

Declared by many to be not only a computer visionary, but also a highly effective corporate leader, Steve Jobs was seemingly irreplaceable. Yet when health concerns led him to resign, Apple had a succession plan in place and was able to execute what appears to be a smooth transition. Although Apple stock dipped slightly following the announcement, market analysts labeled it a “buy” and predicted the company would continue to prosper. In addition to its long history of innovation and vision as well as its healthy product development channel, they credited its strong leadership bench, for Jobs and Apple’s board had designed a succession plan to ensure leadership continuity. One analyst went so far as to call the company’s management “a team of accomplished visionaries” and note, “any of the members of the executive team had the ability to take on the CEO role.”¹

Unfortunately, that statement applies to relatively few organizations. According to one recent poll, only 23 percent of organizations currently have a formal succession plan in place and almost half of those without a succession plan say more pressing issues take priority.² All types of organizations lag the standard in succession planning, with higher education and healthcare having particularly large gaps.

With the many and varied concerns created by the current economy, it is not hard to understand why leadership succession has been superseded by other management priorities. Yet having a succession-management plan and supporting processes in place is becoming increasingly important.

Fit, Readiness and Development

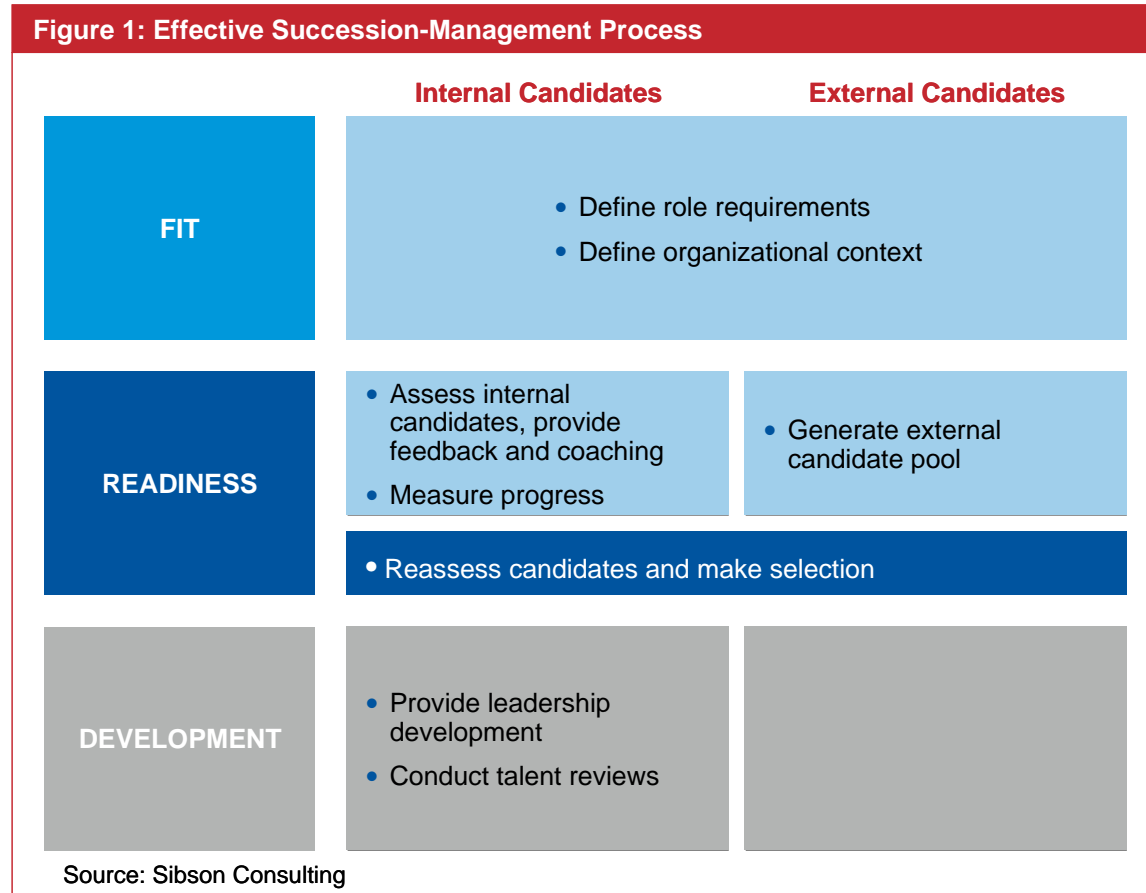
Done correctly, succession management is a straightforward, action-oriented process that enables management to assess the capability of existing talent and determine three things:

- Organization fit, given the future context of the organization,
- Readiness for advancement, and
- Development needs to ensure a viable pipeline of leadership talent.

