

Managing Your Leadership Pipeline.

Succession Planning is essential for business continuity and all your key roles.

In HBO's hit series *Succession*, Brian Cox's performance as Logan Roy, a character suggested to be loosely based around Rupert Murdoch, gives a harsh insight on the complexity of leadership replacement and the necessity of proper Succession Management. None of the family members seem quite up to the role. McKinsey research suggests that between 27% and 47% of all executive transitions result in failure or disappointment by a two-year point due to poor succession management.

In their HBR article "The High Cost of Poor Succession Planning," the authors, Claudio Fernández-Aráoz, Gregory Nagel and Carrie Green, quote Matthew Bidwell of the Wharton School of Business who observed that while external candidates appear to have better experience and education than insiders, typically they are paid more, perform worse and have higher exit rates. Additional studies support this, including one by US academics Sam Allgood and Kathleen Farrell who suggest that external CEOs brought in have an 84% greater chance of turnover than insiders in the first three years, usually for inferior performance.





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Succession planning is not just about CEO replacement but is a critical issue for all your key roles. While some external hiring is inevitable, evaluation of these candidates should include their stretch potential. This is generally regarded as an assessment of how long it would take the candidate to perform their manager's, manager's role.

The former head of GE's Leadership Centre and current professor at Michigan's Ross School of Business, describes in his book "Succession", how to build effective leadership pipelines. He supports the contention that succession management is about much more than CEO succession. Tichy outlines that while succession must address cultural and political organisation elements, it is ultimately about building a continuously adapting succession pipeline to grow truly transformational leaders at all organisation levels.

It is hard to imagine a more crucial time to have a strategically linked succession management programme in place. Succession management is core to business continuity in the face of volatility, it ensures talent is a key strategic issue and it identifies potential gaps or vulnerabilities in current or future business plans.

Like all strategic talent processes, leader engagement in succession management makes or breaks its effectiveness. It requires staying power, as programmes can take years rather than months to pay dividends. At organisation level, the leadership team identifies roles that are key to achieving organisation goals and set out expectations on what success will look to high potential employees (HiPo). Leaders must create measures

to evaluate HiPo employee learning progress and plan all elements of the HiPo's development actions, making sure to follow through on these. Succession management demands that personal traits as well as performance capability are considered and reviewed with the HiPo in regular, detailed feedback sessions.

Of the many challenges that programmes face, the risk of bias in its many forms, can be the most difficult to overcome. Yet in the third iteration of their "Diversity Wins" report, McKinsey identifies that companies with greater diversity are over a third more likely to outperform their competitors in profitability. Structured evaluations such as 360-degree exercises can be helpful to address this.

Effective Succession Management is core to organisations of all types and of any size. It supports the achievement of desired outcomes and enables business continuity. Succession management builds engagement and fosters ambition, ensuring that overall talent management remains an essential strategic consideration on any leadership agenda.

The research team at HRM is presently studying how organisations in Ireland are addressing succession management. The final report will be published in January 2023 and available to download at www.hrmrecruit.com