

Succession planning: building the management corps.

Author/s: John Beeson

Recently, Business Week highlighted a crisis in CEO succession occurring at such highly visible companies as AT&T. Their difficulty in filling key CEO positions has created renewed interest in succession planning and executive development throughout the business community and has revealed some important points regarding corporate efforts to develop managerial talent. Companies such as General Electric, with the greatest long-term success in filling positions at the apex of the organization, concentrate not only on CEO succession but on building bench strength and a pipeline of talent throughout the managerial ranks.

Senior executives at most firms are acutely aware of the need to develop executive talent. They view the lack of management depth as a major constraint to growth and future profitability. At the same time, they grow increasingly frustrated with bloated, time-consuming, form-filled succession planning activities that produce little action and questionable results.

The organizational events of the last ten years - downsizing, reengineering, reduced organizational levels, broadened spans of managerial control - are challenging the traditional succession planning and executive development practices established since the mid-1970s. Their impact can be seen in several ways:

- * Because of fewer levels and broader spans of control, firms are finding it harder to arrange developmental assignments for high-potential people. The risks of nonperformance have become too high - for the firm and the individual.
- * Radically changing organizational structures have effectively abolished career paths in many firms. The ongoing pace of change has made it tougher to project future management needs in terms of numbers of managers and skills required.
- * The emphasis of "managing your own career" is reducing a firm's ability to implement long-term career plans for high-potential people. As managers increasingly come to envision a career spent with several firms, it becomes more difficult for any particular company to justify the time and expense of managing someone's career for the long term.
- * At the same time, external recruiting of talent is rising dramatically, especially with regard to women and minorities. The immediacy of corporate needs combined with the difficulty and expense of developing talent over the long term makes the "buy" part of the "make versus buy" equation appealing - although many companies have found that extensive external recruiting produces variable results.
- * Reduced budgets are forcing companies to focus developmental resources for optimum return and invent less time- and resource-intensive approaches to development.

Taken together, all these factors are fundamentally changing the succession planning "rules of the game" developed over the last 25 years. Many traditional practices are becoming outdated; new ones are being created. Figure 1 on the next page highlights 16 practices that have proven effective in a number of major corporations. Before reading further, complete the questions in the box with regard to your own firm.

Our work in succession planning and executive development with scores of companies for more than 15 years has provided us with insight into the challenges companies confront in this changing environment as well as the techniques high-performing companies - General Electric, PepsiCo, Hallmark, and others - use to develop executive talent. Based on that experience, we review here the obstacles companies face in ensuring effective succession planning and executive development, and we identify the best practices of firms that have successfully built management depth. What are the tried and true practices that have stood the test of time? What new approaches are being introduced to address the factors affecting succession planning?

TYPICAL OBSTACLES

At its most basic level, succession planning is about managing a company's pool of leadership talent. The area is subject to strong opinions - as well as a fair dose of gamesmanship - on the part of senior managers. Some executives take their developmental responsibility seriously; some want control over the efforts and careers of the company's most talented managers. Career development actions for high-potential candidates invariably affect incumbent senior executives themselves. And strong-willed senior executives claim to know how to develop younger people: "Just follow the path that got me where I am!"

The succession planning process is shrouded in mystery in many companies, with information funneled in only one direction: up. Too often, the lack of clarity about the process and its results stands in the way of effective assessment, development planning, and execution. In this context, a number of things can and do go wrong. Here are the most frequent culprits.

Ineffective Executive Reviews

Particularly in larger companies, the focal point of succession planning is a series of annual "upwardly cascading" executive reviews. In such a process, a unit head presents a talent review to his manager and relevant staff members. The manager then presents a consolidated review to a higher-level manager, and so on. Hours of preparation and form-filling often precede the actual review, and style often triumphs over substance.

