

LEADERSHIP
SUCCESSION PLANNING

3 PERSPECTIVES ON LEADERSHIP SUCCESSION PLANNING

1. The Facts: national & local
2. Perception gaps
3. The New Role of HR: Are you up to the challenge?



1ST PERSPECTIVE

THE FACTS:
NATIONAL & LOCAL



RETIRING BABY BOOMERS ARE CREATING A LEADERSHIP BRAIN DRAIN

OVER THE NEXT 12 YEARS AN ESTIMATED

10,000 BABY BOOMERS

WILL RETIRE EACH DAY

AND 56% HOLD LEADERSHIP POSITIONS.



LEADERSHIP BENCH STRENGTH IS WEAK

**85% OF COMPANIES DON'T HAVE
THE LEADERSHIP BENCH STRENGTH NEEDED
TO MEET TOMORROW'S BUSINESS CHALLENGES.**



**AND... CEOs ARE LACKING CONFIDENCE
IN THEIR ORGANIZATION'S
LEADERSHIP DEVELOPMENT PROGRAMS**

**ONLY 41% OF CEOs BELIEVE THEIR
ORGANIZATION'S LEADERSHIP DEVELOPMENT
PROGRAM TO BE OF HIGH OR VERY HIGH QUALITY.**



MOST COMPANIES AREN'T PLANNING AHEAD

**57% OF COMPANIES DON'T HAVE
A LEADERSHIP SUCCESSION PLAN.**



**YET... FOR CEOs, THE #1 CHALLENGE IS
DEVELOPING LEADERS THAT CAN
EXECUTE STRATEGY**

**64% OF CEOs IDENTIFIED DEVELOPING NEXT
GENERATION LEADERS AS A BIGGEST CONCERN OVER
HEADLINE-WORTHY GLOBAL ISSUES LIKE
CYBER-SECURITY, GLOBAL POLITICAL UNCERTAINTY
OR A GLOBAL RECESSION.**



**“THE PRIMARY JOB OF A BOARD OF DIRECTORS IS
TO SEE THAT THE RIGHT PEOPLE ARE RUNNING THE
BUSINESS AND TO BE SURE THAT THE NEXT
GENERATION OF LEADERS IS IDENTIFIED AND READY
TO TAKE OVER TOMORROW.”**

~ Warren Buffet
2011 Berkshire Hathaway Annual Report



**“ONE OF THE THINGS WE OFTEN MISS IN
SUCCESSION PLANNING IS THAT IT SHOULD BE
GRADUAL AND THOUGHTFUL,
WITH LOTS OF SHARING OF INFORMATION AND
KNOWLEDGE AND PERSPECTIVE,
SO THAT IT’S ALMOST A NON-EVENT
WHEN IT HAPPENS.”**

**~ Anne M. Mulcahy, Former
Chairman & CEO, Xerox**



2017 LEDC CEO SURVEY

OBJECTIVES

1. Gain a better understanding of talent acquisition and retention challenges
2. Use key findings to conduct informed conversations with LEDC members and community stakeholders and to collaboratively develop solutions
3. Share talent acquisition and retention best practices

