

Introduction

WHAT IS SUCCESSION PLANNING?

Succession planning is an ancient concept that dates to a time when societies operated under rigid social hierarchies and caste systems. Class and social status determined an individual's position in life and the role that individual was intended to play. For example, a shoemaker's son would prepare to replace his father as shoemaker, while the son or daughter of a reigning monarch would prepare for eventual ascension to the throne. One's role in life determined the kind of training one received.

Although children in many parts of the world today have more options available when choosing a career, the process of succession planning continues to live on in business. Like the family in earlier times, the company passes on valuable knowledge, providing novices with experience and teaching specific skills necessary to perform in the position one is destined to hold. In the modern corporation, succession planning is narrowly defined as creating a seamless way of transitioning the role of the senior-most executive from one individual to another. A broader view defines succession planning as a strategy to expand the reach of the company over the long term, creating a nimbler organizational design and effectively managing its political, economic, and business success.

The CEO (or other titled senior-most executive) of any organization is responsible for setting the vision and strategy that will consistently move the organization toward achieving its mission.

This responsibility requires making sure that the right talent and resources are available to meet every challenge that the organization may face. The CEO must continuously evaluate and reevaluate the alignment of the company's human talent with its strategic direction and performance goals.

From this point of view, succession planning becomes a strategy that is integral to an organization's survival. A strong succession planning process can reduce recruitment costs, create career development opportunities, reduce onboarding time, and ensure continuity with long-term organizational plans. Even more important is the cultural benefit that comes from demonstrating to employees that their hard work and commitment can lead to the acquisition of new skills and potential promotion. If you believe, as we do, that a strong culture is the lifeblood of every organization, then investment in your leaders is a critical step toward keeping your company alive.

Succession planning is often criticized for being expensive, and it is true that developing and training employees involves certain costs. It is also true that some of those employees may not be promoted and that others may ultimately leave the organization for a new job. One might therefore conclude that succession planning is an unwarranted expense because it prepares most employees to depart for positions with the competition. However, we have found that these assumptions do not correctly reflect the true value of succession planning. A company that is dedicated to the process not only achieves significant savings but also is strengthened in other ways. Succession planning offers the exciting opportunity to foster the growth and development of highly regarded employees, those who already understand the organization and its culture on a profound level.

Many organizations hire people from outside 80 percent of the time and hire internally only 20 percent of the time. The overall philosophy and strategy of this book is that this ratio should be reversed. You should aim to fill positions internally 80 percent of the time (and also strive to make sure internal candidates are the best people for the position 80 percent of the time). The talent pool

in your organization, no matter its size, is one of your most valuable assets, and you can leverage it so that the most talented people inside the organization are available for promotion most of the time. Of course, the organization will occasionally need to search outside to fill unique roles that require a level of skill that is higher than what the internal candidate pool possesses, or if a new role has been created to address an important organizational strategy and no internal candidate currently possesses the talent or experience to perform that role.

WHAT IS LEADERSHIP DEVELOPMENT?

Whereas succession planning looks ahead to the role an employee may play in the future, leadership development focuses on improving that employee's skills in a current role. It is our belief that every employee—manager or nonmanager—can embody personal leadership while at work, in any role in the organization. Thus, developing leaders is about far more than ensuring that the futures of the top few spots in the company are secure. Leadership development gives the gifts of innovation and empowerment, helps employees think for themselves, and teaches them how to envision the world in which they want to live. An organization full of leaders benefits far more than the bottom line. Leadership improves and strengthens company culture, and it indirectly strengthens the families of those who work in the organization and even the community at large. A workforce of potential CEOs is one of the greatest assets an organization could ever hope to acquire.

