# Succession Planning: One Goal, Two Tracks, & Three Approaches to Development

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Insurance | Risk Management | Consulting

# Agenda

1) What is the purpose of succession planning?

2) How can we assess readiness?

3) How should we develop people for critical roles?

# Summary

1) One goal = internal employees ready to move into the role

2) Two tracks for development = general leadership and technical expertise

3) Three approaches to development = formal, social, and experiential

# The Purpose of Succession Planning Is…

…to ensure that when someone leaves a critical role, there are internal employees **_ready_** to move into the role.

**Is there empirical evidence that building internal talent is a more effective strategy than hiring external talent?**

Boris Groysberg and his colleagues have spent many years researching this question in a variety of industries. Their results are summarized by three findings relevant to performance levels of external talent hired into new organizations:

These findings are robust across industries and organizations. Research conducted on stock analysts provides a representative (and highly empirical) set of findings.

1) **_The performance of the external talent drops when he/she joins a new organization._**
   a) 46% of the external hires saw performance decreases.
   b) Performance decreases averaged 20% and stayed below the previous organization for over five years.
   c) 36% of the external talent left new organizations within 36 months; another 29% left within the next 24 months.

2) **_The performance of the team that the external talent joins in the new organization drops._**
   a) Interpersonal conflicts and mis-communications are well-documented in many instances.
   b) Drops in team performance typically last several years.
   c) Occasionally team performance recovers, but only after the external talent has departed.

3) **_The market valuation of the organization that the external talent joins drops._**
   a) Three prominent investment banks were studied across every external hiring announcement for a year – on average the market value of the investment bank hiring external talent dropped $24,000,000 per external hire.

See Groysberg, B., Nanda, A., & Nohria, N. (2004). The risky business of hiring stars. Harvard Business Review, May.

# Potential vs. Performance vs. Readiness

**Potential, performance, & readiness are three different things.**

| Topic | Potential | Performance | Readiness |
|---|---|---|---|
| Definition | Ability to quickly and easily develop into substantially different and more challenging roles. | Ability to fulfill the responsibilities of a given role while also exhibiting the competencies and values of the organization. | Ability to move into a given role and perform at a Meets Expectations level after a reasonable integration period. |
| Typical Categories | High Potential<br>Medium Potential<br>Low Potential | Exceeds Expectations<br>Meets Expectations<br>Does Not Meet Expectations | Ready Now<br>Ready in 1-2 Years<br>Ready in 3+ Years |
| Stability | High. | Moderate. | Moderate. |
| Ability to Develop | Low. | High. | Moderate. |
| Focus of Development | Generally-oriented experiences and programs targeting development of skills applicable to a wide range of roles (e.g., strategic thinking). | Technical development targeting responsibilities (e.g., financial modeling) or behavioral development targeting competencies (e.g., conflict resolution). | Competencies and experiences needed for the person to move to the next level of readiness (e.g., growing a large global customer account). |
| Referent / Level of Analysis | A single person. | A single performance period (e.g., a year). | A single role (e.g., CFO). |
| Distribution / Scarcity | Typically 5% - 10% of the workforce is high potential. | Typically 100% of the workforce fits into a categorization like the one above. | Typically VP and more senior roles are included in succession plans. Each role in the succession plan will likely have 2-10 employees assigned. |

**Readiness is about ability to perform the critical role.**

# All About the Success Drivers

**What are the Success Drivers?**
The Success Drivers are a proprietary & research-based model that Gallagher uses to describe leadership roles in terms of the behaviors that will drive success in the role. This model provides a way to evaluate the behavioral tendencies (personality) of a given candidate against the behaviors that will drive success in the role. This model is limited to behavioral tendencies relevant to success in a role. It does not cover several other areas that are likely to be important (e.g., education, work experience, accomplishments). The Success Drivers most relevant to the **Chief Administrative Officer** role (left side, middle, or right side) are the ones that we need to determine.