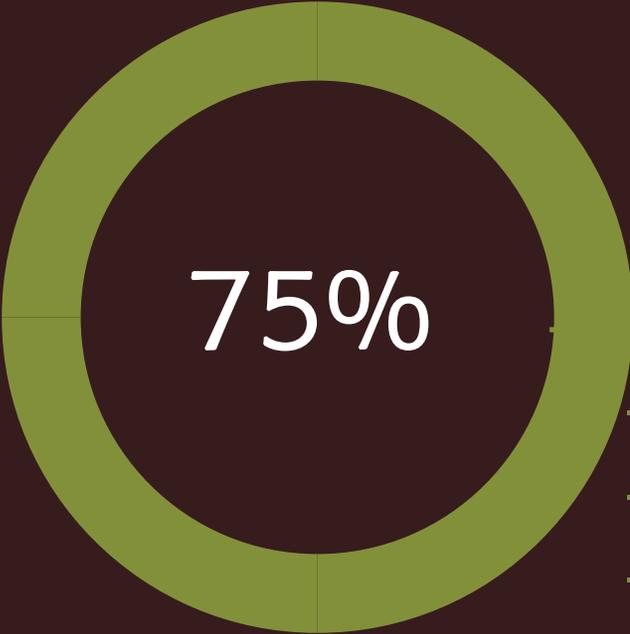


5 KEY FINDINGS & INSIGHTS



1. GROWTH EXPECTED & EXECUTIVE TEAMS FEEL PREPARED TO CAPITALIZE

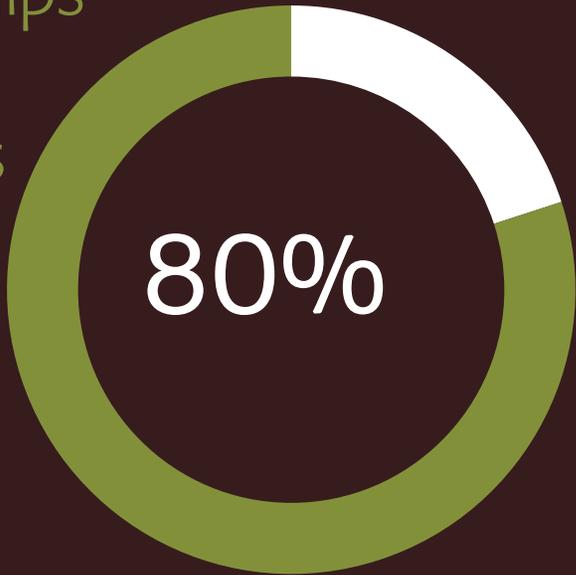
75% report moderate to significant growth potential from 5 key areas:



75%

- Entry into new markets
- Gain in operating efficiencies
- Collaborative partnerships
- New products
- Mergers or acquisitions

80% feel their current executive team is prepared for the growth



80%



2. 76% WILL BE ACTIVELY RECRUITING

With 72% filling up to 10 positions in these 6 key areas over the next 18 months:

1. Sales – 40%
2. Engineering – 26%
3. IT Infrastructure – 26%
4. Customer Service – 25%
5. General Management - 20%
6. Marketing – 20%



3. EXECUTIVE LEVEL SUCCESSION PLANNING NEEDED

56% of CEOs report that 1 to 5 members of their executive leadership team will retire over the next 3 years, yet... only 44% have a formal succession plan



70% OF CEOs REPORT CHALLENGES DEVELOPING LEADERSHIP READINESS TO SUPPORT A SUCCESSION PLAN, YET...

- 53% of companies don't provide formal mentoring at any level
- 41% of companies don't provide executive coaching at any level
- 40% of companies don't provide 360-degree feedback at any level



4. MID-LEVEL SUCCESSION PLANNING & PROFESSIONAL DEVELOPMENT GAPS EXIST

64% of companies report they will need to fill up to 5 mid-level manager positions over the next 3 years, yet... only 47% are developing a mid-level leadership bench



5. 38% PERCENT OF COMPANIES
DO NOT HAVE HR REPRESENTATION
ON EXECUTIVE TEAM



SUMMARY OF LEDC CEO SURVEY

5 KEY FINDINGS

1. Growth is expected & executive teams are prepared to capitalize
2. 76% of companies will be actively recruiting
3. Executive-level succession planning and leadership readiness is needed
4. Mid-level management succession planning & professional development gaps exist
5. 38% do not have HR representation on executive team

