Putting Success Back in Succession Planning: The Role of Learning and Development



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Promise

Do you believe that your organization is developing the talent it needs to reach business objectives and meet future challenges? If not, you are not alone. This white paper will show you how successful succession plans are more than filling out forms. They are real, living programs that combine learning and development opportunities and experiential learning to prepare leaders at all levels for tomorrow's business challenges.

If you, as a learning and development professional, don't have succession planning on your radar, you should.

Introduction

After nearly two years of economic gloom, there is some good news these days. According to the National Bureau of Economic Research, the world's worst recession in 70 years ended in June 2009.

Most experts agree that the recovery will be slow and arduous, but if history is any indication, talent management and learning and development professionals must start planning now to staunch the anticipated loss of their organizations' top talent.

A recent Towers Watson survey found that similar to the 2001 recession and recovery, high performers plan to jump ship as soon as the economy and job market revives.

- Less than half of all organizations have succession plans at any level.
 Among those that do have them, the plans are likely to be at the department director level and above, ignoring leaders at lower levels.
- 37% of succession candidates fail.
- About half of all organizations have a process in place to identify high potential leaders, but less than two in five have a program to accelerate their development.

Source: Howard & Wellins, 2008.

The same survey found that employee engagement has dropped nearly 10 percent since 2008 and approximately 25 percent for high performers.

Today, most employers are more concerned about retaining their top performers and skilled employees than before the economic crisis of 2007 and 2008 began (Towers Watson, 2009).





Another issue organizations must factor into their succession-planning equation is the imminent retirement of baby boomers. In a 2009/2010 report on trends in executive development by Executive Development Associates (EDA), respondents named the lack of "bench strength" as the second most influential factor in executive development for the next two to three years, primarily because of the expected number of baby boomers who are set to retire as the economy recovers (Hagemann & Chartrand, 2009).

If you combine all these factors, this can add up to a huge opportunity for learning and development professionals who are in a unique position to shape learning programs that develop leadership skills and identify employees' potential leadership abilities.

Employee engagement and leadership development work hand-in-hand. Research has shown that employers with the most engaged and satisfied workers are those who provide their employees with meaningful learning and development opportunities. Learning and development specialists who understand how leader development programs can merge with and support succession planning will be in the position to shape and direct the future success of their organizations.

Adequate succession plans identify high potential employees who will assume key leadership roles left vacant by departures or retirement. Successful plans not only prepare employees for those roles but also prepare them to meet the challenges of tomorrow's workplace. Learning and development professionals have a crucial role in these processes and in putting success back in an organization's succession planning process.

The Impact of an Integrated Approach to Talent Management

Companies that Take an Integrated Approach to Reward and Talent Management Are...

Less likely Less likely ess likely to be high-performing to experience to experience to report having to report having problems attracting trouble retaining problems attracting trouble retaining organizations top-performing critical-skill top-performing critical-skill employees employees employees employees

Source: Towers Watson 2008/2009 Global Strategic Reward Report





Look Forward When Developing a Talent Management Program

Succession planning is not just about recognizing the talent gaps that exist in your organization today but identifying future talent needs and creating solutions to address those needs. The challenge most learning and development professionals face is how to craft programs that adequately address the leadership skills needed in tomorrow's rapidly changing workplace.

Although future talent needs will vary according to an organization's industry, some common leadership skills and talents necessary for success have emerged. Employers realized during the recession that most managers could communicate—a skill that has been a focus of executive development for years—but few could handle ambiguity well or were able to deal with rapid change.

Organizations are now concerned with developing a new set of competencies and skills in tomorrow's leaders. These include strategic thinking and planning, crisis management, judgment and decision-making, tolerance of ambiguity and the ability to implement rapid change (Towers Watson, 2010).

The EDA survey showed similar results. EDA researchers found that employers were looking for strategic thinkers and those who could inspire others. The survey respondents identified weaknesses of the next generation of leaders, including the ability to think strategically, lead change, create a vision and rally others around that vision (Hagemann & Chartrand, 2009). By focusing on these competencies, leader development professionals can have profound and lasting effect on their organizations' succession plans and their companies' leadership bench strength.

3M: Thinking Ahead

Operating in 60 countries with 35 distinct business units and 76,000 employees, 3M, the maker of Scotch-Brite™ cleaning products and Post-it Notes®, is a prime example of how effective good succession planning can be. Early in the design of their succession planning program, 3M identified a common set of leadership attributes they will need in tomorrow's workplace.