| Success Driver | Left Side | Middle | Right Side |
|---|---|---|---|
| **Strategy** | ➤ **Execute a Strategy.**<br>➤ Executing a vision and strategy.<br>➤ Planning and attention to detail.<br>➤ Standardized procedures. | ➤ **Create & Execute a Strategy.** | ➤ **Create a Strategy.**<br>➤ Creating a vision and strategy.<br>➤ Ideas and big picture orientation.<br>➤ Creative and innovative solutions. |
| **Decision-Making** | ➤ **Generally Deliberative Decision-Making.**<br>➤ Collect all relevant data.<br>➤ Thorough analysis.<br>➤ Slow consensus-based decisions. | ➤ **Both Deliberative & Quick Decision-Making.** | ➤ **Generally Quick Decision-Making.**<br>➤ Collect some relevant data.<br>➤ Quick analysis.<br>➤ Fast individually-based decisions. |
| **Performance Culture** | ➤ **People-Oriented & Supportive Culture.**<br>➤ Leaders ramp up slowly.<br>➤ High organizational support.<br>➤ Ample praise / encouragement. | ➤ **Both People & Results-Oriented Culture.** | ➤ **Results-Oriented & Competitive Culture.**<br>➤ Leaders ramp up quickly.<br>➤ Low organizational support.<br>➤ Resilient re: setbacks. |
| **Management of Team** | ➤ **Direct Reports Meeting Expectations.**<br>➤ Team/function meeting expectations.<br>➤ Team has realistic view of performance.<br>➤ Coach and develop to build on successes. | ➤ **Direct Reports Show Mixed Performance.** | ➤ **Direct Reports Not Meeting Expectations.**<br>➤ Team/function not meeting expectations.<br>➤ Team has inflated view of performance.<br>➤ Coach & develop to address performance gaps. |
| **Change** | ➤ **Slow & Incremental Change Needed.**<br>➤ Slow and incremental.<br>➤ Risk-averse.<br>➤ Need for change low and long-term. | ➤ **Moderate Change Needed.** | ➤ **Fast & Substantial Change Needed.**<br>➤ Fast and substantial.<br>➤ Risk-comfortable.<br>➤ Need for change high and short-term. |
| **Relationships** | ➤ **Build Relationships.**<br>➤ Indirect; what others need.<br>➤ Build/repair relationships.<br>➤ Bring others along. | ➤ **Build Relationships & Drive Accountability.** | ➤ **Drive Accountability.**<br>➤ Direct; organization needs.<br>➤ Willing to confront and say "no".<br>➤ Drive others where they need to go. |

# Chris Jones

**Role: Chief Administrative Officer**

| Success Driver | Needs of the Role | Preliminary Findings | Summary of Relevant Personality Traits |
|---|---|---|---|
| **Strategy** | Create & Execute a Strategy. | Strength | 1) Focuses on the practical, day-to-day work and uses standard procedures to solve problems.<br>2) Forms opinions and takes quick and decisive action.<br>3) Sees things from a unique perspective and brings valuable insights to strategy.<br>4) Sets priorities, delegates work to direct reports, and provides people with latitude. |
| **Decision-Making** | Both Deliberative & Quick Decision-Making. | Strength | 1) Expects to make good decisions and puts a high degree of trust in first instincts.<br>2) Makes quick decisions and takes meaningful risks.<br>3) Communicates with stakeholders through decision processes and avoids unnecessary risks. |
| **Performance Culture** | Both People & Results-Oriented Culture. | Strength | 1) Expects to ramp up quickly and succeed; will handle a results-oriented environment with ease.<br>2) Shows both a self-confident results-orientation and an open-minded learning-orientation.<br>3) Incorporates feedback and supports the larger management team. |
| **Management of Team** | Direct Reports Meeting Expectations. | Strength | 1) Decisive in addressing direct reports who are not meeting expectations.<br>2) Avoids unnecessary confrontations with direct reports and makes people feel good about themselves.<br>3) Handles performance problems without frustration. |
| **Change** | Moderate Change Needed. | Strength | 1) Energized to take on large-scale and rapid change initiatives; firm in driving change with resistant stakeholders.<br>2) Approaches change in a well-organized way; suited for complex and high-risk change initiatives.<br>3) Independent and will state opinions freely. |
| **Relationships** | Build Relationships & Drive Accountability. | Exceptional Strength | 1) Businesslike and serious; oriented toward listening and thinking and puts a high priority on accountability.<br>2) Handles relationships without frustration or stress; calm and enthusiastic.<br>3) Trusting of others; avoids unnecessary argument or challenge.<br>4) Asks questions and engages with others; aware of the views others have of him/her. |

