

Alexander Ross & Co.

INSIGHTS



Don't Plan to Succeed

Why status quo succession planning is solving the wrong problem

Introduction

Since a 2010 survey indicated that over half of today's companies cannot name an immediate successor to the CEO¹, boards of directors have re-doubled their efforts on succession planning. As they intensify their focus, however, they are at risk of focusing too narrowly and of solving the wrong problem. Determining a successor to the CEO, while important, is only part of the picture.

In our work with leading companies, we see high performers taking both a more integrated and ongoing approach. They are solving the right problem by designing and implementing a continuous business process for perpetual organizational renewal of talent at multiple levels. And they are doing this by empowering and leveraging the unique skill sets of their CHRO and Head of Strategic Talent Management.

¹ 2010 Survey on CEO Succession Planning, Heidrick & Struggles and the Board of Trustees of the Leland Stanford Junior University, June 29, 2010



“Succession planning is usually treated as an add-on but it has to be ingrained in the organization as much as finance.”

*- Loran Fite,
former CIO
News Corp*

Solving the Wrong Problem

Boards spend an average of one agenda hour twice per year addressing the topic of a successor to the CEO¹. It is tempting to think that this is why more than 50% of them are unprepared to name a new CEO at anytime, but this is not the only issue with their succession planning.

Board agendas and instant CEO replacements are not the real problem. The real problem is how to architect and execute succession planning in a way that genuinely manages organizational risk and ensures business continuity.

We've identified five key ways that high performing organizations use succession planning to outperform their competition.

1 | Make Succession Planning an Ongoing, Integrated Process

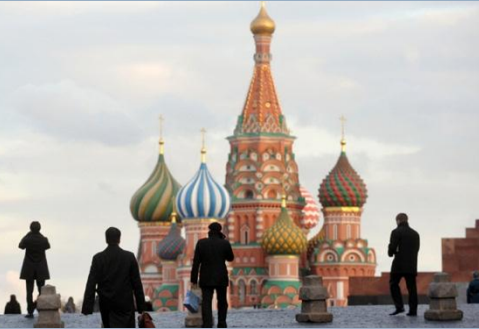
Too often, succession planning is treated as an add-on. It is viewed as an item that must be addressed annually, or semi-annually in preparation for key board meetings. However, a lot can happen in six or twelve months to impact the future needs of an organization.

Succession planning done annually cannot flex in real time to respond to the rapid and unforeseen changes in an organization's strategy and environment which stem from significant market and competitor shifts.

Top companies realize this and manage to it by making succession planning an ongoing business process. Like financial management, it is an activity that is foundational.

Just as budgeting, managing costs and driving revenues drives the growth of the organization, so does planning for future talent needs and engaging in ongoing talent management and development.

¹ 2010 Survey on CEO Succession Planning, Heidrick & Struggles and the Board of Trustees of the Leland Stanford Junior University, June 29, 2010



“Our finances have to be in order so we can do the work we love. But without people, we have nothing. With people, we have something even bigger than coffee.”

- Howard Schultz,
CEO
Starbucks

1 | Make Succession Planning an Ongoing, Integrated Process *cont.*

These practices, linked with regular (think bi-monthly) conversations about how markets have changed and how those changes impact assumptions about talent needs, allow for ongoing succession planning.

The goal is to have multiple options for succession given multiple future scenarios. Companies using this approach benefit from the fact that, if disaster strikes or they need to respond to an internal or external shift, their latest assessment of how to move forward and who would be in what roles is at most, only a two months old.

This type of ongoing succession planning is much more effective at ensuring business continuity and constantly evaluating and mitigating risks.

2 | Make the Focus Organization-Wide

Another issue with traditional succession planning is that it focuses too narrowly on the succession of the CEO and possibly a few other members of the executive team. This puts an overemphasis on the top leadership positions and excludes other members of the executive team as well as the bulk of an organization's talent.

Leading organizations walk the talk of their talent being their greatest asset by broadening succession planning to include multiple levels of talent. Again, like financial management, planning for future leaders isn't the purview of a single department or level but is integrated into the ongoing processes of every part of the organization.

