

Succession Management

Building your Executive Pipeline | REPORT 2023

Global Reach.



The speed at which client needs must be met, the deepening complexity of those needs and the fact that many roles or sectors are new, in whole or part, mean strong research and global reach are an imperative in an executive search partner. All of this must be combined with true local market knowledge and understanding.

Our internal research function at HRM includes international team members from, or based in, regions with the strongest talent pools around the World. We work relentlessly to deliver the highest performers to your critical knowledge centred roles.

HRM Search Partners is also the unique and exclusive member in Ireland of IIC Partners, a top ten global executive search firm. Collectively, we combine our passion to find the best talent for client organisations all over the world. We share our commitment to develop real understanding of need, to advise, inform and guide organisations to make the right executive hiring decisions.

Both HRM and IIC Partners were established over 30 years ago. Collaboratively, our executive search consultants work with all types of organisations. From global corporations to national firms and family-owned businesses. Our clients include many household names, exciting new enterprises with whom we partner to solve their leadership and specialist talent challenges.

Search.

High performance talent solutions

Executive Search is a research centred solution that addresses complex talent and leadership acquisition challenges. We work to understand your requirements, context, culture and structure to find the right talent pools and highest performers. Our networks and rigorous assessment programme ensure highly successful and lasting outcomes.

Secondment.

On demand contract talent solutions

Contract / Interim, professionals and executives, for your time critical projects and leadership challenges. Experienced talent that makes an immediate impact and brings added value. Professional contractors and interim executives are your ultimate flexible talent resource, expertise on site when you need it, cost removed when you don't.

Succession Management is Essential.

The unexpected or planned exit of a key executive can cause many difficulties. Continuity is key, retention is essential. While external hires can bring fresh perspective and improve performance, being in a position to promote a prepared internal employee brings confidence and instant assimilation. Formal succession management programmes most importantly ensure talent is a key strategic leadership issue and enable your team to identify current or potential gaps and risks. How important is having Succession Management to an organisation? 83% of organisations say it is “Essential to organisation success”.

In a recent HBR article entitled “The High Cost of Poor Succession Planning,” written by Claudio Fernández-Aráoz, Gregory Nagel, and Carrie Green, the authors talk about the importance of well-structured internal succession management. Their research highlighted that the amount of market value wiped out by badly managed CEO and C-Suite transitions in the S&P1500, was a considerable \$1 trillion a year.

Succession planning is not just about CEO replacement, but an important process for all your key roles. While external hiring is sometimes unavoidable, high performers are critical to any level of position where growth and future continuity is an imperative. Candidate evaluation for these key positions should include appraisal of their “stretch potential”, an assessment in effect, of how long it would take the candidate to perform their manager’s, manager’s role.

In looking through our own report data, we note that CEO and Operational Leaders are the roles where most succession management planning has been undertaken. Finance and IT are also areas of substantial concern for organisations where succession management programme implementation is occurring. Beyond this, HR and Operational Leaders present as functions that are under programme or causing a significant future concern if not.

Throughout this report we look at what organisations feel are the key benefits to succession management. We report on how committed their leadership teams are to this talent strategy, who drives high performer identification at their firms and what are the blockers to effective succession management these companies face.

As always our research team are always pleased to receive any feedback you may have on the content or results of the report.

Q1. Which of these describes how you personally feel about succession management?

83% Feel it's essential to organisation success.

- 9% Occasionally Important
- 5% Not Necessary
- 3% Has some value but rarely works

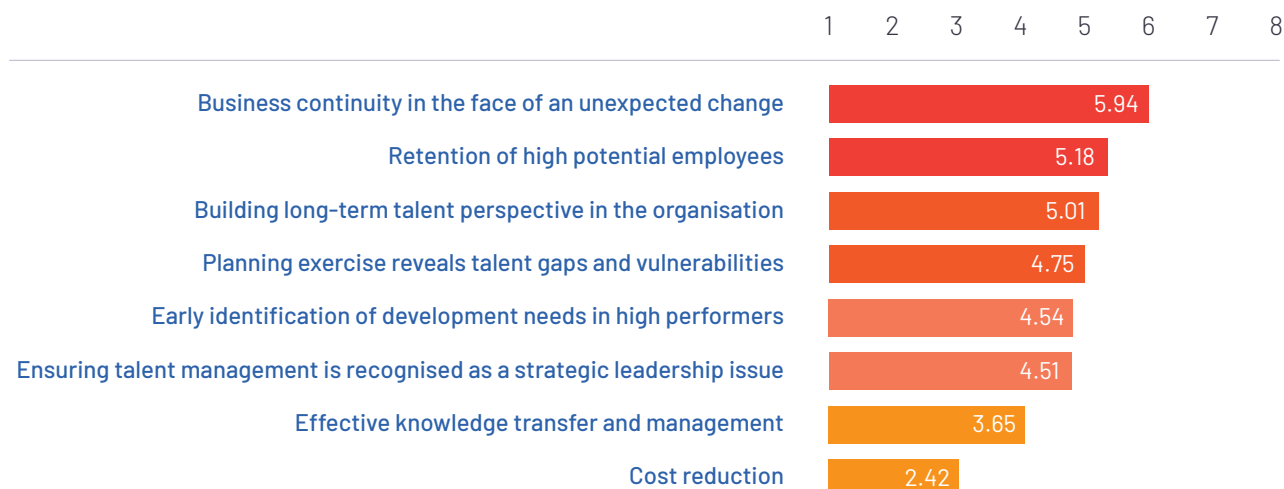
The data used in this report was collected by survey in November 2022. 321 organisations throughout the Republic of Ireland participated. These firms operate in either Healthcare Manufacturing, Other Manufacturing, Professional Services, Service Industries or Engineering and Technology sectors.