Exceptional Strength: High alignment between assessment results and needs of the role; high likelihood to exhibit effective performance.
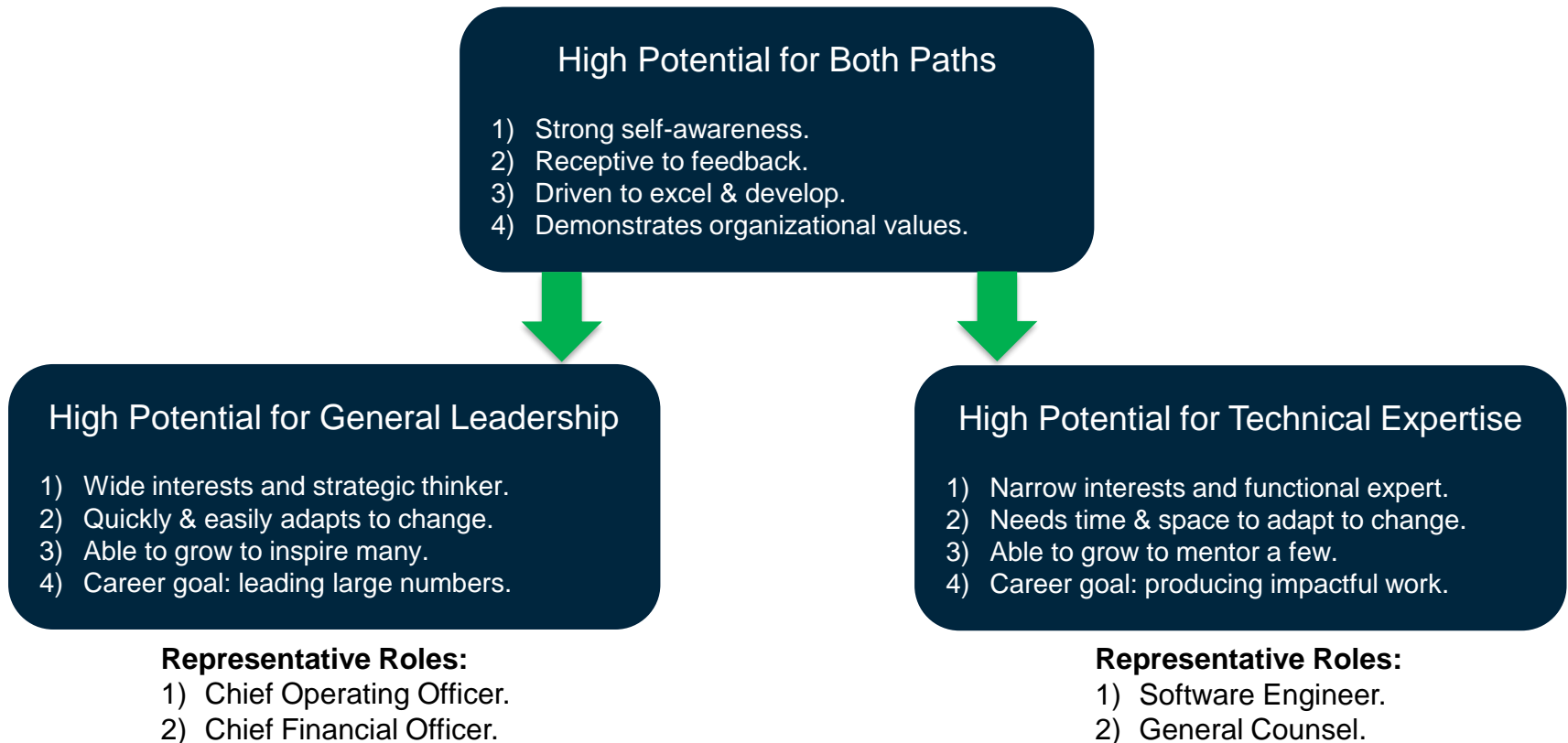
Strength: Moderately high alignment between assessment results and needs of the role; moderately high likelihood to exhibit effective performance.

In Line with Similar Leaders: Moderate alignment between assessment results and needs of the role; minor need for attention to performance risks.

Development Need: Moderately low alignment between assessment results and needs of the role; need for attention to performance risks.

# Potential & Development Have Two Paths

**Determination of potential needs to start general and then become specific – general leadership or technical expertise.**

### High Potential for Both Paths

1) Strong self-awareness.
2) Receptive to feedback.
3) Driven to excel & develop.
4) Demonstrates organizational values.