If the front line is the face of the company with customers, why would planning for succession there be any less important than in the executive suite?



3 | Plan for True Succession, Not Just Replacement

Many organizations view succession planning as the process of lining up a replacement for a current executive. When looking for the next CEO or head of product development, the tendency is to try to find someone with a similar background, work experience, skill set and even management style. Candidates are evaluated against the incumbent rather than against a more holistic array of criteria.

Top performing companies understand that succession planning is about building the organization of the future, not keeping the organization as it is today. What will be needed in six months or three years depends on changes in markets and in the company's strategy to succeed in those shifting markets. It will also depend on the development of current and future talent.

For these reasons, it is critical to be planning ahead by constantly refining and updating the profile of future leaders and their future roles in the organization.

4 | Make Succession Planning an Open Process

Ongoing succession planning at multiple levels as described above requires that succession planning is out in the open. Mentioning succession planning or actively doing it outside of a select few is considered taboo in many organizations.

They are concerned that bringing up the idea of a future leader will have a negative effect on the stock price or show weakness in competitive markets. They are also concerned that awkward conversations and hurt feelings stem from corridor conversations about who is considered a succession candidate and who is not.

Highly successful organizations, however, are overt about the need to do succession planning. They take the fear and mystery out of the process by openly and proactively discussing organizational needs, linkages to business strategy and the need to develop and replace people when appropriate.



4 | Make Succession Planning an Open Process *cont.*

This can only be done in organizations where it is culturally acceptable and desirable to address talent and the future openly. Leading organizations have such a culture and drive it from the top down and the bottom up. The CEO will someday be replaced and so will the customer support managers.

These organizations create communications guidelines and development plans which ensure positive and constructive communications about succession.

5 | Empower the CHRO to Design and Lead the Succession Planning Process

Boards are responsible for an organization's governance and many are working hard to ensure they are improving their CEO succession planning processes. However, organizations often overlook or underutilize the best owners of the succession planning process - the CHRO and the Head of Strategic Talent Management.

Just as succession planning may be erroneously viewed as an add-on to ongoing operations, these HR heads are sometimes included only superficially rather than empowered to own, architect and institute an organization-wide succession planning process. They are brought in only at the beginning or the end and not as a full participant in discussions to evaluate the needs and candidate matches for leadership roles.



“The business case for succession planning is clear. Not only does it not cost you anything, it saves you a huge amount in ugly turnover. The people you expect to be promoted are and the organization benefits from continuity.”

- Loran Fite,
former CIO
News Corp

5 | Empower the CHRO to Design and Lead the Succession Planning Process *cont.*

In our experience, successful companies rely on the unique skills and organizational visibility of these HR leaders to act as catalysts, stewards, thought leaders, innovators, culture changers, and facilitators of comprehensive and effective succession planning. The CHRO is well suited to build constituency around a process which is expertly architected by the Head of Strategic Talent Management. Together, these leaders are able to ensure succession planning discussions are:

- Ongoing and consistent
- Productive and proactive
- Strongly tied to business objectives
- Integrated with talent development and management plans

Conclusion

Ongoing succession planning helps organizations maintain their availability of high quality talent, manage organizational risk and ensure business growth and continuity. High performing companies recognize the importance of a more holistic approach to succession planning that comprises multiple levels in the organization, a variety of future scenarios, and the need to tightly integrate succession plans with strategic business and talent development plans.

CHROs and the Heads of Strategic Talent Management play key roles in building the culture for perpetual organizational renewal. They also architect and implement the development of the organization’s talent to support strategic objectives. Leading companies see these roles as both strategic to the business and on an equal level to the CFO and COO in delivering on corporate strategy and adding value to the business.

As your organization extends its thinking about succession planning, it may find that empowering the CHRO is even more urgent than identifying a CEO successor.

Alexander Ross & Co. has been the talent adviser of choice for organizations pursuing strategic change for nearly 35 years. We are a specialist executive search firm that identifies and attracts transformative human capital leaders exclusively in the linked professional disciplines of:

- Organizational Design, Development and Effectiveness
- Change Management
- Strategic Talent Management
- Leadership Learning and Development

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