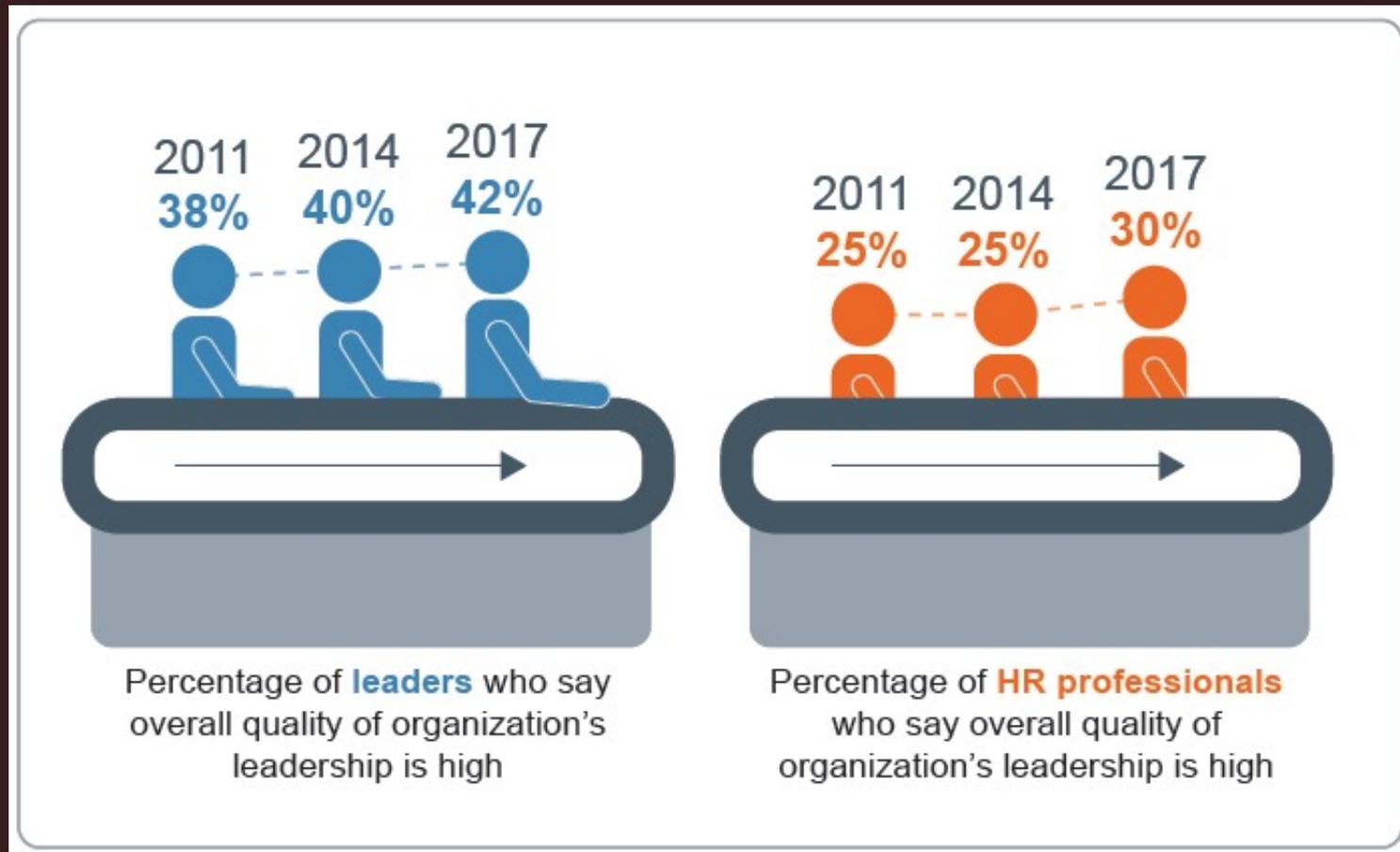


2ND PERSPECTIVE

PERCEPTION GAPS



LEADERSHIP QUALITY PERCEPTION GAPS EXIST BETWEEN ORGANIZATIONAL LEADERS AND HR

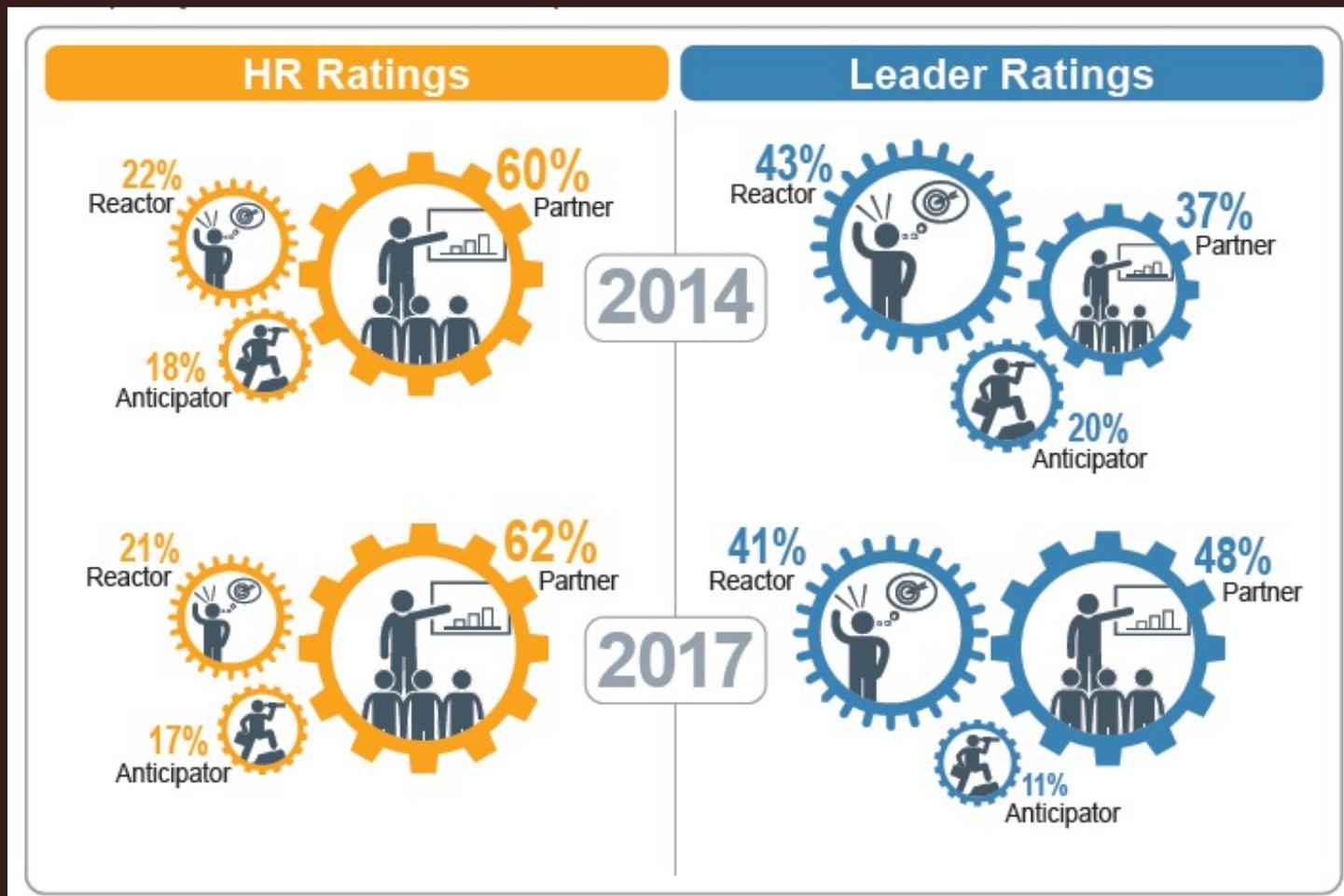


HR PROFESSIONAL ROLES

1. **Reactor:** Sets and ensures compliance with policies; responds to business needs, installs basic initiatives to manage talent
2. **Partner:** Works toward mutual goals with line managers; shares information with the business about talent issue gaps; provides HR solutions
3. **Anticipator:** Uses analytics to forecast talent needs; provides insights and solutions to ensure high-quality supply of talent; links talent planning to business planning