### High Potential for General Leadership

1) Wide interests and strategic thinker.
2) Quickly & easily adapts to change.
3) Able to grow to inspire many.
4) Career goal: leading large numbers.

**Representative Roles:**
1) Chief Operating Officer.
2) Chief Financial Officer.

### High Potential for Technical Expertise

1) Narrow interests and functional expert.
2) Needs time & space to adapt to change.
3) Able to grow to mentor a few.
4) Career goal: producing impactful work.

**Representative Roles:**
1) Software Engineer.
2) General Counsel.

# Three Approaches to Development

**Organizations need to make an intentional decision about how to allocate employee time between three approaches to development. The allocation below is a good starting point.**

## Approaches to Development



■ Experiential   ■ Social   ■ Formal
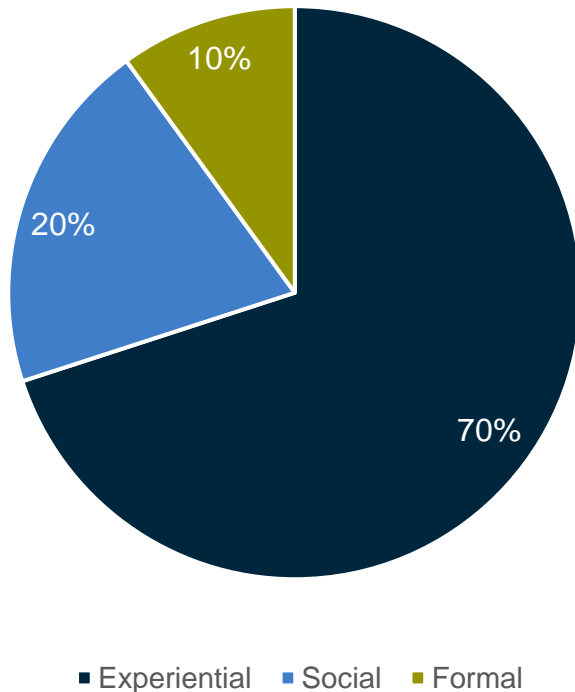
**70% from on-the-job experiences and challenges (general leadership).**
1) Start up situation.
2) Significant operational demands.
3) Staff role (from line).

**20% from other people, typically role-based.**
1) Coaching in storytelling.
2) Mentoring in leadership transitions (e.g., moving into VP role).
3) Role-based networks (e.g., peer group of VPs).

**10% from courses covering leadership topics.**
1) Webinars re: resilience.
2) Online learning re: inspiring trust.
3) Formal classroom instruction re: communication.

**70% from on-the-job experiences and challenges (technical expertise).**
1) Job rotations.
2) Project teams.
3) Action learning.

**20% from other people, typically function-based.**
1) Coaching in presenting recommendation to executives.
2) Mentoring in .
3) Subject matter networks (e.g., peer group of in house lawyers).

**10% from courses covering technical topics.**
1) Webinars re: hedging strategies for traders.
2) Online learning re: cybersecurity.
3) Formal classroom instruction re: new regulations.

# Core Experiences & Descriptions – General Leadership

| Core Experience | Description |
|---|---|
| Turnaround situation. | Take a team / function / business unit that is not meeting performance goals and improve performance. |
| Start Up Situation. | Launch a new team / function / business unit to fulfill a critical need, typically under time and funding constraints. |
| Significant People Demands. | Lead people who are disengaged, change-resistant, hostile to newcomers, and/or under-performers. |
| Significant Strategic Demands. | Rethink and realign against changing customer needs, new competitors, and/or new technology. |
| Significant Operational Demands. | Address challenges associated with manufacturing, quality, efficiency, and/or environmental sustainability. |
| Staff Role (from line). | Move from a line leadership role to a staff leadership role and adapting to new priorities and new constraints. |
| Line Role (from staff). | Move from a staff leadership role to a line leadership role and adapting to new priorities and new constraints. |
| International Role. | Leave the home country and taking on a new role in a meaningfully different culture. |
| Increase in Scale. | Address challenges from a sizable increase in scale (e.g., workload, number of customers/direct reports, financial impact). |
| Increase in Scope. | Address challenges from a sizable increase in scope (e.g., functions, locations, products, services). |
| Influence without Authority. | Influence the opinions, behaviors, and decisions of people that do not report to you (either formally or dotted line). |
| Different Business Unit. | Move into a comparable role with comparable responsibilities in a meaningfully different business unit. |
| Project Team Leader. | Serve in a leadership role on a project team that has been assigned a high visibility task with real performance risk. |
| Project Team Member. | Serve as a key member on a project team that has been assigned a high visibility task with real performance risk. |
| External Relations Role. | Build relationships with important stakeholders who are not customers (e.g., regulators, government leaders). |
| Front End Role. | Serve in a role on the front line of the organization (e.g., marketing, sales, business development). |
| Middle Role. | Serve in a role in the middle of the organization (e.g., operations, quality control, logistics). |
| Back End Role. | Serve in a role in the back office of the organization (e.g., finance, IT, human resources). |

