

SUCCESSION PLANNING: THE IMPORTANCE OF STRONG SUCCESSION PLANS ALIGNED TO FUTURE BUSINESS STRATEGY

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There is a paradigm shift underway in succession planning models. Today's digitally-led companies need leaders who are agile and connected.

Having a diverse leadership talent pool and a robust succession plan is now more critical than ever as the events of the last 12 months have made some leadership styles redundant virtually overnight and brought others to prominence just as quickly. This has been reflected in the increasing turnover of CEOs in recent years, which accelerated during 2019 and when figures are reported is likely to have increased yet again in 2020.

Data showed that 2019 had the highest rate of CEO turnover since tracking began in 2002. [Gartner's 2020 HR survey](#) also showed that 37% of organisations struggle to develop influential leaders. This trend provides

companies with an opportunity to accelerate their organisation's performance by improving their 'bench strength' at the management and executive level.

HR leaders need to critically appraise their organisation's strategic direction, conduct detailed competitor and sector analysis, and identify what skills will be required for the future leadership team. Only when that preliminary work is complete can they assess the employees in critical positions and identify the knowledge and skills that are missing and the areas where a lack of depth in capability creates a business risk. The best HR leaders will then develop a plan to advance or attract the right talent.

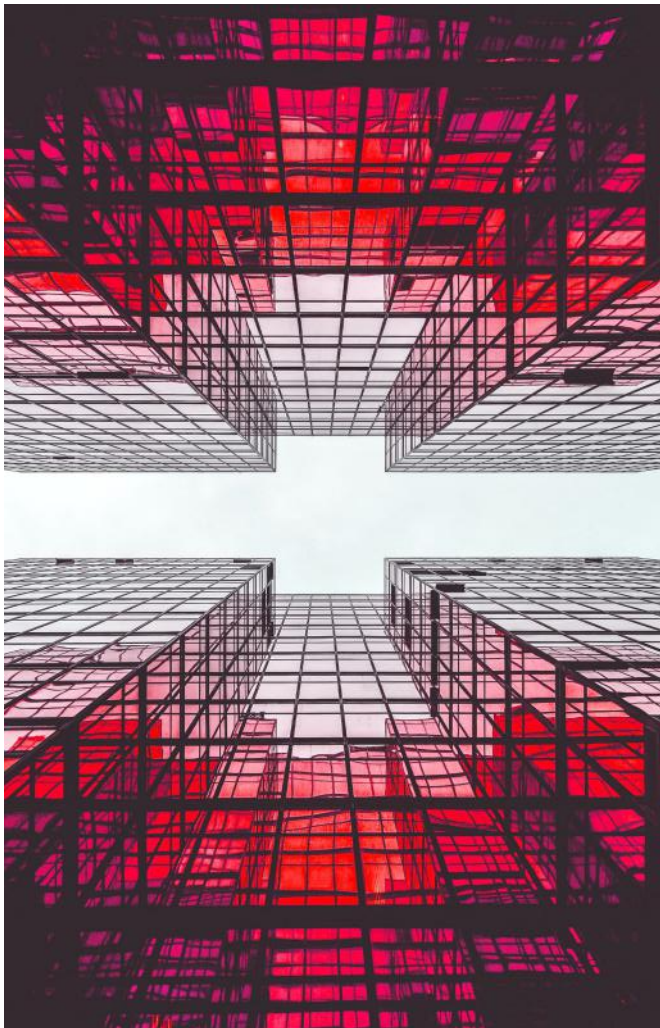
Once this plan has been developed, the next goal is for HR leaders to help an executive team understand

that succession is a top priority. The secondary and often more challenging goal is to gain commitment for them to make the changes necessary to improve the calibre of the people vying to take their job.

Given the mix of skills needed to effectively complete the preliminary work for a robust succession plan (HR and strategic analysis, talent consulting, job evaluation and exceptional influencing skills), it is hardly surprising that few companies have been successful in forging a resilient and inclusive succession plan.

Most puzzling is why so many leading organisations seem unable to bring together the best internal people skills with external talent consultancy to generate a robust succession plan. Research by Deloitte shows “real market frustration with succession planning efforts. While 86% of leaders believe leadership succession planning is an ‘urgent’ or ‘important’ priority, only 14% believe they do it well.”

