Building Your "Bench Strength"

How the best organizations select and develop tomorrow's leaders

By Guido M.J. de Koning

Selecting and developing future managers is a crucial task -- and a big concern for many companies, particularly for leadership roles. In a study by the Corporate Leadership Council, 72% of companies predict they'll have an increasing number of leadership vacancies over the next three to five years. At the same time, 76% are "less than confident" in their abilities to adequately staff these positions.

To make matters worse, corporate boards often make radical decisions when they feel their CEO is underperforming. One study found that chief executives appointed after 1985 are three times more likely to be fired than CEOs who were appointed before that date.

All companies need to find and develop the next generation of leaders if they want to survive, let alone thrive. But most experts agree that only a few companies master succession management. The first article in this two-part series will discuss the practices that set those companies apart. The second part will offer a series of practical guidelines for successfully managing the succession process.

Requirements for success

Companies that create an effective succession management process:

- quickly anticipate and fill succession gaps
- identify employees with high management potential and actively plan their careers and development to build "bench strength"
- align their "people strategy" with their "business strategy." As a company grows and its strategy evolves, its leadership needs can change significantly. To meet needs like these, companies must regularly discuss their talent recruitment and development practices.

When organizations meet these requirements, they create the kind of leadership and management capacity that delivers sustainable business results. They also reduce the range in performance in key roles, minimize attrition among top performers, and promote a high internal hiring rate.

Many senior managers think their company is adept at succession planning, and they may be right. The problem is that although succession planning is essential, it's just the first step. It's equally important to develop the leaders and managers so they can execute the business strategy and deliver results. That's why companies that succeed at finding and nurturing leaders who can grow their business do more than plan: They excel at succession *management.*

Let's take a look at how the best organizations make the succession process an integral part of their culture and how they go about developing and nurturing tomorrow's leaders.

Making the succession process part of your company culture

How do most organizations identify and fill open positions? Usually, the answer is *passively*. A position opens up, a search begins, and someone is found to fill it.

Best-practice organizations, in contrast, are more systematic and proactive. These organizations:

- *use an ongoing planning process.* Best-practice organizations conduct periodic group discussions, often as part of a staffing review process. In a staffing review, leadership teams from across business units meet quarterly or semi-annually to discuss their teams' performance and needs as well as strategies for developing high-potential managers. Conducting staffing reviews is a powerful performance management tool that can be a key driver of the succession management process.
- *are inclusive.* Rather than focusing on one or two candidates for a key role, best-practice organizations develop large pools of management and leadership talent. Broadening the talent pool increases a company's overall chances of success by improving its capabilities.

  In one such company, every employee is considered to have high potential and is eligible for management or leadership positions. This company fosters a culture that encourages coaching and that supports and rewards the individual growth and development of all employees.
- *keep the process simple.* Succession management can be made too complicated by elaborate forms and processes. When this happens, the process usually dominates the discussion rather than the talents, skills, and knowledge of the candidates.

  One company used to require its executives to bring written assessments of their employees to staffing reviews. Unfortunately, the executives became so committed to supporting their written opinions that it stifled open discussion. They solved the problem by eliminating some of the paperwork, which created a forum for open-minded conversation.

  In addition, world-class organizations open up the succession management process, making it as transparent to the organization as possible. This encourages clarity and integrity and minimizes politics.
- *"own" their succession management.* The human resources department should support the process, but management must own it. Accountability for selecting and developing managers and leaders cannot be delegated; it is integral to business success.

The most effective succession processes are disciplined, yet flexible, open, inclusive, and owned by management. Forms and processes are subordinated to dialogue. The goal is for leaders to gain insights into their employees' performance and potential. Businesses that successfully implement this kind of process make succession management an integral part of their corporate culture.

Best practices in management and leadership development

In too many organizations, management development is driven by rigid training curricula, guided by compulsory competency models and 360° assessments, and reinforced by standardized performance evaluation processes. Organizations that excel in succession management, however, approach the development of their managers and leaders quite differently. These organizations:

- *emphasize on-the-job development.* Studies have shown that real development happens on the job, not in the classroom. The amount of information that managers retain and internalize from training sessions pales when compared to what they gain from real-life experience. Best-practice organizations develop their managers and leaders by intentionally offering them a diverse range of career-building learning experiences.