For 3M, high-potential employees in their organization must:

- Think from the outside in.
- Drive innovation and growth.
- Develop, teach and engage others.
- Make courageous decisions while holding themselves and others responsible.
- Lead with energy, passion and urgency so that teams can respond quickly to innovation.
- Live 3M values of integrity, honesty and professional ethics.

These leadership attributes underlie 3M's' succession planning process and inform leaders about what they need to know and do and what kind of employees the organization needs to succeed (SHRM Foundation, 2008).

Lockheed Martin Corporation: Evaluating Leadership Potential

For aerospace manufacturer Lockheed Martin, succession planning begins with a leadership assessment program that not only evaluates business



achievements, but also examines personality traits such as ethical behavior, integrity and the ability to foster teamwork. The assessment also evaluates potential, including the ability to assume roles with increased complexity and accountability, the capacity to make future contributions and aptitude for continuous learning.

Based on the outcome of the assessment, employees are identified as high potential, moderate potential or "well-placed." These more broadly defined (yet measurable) talent needs were identified because an analysis found that Lockheed's leadership was stove-piped, and its leadership bench resembled Swiss cheese (SHRM Online, 2007).





Succession Planning Is Not Just for the C-Suite Anymore

Although most employers have traditionally focused succession planning on the top levels of management, there is evidence that they are expanding their plans to a broader employee base. According to a December 2007 Novations Group survey, nearly half of large organizations have expanded their planning to include mid-level managers.

Learning and development professionals have an opportunity to add value to succession planning by designing and delivering leadership development programs to mid- and low-level employees. As with Lockheed, when designed and implemented correctly, succession programs can help identify high-potential employees, which can further strengthen organizational succession plans.

Developing Future Skills at Multiple Leader Levels

When looking at their succession planning results, a global energy company realized they had significant gaps in their leadership pipeline at multiple levels across their organization. Based on a talent analysis, they realized that senior leaders, mid-level directors and front-line managers lacked key capabilities that would be required to execute their business strategy. To address those skill gaps, the company created three unique leader development programs.

75% of employers said that increasing leadership "bench strength" was a priority.

69% said that accelerating the development of high potential employees was a high priority for their organizations.

Source: Hagemann & Chartrand, 2009.

Their ongoing senior-level development intervention spans eight months and includes face-to-face learning, immersive experiential learning and robust action learning team projects. The leadership capabilities addressed include strategic thinking, strategy execution, innovation, team effectiveness, polarity management and constructive conflict.





The mid-level leader group participates in a shortened version of the senior-leader program, with the content and learning methods tailored to the challenges mid-level leaders encounter on a daily basis. The front-line managers participate in a four-day program that focuses on implementing change, team effectiveness and constructive conflict.

 $Source: Towers\ Waston, Managing\ Talent\ in\ Tough\ Times: A\ Tipping\ Point\ for\ Talent\ Management?\ (2009, October).$





Build Leadership Development Programs to Meet Organizational Needs

Organizational capabilities may include innovation, the ability to effect rapid change or providing excellent customer service. While many organizations may share the same goals in terms of developing talent for the future workplace, many will identify talent gaps that are unique or more pressing in their industry or organization.

3M's award winning leadership development program includes the following characteristics:

- Leadership participation (more than 300 3M leaders teach in the succession planning program annually).
- Business-needs focus.
- Relationship building with executives.
- Incorporation of business-critical content.
- Action learning.
- Development of customized training.

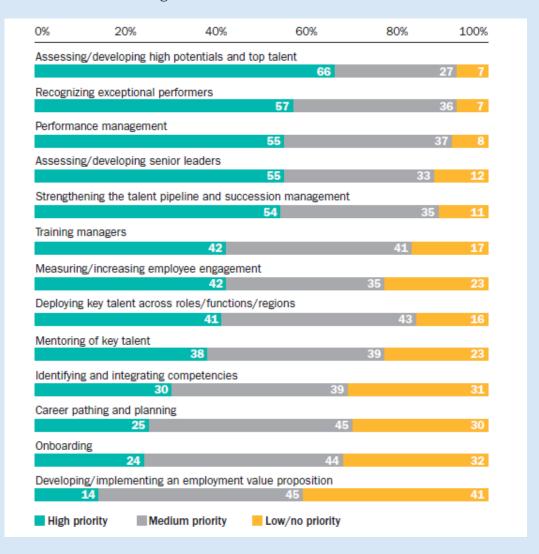
3M keeps their business strategy in mind when planning their leadership development activities. "Business strategy plays the central role," according to Sandra Tokach, Ph.D., Vice President of HR at 3M. "Without the strategic direction or without understanding the strategic direction, it's hard to discuss succession planning." (SHRM Foundation, 2008).