The Deloitte study found that two factors were letting companies down. First, a need to engage stakeholders whilst combining the use of disciplined data-driven processes. Second, allowing for complex human behaviours. Too often, “companies were either avoiding succession planning altogether or were taking a dispassionate, process-oriented approach that minimises the impact it has on the people involved.”



WHY SUCCESSION PLANS ARE IMPORTANT:

Turnover is inevitable.

Succession planning should, therefore, always be a priority for the continuity of any business. It benefits both the organisation and the career trajectory of its leaders.

People leaving critical roles can affect a business operationally and its team emotionally, so planning is vital. Companies should focus succession planning on where they are going or where they want to go, not where they are presently. Succession is focused on the future, and so succession is about identifying and encouraging tomorrow's leaders.

Whatever the organisation's size and complexity, a succession plan should adhere to certain core elements:

HR AND TALENT LEADERSHIP MUST HAVE A SEAT AT THE EXECUTIVE TABLE.

Without sponsorship from the CEO and broader Board succession initiatives will fail. They are inherently hard as they are likely to impact some of those around the Board table and require a strong voice backed up by robust and credible analysis to have any chance of success.

IT IS UP TO THE C-SUITE TO SET THE AGENDA FOR SUCCESSION AND TO SEE IT THROUGH TO COMPLETION.

Not to put it on the back burner when more immediate company challenges arise. More than 2/3 of FTSE 100 boards are telling shareholders that they have succession planning problems. Research suggests short-term priorities risk overwhelming some boardrooms.

IDENTIFICATION OF CRITICAL POSITIONS AND ANY IMPENDING TALENT GAPS.

And then building a fluid talent strategy to address and mitigate these risks and gaps.

Dangers arising from de-prioritising succession planning:

Some companies make the mistake of having too narrow a focus - they only deploy succession plans for C-suite positions; leaving an undeniable talent/skills risk further down the organisation. Equally, only hiring in the “same” image brings forth the challenges of a lack of diversity and risks losing the well-documented benefits diversity of experience and thinking bring.

Long term strategies are often set aside as business-critical challenges arise in the short-term. This is a risk because the future of any business depends on having the right leaders prepared to take over if needed. Succession plans need to be aligned with business strategy, operations and practices.



This takes dedicated time, effort and resources.

A singular focus on existing roles leads to misalignment with future business needs.

HR succession plans usually focus on existing leadership roles; they fail to factor in the leadership demands of evolving business priorities. This is often a result of not aligning senior Talent and HR executives with future business strategy so they can create robust and time appropriate plans.

Progressive HR teams focus on planning for future leadership needs. Gartner noted that “planning for future leadership roles has almost twice the impact on leadership bench strength as planning for existing leadership roles, yet only 15% of executives rate their HR team as effective in doing so.”

Internal talent is often underdeveloped and underinvested in. A recent Gartner survey shows that 81% of HR leaders cite “lack of readiness as a top reason that high-potential candidates were unable to fill a leadership position. Increasingly shorter tenures, the rise of the gig economy, generational shifts in the workforce and leadership roles that are constantly changing mean that it is more difficult than ever to ensure successors’ preparedness.”

Internal successors should have an intimate organisational knowledge to ensure a seamless transition during a major crisis, such as a pandemic.

Increasing numbers of organisations are adopting different models for developing successors from within. Some are adopting a variation on the Boston Consulting Group’s leapfrog succession model:

“Corporate boards of directors are increasingly reaching down below the second layer of management to name new chief executive officers. By accelerating the promotion of these executives, boards hope that the new CEOs’ ability to understand and act upon signals in today’s unpredictable environment will more than offset their relative inexperience” (Torres, Hansell, Foster, & Baron).

Others are taking arguably an even more radical approach and prioritising leadership skills over functional expertise on Boards, removing the traditional roles and replacing these with a Board composed of the best

leaders regardless of discipline.

There is also a shift in the approach to building external succession plans to complement the internal bench.

Clients are increasingly taking a ‘ready-later’ approach to external talent. Rather than construct a shallow pool of talent with succession candidates ready to ‘plug-and-play’, many businesses are taking a longer view. Bringing the best talent candidates into the organisation earlier in their career and developing them alongside their new peers to be their leaders of the future.

