

Part One

INTRODUCTION TO SUCCESSION PLANNING

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1

A NEW METHODOLOGY

Succession, Progression, and Development

Our goal in this chapter is to identify the complexities of succession management so that each individual who picks up this book can walk away with a clear sense of how to succeed when developing a succession plan. To do this we have organized the following sections of the chapter to follow a gradual process of solving the challenges that are most frequently responsible for turning brilliant ideas into smoldering ruin. This common misconception regarding succession is simple yet very difficult to avoid: succession is not a single process. It's all too easy to satisfy an organization's need for talent by devising a linear plan, recruiting, and setting up a bench system of qualified leaders. This, however, is not sufficient. The key to succession, which too many overlook, is the concept of *sustainability*. The successful strategy must not only allow for assessment and recruitment, but also development, progression, discussion, evaluation, and often-times the adoption of an entirely new corporate culture. Rather than planning in a straight line, the talented leader must create a repeating cycle that will ensure success now and in the future.

The chapter begins with an introduction to the "Age-Old Debate," in essence proving the need for a multifaceted organizational ruling body. The *power of four* theory is then introduced, showing the logic behind our reasoning and gradually leading up to the discussion of the proven solution, the Succession/Progression/Development (SPD) system. This system is then broken down into pieces that can be mixed and matched, rearranged to conform to an infinite variety of industries, corporate cultures, and business models. To conclude the chapter we present a list of common

questions and concerns relating to the implementation of the SPD program, as well as various tools and models to add an element of perception to the learning process.

Chapter Outline

The Age-Old Debate

The Power of Four Theory

The Jack Welch Example

Conclusions Drawn

The Succession Planning Process

The Ten Questions and Answers That Explain SPD
for the Board

The Age-Old Debate

Some people say high-impact organizations are a function of leaders like Jack Welch; then success—that is, high impact—happens. Other equally fervent arguments state that high-impact success is dependent on building great teams embedded in a strong culture, supported by healthy values, not single leaders. This “great leader” versus “great organization” argument can be referred to as “the age-old debate.” One question remains: Which is right?

Our conclusion points to a possible solution to and explanation for this controversy, as we are sure that both sides of this argument hold water. For certain, great organizations require teams of focused and aligned workers who in aggregate are able to execute against a plan to drive the strategy. At the same time, however, these organizations need strong leaders who are passionate. These passionate leaders create what we call the *power of four*; they drive energy down into the organization by creating multiple levels of passionate leadership.

On the one hand this seems obvious. Strong leaders and strong organizations are by-products of each other. On the other hand, it is the chicken and the egg—which comes first? Does it matter? Our

experience in this study makes us confident in saying that organizations need both: strong leadership *and* an integrated system for succession, progression, and development. In fact, each is highly dependent upon the other. We also believe a strong leader makes a difference. How does this happen in real time?

Let us propose this axiom: *High-performing organizations are not accidental occurrences.* Boards of directors know this best. They spend a significant amount of board time providing oversight, ensuring that the right top leaders are in the right place. Today more and more board directors are aware of the power of four, although they obviously don't call it that. Instead, directors whom we have interviewed have said that "we need to have the right leadership with the right strategy, structure, and values." What are boards most worried about then? We asked a number of board chairs this question: "What keeps you up at night?" The common answer: "Leadership."

What does this all mean and where does it lead us? It is certain that one leader cannot do it alone. Therefore "the great man" argument must be wrong. The great stories of high-performing organizations we have researched are rich in that they have many leaders intricately woven around strategy, execution, systems, and growth. We also found this to be true in our prior research (published in a book called *Everybody Wins* [2004]), where we studied organizations that were consistently successful over long periods of time (thirty years). Our earlier study revealed that the most highly successful, high-performing, high-impact organizations all displayed the same persistence and focus on succession, supported by providing progression and development opportunities for their high-potential leaders (HIPOs). This important strategy, putting emphasis on the individual through potential-based prioritization and established progression objectives, is discussed later in the chapter.

The Power of Four Theory

According to the arguments just mentioned, high-impact organizations cannot focus on one leader alone; instead they must

concentrate on the concept of *leadership*. What does this mean for succession, progression, and development? Simply put, the best organizations we could find are vigilant in creating layers of leadership. This substantiates a pattern of organizational behavior for highly successful businesses that we call the *power of four theory*. An example of this might be the heads of HR, marketing, public relations, and finance. This means that when there are four powerfully intertwined leaders at the top of an organization, they have the ability to create true passionate champions. It is important here to summarize to make sure that the reader understands the significance of this point, for we believe that there is substantial power in creating layers of passionate champions.