Rambling, paper-intensive reviews at the executive level all too often suck the lifeblood out of the succession planning process. Corporate staff, alert to the opportunity to capture executive attention at the highest levels, create over time a "kitchen sink" of topics for review. Examples include upcoming organizational plans, dealing with employee morale issues, broad-scale training initiatives, and so forth. The clutter diverts attention from the in-depth discussion of the capabilities and development needs of the most promising people. One typical pitfall in such reviews is the failure to distinguish between skill development for members of the management group as a whole (certainly an important goal) and the aggressive career management required to maximize the growth of potential senior leaders. In all, the number of individuals and topics reviewed tends to get in the way of quality discussion about future leaders' potential, their development needs, and their career plans.

Poor Follow-up on Development Plans

The most typical complaint about succession planning is that discussions in executive reviews produce little or no action. In some cases, the problem is as simple as action plans that are vague or not feasible, the lack of established accountability, or the lack of any mechanism for monitoring and following up. More deeply rooted problems stem from, on one hand, excessive functional ownership and, on the other, "blockage" - that is, allowing managers with limited career mobility to "block" positions that are especially useful from a developmental point of view. In the case of excessive functional ownership,

senior managers slow down the timetable for new developmental assignments to retain a valuable performer within the function or avoid upsetting the departmental status quo. Failing to handle blockers by moving them to more fitting positions or dealing with their performance problems also stifles developmental activity. These situations are typical when the organization has created neither incentives for senior managers to drive the development of key individuals, nor sanctions for failing to do so.

Inadequate Input from Employees and Feedback to Managers

A variety of concerns, some of them valid, handicap communication around succession planning and executive development. Such concerns include creating unrealistic expectations on the part of high-potential individuals (the "crown prince/princess" syndrome) or having to tell high-performing people they are not considered promotable.

The upward flow of information and poor communication about succession planning - how the process works, what should or should not be conveyed to individuals - combine to create impediments in two important respects. First, input from the high-potential individual about goals and interests is not always solicited. In an age of mobile careers, dual-career marriages, and complex family responsibilities, this is especially dangerous. Second, not feeding back the results of succession planning discussions at the executive level to the managers in an individual's chain of command makes them ill-equipped to support the kind of development needed.

Narrow Points of View in Assessing Potential

In many companies, the primary vehicle for assessing an individual's career potential is an executive's discussion of top people at an annual succession planning review. Clearly, some executives are more astute at assessing potential than others. Having a single source of assessment, though, is prone to a number of other problems. Examples include overrating staff out of personal loyalty or underrating someone's readiness for a new assignment for fear of losing a talented performer.

A more fundamental problem is lack of perspective. It is extraordinarily difficult, if not impossible, for a manager to assess someone's potential to succeed at an organizational level higher than one's own. Accurate and careful assessment of potential and development needs is a critical foundation for successful succession planning and executive development. Without it, the effectiveness of planning for succession is lessened and the overall credibility of the effort suffers.

An Internal Frame of Reference

Even the best-designed succession planning systems run into the roadblock of insularity: the natural tendency to assess potential relative to known points of comparison. One person may well be the "best of the best" compared to internal competition, yet woefully incapable of leading a bigger, more complex organization in the future.

Overemphasis on Replacement Planning

Most traditional succession planning systems include the creation of replacement plans: "slates" of candidates for existing managerial positions. Replacement planning is useful in pointing out gaps in internal succession or vulnerability to the loss of incumbent executives. As the focal point of succession planning, however, it has several downsides.

* It emphasizes "next step" development for high-potential people rather than encouraging the longer-term view of career planning and development typically required for cultivating future "top of the house" executives. The effect can be to curb the

development of truly high-potential individuals who might gain from big jumps or "stretch assignments."

- * It focuses attention on the type and number of positions in the existing organization instead of the numbers and skills required in the future. For example, decentralizing a company may dramatically increase the number of people needed who possess broad general management skills. In such a situation, an overemphasis on creating candidate slates for existing positions can divert attention from the rapid ramp up in the number of potential general managers required.

