Put Success Back in SUCCESSION PLANNING

By Ladan Nikravan

With careful preparation, organizations can manage a transfer of leadership, a recession or restructuring when key employees leave.

Hewlett-Packard Co. has had a leadership problem the past few years. Following the dramatic exit of CEO Mark Hurd in 2010 and the short tenure of replacement Leo Apotheker, Meg Whitman was announced as the new CEO in September 2011. According to Reuters, Hurd’s departure led to a 12 percent drop in stock price. The downturn in share value continued for months as the company did not quickly stabilize its leadership conundrum. More than two years later, the company has yet to publicly announce a formal succession plan.

A large amount of external hires means there’s a broken pipeline, and the rapid turnover of CEOs says, “We got the wrong one,” said Noel Tichy, a professor at the University of Michigan’s Ross School of Business and former director of global development at General Electric Co.’s Management Development Institute in Crotonville, N.Y. “HP is a wonderful poster child of how not to do succession planning.”

Despite global growth and restructuring being top-of-mind for today’s companies, most organizational decision-makers readily admit they spend most of their time getting through daily tasks and let succession planning take a back seat. To prepare for future uncertainties, HR leaders must ensure succession planning is on executives’ agendas.

According to Tichy, just as publicly traded companies are audited internally, externally and by the Federal Trade Commission for their financial measures, they should have equally rigorous checks and balances on people issues.

“When asked how talent issues are regulated, people often say, ‘My boss filled out my performance appraisal, and that’s it,’” he said. “Imagine trying to defend a company financially by saying, ‘My boss agreed on the budget, and that’s it’ People cheat on people more than they do money, but no one is regulating it.”

ON THE WEB
Should an organization’s succession planning process be transparent or private? Some say keeping the plan under wraps could have serious consequences: talentmg.com/article/view/4162.
Revamp the Plan

In the heart of a near-crisis, Audrey Weiner, president of Jewish Home Lifecare, which provides health care services and assistance for elders, realized her company hadn’t been identifying future successors meticulously enough.

“For years our succession plan was all about the associate administrator becoming the administrator or an administrator of a smaller campus becoming the administrator for a larger campus,” she said. “We got to the point where a large number of people retired, and we had already moved the associate administrators into administrator positions. We didn’t have a bench.”

Before formalizing the company’s succession planning process in January, Weiner and all senior managers identified future leaders for the organization and worked with those candidates to apply to a national, year-long leadership development program created by LeadingAge, a membership organization for more than 5,000 nonprofit aging services providers in the United States. Five Jewish Home Lifecare managers applied and were accepted to the program. While each gained skills that led to promotion once the program was completed, five was not enough.

Early this year the company developed success profiles featuring responsibilities, expectations and development opportunities for each senior management team role. Weiner and the talent team, led by Audrey Wathen, senior vice president of human resources, also developed a future-oriented competency model to use as part of the assessment process.

2 HOURS average time each year spent by boards on CEO succession planning. Only 50 percent have a written document detailing the skills required for the next CEO.

Stanford University’s Rock Center for Corporate Governance and Heidrick & Struggles’ Corporate Board of Directors Survey, 2010

In May and August, Weiner and Wathen facilitated talent review meetings with the senior management team to review Jewish Home Lifecare’s pool of potential successors for each senior leadership role, using the success profiles and competency model as a basis for the assessment. In September, the company’s senior management team leaders began holding talent discussions with each of their direct reports to assess their interest in being promoted and to create customized development plans to enable individuals to improve their skill set and competencies to be successful in future roles.

“Most companies are so busy with the day-to-day operational business, they don’t focus on developing, identifying and measuring their people’s talents,” said Paul Romsey, vice president of global learning and development for Carlson Restaurants, which owns brands including TGI Fridays. “Then all of a sudden the recession goes away, the economy improves, people retire, and they lose their top talent because their top talent doesn’t feel like they’re being taken care of. To assure our board, our stakeholders, that we’re going to have the leadership to take us further into the future, and not just today, we have to make sure we’re doing better with building successors for our executives.”