The concept of the *passionate champion* is a simple one. There are three parts: (1) a passionate champion is someone who is completely ardent and who wants the result more than his or her boss does; (2) the passionate champion is more capable of delivering results (has more specific core competencies: skills, knowledge, and abilities) than the boss; and (3) the passionate champion makes it happen *somehow*—delivering consistently against all odds.

This concept of the passionate champion is one that is of utmost importance to any business. We believe that there is a strong relationship between the concept of the power of four—having four passionate champions at the top two levels of organizations—and creating high-performing businesses. The research conducted for the *Everybody Wins* project reinforces our convictions that the best organizations in the world spend significant amounts of time planning succession, organizing progression discussions, and ensuring that there are development plans in place for those who are on succession charts.

The following example is meant to elaborate on our premise regarding the need for high-performance teams at the top of the organization. It is important to note that there is another lesson that can be learned here regarding the role of the chief executive officer (CEO) in the succession process. Although it is not

recommended to operate in an organizational monarchy, it is essential to have a qualified CEO who recognizes the need for managing internal talent. As the example shows, succession is a businesswide ordeal, but the process of selling and approving a strategy will not leave the ground without the consent and enthusiasm of a qualified CEO.

The Jack Welch Example

Suppose we were to take Jack Welch out of retirement and place him into a troubled company like General Motors. Would he make a difference? The great leader proponents would say, "Absolutely." Those who believe that culture, values, and other ingredients result in teams of leaders who make a difference would say, "No." We recently tried this at a YPO meeting of fifteen CEOs. All but two said that Jack Welch would make a difference. The group was then asked if they would buy General Motors stock. All but one said yes. In response to their feedback, the groups were asked to elaborate on how much the stock would increase. The range was from 10 to 25 percent on Day 1. Would this really happen? Some top-ranked analysts were called and were asked the same question. The overall consensus was conclusive; General Motors stock was anticipated to grow by a significant amount.

This was intriguing, because Jack Welch, in the past thirty years, has only infrequently driven any automobile, nevermind run the largest automobile company in the world. The fact is Jack Welch mostly sits in the back seat. He has never designed a new model for a car, written a business plan for a car company, or worked in a car dealership. We have been told by those who know him that he hasn't even been to that many dealerships. So the next rational question in this case would be, "What would he do that would increase the value of this company?" To answer this question, we consulted some individuals who had been in senior manager roles at General Electric (GE). Here's a summary of what they said: Welch would redefine the strategy, organize work

teams to execute against the strategy, create systems to support it, and look for new opportunities to grow the business. In an attempt to elicit more information, the managers were then asked another question: “What would he do first?” The general consensus was simple: “He would assess the talent and he’d get the right top people in the right jobs. These would be leaders he could count on.” In these discussions it was learned that what Jack Welch would *really* do is align the organization around a strategy and aim the top leaders at executing against the strategy. He would do this two or three levels down into the organization, and then he would build organizational backup talent. It was also learned that he would move people around, giving them different responsibility until the organization got it right. Where leaders had holes in their competency profiles, he would find ways to get them up to speed as quickly as possible, and all agreed he would have a backup two deep for every key job. It would be a transparent system. Roles would be clear, people would be held accountable, and, most important, he would make the *hard call*. He would not mistake competence for loyalty, and if he didn’t see a passionate champion in a key role he would move the next person up.

What do we conclude from this? Does this support the great leader theory or the leadership theory (more than one leader is required to make a difference)? We think it supports both. Perhaps the single most important thing that Jack Welch did at GE is build an integrated system of succession, progression, and development. He became a great leader because he knew that it took more than one person to accomplish his company’s goals. Everyone at GE knew that to survive at the top they had to be a passionate champion. Failure results in a succession decision or a rotation decision. It’s not only succession on a chart that works; it’s moving people into various positions in order to get it right and having the wherewithal to develop people two levels down to make sure the organization has a certain future.