  In the past, many companies practiced job rotation -- moving employees through different *functional* responsibilities -- from finance to sales to human resources. This is often an ineffective, even dysfunctional, approach. Few employees have what it takes to excel in all those areas. Instead, smart companies create diverse experiences within a functional area. They might move a high-potential executive from a small business unit to a larger one, and eventually, to a global business unit. This builds executives' leadership strengths and offers them opportunities to learn how to overcome business challenges regardless of the business unit's size, complexity, country, culture, and marketplace.
- *create progressive assignments.* Great organizations identify high-potential managers, then move them through the company at a quick, yet careful, pace. Managers may progress through a series of challenging jobs rather quickly -- every 18-24 months -- and as soon as they've mastered one job, they move to the next challenge. But their career moves must be carefully paced; assignments that are too short can encourage managers to deal only with the problems that they already know how to fix.
- *carefully design assignments.* In most world-class organizations, roles and responsibilities are properly designed; managers understand what they're expected to learn and do, and they have clearly defined and quantified goals. In addition, their jobs are designed to give them significant "headroom" -- authority and responsibility -- and "elbow room" -- scope and variety. As William McKnight, the celebrated chairman of 3M, once said, "If you put fences around people, you get sheep. Give people the room they need."
- *individualize development.* Although certain experiences and approaches may be more effective than others, each person learns and develops differently. For example, some people love to learn from their peers, while others learn best through trial and error. Best-practice organizations personalize development through informal coaching, ongoing feedback, and mentoring -- at all levels. A multinational organization, for example, began a program in which the top 300 executives each identify a recent college graduate with the potential to become an executive. The executive then sponsors that employee and supports his or her career development.
- *help managers make crucial connections.* One study showed that 40% of all newly promoted managers and executives failed within the first 18 months of their promotion because they didn't build strong teams or reach out to their colleagues and peers. Similarly, the quality of a manager's working

> relationship with his or her superior is a critical success factor and has a substantial impact on the person's success. The emotional and relationship factors are important, and they have to be encouraged and developed.

Rather than relying on standardized training curricula, best-practice businesses develop their managers and leaders on the job through a series of challenging and diverse experiences. Their roles are broadly defined, yet expectations are clear, and they receive ongoing feedback and coaching to maximize the benefits from each learning experience.

These practices aren't easy to implement, and they require discipline and commitment to sustain. There are specific techniques and processes, however, that enable organizations to become world-class in succession management. The next article in this two-part series will show how your business can implement those practices.

Individual career planning and development

This phase of the process takes place primarily between an employee and his or her manager. Its purpose it to connect the two so the right decisions are made about the employee's career and so the manager can provide needed coaching and support. This phase entails:

- **Promoting an ongoing dialogue.** The best way to begin the development process is by talking with an employee about her successes, strengths, needs, and aspirations. In most organizations, though, managers don't have these discussions with employees regularly, if at all. All too often, an employee learns that the company has decided it's time for her to move into a different role, yet she's never even talked about this kind of opportunity with anyone. Naturally, this increases the likelihood that the new position is not at all in line with her talents or aspirations.

  Best-practice organizations, in contrast, are intentional about initiating development discussions. For instance, several companies use a performance review process that focuses less on a traditional appraisal and more on a developmental conversation. Some call it a *discovery interview*; others refer to it as a *discussion guide.* These organizations are increasing the frequency of the discussions as well, with sessions on at least a quarterly basis.

- **Avoiding the Peter Principle.** Named after Laurence Johnston Peter, the Peter Principle states that in a hierarchy, employees tend to rise to their level of incompetence. And employees will continue to do so if the main criterion for promoting them into a new role is how well they've done in their current role.

  Too many companies reward excellent performance by promoting a person out of the very role in which he or she has excelled. Whenever possible, organizations should promote top performers *within* their roles by stretching their goals, expanding their responsibilities, or providing them with challenging assignments. This encourages them to develop their talents into real strengths, deepening their abilities and enhancing their performance. This strategy promotes world-class performance in every role. (See "Giving Them What They Deserve" in the "See Also" area on this page.)

A manufacturing company implemented this practice by creating five ascending levels for its sales representatives. A junior account rep could be promoted five times while remaining within the sales rep role -- and retire as one of the company's best rewarded top performers.