# Core Experiences & Descriptions – Technical Expertise

| Core Experience | Description |
|---|---|
| Lead a Community of Practice. | Function as the leader for an internal (or external) community of practice within the relevant area of expertise. |
| Technology Exploratory Team. | Lead a team of co-experts examining new technology relevant to the function and how it could be applied. |
| Increase in Scale. | Address challenges from a sizable increase in scale (e.g., workload, number of customers/direct reports, financial impact). |
| Increase in Scope. | Address challenges from a sizable increase in scope (e.g., functions, locations, products, services). |
| Create Functional Onboarding. | Create an onboarding program for the function that orients new professionals to systems and processes. |
| Time Allocation Survey. | Examine time spent in various activities by similar professionals in the function; make recommendations for improvement. |
| Influence without Authority. | Influence the opinions, behaviors, and decisions of people that do not report to you (either formally or dotted line). |
| Project Team Leader. | Serve in a leadership role on a project team that has been assigned a high visibility task with real performance risk. |
| Project Team Member. | Serve as a key member on a project team that has been assigned a high visibility task with real performance risk. |
| Different Business Unit. | Move into a comparable role with comparable responsibilities in a meaningfully different business unit. |
| Front End Role. | Serve in a role on the front line of the organization (e.g., marketing, sales, business development). |
| Middle Role. | Serve in a role in the middle of the organization (e.g., operations, quality control, logistics). |
| Continuous Improvement Event. | Lead a continuous improvement event that is centered within the relevant area of expertise. |
| Mentor a Junior Employee. | Serve as a mentor to a junior employee primarily re: technical and career-related topics. |
| Decision Support System. | Create a decision support system that helps line employees to make better decisions within the function. |
| Vendor Exploratory Team. | Lead a team of co-experts examining vendors relevant to the function and how their products & services could be applied. |
| Pursue a Research Interest. | Pursue a research interest that has possible application to the organization and report on findings and recommendations. |
| Lead a Professional Organization. | Serve in a leadership role in a professional organization that has a membership with the same functional expertise. |

# External Relations Role Built Out as a Developmental Experience

## Steps for Building Out the Developmental Experience

1) These should be built by the employee, with input and consultation from their manager.

2) Fill in the relevant information for Experience, Description, and Skills. These should come verbatim from the slides.

3) Build out the experience in a way that reasonably aligns to SMART criteria. Describe what you will do that will fulfill the description and develop the skills. Include information about people, milestones, and activities.

4) Fill in the relevant information for length.

5) The Expected Developmental Accomplishments specify how the experience you have built out develops the skills linked to that experience. These should also be written in a way that reasonably aligns to SMART criteria.

6) The Support to Be Utilized section outlines resources from the organization that you will utilize to help complete the Developmental Experience. This section should be approved by your manager.

# External Relations Role Built Out as a Developmental Experience

Experience: External Relations Role.

Description: Build relationships with important stakeholders who are not customers (e.g., regulators, government leaders).

Skills: Building relationships of trust, external stakeholder perspective, government and regulatory perspective.

Experience:

Serve as the partner to the Hamilton County Department of Education.  Build a relationship with the Superintendent through regular meetings (i.e., at least once/month) and learn more about her perspective re: needs of special education children in the County.  Build relationships with other stakeholders similar to the Superintendent.  Ensure that the Superintendent is familiar with the value we provide to students and parents in the County.  Report results to manager on a regular basis and include manager in at least 3 of the 9 meetings.

Length: One academic year.

