



## Succession Planning Why, What and How

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## 2011 AMA Succession Planning Survey Results

How prepared is your organization to deal with a sudden loss of key senior management team members?

Well prepared	14%
Somewhat prepared	61%
Not at all prepared	22%
Don't know	3%

How would you describe your senior leadership's attitude toward succession planning in the organization?

Our senior management team is genuinely committed.	34%
Our senior management team is sporadic in its commitment.	43%
Our senior management team just pays lip service to succession planning.	14%
Don't know.	9%

How would you describe the leadership pipelines at your organization?

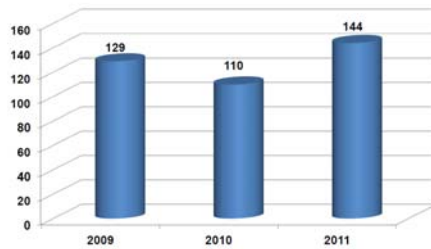
Robust	10%
Adequate	47%
Inadequate	39%
Don't know	3%

Which of the following best describes the management of succession planning at your organization?

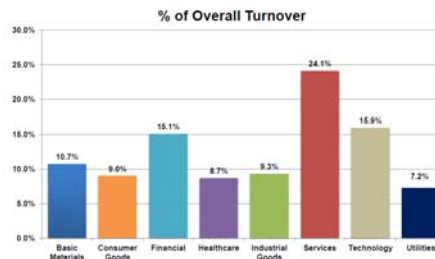
We have a comprehensive development program integrated with our strategic business objectives.	8%
We have a formal management training program based on development of specific competences.	17%
We have a succession plan intended for a sudden loss of key senior executives.	17%
Management succession at our organization seems to be primarily an exercise conducted by our HR department.	23%
Our organization does not do succession planning.	23%
Don't know.	11%

## 2012 Equilar S&P 1500 CEO Succession Planning Analysis

S&P 1500 CEO Departures



Turnover by Industry



## Presentation Outline

- Why do Succession Planning
- What is Succession Planning
- How is Succession Planning Done

## Top Talent Makes A Difference

WHY

- Organizations with top-tier leadership teams outperform by 18.8%
  - Corporate Leadership Council Study
- Organizations scoring in the top quintile of talent management practices outperform their industry as measured by return on shareholder value by a remarkable 22% - McKinsey War for Talent
- “The scarcest resource in the world today is leadership talent capable of continuously transforming organizations to win in tomorrow’s world.....Organizations that invest in leaders developing other leaders have a sustainable competitive advantage.” - Noel Tichy, The Leadership Engine

## It Addresses Key Issues

1. Does your organization have the leadership bench strength to achieve growth plans?
2. *Has your company experienced a long-term vacancy in a key leadership position in the last year?*
3. Has the organization had to compromise on leadership quality to fill certain positions?
4. *What percentage of your leaders would be selected if they were applying today for their current positions?*
5. Have the business challenges faced by your top leaders changed significantly during the past 3 years?

## Supports Strategic Direction

- Business Continuity Risk
  - Chance is not a good means to conduct business; identify gaps that can be addressed before they become crises
  - Ensure a continuity of desired culture which is difficult to maintain when executives are brought in from the outside
  - Increase survival skills vs. suffering decline or collapse
  - Increase stock (or hypothetical stock) value: investment analysts are becoming more concerned with organizations' process for filling top positions
- Strategic planning includes strategic leadership
  - Prepare individuals for future challenges
  - Align executive resources to new organizational directions
  - Establishes direction and structure for key individuals
  - Monitor and help attain diversity goals
  - Increase the organization's human capital

## It's Cost Efficient and Improves Company Reputation

- Control costs
  - Developing internal talent is less expensive than hiring from the outside (e.g., recruitment, relocation, higher starting salary...)
  - Avoid lost productivity while a new person is learning a job or culture
  - Focus training and development investments
- Individual development creates a positive environment
  - Retain key talent
  - Accelerate the development of key individuals
  - Provide challenging, growth-oriented, and rewarding career opportunities
  - Make the organization more attractive to job candidates

## It's Time Effective

- Research says it takes 10 years to develop a high-potential individual to be capable of taking on a senior leadership position
  - Meaningful, measurable assignment as soon as possible after starting with the organization
  - Supervisory assignment early
  - Task force assignment after a few years
  - Merger/Acquisition assignment(s) in mid-career
  - Small-scale general management “starter” assignment (e.g., small BU)
  - Large-scale general management assignment

## Key Definitions

WHAT
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- Succession planning is ...
  - Assuring the right leaders are prepared for the right positions at the right time
  - A process to ensure continuity for all key positions by developing activities that will build talent from within
- Key Positions are those that are critical to current and future success of the organization, such as ...
  - Executives
  - Sales/Business Development/Advancement of Mission
  - Finance and Risk Management
  - Technical Leadership
  - Major stakeholder relationship managers

