

The Journal for

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& Development

# Quality and Participation

*Profound change at work*

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Special Section:  
**Shared Values**

# Next in Line



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Succession planning may seem like an essential process for long-term success, but far too many organizations jeopardize results by hoping that the right person is available for promotion when positions become available unexpectedly.

# Succession Planning

D. Kevin Berchelman

I love the book, *Hope is Not a Strategy*. We hope “things” don’t happen, but sometimes they do. So, we hope for sunshine and plan for rain. Such is the impetus for sound succession planning.

Hours after the sudden heart attack death of McDonald’s 60-year-old chairman and chief executive, Jim Cantalupo, directors announced that Charlie Bell, the 43-year-old president and chief operating officer, would succeed him. The swift decision gave immediate reassurance to employees, franchisees, and investors that the fast-food giant had a knowledgeable leader in place who could provide continuity and carry out the company’s strategies.

The McDonald’s example is the exception, rather than the rule. Companies typically name an interim chief, then spend several months (or longer) searching for a permanent successor. Take Dana Corporation for example. After chairman and CEO Joseph Magliochetti died suddenly in September 2003, directors named two interim executives, a chairman and a CEO, to lead the company

while they searched for a successor. In March 2004, Dana’s board finally found a new president and CEO, Michael J. Burns.

Sometimes faulty succession planning can lead to dissolution. After Reginald F. Lewis, chairman and CEO of TLC Beatrice International Holdings Corporation died in 1993, the company was initially handed over to a three-person office of the chairman and then headed briefly by Lewis’s half-brother, an attorney. Within a year, another family member, Lewis’s widow, took over as chairman. Two years later, she began selling off parts of the food company.

Lack of executive talent can have a catastrophic impact on a business. In addition, succession planning is not merely for the top job, the CEO. In reality, good succession management develops a pool of talent with skills, attributes, and experiences to fill specific, often high-level positions.

## The Scenario

An executive team sits around a boardroom table, late in the afternoon. Coffee is stale, dinner plans

are on the horizon...they are reviewing the last agenda item—replacing a member of the group that is leaving.

“Bill is the obvious choice,” says one member, indicating a mid-level manager. “He has 10 years of experience with the company, the right education, and a solid track record of success.”

“Yes, but if we promote Bill, there is no one to take his place,” says another.

“I’m afraid we can’t afford to free him up right now. It’s easier to recruit externally for the higher-level position than it would be to backfill Bill’s job,” the CEO reports. “We might as well get started now.”

Bill may never know about the conversation in the boardroom, but he’ll undoubtedly feel puzzled and frustrated at the outcome. Many people and organizations never grasp the fact that it’s not just personal performance that counts, it’s also their promotability, which includes having a way to ensure that their job will get done if they’re promoted.

### The Solution

Inaccurate assessments of where talent is lacking can blindside a company. We need to know which spots will be empty in coming years and what new spots will be created as the company grows. Only then will early identification of key talent allow companies to proactively develop leaders for the future. In short, the solution is to identify, assess, and develop.

A good starting point is a current and projected organization chart, including key staff and their expected retirement dates. Identifying “high potentials” is not easy. Senior leaders and/or boards of directors must openly discuss people with the potential to become top leaders. They need to identify future business challenges and the necessary skill sets to establish competencies by which they can develop successors. A healthy debate and discussion is needed at this step.

Sometimes, we identify more gaps than available people. In that case, we also need to survey and gather intelligence on potential leaders outside the company while defining the advancements necessary within our own management ranks.

Employees identified as “high potentials” or “top talent” then should go through a series of formal assessments and performance feedback sessions. Everyone involved in the process then knows what skills need improvement, and can match those skills to the success factors identified as crucial to the continued growth of the company. A development plan is prepared and initiated, which could include training, coaching, and developmental assignments.

### Challenges to Consider

Key position openings are occurring at the same time as there are statistically fewer people to fill the jobs. “Over the next 15 years, there will be a 15% decline in the number of 35- to 44-year-olds,” explains Tom Saporito, senior vice president, RHR International in Chicago. This means fewer people available for top management slots, and high-performance executive talent will be in demand.

Most younger managers who are available and eager for responsibility are frequently not prepared to take on that responsibility. Downsizing caused many organizations to eliminate the middle managers, traditionally the source of executive talent and development, leaving these younger managers without mentors and role models.

External hiring is not only costly, but studies conducted by the Center for Creative Leadership reveal that a mind-blowing 65% of senior managers recruited externally fail within the first two years.

So, what do we do? Well, research clearly shows that many successful succession plans have certain elements in common, such as:

- Visible support from the CEO and all members of top management.
- Clearly identified leadership criteria.
- A defined plan to find, retain, and motivate future leaders.
- Simple, easy-to-follow, measurable processes.
- The use of succession planning to reinforce the corporate culture.
- A process that focuses primarily on leadership development.
- A process that is a real organizational priority.

The most important thing we can do today is to act. Begin the process of identifying the key positions and assessing available bench strength. Implement an effort to clearly develop available or outside talent into a group of “high potentials” that you can look to for greater responsibility. The process doesn’t have to be overly difficult or complex; in fact, a good argument can be made for sheer simplicity. But do something. Hope is a lousy business strategy.



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