The reason that succession must be connected to progression is that there is no way to get it right all the time. Succession is not a perfect science. There are a lot of moving parts. In fact, succession requires picking the right person, picking the right time, and picking the right place. Sometimes people are ready and sometimes they aren't; human factors are not always predictable. That is why succession, progression, and development must become an ongoing system as opposed to a single process. Organizations that do their succession planning once per year lose the opportunity to constantly stay in tune with the shifting readiness as well as the wants and needs of all those individuals on organizational charts. For this reason, we recommend that succession planning happen in such a way that it is followed by succession, progression, and development dialogue with all those who appear on organization charts. The results of these dialogues are two important documents. One is an individual development plan (IDP; discussed more fully later in the chapter) and a vulnerability assessment, which measures the risk factor of losing a person who appears on a succession chart (example presented later in the chapter). This vulnerability assessment process is a critical part of succession, progression, and development (SPD) planning, for we believe that turnover is predictable if there is consistent dialogue regarding what people want and need.

Conclusions Drawn

Before we get into the example of a succession, progression, and development system, we will sum up our top ten conclusions about succession, progression, and development:

1. The great leader theory is wrong. High-impact leadership is right.
2. There are great leaders. They are differentiated in that they have the courage to step up and make the hard decisions on succession. They do this best by creating a system around talent management at the top.

3. Succession by itself does very little good if it is the exercise of a once-a-year planning process that is kept in a drawer. Still, it is better than nothing. It forces the organization into a discipline of keeping track of top talent.
4. The difference in high-impact organizations like the ones that we studied in the *Everybody Wins* book is they continually work the succession chart by having dialogue sessions with all those on charts to be sure they know what these individuals need and what they want, as well as what the organization needs from them.
5. From these dialogue sessions come development plans. The best organizations not only know what their next job might be, but they are joined in the plan of providing pathways that include rotations in order for them to get there. Every leader in these organizations has a personalized development plan that is sometimes connected to the performance management system.
6. Some organizations that we consider best in class take it to another level and do risk assessments on succession charts, discussing vulnerability at the board and the executive committee level.
7. The power of four is a way to track organizational soundness. Where organizations have two levels of the power of four, approximately twenty leaders are identified as passionate champions. This creates restful nights for those at the top of organizations.
8. We find that high-performing organizations have someone appointed and accountable for an SPD-type system.
9. Some organizations even take it to the next level, where they accelerate the development of their top leaders, as is the case at McKesson Corporation. We call this *fast tracking*. There they take nothing for granted.

10. On a very practical note, executives lead the board on succession, progression, and development discussions. They don't wait to respond to board directives regarding succession, progression, and development.

The Succession Planning Process

This second part of the chapter presents information, documents, and forms that can be used in the succession planning process. Exhibit 1.1 is a real SPD initiative that can be prototyped and used in organizations. It is set up in such a way to capture the essence of what succession, progression, and development should be, and it also provides action steps that can become a blueprint for implementation.

Figure 1.1 presents three views of SPD: those of the employee, the manager, and senior management or the board. Exhibit 1.2 shows an example of a succession planning book layout. There is no such thing as a latent passionate champion. They are always self-acknowledged fast trackers who best represent the definition of

Exhibit 1.1 Succession Planning Process

1. High-potential employees (HIPOs) are identified and discussed monthly in management meetings.
 2. HIPOs have six-month SPD progress discussion with manager and mentor.
 - Review individual development plan (what's happening)
 - Vulnerability assessment (what's new or changing work/life)
 3. Executive committee meets twice per year, every six months, on SPD, to plan or review succession and update charts—and discuss changes—as well as IDPs. Specific reviews on “at-risk” HIPOs from vulnerability reports.
 4. Board reviews of SPD
 - Board annual review on succession progression development
 - Board semiannual review on succession chart update and vulnerability assessment
 - Board quarterly review of turnover
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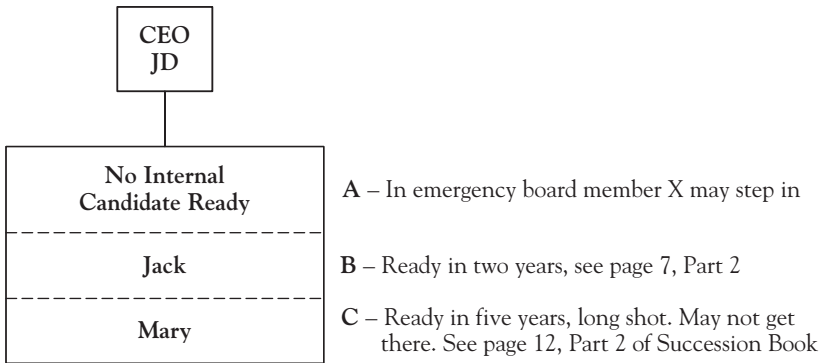
Figure 1.1 Three Views of SPD (HIPO, Management, Senior Leadership/Board)