- * Replacement slates are static and are typically compiled with little or no knowledge of potential candidates' availability or interest level. In many companies, relatively few positions are actually filled from the list of names, thus reducing the credibility of the effort.

Identifying Talent Relatively Late in People's Careers

One consequence of the upward flow of succession planning information and a focus on "top of the house" succession is that high-potential people are frequently identified in mid-career or even later. At this point, they are often at relatively senior levels, and orchestrating truly developmental assignments - such as a leadership role in a different functional area or an international position - becomes harder. Research into the careers of highly successful executives, such as that conducted by McCall, Lombardo, and Morrison (1988), demonstrates the benefit of a set of challenging job experiences. Waiting until a manager is at a relatively senior level tends to preclude many such assignments.

Failure to Ensure Linkage with the Reward System

Although many companies devote considerable attention to identifying and developing high-potential people, too many fail to make the necessary link between succession planning, compensation, and other forms of recognition. As a result, companies inadvertently end up sending confusing signals to the people they most want to retain. Someone identified as a future senior leader may be given meager pay raises or may not be rewarded adequately through incentives and other forms of recognition. This failure to link succession plans with rewards can lead to the unexpected loss of key talent, especially in an era of aggressive outside recruitment.

A REVIEW OF BEST PRACTICES

To address all these obstacles and build a pipeline of talent for the future, high-performing companies known for the caliber and depth of their management tend to employ a number of best practices.

"Deep-Cut" Succession Planning/Early Identification of Talent

Such companies involve senior executives and external members of the board of directors in identifying and gaining visibility for the most promising individuals, regardless of level. The credentials, accomplishments, job experiences, and compensation of these "stars" are closely monitored. Considerable attention is paid to "up-and-comers" relatively early in their careers, as well as orchestrating significant developmental assignments at the point at which major shifts in job responsibility are relatively easy to arrange. Special steps are taken to identify people early in their careers who demonstrate the characteristics most predictive of success at higher levels, such as: the initiative to seek out problems and opportunities beyond one's narrow job responsibilities; the ability to gather information from a variety of sources and offer rare insight; the courage to take a stand and go against the organizational "grain"; and the ability to learn and adapt from experience.

Such firms also identify opportunities for senior executives to get to know promising junior-level managers through presentations, task force assignments, field visits, and so forth.

Aggressive Management of "High Leverage" Development Assignments

Previous generations of succession planners focused on slates of replacement candidates and helping individuals gain "blocks" of company experience. Now, however, more attention is being paid to identifying specific positions that provide especially potent developmental experience. Staffing for these kinds of positions - highly visible assignments with profit-and-loss responsibility; leadership of start-ups, key cross-functional teams, or acquisition integration projects - is carefully planned at senior levels. Best-practice firms identify and screen highly developmental positions so that blockers are removed to positions where continuity is useful. They are also willing to take risks on high-potential people by putting them into "stretch" assignments to accelerate their development.

To overcome parochialism and excessive functional ownership of talent, some companies establish a "corporate resource pool," a group of high-potential people for whom career planning and assignment is considered a corporate responsibility. Clear accountability is established at senior levels to ensure that the candidates' career goals and interests are periodically probed. Assignments for people in the corporate resource pool are not finalized without top-level corporate approval.

Meaningful Executive Reviews/Mechanisms to Ensure Follow-up on Development Plans

The bedrock of succession planning and executive development continues to be executive-level attention and involvement. To avoid the "kitchen sink" syndrome mentioned before, high-performing companies are turning to more frequent, more streamlined, and more informal discussions of promising individuals. Extraneous items are cut from the agenda and close attention is paid to a limited set of those managers viewed as having the greatest potential. The discussions of high-potential people at executive reviews include rigorous examinations of their performance, accomplishments, potential, compensation, career interests, and development needs. Their interests, their perception of their own development needs, and career-related issues or constraints (such as location) are carefully scrutinized.