¹ Carl Howe, “What Steve Jobs’ Resignation Means,” (<http://blogs.yankeegroup.com/2011/08/25/what-steve-jobs-resignation-means/>) *Idea Stream Blog*, Aug. 25, 2011

² Society for Human Resource Management Poll: “Succession Planning,” (<http://www.shrm.org/Research/SurveyFindings/Articles/Pages/SuccessionPlanningSHRMPoll.aspx>) June 6, 2011

As shown in Figure 1 below, specific actions are necessary to assess fit and readiness and develop candidates, whether they are sourced internally or externally. These actions range from defining the requirements of a role to targeting and evaluating candidates and preparing them for future roles.



Much more than a replacement process, succession-management is an opportunity to build overall leadership capability, typically targeting the CEO and other C-suite executives, senior management teams and roles critical to the long-term strategic and economic health of the organization. The remainder of this article discusses how one company used succession management to create a leadership pipeline.

The Case of the Retiring CEO

A major retailer was caught unprepared when the incumbent CEO announced his plans to retire in one year. Fortunately, a few potential successors were on board and, although the pool of external executive talent was sparse due to the unique talent requirements in this industry, several candidates had surfaced.

The crucial need was a CEO replacement, but management and the board recognized that long term, they needed a pipeline of highly capable executive talent for a broader array of senior positions. No one wanted to be caught short again. The immediate objective was to create a succession-management process to fill the CEO position. Concurrently, the company would employ the process to also target and prepare a slate of possible replacements for each core role that could open due to staffing changes or evolving business needs.

The retailer took the formulation of a succession-management process and plan as an opportunity to engage in a detailed review of the company's vision, challenges and imperatives to fully define the business context for leadership. They sought the views of the company's directors and executives and studied the characteristics of exceptional leaders at companies with similar strategies and stage of maturity both within and outside their industry. Supported by this wealth of perspectives, they were able to look beyond the immediate situation and lay the groundwork for their future.

Assess Fit

The first step in assessing the fit of both internal and external candidates was to identify the retailer's targeted roles and delineate the requirements for each role. The company looked at:

- **Key Accountabilities and Responsibilities** The company focused on the specific outcomes (accountabilities) as well as the primary tasks and activities (responsibilities) the role was expected to achieve relative to the company's mission and strategy. Accountabilities looked at the impact the role was expected to have in the business. This became the foundation for measuring performance. Accountabilities and responsibilities were identified carefully, considering the future business context of the company.
- **Performance Metrics** These ensured that each role had demonstrated accountability for business results. Metrics were tied directly to accountabilities and either directly measured outcomes or acted as close proxies for measuring outcomes. They went beyond activities or ownership of processes and clearly reinforced accountability for driving and influencing desired performance.
- **Competencies** These skills, knowledge, abilities and other attributes were deemed critical to successfully fulfilling the role's accountabilities. The retailer focused on competencies that differentiated superior performance for the business, including customer value, strategic contribution, business and industry acumen, function/technical expertise and interpersonal effectiveness. Each competency was defined by behavioral descriptors to illustrate what it would look like in practice.
- **Critical Experience Sets** These experiences best prepared an executive to fulfill the role. They included experiences and previous roles that were required (must-haves) and those that were preferred because they provided a strong platform. Also targeted were years of experience and required and desired education.

These four dimensions established the future-focused criteria for executive roles in terms of delivering on the retailer's mission. They formed a common standard for making valid assessment, development and selection decisions and articulating performance expectations.

Determine Readiness

Using the role requirements as a foundation, the retailer's next step was to assess the company's internal candidates and provide them with feedback and coaching about their strengths and development needs. It used a behaviorally based method that — unlike traditional succession planning, which relies heavily on psychological and diagnostic instruments — gathered feedback from multiple stakeholders. This rigorous approach to identifying the most capable candidates resulted in a more rounded view of candidates' assets and potential.

To get the most reliable and valid information, the company used:

- **Historical performance data**, focusing on the candidate's demonstrated results (e.g., financial, operational, research), historical progress against areas of development and alignment with the organization's mission, values and culture.