What Are Your Talent Development Priorities?

Talent Management Priorities Over the Next 18 Months



 $Source: Towers\ Waston, \textit{Managing Talent in Tough Times: A Tipping Point for Talent\ Management?}\ (2009, October).$





The Value of Action Learning in Talent Development

"Including action learning in learning and development programs really helps employers identify high-potential employees—those you want to groom for future positions," says Susan Cates, Associate Dean of University of North Carolina Executive Development. "We use this approach quite effectively with many of our clients."

Action learning is about integrating real work challenges into learning and development programs and can be tailored to meet each groups' needs. For example, when dealing with low-level managers, micro-projects can be assigned where they are challenged to solve actual workplace issues. Employees may be assigned to work through the challenge individually or in small teams and can be required to report their solutions to senior leaders.

Mid-level leaders are often given more challenging issues with the same reporting structure. Requiring them to report their solutions to senior management gives them exposure to higher levels in the organization and allows senior leaders to identify employees they feel may benefit from further leadership development activities.

Senior leaders may be challenged even more by being assigned "stretch" action-learning projects that challenge them to really think strategically. These action-learning work challenges may not have any real clear resolution, but the goal is to have senior leaders think at an enterprise level and in more strategic, innovative ways.

Action Learning at an International Professional Services Company

Action learning is a key component of an international professional services company's succession planning and leader development processes.

Mid-level leaders identified as high potential are assigned to small project teams and are assigned tasks designed to test their critical thinking and leadership skills. They are given the freedom to complete their work and in the end, present their findings to the executive operating team, where they are required to defend their findings and recommendations.

The executive team often provides resources to the team-including new leader role assignments-to further develop and implement their recommendations.





Examples of projects include identifying new markets, developing new products and services, and redesigning existing business processes and methods. Projects typically take six to twelve months to complete.

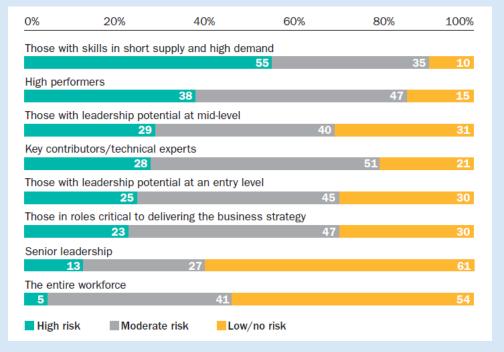
Action Learning Through Assessment Centers

Other employers use this action-learning approach through assessment centers. Assessment centers can evaluate an employee's future performance through real-world scenarios either in person, over the phone or even online. Interpersonal, decision-making and critical-thinking skills can be assessed using these scenarios.

UGI Corp, a Valley Forge, Pa-based distributor of energy and energy services, used the assessment center model when the company teamed with Development Dimensions International (DDI) to get a strategic view of their talent management system. The assessment process included creating a leadership simulation and developing leadership personality inventories. The process helped UGI realize that they could be making better decisions about who their high-potential employees were and the existing capabilities of their leaders. (SHRM Online, 2007).

Where is the Turnover Risk Highest in Your Organization?





Source: Towers Waston, Managing Talent in Tough Times: A Tipping Point for Talent Management? (2009, October).





Executive Buy-In and Participation Is Key

It can be daunting to get senior leader buy-in for the leader development programs needed to support succession planning, but starting that task can be as simple as starting a conversation—and executive buy-in is absolutely critical for succession planning.

Ask senior leaders to not only support the succession planning program but to be a part of it. Ask them to share their knowledge with others, and then follow up and ask them about their impressions of particular employees.

"We see the hesitancy many talent management professionals have about having a conversation with their CEO or other senior leaders. It really doesn't have to be difficult. Start the conversation by explaining to the CEO what you think about the employee and ask them what they see. Is the person a match? The key is to know what questions to ask to keep the conversation going," says Keri Bennington, Account Director for University of North Carolina Executive Development.

3M firmly believes that executive-level support of the succession planning process can help motivate managers and make the process a priority. More than 300 senior leaders teach in their program annually, sending a message to all participants that succession planning matters.