<p>HIPO —————→ Knows where she or he is going and how to get there and feels “cared about” and engaged in the process</p>	<ul style="list-style-type: none"> • Progression pathway: Sees the steps to advance • Two development discussions per year: Dialogue, candid, clear, and committed action creates a feeling of trust • Individual development annual plan: Awareness (self)—assessment/feedback/training/coaching/mentoring
<p>Management —————→ Knows what is going on and needed by the HIPO and is involved in planning</p>	<ul style="list-style-type: none"> • Planning progression rotations and opportunities to develop and sees ways to build bench strength • Two development discussions: Dialogue reveals risk and needs • Individual development annual plan: Sets up learning master plan; sees the development processes at work and opportunities to advance progression
<p>Senior Leadership/Board ———→</p>	<ul style="list-style-type: none"> • Clear view of successors: Sees possibilities for driving strategy • SPD reports provide line of sight to risk: Intervention • Sees where development improves retention and oversight to future growth

Exhibit 1.2 The Succession Planning Book Layout

Part I: Succession Plan Charts

- Significant positions are identified and top thirty work profiles completed
- All organization charts for top three levels below CEO
- All positions on organization chart have incumbent and A, B, C, candidates (when one position is vacant—so noted A = ready now; B = six months to two years; C = two to five years)

Figure 1.2 Succession Plan Chart**Part II: Succession Plan Notes**

Each HIPO has a profile page including:

- Bio and competency profile
- Strengths
- Development needs
- Individual development plan
- Vulnerability (risk) assessment
- Progression path
- Next steps/job

passionate champion presented earlier in this chapter. An example of a succession plan chart is presented as Figure 1.2.

Table 1.1 presents a hypothetical yearly schedule for SPD. Figure 1.3 is a graphical representation of the four phases of SPD: design the system, analyze resources, prepare implementation, and monitor. Figure 1.4 is a flowchart of a possible first year of responsibility for each level of the SPD. Figure 1.5 shows a Learn-Map Pyramid. Exhibit 1.3 presents the vulnerability assessment.

There is no one single SPD process that is right for an organization. The suggestion for using this system is to study the organization's culture and look at how succession is currently being done, then realistically adapting SPD to your organizational climate

Table 1.1 SPD: A Look at a Yearly Schedule (Hypothetical)

	<i>Design System</i>	<i>Analyze Resources</i>	<i>Implement</i>	<i>Monitor</i>	<i>Measure</i>
S U C C E S S I O N	<ul style="list-style-type: none"> • Identify HIPOs • Define the job profiles 	<ul style="list-style-type: none"> • Review HIPOs • Build succession charts • Review w/board 	<ul style="list-style-type: none"> • Succession dialogue with HIPOs • Complete vulnerability report 	<ul style="list-style-type: none"> • Review trouble spots 	<ul style="list-style-type: none"> • Update charts • Hold second dialogue • Update vulnerability report
P R O G R E S S I O N	<ul style="list-style-type: none"> • Identify paths and competencies/experiences required 	<ul style="list-style-type: none"> • Analyze HIPO's experiences • Discuss possible routes for each HIPO short term/long term 	<ul style="list-style-type: none"> • Prepare pathways for short term/long term • Career Map—for each HIPO 	<ul style="list-style-type: none"> • Check for possible job rotations • Look for mentor relationships 	<ul style="list-style-type: none"> • Update progression pathways for 2007 • Focus on key HIPOs
D E V E L O P M E N T	<ul style="list-style-type: none"> • Create possible development alternatives • Gather data on best programs • Pick internal/external coaches/mentors 	<ul style="list-style-type: none"> • Prepare company-sponsored programs for HIPOs • Pick the accelerated class: 4–8 fast trackers • Train internal coaches mentors 	<ul style="list-style-type: none"> • Prepare Individual Development Plans (IDPs) • Get approvals for all development • Implement assessment phase 	<ul style="list-style-type: none"> • Check progress on HIPOs • Meet with internal/external coaches 	<ul style="list-style-type: none"> • Executive review of development and preparation for 2007 • Executive reviews for the fast track
	Q1 '06	Q2 '06	Q3 '06	Q4 '06	Q1 '07

