

THE BULLETIN

OUR VIEW ON CORPORATE GOVERNANCE MATTERS

VOLUME 8, ISSUE 6

Take a New Approach to Succession Planning and Leadership Development

*by Fran Maxwell, Managing Director
People Advisory and Organisational Change Global Leader, Protiviti*

It's time to understand new talent and workforce realities.

The juicy narratives in the blockbuster HBO series “Succession” derive from deeply inadequate succession planning and a dearth of leadership development. The drama and intrigue around these issues have helped the show attract millions of viewers worldwide. But in the real world, organisations that fail to address succession planning and leadership development inadequacies won't be successful over the long term – rather, they expose themselves to strategic risks.

Board members and C-suite leaders recognise the critical nature of these challenges. Protiviti's latest Top Risks Survey points to succession planning (as well as the ability to attract and retain top talent) as the top risk issue for organisations globally, both today and 10 years from now.¹ Further, according to a survey of 240-plus organisations conducted by the Association for Talent Development, the primary causes of shortcomings in succession planning include limited C-suite bandwidth, insufficient resources, and a lack of knowledge and expertise.²

¹ *Executive Perspectives on Top Risks for 2023 and 2032*, Protiviti and NC State University's ERM Initiative, December 2022: www.protiviti.com/us-en/survey/executive-perspectives-top-risks-2023-and-2032.

² “Succession planning is in vogue, but employers diverge on identifying talent,” by Ryan Golden, HR Dive, September 6, 2022: www.hrdiver.com/news/succession-planning-is-in-vogue-but-employers-diverge-on-identifying-talent/631169/.

While these hurdles appear straightforward, that does not make them any less concerning. More boards are cognizant of the links between leadership-talent quality and valuable outcomes related to employee experience, engagement, customer experience, profitability, resilience, innovation and more. This explains why CEOs, chief human resources officers (CHROs) and other C-suite occupants should expect to receive more questions about their leadership succession and development programs — and why they are under greater pressure to strengthen and recalibrate these capabilities.

These adjustments are vital due, in great part, to a fundamental gap between the mindsets and competencies that enabled current leaders to ascend to their offices and the rapidly evolving drivers of future leadership success.

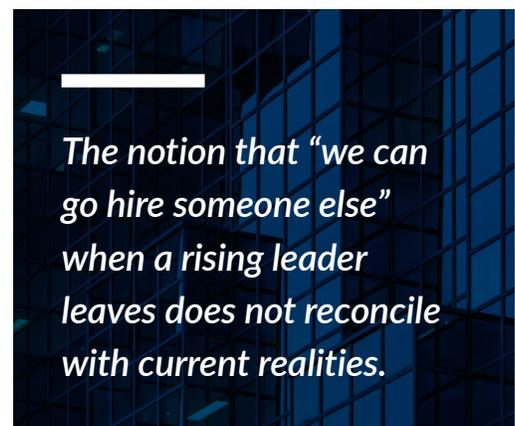
Backseat drivers

Subpar succession planning and leadership development tend to suffer from similar deficiencies. In some organisations, standout and rising professionals remain unaware that they've been tabbed as potential future leaders such as senior vice presidents (SVPs) or C-suite officers. Other companies fail to design and deliver meaningful learning and development experiences and programs to their next generation of leaders.

Another drawback is uncertainty — rising leaders who have been informed of their status in the organisation's succession plans cannot get a straight answer about when current leaders will transition out of their roles.

And many organisations lack any type of succession or leadership development program. Case in point: More than half of businesses in Europe do not have a succession plan in place, according to Robert Half's Boardroom Navigator 2023 research.³

These faults and gaps require immediate attention given the current state of the talent marketplace and demographic realities. As we've emphasised before, the war for talent is over — and talent won.⁴ Regardless of shorter-term staffing fluctuations, the supply of expert, specialised individuals to staff positions requiring specific skill sets and top leadership slots is insufficient to meet current or future demand. The notion that “we can go hire someone else” when a rising leader leaves does not reconcile with current realities.



³ “Don't neglect the importance of succession planning, it will change the future of your business,” Boardroom Navigator 2023, Robert Half, July 24, 2023: www.roberthalf.co.uk/advice/c-suite/dont-neglect-importance-succession-planning-it-will-change-future-your-business.

⁴ “Talent Strategies Demand a New Normal,” *The Bulletin* (Volume 8, Issue 4), February 2023: www.protiviti.com/us-en/newsletter/bulletinv8i4-talent-strategies-new-normal.