This way, businesses can get their hands on the new skills they need in their leadership layer sooner.



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Torres, Hansell, Foster, & Baron



IMPROVING LEADERSHIP DIVERSITY

Executive diversity is widely recognised as being important in spurring innovation and helping organisations remaining competitive. It ensures that leadership does not become homogenous and outdated.

Diverse teams outperform non-diverse teams by 35%. Only 1 in 16 people in management positions are from an underrepresented background compared to 1 in 10 in the workplace and 1 in 8 of the working-age population. The McGregor-Smith Review highlighted that tackling these race disparities in the UK would provide an annual income boost of £24bn.

88% of diversity and inclusion leaders identified “promotions and/or succession” as one of the talent processes most susceptible to bias. Furthermore, in 2019, more than half of DE&I heads identified influencing succession planning efforts as a top priority.

Diversity in succession is also critical at the Board level amongst Executive and Non-Executive Directors. Not just to reflect the organisation’s diversity and its customers, but to ensure the right level of focus on strategy

and to appropriately challenge Executives. Here we are not just talking about gender, ethnic or neurodiversity, but also diversity of experience.

In one example, Armstrong Craven recently worked with a FTSE100 company which required a new board member. The strategy of the new executive, and the direction the business needed to pursue to protect its market position and grow, was digital and direct to the consumer.

Through the execution of a combined executive search and talent pipelining exercise, we were able to provide a balanced shortlist including underrepresented talent, and a slate of succession candidates to further boost the Board’s digital and B2C skillset over the coming years.

COMMUNICATING YOUR SUCCESSION PLANS

Employee engagement is critical to robust succession plans. A lack of clear communication is [one of the biggest threats](#) to the successful transition from one generation of business leaders to the next.

Gartner research found that 71% of employees think employers should increase transparency. Informing a candidate of their potential next role can facilitate targeted development efforts. It can also increase their readiness to take on that role and drive business results.

Suppose the successor is not aware that they are in line to take over a key role within an organisation. In that case, they are very likely to look elsewhere or listen to the approaches that all exceptional talent will get from competitors.

Organisations must consider their culture and employee needs to determine how to best ensure transparency around succession plans.





POST-COVID IMPACT ON SUCCESSION PLANNING

Everyone, whether a corporate conglomerate, an international company, a national supermarket chain, or even the local corner shop, recognises a new world order as a result of COVID-19.

We know the economic impact will continue to be harsh for some time to come. There will be more redundancies, including amongst the C-suite. It is accepted that industry-specific experience in many leadership positions is no longer important. What companies are seeking are people who not only understand the company culture but those who bring a different viewpoint or new skills. Soft skills such as influencing, change management and empathetic leadership are now more prized than ever before.

The characteristics that directors traditionally sought, and valued, may no longer be relevant for post-pandemic leadership. Many are changing the competencies included in their leadership models; adding crisis management, digital adroitness and leading remote teams.

Alongside the move to digital, the structure and composition of leadership teams has been long overdue reform and what has been a slow process has been accelerated exponentially since March 2020.

Traditional hierarchies based on recognised ways of creating 'bench strength' were being eroded with the ascendance of millennials and women in executive roles. With them came a shift in executive leadership practices - a more relaxed and inclusive communication and collaboration style within and across industries, comfort with the use of technology, and a deep understanding of ecosystems and value chains.

Therefore, those who will succeed and rise to the top can come from anywhere in a company as future leaders' essential requirements change.

Even before COVID-19, many HR teams were facing a crisis. Although leaders were citing succession as a priority, many did not have the skills to analyse their organisation, competitors and the talent market to create a robust and compelling succession plan.

At Armstrong Craven, we have spent 30 years helping organisations answer these sorts of difficult talent questions. We can provide detailed evidenced analysis of the availability of particular cohorts of talent, their career motivations and their perceptions of a particular organisation.

Combine this with robust competitor analysis, and we can help organisations identify precisely the skills they need for the future, where the people with those skills are, and how they can attract them. We then work alongside them to assess and engage this external bench alongside their internal talent and come up with a balanced plan bringing together the best their internal and external talent pools have to offer.

Maintaining these resilient and transparent succession plans, with a strong execution plan, particularly in these uncertain times is imperative.

The time to act is now. Are you ready?



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