Figure 1.3 Four Stages of SPD

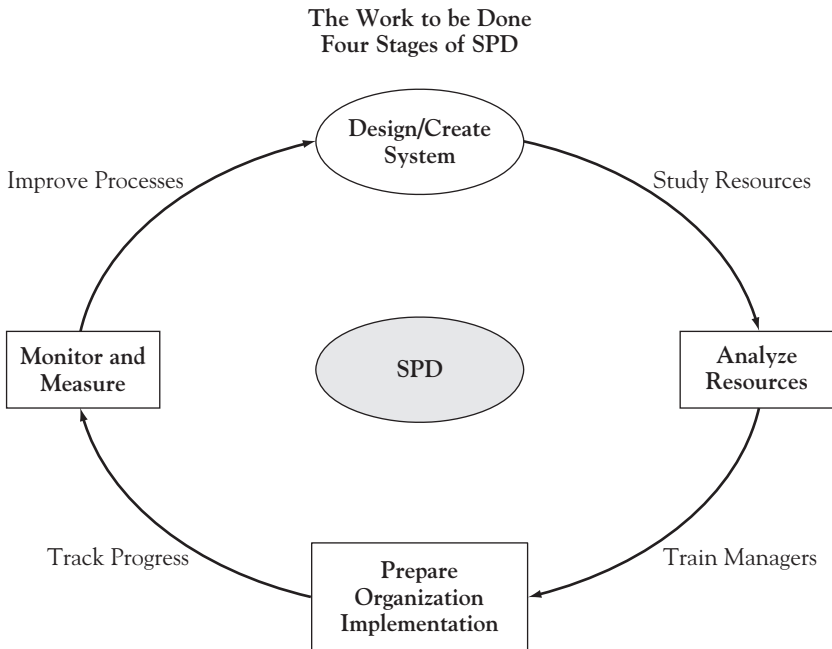


Figure 1.4 Year 1: Getting Going

Year One – Getting Going
Roles and Responsibilities
SPD for '06

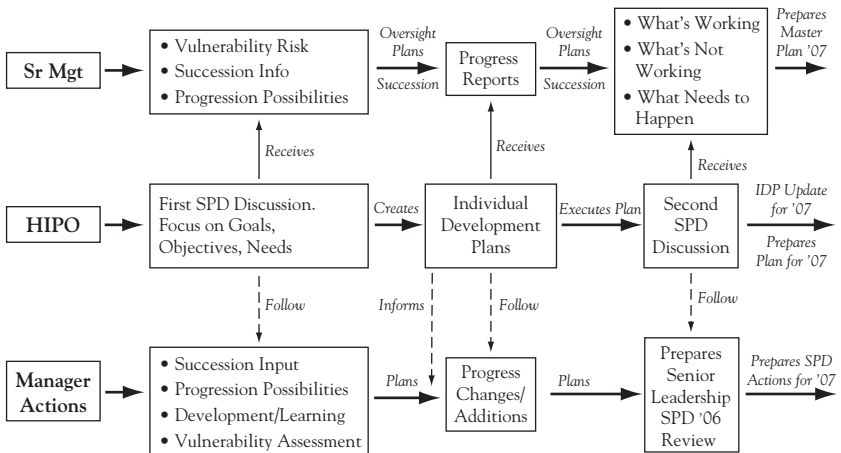


Figure 1.5 LearnMap Pyramid

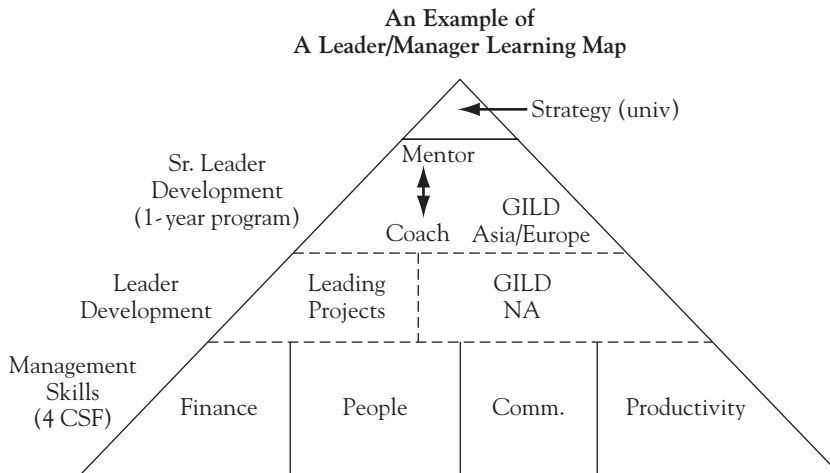


Exhibit 1.3 Vulnerability (At Risk) Analysis

<i>Categories</i>	<i>At Risk</i>	<i>Watch For</i>
1) Comp/Benefits	Yes/No	Learning curve ahead of normal
• More than 10% off market median salary	_____	
• Benefits less than competition	_____	
2) Position/Title	Yes/No	Peers/friends advance
• Title is not what s/he wants	_____	
• Org position is not first choice	_____	
3) Work/Life Fit	Yes/No	Changes in family/personal status
• Work hours do not fit life needs	_____	
• Location doesn't fit life's schedule	_____	

(Continued)

Exhibit 1.3 (Continued)

<i>Categories</i>	<i>At Risk</i>	<i>Watch For</i>
4) Boss/Supervisor	Yes/No	Feedback from boss is frequently critical
• Boss doesn't spend time with her/him	_____	
• Boss doesn't agree with work habits	_____	
5) Team/Environment	Yes/No	Doesn't go to off-hour events
• S/he doesn't have a work friend	_____	
• Team doesn't include him/her in activities	_____	
6) Learning/Development	Yes/No	No learning opportunities in one year
• S/he is not learning anything new	_____	
• There are no opportunities for development	_____	

Actions

1. Have a discussion with HIPO—minimum one hour.
2. Check in on the six categories (and two questions).
3. Ask probing questions balancing inquiry with advocacy.
4. Make sure to hit all twelve questions presented on the assessment.
5. At the conclusion, immediately circle yes/no for each category.
 - 1 = yes = some risk—may stay for one year more
 - 2 = yes = high risk—may leave within six months
 - 3 = yes = will leave with a reasonable offer within six months

Note: Managers need to be trained on how to use this tool.

and preparedness. For some organizations, implementation in stages is a better route. Some organizations can digest SPD best over a two- to three-year period. In fact, SPD can backfire if it's implemented too quickly or with an organization that's not ready. In these cases it's better to go for a phased-in implementation.

The Ten Questions and Answers That Explain SPD for the Board

For additional reference, a collection of “ten questions for the board” is provided following.

1. What is SPD?