## Long-Term View vs. Crisis Management

- Succession Planning
  - Proactive
  - Planned Future Development
  - Organized Alignment
  - Flexible

## 5 Key Objectives for Succession Planning

1. Identify critical positions and criteria for success
  - "If you don't know what you're looking for, you'll never know when you find it."
2. Refine corporate planning to include competency and workforce planning projections
  - Current vs. Future Leadership Requirements
3. Identify high potential individuals and prioritize development needs
  - Leadership skills, interpersonal skills, business management skills, personal attributes, ...
4. Promote employee development
  - Link systems to organizational competencies and goals (e.g., selection, performance management, compensation, training & development, promotion/placement)
5. Establish a talent pool
  - Document bench strength, recognize and reinforce progress
  - Don't put all your eggs in one basket

## HOW

## Alternative Approaches

- Do Nothing
  - Buy talent when needed
  - The “cream will rise to the top” on their own
  - Sell the company and let the next owner deal with it
- Develop Your Own Leaders
  - Career-driven: Plan careers to match corporate goals
  - Competitive market: Acquire and retain top talent now
  - Visionary: Anticipating the future and planning talent around it
  - Problem-solving: Address current company problems
  - Corporate-directed: Vision and values focus

Succession Planning  
Best Practices

## Start-Up Steps

1. Decide to proceed
  - Develop purpose statements
  - Define target positions
2. Identify High Potentials
  - Nominate, Screen, and Prioritize
3. Diagnose development opportunities
  - Assess individuals & identify gaps
4. Prescribe solutions
  - Special projects, coaching, job rotation, internal training
  - Community/Professional Association involvement, external training
5. Document progress
  - Ensure development takes place
  - Review individual progress and gap reduction
6. Sustain top management involvement
  - Review, mentor, teach

## Develop a Leadership Success Profile

- Knowledge, Skills, Abilities (KSAs) and personal characteristics defined in behavioral terms
  - What is valued
  - What is expected
  - What is rewarded
  
- Key competencies for current and future leadership success
  - Personal Effectiveness
  - Team Focus
  - People Development
  - Competitive Advantage
  - High Performance Culture
  - Change & Innovation

## Leadership Development Best Practices

- Focus on 3 things
  - 1) Link to business strategy
    - Common objectives, vision, and goals
  
  - 2) Ensure a Talent Mindset at the Top
    - Executive involvement and support is critical
    - Assignment management and accountability
    - Mentoring
  
  - 3) Establish a Feedback-Rich Environment
    - Use a success profile to guide assessments, feedback, selection and development
    - Provide clear definitions of hi-pots vs. hi-pros
    - Invest in ongoing executive coaching



## Common Problem Areas

- Lack of Participation - Key areas not involved
- Lack of Documentation – Progress not defined or measured
- Lack of Understanding – Unclear roles and expectations
- Poor Execution - Lack of follow-up to ensure follow-through
- Lack of Management Support – Effort not taken seriously

## Formula for Success

An attractive organizational environment

- + Competitively intense recruiting
- + Identification of high potentials and needs
- + Planned internal and individual development
- + Rewarding and challenging opportunities
- + Rewards and recognition

= Individuals with leadership skills and the motivation to meet organizational goals now and in the future

## Questions For Further Consideration

- Are you satisfied with how key positions and work requirements are currently defined in the organization?
  - Have the requirements for key positions changed in the past three years?
  - Is the organization structured for future success?
  
- Has exceptional talent been identified? And, if so....
  - Are they motivated or disenchanted?
  
- What resources are utilized for leadership development today?
  - How well are performance evaluations completed for key personnel?
  
- What additional information do you need to effectively plan for and develop future leaders?

## Questions?

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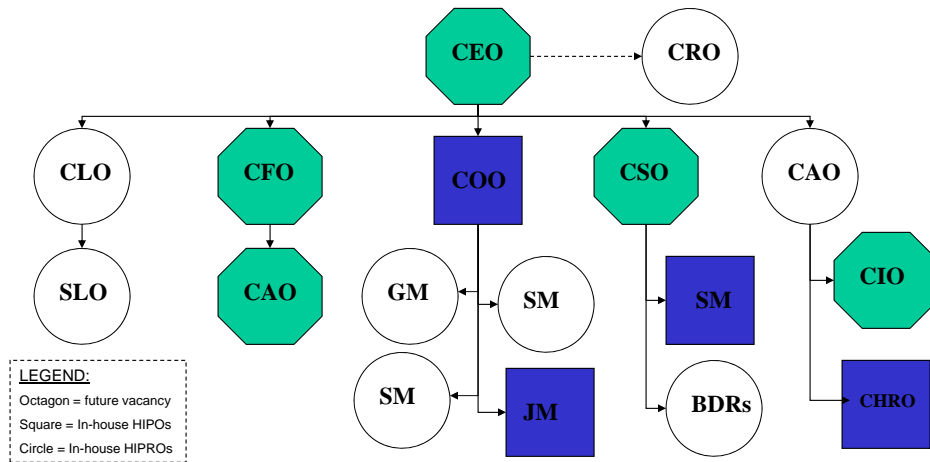
## A Few Words of Wisdom

