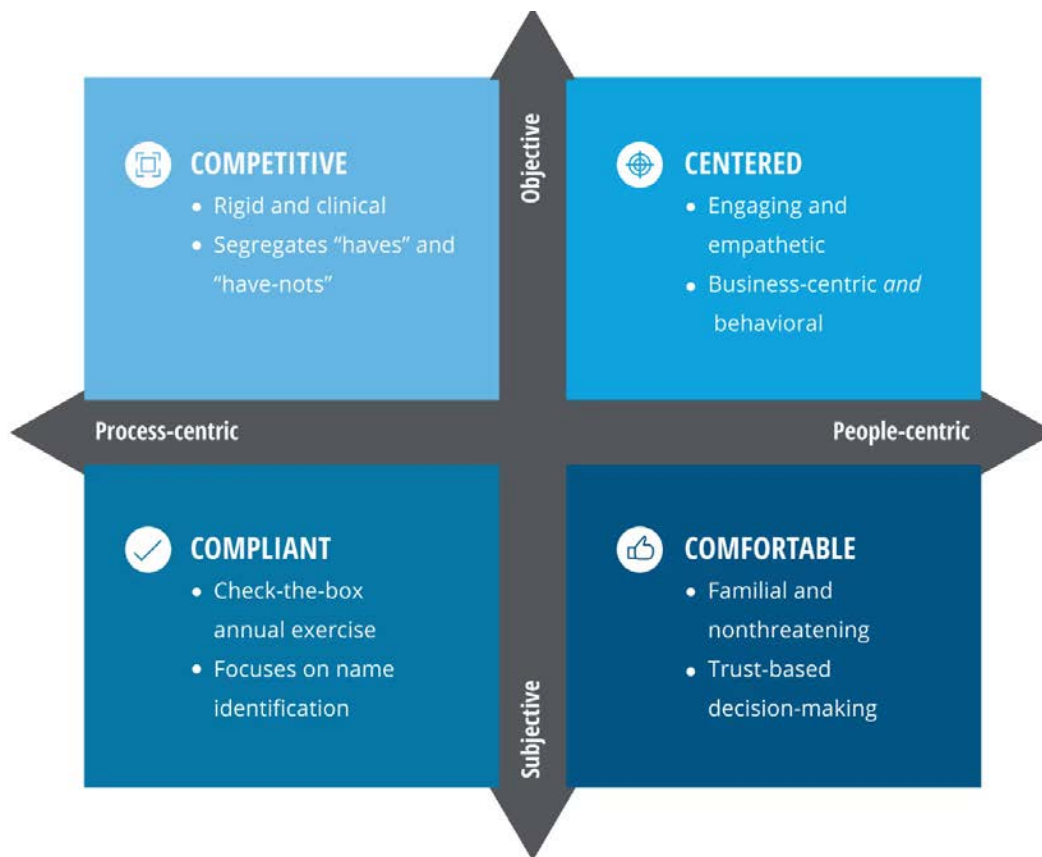
Conclusion

In summary, effective executive succession planning is crucial for seamless leadership transitions. Best practices across the preparation, planning, and development stages are vital. These include aligning business and talent strategies, setting clear goals, addressing barriers like remote work, and promoting diversity. These practices help navigate dynamic business landscapes, ensuring a smooth transition, and fostering positive outcomes.

Appendix I: Related Figures



(Figure 1)^[12]



Source: Deloitte analysis.

(Figure 2) *Deloitte*.

Appendix II: Business Cases

Business cases for best practices in implementing succession planning:

- Pharmaceutical company Eli Lilly excels in succession management with a transparent and flexible approach. Their Web-based tool empowers employees, promoting accountability and providing real-time data for effective progress tracking. The company's commitment to flexibility and continuous improvement, coupled with leadership development initiatives, ensures a robust talent pipeline, making Eli Lilly a prime example of successful succession management^[8].
- A major retailer, unprepared for its CEO's retirement, implemented a comprehensive succession management process to fill key leadership roles. The process included assessing internal and external candidates, focusing on role fit, readiness, and development needs. The new CEO continued the succession management program, overseeing talent for two levels below the senior management team, and implementing ongoing talent reviews and development initiatives to ensure a robust and continuous approach to succession planning^[7].
- Goldman Sachs grapples with succession planning challenges tied to CEO concerns and strategic setbacks. The proposed remedy involves an unconventional co-CEO model, departing from the norm to provide a more public-facing leader and an inside operator for strategic execution. This innovative approach revisits the co-CEO structure from Goldman's private partnership years, highlighting a unique response to leadership transition amid uncertainties^[11].
- The implementation of the Keurig Dr Pepper CEO succession plan involves collaborative leadership, continuity, operational excellence, talent retention, transparent communication, and a commitment to future growth. These elements collectively contribute to a well-orchestrated transition that aims to position the company for ongoing success^[5].

Appendix III: Reference

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