A healthcare organization divided a previously homogenous nursing function into three levels. The third level carried the most prestigious title and managed the most challenging, complex cases -- cases only the best nurses would be able to manage. This provided well-deserved recognition as well as a new challenge to the top nurses, and it offered a career growth path for all others.

Encouraging employees to grow within their roles does not necessarily mean an end to traditional, hierarchical promotions. High-performing employees with leadership potential and aspirations should expect to grow into more senior positions -- fast. Promoting future executives into positions with more challenging responsibilities is a great way to develop them. To grow, they need a variety of experiences, including meeting a range of challenges while working in different areas of your business and for different managers. To avoid the Peter Principle, however, organizations should diligently assess employees' talents, capabilities, and fit for the *new* role, not just how they perform in their current role.

- **Instilling a coaching culture.** Development must be ongoing, not a once-a-year event. It needs to be ingrained into organizational culture, and employees at all levels should expect informal coaching, mentoring, and ongoing feedback. Some companies foster such a culture by introducing "career boards" or encouraging mentor relationships between proven leaders and employees with leadership potential. Others have instituted an effective induction practice that helps managers and employees clarify expectations and build their relationship as employees take on new roles. Again, a well-thought-out discovery interview or discussion guide can provide structure to this process.

Succession planning analyses

With today's software capabilities, many organizations put their succession management systems online. They make their associates responsible for maintaining their own succession profile and encourage managers to search the online talent pool for potential candidates. These systems also make the process more open and transparent. In one company, for example, employees can see the exact positions for which they could be considered. This level of transparency isn't appropriate in every organization, but it benefits those that can provide it.

Some organizations use software systems to analyze their demographic balance and identify gaps in the succession pool. These systems allow the human resources team to fine-tune their hiring plans. Another important method is mapping various team members against a performance and potential axis. These are common and necessary tools that are used for discussion in the staffing review process.

> "High-performing employees with leadership potential should expect to grow into more senior positions -- fast."

Group discussion and review

Every leadership team should periodically discuss the talent and performance levels in its organization. (See "Evaluating Employee Performance [Part 2]" in the "See Also" area on this page.) Group discussions or staffing reviews are an effective way to create accountability and plan for succession management.

In the review sessions, a leadership team discusses employee performance and the strengths, values, unique capabilities, and growth potential of the employees on the teams that report to them. The review process usually starts at the top, actively driven by the CEO. The leadership team then takes it to the next level in the organization as the process cascades toward middle, and sometimes even front-line, management levels, as it does at IBM, for instance. GE has practiced staffing or talent reviews rigorously for years, and a growing number of leading organizations are adopting the practice.

Here are a few key reasons why your organization should consider making staffing reviews a required element of its succession management process:

- **Creating transparency and accountability.** Asking executives to discuss employees' performance and potential enhances the rigor and validity of the review. It also significantly increases accountability for employee performance and development. When reviews are conducted annually or semi-annually, the senior leadership team can see who the company's top, middle, and bottom performers are. And, it will become transparent who is effectively developing their top players, filling the gaps in their succession plans, and repositioning employees who don't perform. In several companies, CEOs have instituted quarterly business review meetings, asking executives to report the progress they've made on the priorities and goals that were set during the previous quarterly meeting. Predictable reviews like these keep managers focused and accountable and ensure the necessary follow through.

- **Driving strategy.** When leadership reviews a team's performance and potential, it is important that they link the succession process to the organization's goals and strategies. They can do this by expanding the discussion to evaluate the team's strengths and vulnerabilities against its business goals and priorities. Questions like these are a good starting point for the discussion: Given our strategy, what are this team's strengths and vulnerabilities? Does the team have the talent and capabilities to deliver on the strategy and accomplish its business goals? Do we need to alter the talent or capability requirements of new hires?

  Discussions like these can be invaluable, particularly when the succession management process is centralized and senior leaders from different business units meet with each other in the staffing review sessions. High-potential employees can be brokered across regions and business units, underperforming managers can be more easily recast into roles and areas in which they may perform better, and best practices can become more visible.

Succession management is a delicate practice, but one that is highly valuable if your company aspires to be a leading organization in the future. It requires a solid understanding of the strengths, limitations, and aspirations of employees. And it demands transparency and a disciplined review process that involves all of your organization's leaders.

The bottom line is, strong leadership today doesn't guarantee strong leadership in the future. Leading organizations don't leave succession management to chance. It's one reason they don't just survive -- they thrive.