- **“The best way to predict the future is to create it.”**  
Peter Drucker
  
- **“The secret to success in life is to be ready for opportunity when it comes”** Benjamin Disraeli
  
- **“We cannot be what we want to be by remaining what we are.”**  
Max DePree

## APPENDIX

- Succession Chart
- Potential Rating Definitions
- Performance – Potential Grid
- Succession Planning Form
- Individual Development Plan
- Mentoring – Making It Personal

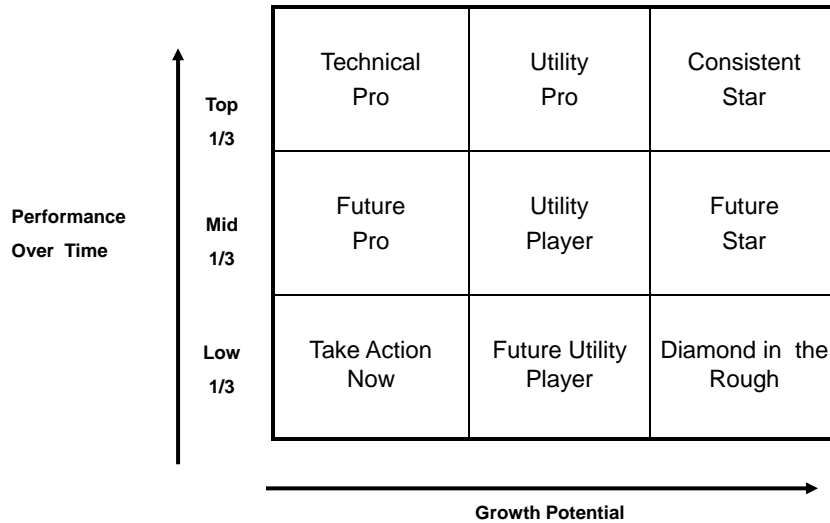
### Succession Chart SAMPLE



### Potential Rating Definitions

- **HIPO** – (High Potential) a high performing, exceptional, promotable person who could be developed into a senior officer over the next 3 - 10 years
- **HIPRO** – (High Performing Professional) a solid contributor, valued resource, consistent performer but may not be the best candidate for greater responsibility
- **Develop-In-Place** – an individual who is a strong technical performer but has not yet demonstrated the leadership abilities or exceptional high performance desired
- **Too New** – do not have a significant track record to make a realistic assessment
- **Transfer** – formerly a strong performer but not doing as well in current assignment
- **Replace** – Marginal contributor who does not demonstrate the ability or desire to improve

### Performance-Potential Grid SAMPLE



### Succession Planning Form SAMPLE

- **Employees Name:**
    - Current Title:
    - Current Department:
    - Time in Service:
  
  - **Performance Rating:**
    - Current Duties:
      - Strengths:
      - Weaknesses:
        - Action Plan to Improve:
          - Training Needs:
          - Goals:
- 
- **Promotional position targeted:**
  - Ready for promotion:
    - Now,
    - In 1-3 years, OR
    - In 3-5 years

## Individual Development Plan SAMPLE

### Individual Development Plan Format

- Name:
- IDP Start Date:
- IDP Review Date:
- IDP End Date:

### Development Goal

- Write your Development Goal using a complete sentence.
- List capabilities related to your goal.
- Identify business goals and projects related to these capabilities and your development goal.

### Development Strategies

- On-the-job learning assignments and opportunities
- Formal/structured training, program, education
- List resource (time, people, etc.) that may be needed to help you accomplish your development goal.
- What results do you expect – with customers, peers, direct reports, and managers – from learning and applying your new capabilities to the job?
- Employee's signature/date submitted
- Manager's signature/date approved

## Mentoring – Making It Personal

### Two types of mentoring:

- Informal – organization encourages leaders to provide mentoring to others with less experience
- Formal – organization facilitates connections by introducing experienced, high performing managers to less experienced, high performing contributors. Formal programs offer training and structure for both mentors and mentees

### Best Practice Mentoring Relationships

- Mentors are:
  - Not immediate supervisor
  - Trained in coaching and listening skills
  - Recognized leaders in the organization
- Mentees are:
  - High performing individuals with aspirations for greater responsibility
  - Trained in giving and receiving feedback
  - Diverse contributors