SPD stands for succession/progression/development. It is a set of core processes connected together into a seamless system for ensuring that every high-potential employee knows that company leadership, including the board, is focused and invested in their work/life and career. What is different and better about this system is that each core process (succession, progression, and development) is integrated so that high-potential employees (HIPOs) recognize how they can achieve their objectives.

- *Succession* is a formal process whereby the top three tier jobs have clearly defined “backups.” Each next-in-line candidate can then be tracked for progression and development. This becomes a visible process for executives and board members. HIPOs also know that they appear on succession charts that spawn discussion on an ongoing (scheduled) basis, allowing them to feel connected to the processes for their own development.

- *Progression* is a tracking process that creates visible pathways for career development. It can be as simple as associate engineer through principal engineer. By having visible pathways, HIPOs can track their career steps and see what bases they need to touch in order to achieve their ultimate objectives. It provides the manager with the visuals to have open discussions that lead to opportunities for rotations, coaching/mentoring, and training.

- *Development* is a more defined process for charting what skills, knowledge, and experiences are required to meet the career path and succession needs for HIPOs. Every HIPO is expected then to have a yearly individual development plan that is reviewed with the manager and is taken into consideration for rotational decisions as well as professional advancement and succession.

2. Why implement SPD now?

The company is at a size and the market conditions are such that attracting and retaining HIPOs is critical to the future of the company. Research through the Corporate Leadership Council points to a worldwide crisis resulting in a war for talent. Companies that manage their succession, progression, and development for HIPOs have higher retention of executive talent. SPD is both an early identification as well as a carefully crafted method to build loyalty. With local market conditions tightening, although cyclical, there is little doubt that the company will continue to be a target for other companies to try to cherry-pick top talent.

