

## CORP MAGAZINE: WHY C-SUITE SUCCESSION PLANNING IS CRUCIAL FOR SUCCESS

The revolving door of C-suite leadership appears to be spinning faster. As a result, the need for identifying and training an organization's next generation leaders becomes a critically important business strategy. This is the new reality of strategic succession planning.

Interestingly, as the economy improves, CEO turnover increases. According to a Bloomberg report, U.S. companies hired new chief executive officers in 2011 at the quickest pace since 2005 as directors sought growth after putting off management changes while riding out the recession. Many reports from the first quarter of 2012 are showing that turnover is continuing to rise. But we aren't just talking about the forced turnovers of the top position.

Senior managers are gaining more confidence in an improved economy to make their own voluntary moves. A Cornerstone OnDemand/Harris Interactive study reports that as many as 21 million Americans may be planning to change jobs in 2012. Pair that with the sizable aging workforce who are reducing hours or leaving altogether and a strategic succession plan becomes essential to future organizational growth and advancement.

As a tenant of sound business practices, forward thinking organizations are actively engaged in succession planning, but they aren't all doing it to their best advantage. Marshall Goldsmith, a leading executive educator, coach and author, wrote the following in the Harvard Business Review:

“Many of the CEOs we talk with these days express concern about the lack of bench strength in their companies. They are very worried that they lack sufficient “ready now” candidates to replace planned & unplanned losses of key leaders. As a result, the future continuity and performance of the business is at risk. These same executives also tell us that their companies have been doing succession planning for years. On average, the executives give their succession planning process a grade of C+ and they give their execution of succession plans a grade of D. If you are among the companies who are not happy with the impact of your succession planning process, you have plenty of company.”

### HOW TO PREPARE

Succession planning is a process for identifying future potential leaders to fill key positions in an organization, but it doesn't just involve choosing who will move up in the ranks once a position is vacated. The process ascertains specific activities that will develop the future leaders' skills and enable them to make a smooth transition into an elevated leadership role. Organizations should create “benches” of talent targeted to assume key jobs at all levels of

management, such as sales managers, store managers, research/development, IT and the like.

If an organization hasn't planned or invested in its key employees, then when the need to fill a position arises, the company will likely find itself looking outside its walls. This puts it in significantly more competition with other employers to find talent. Instead, prepare and focus on developing a reality-based succession strategy that is a living, breathing plan of action. Here are the five steps to getting started:

- First, HR leadership and the executive committee work together as a “Succession Planning Team” to gather key employee data and build a comprehensive list of employees who have demonstrated leadership qualities and professional development acumen.
- Still in information gathering mode, the Succession Planning Team collects data about the identified group by reviewing past performance history and asking current leadership for their input on whom they think could be effective in their position.
- Once this information has yielded a more tailored group, the Succession Planning Team works to learn more about each individual's leadership interests, professional goals and aspirations, geographical preferences and any personal limitations.
- From there, a few select employees are identified and the Succession Planning Team builds succession candidate “slates”—employees who are interested in roles that current leadership also believes they are capable of holding in the future.
- After the candidate slates have been established, the Succession Planning Team works with management to develop exercises, mentorships and training programs that will groom each successor for a key position within the company.

## BEING HELD ACCOUNTABLE

A less than stellar example of succession planning from a company that is usually known for making all the right moves—Apple—happened just last year. Shortly after Apple CEO Steve Jobs took medical leave, a group of understandably uneasy Apple shareholders issued what is known as Proposal No. 5 to the company, asking Apple to spell out its standard for succession planning. As a result of recent SEC changes, this shareholder group had a platform.

In 2009 and 2010, the SEC enacted new regulations expanding the definition of business risk and giving shareholders the authority to demand an answer from company executives when it comes to succession plans. Prior to this, a company could largely ignore requests to share its succession plan, citing it as “routine business” and sensitive to their competitive interests. Executives are being held accountable to the long-term health of an organization by way of its people.

Succession planning and the process of building bench strength are being altered to address far more wide-ranging business issues than they have in the past. The focus of HR leadership—with the full support and involvement of the leadership team—should be on building the capability of their future leaders while making sure to retain them along the way. Leadership continuity will keep the organization resilient and competitive even as the marketplace continues to oscillate.

## **ABOUT THE AUTHOR**

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