This imbalance is likely to endure. Demographic trends all but assure that this risk will grow in the next few years — an issue likely driving the findings related to succession planning in Protiviti’s Top Risks Survey. Many current C-suite leaders are among the youngest members of the massive baby boomer generation. As these executives transition out of their roles, rising leaders from the much smaller Gen X cohort must be prepared to succeed them — and organisations must help prepare them.

In many companies, this preparation takes a back seat to shorter-term C-suite priorities related to delivering business results. That needs to change — as does traditional thinking around the abilities and experiences that translate to leadership success.



Delivering results — and the 60-hour-a-week grind fests that doing so demanded — often sufficed for “leadership development.” Not anymore.

What got you here won’t work for them

When many current leaders began their ascension up the organisation’s ranks, scant attention was paid to the employee experience, emotional intelligence, organisational purpose, workplace culture, employee well-being and talent analytics. Work-life balance was discussed, but often more as lip service than a meaningful consideration for rising executives. Delivering results — and the 60-hour-a-week grind fests that doing so demanded — often sufficed for “leadership development.” Not anymore.

A new employee value proposition, along with dramatically different expectations of the employer-employee compact, have emerged in the past 10-20 years thanks to data-driven research, new correlations between the employee experience and bottom-line performance, talent shortages, the entrance of new generations (and expectations) into the workforce, technological advancements, and changing societal norms.

The magnitude of these workforce changes means the competencies that elevated current leaders to their positions are not the same combination of qualities that will drive future leadership success. That’s not to say that grinding through long workweeks is no longer necessary at times; however, “grind, grind, grind” no longer suffices as the primary leadership development strategy.

Succession planning and leadership development mindsets and strategies should be expanded to address new and emerging employee expectations, working models, and other talent management realities.



78% of female managers are less likely to say employees are aware of internal job openings than their male counterparts, and 37% say they were given fewer opportunities for upward mobility compared to their male colleagues.

Succession planning priorities

In our work helping enterprises modernise succession planning capabilities, we've identified four high-impact actions that deliver immediate improvements while setting the stage for more comprehensive overhauls that encompass leadership development activities. These priorities include:

- **Be transparent** — More than six U.S. states have laws on the books requiring pay transparency, with more than a dozen other states in the process of following suit. On the other hand, relatively little sunlight shines on most succession plans. In many cases, rising leaders do not know they've been identified as a future member of senior leadership because current leaders may be reluctant to discuss the matter due to uncertainty about their own careers. They may not know when they are leaving the organisation and fear that sharing that information will motivate their chosen successor to look for better opportunities elsewhere. Lack of awareness about advancement opportunities may be higher among some employee segments versus others. For example, 78% of female managers are less likely to say employees are aware of internal job openings than their male counterparts, and 37% say they were given fewer opportunities for upward mobility compared to their male colleagues, according to research on the female leadership pipeline conducted by SHRM.⁵
- **Clarify who stays** — A classic song by The Clash, "Should I Stay or Should I Go?" may echo in the minds of many rising leaders as they compare the timing and allure of their approaching promotions to external opportunities and offers that arise. Given this flight risk, current leaders should identify high-potential (HiPo) employees in the organisation with the critical skills needed

⁵ "Pipeline of Future Female Leaders Shrinking Research Says," SHRM, press release, May 3, 2023: www.shrm.org/about-shrm/press-room/press-releases/pages/pipeline-of-future-female-leaders-shrinking-research-says.aspx.

to drive the business in the future (whether those future plans are for the near term or longer term). A central component of succession planning, this process of identifying the organisation's next generation of leaders should be developed based on analyses of future business challenges and opportunities, assessments of the skills and organisational knowledge required to address those risks, and related evaluations of rising stars. Organisations that forgo this approach risk losing valuable future leaders while settling for less talented candidates.

- **Hold the right conversations** — Transparency into succession planning involves more than simply relaying “you’re up next.” It’s not enough to be transparent; leaders should focus on how they deliver transparency. In many cases, current leaders cannot identify a specific promotion date. That’s perfectly acceptable, so long as this information, the reasons behind it and its repercussions are communicated clearly to the rising leader: *You are my number two, and I’m creating a succession path for you. Candidly, I don’t yet know if I’m moving on in one year or five years, but we’re going to come up with a plan for both scenarios and ensure we address your leadership development needs in a way that works for you and our company. While the context of these conversations may vary, the message is the same: We’re committed to investing in you, and here’s how we plan to do so.*
- **Ladder up** — Leading organisations strengthen succession planning by extending their activities deeper into organisational hierarchies, to the director and manager levels. While HiPo professionals at these levels of the organisation do not require the same intensity of development as an SVP knocking on the C-suite door, attention to these cohorts is crucial to sustaining leadership continuity throughout the enterprise when, say, the SVP of finance ascends to the CFO’s office. Plus, people on the lower rungs of the leadership ladder, who are often younger, may have different expectations concerning promotion time frames (i.e., sooner), employee value propositions and leadership priorities. These differences should be considered and reflected in leadership development activities and communications with those HiPo rising leaders.