At health provider Medical University of South Carolina Physicians, doing better means providing employers with career counseling opportunities and teaching managers how to better read a résumé. Michelle Wiles, the company’s CHRO, is creating a leadership academy that will provide classes for all managers to gain competencies that will better place their talent in the future.

“Many times a traditional manager will say or think, ‘I need an accountant. I need somebody who has exactly these technical, analytical skills,’” she said. “Managers should be able to look at someone from a different industry and say, ‘This skill will translate to that. … We can teach the numbers, but we can gain something from this skill the candidate has. … Don’t just take what’s black and white on paper. There are a lot of skill sets that teach behaviors that lend themselves for people to be successful in other careers.’”

Wiles said in the wake of the Affordable Care Act, Medical University of South Carolina Physicians is redefining its high-potential talent. The company’s HRT team is on the hunt for leaders with knowledge of health care but who also have the political and economic savvy that surrounds it.

“It’s switching up succession planning because someone used to be able to start as a nurse, move to a nursing supervisor position, become a manager and eventually become a chief nursing officer,” she said. “A large part of a health care professional’s role now is

Formal Roles Are Irrelevant

“The bottom line is that formal roles have become less relevant; it is harder than before to write a meaningful job description for people, and roles are now more dependent on soft than hard skills.”

“When companies restructure to adapt to environmental changes such as a recession, they are, in essence, trying to fix leadership problems. They identify a crisis and want to find the right individuals to lead through turbulent times. Usually, these are individuals who have demonstrated leadership talent in other areas, but they are often selected too late, because succession planning is reactive rather than properly planned.”

“In a famous media interview, they asked Richard Branson, founder and CEO of Virgin, what his first and most important decision is when he creates or acquires a business. … he said, ‘Find my successor, so I can start working on something else.’ Most executives, however, fail to delegate and let go … and they think of successors as competitors, which means they fail to think entrepreneurially and see the big picture.”

— Tomas Chernorro-Prenauz, vice president of research and innovation at Hagan Assessment Systems
Let People Move

According to Seymour Adler, a partner in the performance, talent and reward practice at consulting firm Hewitt, the reason many employees don’t move up the proverbial succession ladder is because their managers don’t give them the opportunity.

“The manager’s natural tendency to hold on to their talent close and not give their high-potential talent opportunities to grow and develop by crossing silos to bigger, better opportunities,” he said. “But HR leaders need to have the courage to go to the senior line manager and say, ‘These successors are too important to be so solely entrusted to their current supervisor and solely embedded in this one part of the organization.’”

To overcome this, David Brokkmire, president of consulting company Corporate Performance Strategies Inc., said the CEO also must be involved, and managers should be compensated based on their ability to export talent to other divisions.

In the 1980s, when Brokkmire was in the talent division of Procter & Gamble (P&G) as a group manager of manager development, the company was an exporter of talent into its PepsiCo divisions — Pizza Hut, Taco Bell and Pepsi. Twice a year the chairman of PepsiCo would visit P&G and Brokkmire’s team would review talent at the vice president level and above with him. One of the key criteria for promotion at the vice president level and above was establishing a track record of hiring and developing great talent.

“In these reviews, a leader could have great business results, but if they were not developing their talent and exporting it out of their functions, then it would create doubt about their potential to continue to advance,” he said. “In addition, there was an expectation that you had to have a ready now backfill for your role to advance to another role. That was part of the culture, symbolized by the chairman taking the time each year to spend several days reviewing talent.”

Brokkmire also said annual performance reviews, which were tied to merit increases, placed a strong emphasis on subordinates’ development results and competencies.

Patrice Murphy, a senior partner at global management consulting firm Schaffer Consulting, said tying succession or employee advancement to compensation and talent management processes is a start, but the key will be talent managers making this a prominent business issue.

“They need to be savvier and engage leaders to own this part of the job,” she said. “Leaders need to understand that building organizational strength, having a succession plan, is a key part of everyone’s role in the organization. The speed of change keeps on increasing, and having a bench is necessary to succeed.”