3. How does SPD work?

Although backed by an intricate set of processes, SPD is a simple system, particularly as seen by the HIPO. From the HIPO point of view, the individual clearly understands that he or she has been selected as a succession candidate (perhaps even for more than one job). The HIPO also knows that progression, which implies touching a number of bases (that is, jobs along the way), is a requirement for advancement. Becoming more knowledgeable, learning new skills, and overall gaining experience is critical for his or her future. This is all reflected on a yearly individual development plan (IDP). The heart of SPD is in two development discussions per year. The discussion focuses around the HIPO's objectives, and there is agreement on that HIPO's development, including his or her progression. It is in this discussion that the manager is able to reach a clear understanding as to short- and long-term goals and relates all to progression and succession. At the same time, the manager is able to glean important information about that HIPO's work/life and career satisfiers. Each development discussion results in a "sign-off" on the HIPO's IDP. The manager submits for the file a checkup that includes a retention assessment, which identifies risks around six categories of satisfiers.

4. How does the company benefit from SPD?

By using SPD as a system, it keeps the attention on the HIPO front and center. In short, it allows the company to compete for top talent through talent management. The company becomes known not only as a great place to work, but as an organization that has committed time and resources to a strategic and unique program created to ensure the success of the HIPO. Moreover, it is perceived as the company to grow with and be with.

5. Is SPD really about retention?

SPD will help with retention while providing safety and security to the company by ensuring that there is talent in a getting-ready state for every important senior role in the company. When there is turnover, there is opportunity. SPD should help in recruiting and creating a healthy competitive environment for advancement.

6. What does it mean to be a HIPO?

Those who are high-potential employees know that they have been selected and designated for advancement, which requires frequent conversations and a focus on development.

- HIPOs are on a succession chart.
- Each HIPO is on a progression pathway.
- Each HIPO has an IDP that is reviewed yearly.
- HIPOs have two SPD discussions per year, including a vulnerability assessment (see Exhibit 1.2).
- HIPOs progression and development is reviewed by senior management and presented to the board.

7. How does succession planning happen?

Each year at a designated time the succession plan is reviewed by senior management and the board. At that time, the succession plan is studied for vulnerability, that is, specific areas where there is

“vacancy” or no immediate candidates ready for key positions within the next two years. Discussion and action plans are put in place. Also at this time, fast trackers are identified. A fast tracker is a HIPO who needs to accelerate his or her development in a special yearlong development process. All IDPs are updated and placed in the succession planning book.

8. How does one become selected for HIPO status and fast track designation?

Senior managers throughout the year continually focus on identifying high-potential employees. This begins with an early identification program at the point of hire and continues through performance reviews and project evaluations. Employees can be designated at any time during the year as a HIPO. It only requires creating an IDP, scheduling a “sit down” to discuss career progression, and beginning to think in terms of how a newly designated HIPO fits into succession.

The objective is to fortify the succession plan by advancing the development of HIPOs who have the capacity to advance quickly and progress at a faster rate.

9. What is a vulnerability assessment?

A proven method for increasing retention of HIPOs is to stay on top of the wants and needs as well as the overall career development of HIPOs. Every HIPO will continually be “checked in” on to ensure that the six proven satisfiers at work (listed in Exhibit 1.2) are reviewed with each HIPO. All managers will be trained on how to have this discussion so it is comfortable and ongoing, showing that the company is truly interested in doing all it can to provide the opportunities at the company that HIPOs are looking for.

Six satisfiers that are proven retention determinants for high potentials (Linkage™):

1. Compensation/Benefits
2. Position/Title

3. Work/Life Fit
4. Boss/Supervisor
5. Team/Environment
6. Learning/Development

10. How is SPD managed?

It does take a fair amount of work to set up SPD. Once the architecture is in place, the system designed, the plan implemented, the initial bench strength analyzed, HIPOs selected, IDPs set in place, it becomes a monitoring and measurement set of tasks. This then becomes a human resource function and a management imperative to monitor. SPD requires a belief, beginning with the board, that succession, progression, and development is a core set of processes and thus a system that is a critical success factor for the company.