The most pressing leadership development questions

Ultimately, the success of well-designed succession plans hinges on the efficacy of the leadership development activities that are administered in concert with leadership road maps. Rising leaders must be equipped to thrive once they step into a new role. These efforts should include upskilling, stretch assignments, job rotations, mentoring and related activities.

Addressing the following questions can help organisations assess the degree to which their current leadership development framework is preparing HiPo employees for future leadership success:

- **Do leadership development activities support and advance our corporate vision and values?** Developing the organisation's next generation of leaders should begin with ingraining in them the organisation's core principles and, just as critical, instilling in these leaders the importance of representing these principles throughout the enterprise. More companies should evaluate the extent to which their leadership development strategy, behaviours and programs, including the content supporting them via internal trainings and other communications, reflect organisational vision and value statements.
- **Is the CEO involved in leadership development?** In most organisations, the answer ranges from "no" to "not as much as they could be." This needs to change. After all, who knows more about a company's leadership challenges and success drivers than its chief executive? Yes, HR groups typically drive leadership development based on frameworks they've designed or adapted. And yes, CEOs and their C-suite colleagues are consumed with setting strategy and delivering business results. However, the organisation's ability to deliver those results hinges on the quality of its leadership – both today and in the future. This makes it important to address that bandwidth issue while considering new, time-efficient ways to integrate the CEO into leadership development activities.



Organisations with thriving succession planning programs leverage [leadership networks] to foster lifelong relationships with current and future leaders, even after those individuals leave the organisation.

- **Are financial incentives being considered?** Boards hold their CEOs accountable for performance outcomes, often through the use of incentives. These bonuses are tied to a range of measurable outcomes, such as revenue growth, profit margins, return on investments and assets, and product launches. More recently, incentives related to customer satisfaction, employee experience, and environmental, social and governance (ESG) objectives have worked their way into CEO incentive compensation plans. What if boards and their compensation committees considered CEO pay incentives tied to succession planning and leadership development measures? Even if those bonuses were not adopted, their consideration would send a clear message regarding the importance, and longer-term value, of succession planning and leadership development.

- **Is the organisation fostering leadership networks, including alumni?** Organisations with thriving succession planning programs leverage those capabilities to foster lifelong relationships with current and future leaders, even after those individuals leave the organisation. HiPo employees who leave the company may become a partner, customer or vendor; others may “boomerang” back to the organisation into leadership roles after gaining experience outside the company. Organisational alumni whose employee experiences have been elevated by top-notch leadership development also are more likely to advocate for the organisation as an employer of choice in their professional interactions and social media postings.

Beyond the long-term leadership gaps that the lack of succession planning and leadership development create, they also can result in costly mistakes. Six years ago, SHRM calculated the cost range of replacing a senior executive at \$750,000 to \$2 million, and the cost of replacing a CEO at up to \$52 million.⁶ Adjust that figure for inflation, and the cost of replacing a CEO in 2023 is roughly \$64 million.

Given the challenges and risks swirling around the leadership pipeline, executive teams should make it a priority to invest the time, money and expertise needed to modernise these capabilities for the current workforce and talent marketplace. It’s clear this risk is not going away any time soon – now is the time to address it proactively by taking a new approach to succession planning and leadership development.

About the Author



Fran Maxwell is Protiviti’s People Advisory and Organisational Change Global Leader. Based in Phoenix, he brings more than 21 years of experience in HR consulting to Protiviti.

Contact Fran at fran.maxwell@protiviti.com.

⁶ “Building Better Leaders,” by Dori Meinert, SHRM, April 27, 2019: www.shrm.org/hr-today/news/all-things-work/pages/leadership-development.aspx.

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, digital, legal, HR, governance, risk and internal audit through our network of more than 85 offices in over 25 countries.

Named to the 2023 *Fortune* 100 Best Companies to Work For[®] list, Protiviti has served more than 80 percent of *Fortune* 100 and nearly 80 percent of *Fortune* 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.