- **Behaviorally based candidate interviews**, including 360-degree interviews designed to pinpoint key strengths, potential "derailers" (personality, knowledge, skills and communication and management style), effectiveness of business relationships, improvement needs, "coachability" and motivation to change and sustain change.
- **Quantitative surveys**, focusing on competencies that were critical for success in the role.
- **Assessment of the candidate**, based on the success factors the organization considers essential to leadership and management roles.

The retailer developed comprehensive candidate profiles based on interviews conducted by selected management and complemented by online assessment tools. Depending on the position, interviewers included the candidate's superiors, key direct reports, peers and other relevant stakeholders, as well as the board of directors for the CEO candidates. All interview data was synthesized and candidates received detailed reports highlighting their key strengths and development needs relative to the role requirements. Top candidates received coaching and feedback to help them close the gaps in the developmental areas identified in the assessment.

Working with an assigned coach, candidates created targeted development plans containing activities to address any deficiencies and checkpoints to measure progress. Candidates were responsible for tailoring the plan based on need and their appetite for improvement. Plans for the CEO candidates were reviewed with the current CEO to create buy-in and offer additional perspective with regard to development activities. A typical coaching assignment for a candidate was one to two half-day sessions per month. Progress was monitored closely to assess development areas, measure coachability and determine readiness against the requirements of the role.

In parallel with the assessment of internal candidates, the board and CEO screened external candidates using a diagnostic interview based on the CEO role requirements. Three months before the CEO's retirement date, the retailer reassessed all candidates and selected a successor. Although the transition was perhaps not as seamless as Apple's, the retailer fortified shareholders' perceptions and won favorable press notice.

Ensure Continued Development

Even with the new CEO on board, the succession-management process continued. The board appointed the CEO steward of talent for two levels below the senior management team. Accordingly, the CEO held senior leadership accountable for identifying the most critical and strategic talent areas. Working with human resources, senior management employed the succession-management process used for the CEO to establish succession-management plans for other key leadership roles.

The process enabled senior management to answer the following key questions:

- Are there immediate, viable replacements for core roles?
- What are the key talent gaps for each core role?
- Are there significant retention risks for incumbents in core roles?
- Who are the high potential employees in core roles?
- Do we have clear developmental pathways?
- What are the performance issues in core roles?

The company also implemented periodic talent reviews to ensure that all its leaders and potential leaders are held to the same criteria and receive consistent messages about their performance

and potential. Talent reviews assess each individual's current performance and potential and, in some cases, prescribe what the organization must do to help the person advance to the next level (see Figure 2).

Figure 2: Assessment Definitions for Talent Reviews	
Assessment	Definition
Fit Issue	Demonstrated leadership expectations and performance are under par and indicate that the current role is not a strong fit for the employee. Consider moving the employee to a role that is a stronger fit or removing him or her from the organization.
Well Placed	Demonstrated leadership expectations and performance indicate the employee is well placed in his or her current role. Provide the employee with opportunities to improve skills to further increase his or her effectiveness in the current role.
Expand Role	Demonstrated leadership expectations and performance indicate the employee is ready or will soon be ready to take on an expanded role at his or her current leadership level.
Promotable to Next Level	Demonstrated leadership expectations and performance indicate the employee is ready to be promoted to the next leadership level now or in the near future (one to two years).
VP Potential	Demonstrated leadership expectations and performance indicate the employee has potential to become a business leader within the next one to five years.
Source: Sibson Consulting	

Regular talent reviews enable the retailer's senior management to focus on individual employees, yet also evaluate the strength of the overall talent portfolio. Participants identify strengths and weaknesses for critical roles within functions and for the enterprise as a whole. They determine actions required to address key talent gaps. These may range from the need for internal development investment to plans to source potential external candidates. Following the talent review meetings, managers work with individuals to implement and monitor progress on development plans.

Conclusion

No one can predict the future. The recent loss of Steve Jobs is an excellent example of just how important it is for organizations to have a formal succession plan in place. In addition to making

smooth top-level transitions, a well-instituted succession-management program will help a company ensure its long-term viability. By acting now to identify, assess and develop the next generation of senior leaders, organizations can avoid being blindsided, and perhaps damaged, by whatever may lie ahead.

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This article is from the October 2011 issue of *Perspectives*, Sibson Consulting's e-magazine. It is available on the following page of Sibson's website: http://www.sibson.com/publications/perspectives/volume_19_issue_2/succession-management.html.

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