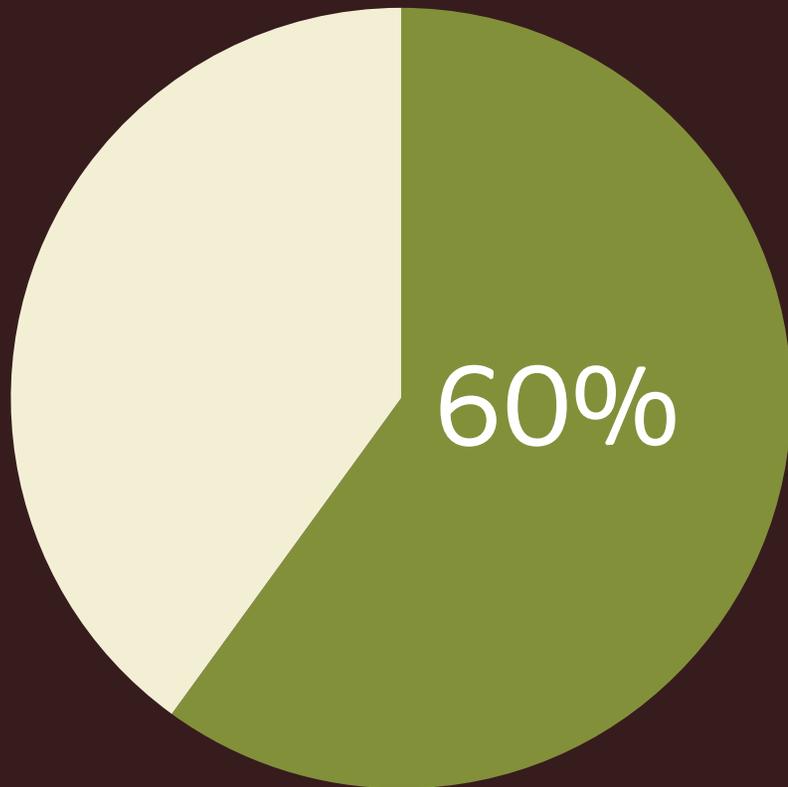


GAPS EXIST BETWEEN HR'S SELF-PERCEPTION OF ROLES AND HOW LEADERS SEE HR ROLES



Source: 2018 DDI Global Leadership Forecast

GAPS EXIST BETWEEN HOW HR DEPARTMENTS ARE SPENDING THEIR TIME AND SHOULD BE SPENDING THEIR TIME



The highest-performing HR departments spend less than 40% of their time on transactional activities. Yet... typical HR departments still spend close to 60% of their time and resources on transactional and administrative tasks, despite decades of pushing work out to shared services

3RD PERSPECTIVE

THE NEW ROLE OF HR:
ARE YOU UP TO THE
CHALLENGE?



THE REALITY: HR PAINTS A BLEAK PICTURE

- **31%** have a weak or nonexistent relationship between annual strategic plans and their own plans to grow leadership talent
- **50%** do not have well-integrated and strategically aligned leadership development programs or processes
- **78%** see their leadership career planning/pathing systems as only moderately effective or worse
- **65%** do not believe their leaders have high quality, effective development plans



THE REALITY: HR PAINTS A BLEAK PICTURE

- **48%** do not use information from assessments & simulations to make leadership hiring & promotion decisions
- **35%** do not have a program to develop high potentials, and **45%** of those that do don't measure the effectiveness of the programs
- **73%** do not exercise negative consequences when leaders fail to develop leaders on their team
- **52%** do not know the up-to-date status of leadership talent capability across the organization



WHERE TO START

1. Address any perception gaps that exist and clearly define the role and priorities of HR
2. Thoughtfully assess all leaders and leadership development programs at all levels
3. Create a plan to integrate leadership development efforts with the twin goals of supporting leaders' success today and building a solid pipeline of successful future leaders based on your organization's future needs
4. Create or update a leadership capability model that is embraced by the C-Suite and aligned with the organization's strategic goals.
5. Ensure key leaders have the skills to identify & develop talent.



HOW TO EXCEL & DIFFERENTIATE

1. Systematically monitor progress and gather data to determine the business impact leadership development programs have on advancing the organization's strategic goals.
2. Articulate the impact to the C-Suite and create a plan to address deficiencies
3. Ensure leadership development practices hold leaders accountable for successfully developing their teams, particularly emerging leaders



Best Practice Process for Selecting Leadership Successors

- ↓ Identify the key leadership gaps (current & emerging)
- ↓ Create job descriptions & identify required experience for each position
- ↓ Create a talent pool for each position
- ↓ Hold “stay interviews” with high potentials
- ↓ Strategically develop high potentials
- ↓ Evaluate candidate readiness
- ↓ Continually monitor, assess and realign



“LEADERSHIP STRATEGY SHOULD NEVER STAND ALONE FROM AN ORGANIZATION’S STRATEGIC PLANS, YET ONLY 1 IN 4 HR PROFESSIONALS ARE INVOLVED IN STRATEGIC PLANNING FROM ITS INCEPTION. THIS DIMINISHES THE ROLE THEY CAN AND SHOULD, PLAY IN CONNECTING THE BUSINESS TO REQUIRED LEADERSHIP CAPABILITY.”





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- Life, career & business coaching