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Keri Bennington, Account Director UNC Executive Development

This has carried over into the company's corporate culture. "I have

a philosophy that our business will grow at the rate we grow our leaders," says H.C. Shin, Executive Vice President of 3M's Industrial & Transportation Business.

"First of all, I set aside my time for the customers. Then, my second priority is people development and leadership. Everything else can wait." (SHRM Foundation, 2008.)

This "leader as teacher" philosophy has become a best practice in the talent management industry and is growing in popularity.





Talk About It

Should employees know they've been identified as key players in a succession plan? Some business leaders believe that it can be detrimental to do so, potentially pigeonholing employees into certain roles or responsibilities. Others believe it can discourage other high-potential workers to apply for promotions or to learn new job skills, or worse, it can lead employees to believe that a particular promotion is guaranteed.

The answer and solution to this issue is not as clear-cut as you might hope. Much of the communication of succession plans can depend on corporate culture. More and more employers are choosing to let people know they have been identified as one of several employees selected for a particular role, simultaneously communicating to workers that their leadership skills have been identified and valued—but that the future position is in no way ensured.

The key is to let employees know that their skills and experience are highly valued and needed. Employees who feel underappreciated and unvalued tend to be the most dissatisfied in their jobs and more likely to move on to other organizations when opportunity knocks.

Providing the opportunities to develop leadership and work skills is the most effective way for a business to demonstrate that it values employees' talent and leadership potential. Research has shown repeatedly that the most engaged and satisfied employees are those who feel their employers offer them opportunities to grow and develop their work and leadership skills.

There is more to communication, however, than letting employees know they have been identified in a succession plan. A successful succession plan must encourage communication among executives and managers at all levels. Top-level executives should be clear about the type of talent and leaders the organization wants and needs, while lower-level managers should feel comfortable identifying potential leaders and discussing leadership potentials with their bosses.

Clear two-way communication and understanding how to best use communication channels not only will support the success of a succession plan, it also can be an excellent indicator of leadership potential. Learning and development professionals should be keenly aware of this fact and use it to their advantage in demonstrating the value that leadership development programs add to succession planning.





Measure It and Report It

Once communication channels are in place and a plan is put into motion, many learning development specialists struggle with how to measure and report the success of the leadership development and how it supports organizational succession plans. Probably the easiest and most common measure is to track turnover numbers. Businesses can easily track the number of employee resignations, new hires, promotions and "success in role" placements.

Reducing turnover and improving retention in skilled positions and managerial level jobs will be the result of a successful succession plan and therefore a result of well-defined leadership development programs. However, tracking those numbers alone may not show the true value of the programs.

By comparing costs of new hires for leadership and skilled positions versus the cost of developing talent internally and promoting from within you can demonstrate the bottom-line value of an effective succession plan that is achieving its strategic objectives.

Nearly half of human resource executives responding to a 2010 Society for Human Resource Management poll said the biggest investment challenge facing their organizations over the next 10 years was obtaining human capital and optimizing human capital investments.

Other metrics can include productivity, innovation and employee engagement. Improved productivity can be one of the easiest measures to track, while innovation and engagement are often called more "soft measures." However, by tracking sources of improved productivity through employee satisfaction and improved processes (innovation), organizations can get a clear picture of how well a leadership development program is working and aligning with their strategic business goals.

Reporting and communicating these successes in a manner that clearly shows the bottom-line value of succession plans and leadership development will strengthen the buy-in factor from top-level executives and help ensure the success of your organization's succession plans and leadership bench strength for years to come.





About UNC Executive Development

Our approach to program design and delivery draws upon the power of real-world, applicable experiences from our faculty and staff, integrated with the knowledge our client partners share about the challenges they face.

We call this approach <u>The Power of Experience</u>. We combine traditional with experiential and unique learning. Through action learning and business simulation activities, we challenge participants to think, reflect and make decisions differently.

Our Approach: The Partnership

Our team customizes each leadership program through a highly collaborative process that involves our clients, program directors, faculty and program managers. This integrated approach consistently drives strong outcomes.

Our Approach: The Results

Our executive education programs are designed with results in mind. Below are a few examples of the results our client partners have achieved:

- Leadership refocused with new strategy and cohesive vision
- Strategic plans created for the global marketplace
- Supply chains streamlined
- Products redefined
- New markets targeted
- Cost-saving measures developed
- Silos leveled
- Teams aligned

Participants leave empowered to bring in new ideas, present different ways to grow business and tackle challenges. The result is stronger individuals leading stronger teams and organizations.

Contact Us

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