SUCCESSION PLANNING VERSUS LEADERSHIP DEVELOPMENT

If you zoom the lens out far enough, you will see that both succession planning and leadership development are focused on the same goal:

developing talent from within to maintain organizational continuity. Is it possible to focus on a few individuals for succession planning and ignore an organization's broader leadership development? As a short-term solution, yes, but as a sustainable model for creating a pipeline of talent, absolutely not. You may be lucky enough to have a candidate who is ready to replace the CEO this time around, but that does not guarantee you will have candidates 10, 15, or even 20 years down the road who possess the skill set necessary to do the job. Looking at succession planning and leadership development as a single unit is critical because implementing one without the other is inefficient and will not produce measurable results that lead to confidence in the recruiting process. Although succession planning garners the most attention in a company, it is only part of the overarching theme of leadership development. In a sense, leadership development is succession planning on an organization-wide scale. It is preparing for the future—not just of a few key positions but of the company at large.

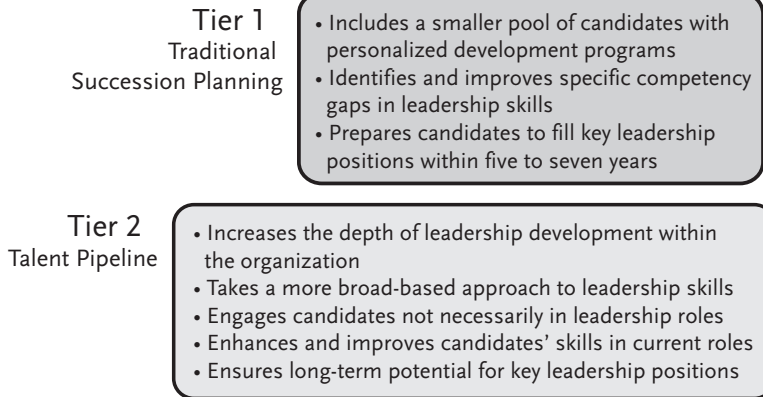
I once worked for a man who told his board that nobody on his senior leadership team could replace him. A very seasoned corporate executive on the board challenged him, saying, "You don't know that to be true. It's not the job of your senior leadership team to upstage their boss." I never forgot that board member's confidence in our potential, in our ability to rise to the occasion when the time was right.

—Steve

A TWO-TIERED APPROACH

We have created and implemented a simple, two-tiered framework to describe and develop the ideas of succession planning and leadership development (exhibit 0.1). Tier 1, traditional succession planning, emphasizes the development of candidates who could be

Exhibit 0.1: A Two-Tiered Approach to Succession Planning



promoted to key leadership positions in the intermediate future. This tier identifies a relatively small number of candidates and works to improve specific gaps in each candidate's leadership abilities and competencies in preparation for key leadership roles five to seven years down the road.

Tier 2 is the talent pipeline aspect of the program, which seeks to increase the depth of leadership development training by incorporating candidates into the program earlier in their careers. Tier 2 typically evolves through several phases, expanding through the company from the top down over time. Its aim is to create a breadth and depth of talent that can eventually sustain Tier 1 long-term. Although the overall aims of Tier 1 focus on promotion and ascendancy, in actual implementation both Tier 1 and Tier 2 focus on enhancing candidates' skills and competencies to be maximally effective in their current roles as they prepare for the future.

Going forward, Tier 1 of the two-tiered approach will be referred to as *succession planning* and Tier 2 will be referred to more broadly as the *talent pipeline* or *leadership development*. Remember that Tier 1 is really a subset of Tier 2—in an organization, *all* leaders should receive leadership development. From the pipeline of individuals

who receive leadership development, a limited number of candidates are eventually drawn into the succession planning program. Succession planning is thus elective, requiring referral into the program; leadership development is required of all leaders in an organization, whether they want to be promoted or merely want to learn to perform optimally in their current positions.

If you focus only on the individuals you can process through succession planning, you've lost the opportunity to groom and grow all the other leaders in your organization. Then, when you have an unplanned vacancy, you're scrambling. That's what the talent pipeline is all about—developing people without the laser focus of where they might end up.