Expected Developmental Accomplishments:
1) Strong and high trust relationship with the Superintendent.
2) Strong relationships with at least 3 coworkers of the Superintendent.
3) Enhanced perspective of County Administration, shared with GPS colleagues during at least 3 staff meeting presentations.
4) Enhanced perspective of how the Superintendent and similarly-positioned others view the special education needs of the County, as well as the role of GPS relevant to those needs.

Support to Be Utilized:
1) Personal introduction from Anthony Pendleton to Superintendent.
2) Mentoring from Jane Smith, GPS Coordinator who worked directly for a Superintendent.

# A Few Final Thoughts

# What If We Are a Smaller Organization?

1) Document as many processes as possible as accurately as possible and make those documents as accessible as possible.

2) The new employee should ask the outgoing employee and/or the manager…

   a) What are the top priorities of the role?

   b) What are the important relationships to be built and/or maintained?

   c) What are the key projects and initiatives and what is the status of each?

   d) What are the recently completed projects and initiatives and how well did they meet expectations?

   e) What should I know about the new manager?

   f) What should I know about the new team?

# Succession Planning Metrics: Phase One

**Organizations need to make succession planning a priority for all critical positions.**

| Ratio | Question Addressed | Description |
|---|---|---|
| Utilization | What percentage of the time are we using the succession plan to fill vacancies? | Positions filled with succession plan candidates / positions filled. |
| Coverage Gaps | How many key positions have no Ready Now candidates? | Positions having no Ready Now candidates. |
| Pipeline Depth | How many Ready Now candidates exist, compared to positions? | Number of Ready Now candidates / total positions. |

# Succession Planning Metrics: Phase Two

| | | Additions & Advancements | | | No Movement | Subtractions | | |
|---|---|---|---|---|---|---|---|---|
| | Pipeline Depth | New Additions | Increased Readiness | Placement | Same Readiness | Removed from Plan | Decreased Readiness | Left Organization |
| Organization | 1.4 | 7 | 3 | 2 | 3 | 1 | 1 | 2 |
| | | | | | | | | |
| BU 1 | 1.6 | 6 | 3 | 1 | 2 | 0 | 0 | 0 |
| BU 2 | 1.2 | 1 | 0 | 1 | 1 | 1 | 1 | 2 |

**Additions & Advancements**

New Addition: An employee who was not on the SP who has been added to the SP.

Increased Readiness: An employee moving from one designation on the SP to a more ready designation on the SP.

Placement: An employee who was on the SP who was selected into a SP position.

**No Movement**

Same Readiness: An employee on the SP who remains in the same designation from the previous review.

**Subtractions**

New Subtraction: An employee who was on the SP who was removed from the SP.

Decreased Readiness: An employee moving from one designation on the SP to a less ready designation on the SP.

Departure: An employee who was on the SP who left the organization while still on the SP.

# Summary

1) One goal = internal employees ready to move into the role

2) Two tracks for development are general leadership and technical expertise

3) Three approaches to development are formal, social, and experiential

# My Bio



Chad Roedder is a Senior Principal Consultant within Gallagher's Leadership & Organizational Development Consulting Practice. He has over twenty years of experience in both external and internal consulting roles of progressively increasing responsibility. Chad is based in Chattanooga, TN.

Prior to Gallagher, Chad held internal consulting roles at Verizon and the Tennessee Valley Authority. He also held external consulting roles with firms specializing in assessment and talent management. Chad has helped clients in many different industries with solutions in the areas of leadership and organizational development, executive coaching, succession planning, competency modeling, engagement surveys, individual and team assessments, and program evaluation/human capital analytics. In his most recent role at the Tennessee Valley Authority, he was responsible for organization-wide leadership and organizational development programs that received external recognition from multiple national organizations including Chief Learning Officer and the Association for Talent Development. Chad's work has been featured in several publications, conferences, and webinars.

Chad has a B.S. degree in Psychology from Birmingham-Southern College. He also holds an M.B.A. degree from the University of Tennessee with an emphasis in Finance and a Ph.D. degree from the University of Tennessee in Industrial & Organizational Psychology. Chad has certifications in Hogan and DiSC assessment products, as well as Center for Creative Leadership 360 feedback products. Additionally, he is also a certified facilitator by Development Dimensions International and is certified in Situational Leadership, Lominger Competency Architect, and Better Conversations Everyday.

Chad is active in community organizations addressing homelessness and education.