Not surprisingly, the high-performing firms use a manager's success in staff development as a key criterion in determining potential for advancement. Devoting attention to an individual's track record in developing people (attracting talented staff, producing candidates for higher positions, freeing people for developmental assignments, and so on) during succession planning reviews sends strong signals about the importance of executive development throughout the organization.

These discussions culminate in specific, individualized development plans that include a range of action items such as new job assignments, feedback and coaching, formal training, external board and community involvement, and so on. The plans are subject to the same managerial discipline applied to any other business priority: establishing accountabilities and target time frames for completion. Steps are also taken to inform managers in a candidate's reporting chain of command about planned development actions so they can reinforce development priorities.

Finally, these companies establish mechanisms to ensure: (a) ongoing executive attention to the individual's performance and development and (b) follow-up on the timely completion of development plans. Such mechanisms take several forms, including quarterly or semiannual updates or succession planning "war rooms" set up so that senior

executives can periodically review candidate data and discuss development progress.

Leadership Competency Models/360 [degrees] Feedback

In response to fluid business and organizational circumstances, high-performing companies have moved away from static position profiles in planning succession in favor of broader, company-specific competency models. These models are designed to "operationalize" the company's values and future-oriented business strategies in terms of specific managerial behaviors.

Managers within the company are then given confidential "360 [degrees]" or multi-rater feedback on these competencies based on reactions from candidates' managers, peers, subordinates, internal customers, and, in some cases, even external customers. Companies have found that 360 [degrees] feedback is a cost-effective way to promote awareness and self-development and to drive developmental action. The competencies imbedded in the model (such as vision, creativity, innovation, and results orientation) are used as a common point of reference in assessing potential and development needs. To promote linkage to staffing and other developmental activities, the same competencies are used in performance appraisals, assessments of potential, training curriculum design, and both internal and external staffing.

Multiple Points of View in Assessment

To broaden and deepen the assessment of candidates' potential and development needs, companies are increasingly looking for ways to improve upon the traditional "boss to superior" model of assessment. A number of best-practice companies employ the team assessment process. Five to eight or more senior managers, including the candidate's supervisor(s), participate in a carefully guided discussion of the candidate's strengths, weaknesses, potential, and development needs. Other companies use a variation of 360 [degrees] feedback in assessing potential at senior levels. In this process, current and former managers, peers, and subordinates are interviewed in confidence. The resulting summary becomes part of the overall assessment of the individual.

External Talent Benchmarking/Leveraging External Search Firms

To combat the tendency toward an insular focus in assessing candidates for key positions, some high-performing companies take the extra step of routinely interviewing external candidates, typically for more senior positions. Even if two or three suitable internal candidates have been identified, this external benchmarking allows the company to "calibrate" the quality of its internal people with world-class talent from other companies and upgrade its talent base where necessary.

Such companies view executive search firms as a complement, not an alternative, to internal development efforts. Taking a page from the supplier management initiative, they tend to consolidate the number of executive search firms used. The search firm's most talented recruiters are then brought in for extensive discussions with a range of company executives and are formally oriented to the company's leadership competency model. These recruiters are also invited to participate in external benchmarking on a regular basis. Flexible arrangements are often established with the chosen search firms, encouraging them to bring outstanding candidates forward for consideration, even when no specific job opening has been identified.

The senior executives of virtually every company we work with are acutely aware that having an adequate supply of the managers with the right mix of skills is critical to their business success. However, they have grown frustrated over the inability of their companies' succession planning and executive development programs to develop the next generation of leadership talent. As a result, they are taking steps to reevaluate their

existing approaches to grooming executive talent. What is emerging is a set of more flexible practices to respond to the pattern of ongoing business and organizational change, as well as the creation of mechanisms to provide truly challenging developmental experiences for a company's most promising people.

References

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John Beeson is senior vice president and principal of Korn Beeson Consulting in Overland Park, Kansas.