—Kathie

When the desired outcome of an organization's culture is to seek first to promote from within, succession planning and leadership development must be fully integrated with one another. The aspect of assessment in succession planning and the establishment of development plans that address competency gaps best serve the organization when internal or coordinated internal and external candidates have the opportunity to engage in learning opportunities. Likewise, leadership development programs best serve the organization when the training offered is specifically linked to the organization's strategic goals.

Succession planning and leadership development are two manifestations of the same core principles: a commitment to company values, a desire to foster leadership potential, and a long-term vision for the organization's success. Succession planning, along with its companion, "talent management," is a specific component of overall leadership development. The initial focus is on the executive level (Tier 1), which comes with its own set of considerations for succession planning. Then, as leadership development becomes an organization-wide initiative, succession planning extends to include

all leaders and potential leaders (Tier 2), subject to the modifications of operating at greater depth and scale.

In this book, we provide a comprehensive outline of both succession planning and leadership development, with the overarching caveat that these programs are meant to interact dynamically with one another in a way that adjusts to the changing environment of a given organization.

When you have finished reading this book, you will have learned the following:

- The three crucial roles in succession planning and leadership development (the Visionary, Architect, and Board Advocate), as well as the specific responsibilities of the individuals in each of those roles
- The specific benefits that organizations gain from integrating succession planning and leadership development programs, including benefits to the company's bottom line
- How to educate and inspire both the board and the executive team to secure organizational buy-in on succession planning and leadership development
- Why building a culture of leadership at all levels of a company is imperative for running a robust succession planning program
- How to create a dynamic succession planning and leadership development process that adjusts according to organizational strategic goals and establishes tiers of candidates as the program matures
- An effective method to identify potential candidates for succession planning and to assess their competency strengths and areas for development
- The step-by-step process for replacing key leaders in an organization while maintaining a high level of leadership continuity

- The nuts and bolts of designing a leadership development curriculum
- How to create an effective coaching environment to enhance the professional development of leaders throughout the organization

Establishing a succession planning and leadership development program requires focus, determination, and a little bit of grit. We believe that succession planning and leadership development are a vital part of any organization, but you shouldn't just take our word for it. For such programs to be effective, you need to understand what succession planning and leadership development can do for your organization and craft your goals, methods, and programs accordingly. Parts I–III (chapters 1–11) of this book focus primarily on establishing a succession planning program (Tier 1), and parts IV–V (chapters 12–22) examine the talent pipeline of leadership development (Tier 2).

We have identified four important reasons for implementing succession planning:

1. **To carry the company's vision into the future.** Succession planning and leadership development offer you the opportunity to strengthen the mission, vision, and values that make up your company culture. Developing and promoting internal candidates allows you to maintain greater organizational continuity during the turnover of high-level positions, such as president or CEO.
2. **To engage, retain, and promote candidates from within.** The greatest benefits from developing internal candidates are employee engagement and retention. You will gain lifelong employees and a reputation for being an organization that offers development opportunities, allowing you to consistently attract new talent. As you will see, this “mind-set of opportunity” has a cascading effect that affects employees at every level.

3. **To anticipate future changes and shifts.** An organization that is willing to invest in leadership development is an organization willing to confront the future head-on. The succession planning methods we recommend allow you to continually refine and redefine what the next generation of leadership will look like in your company and to stay well ahead of the curve when it comes to market changes in your industry.
4. **To avoid having many key leadership positions vacant at the same time.** Strategic planning and programming can prevent you from being blindsided if a significant percentage of your key leadership team retires or departs within a short period of time, leaving vacancies in the upper echelons of management. In chapter 5, we discuss how unanticipated turnover in even one key position can have significant financial repercussions for your company.

Before diving into your own organization's process, be sure you have clearly defined terms such as *company culture* and have set goals for employee retention and ratios of internal to external candidates that meet your specific parameters. We always recommend that this initial planning phase involve the governing body, which we discuss in more detail in chapter 5.

In the next few chapters, we address the elements of the initial succession planning process, which can be broken down into five major categories: who, what, when, where, and why.