Q2. In the event of an **unexpected leadership resignation** from within the functions below, which of the following best describes your organisation's state of readiness to back fill from within?

(Organisations without any of these functions selected a "Not Relevant" option)

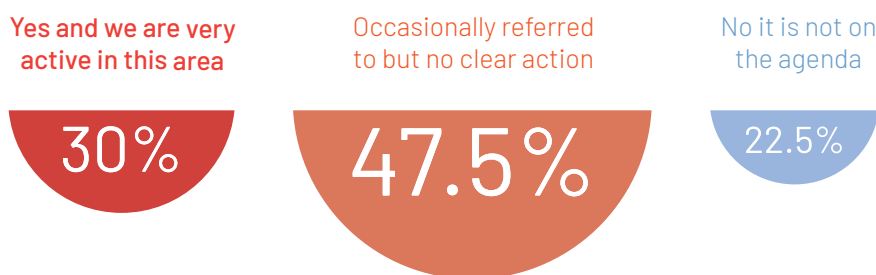
	We have a succession plan in place	We are putting a succession plan in place	We have no succession plan in place
CEO	31%	20%	36%
Human Resources	19%	21%	41%
Finance	23%	29%	31%
Operations	29%	31%	30%
Information Technology	10%	35%	38%
Supply Chain Management	14%	24%	26%
Research & Development	18%	18%	18%
Quality	24%	18%	16%
Commercial or Consulting	15%	23%	23%

Q3. What does your organisation see as the **key benefits to succession management**?



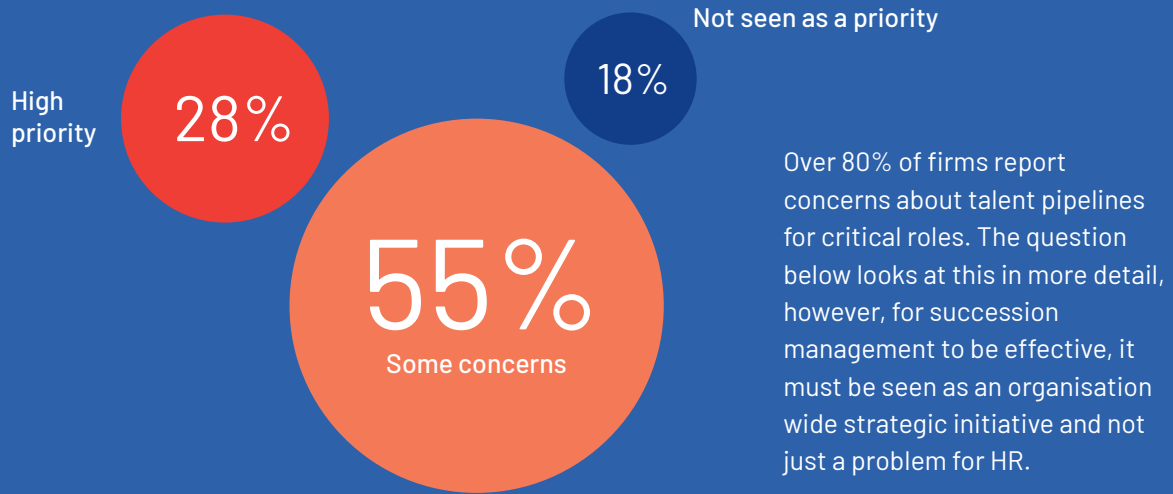
The availability of strategically developed, high performance employees from your internal talent pool means risk around executive change is minimised. Loss of performance while a new hire is selected and onboarded is reduced, retention of great talent is increased. Leadership team discussions around succession management engenders long term strategic talent thinking and supports the identification of talent risks or gaps against future needs.

Q4. Is succession management on your organisation's senior leadership agenda and **regularly discussed** at leadership meetings?



While implementing succession management can take two to three years, the benefits last a multiple of this. However, while more than 80% of firms see succession management as essential to their organisation's success, only 30% report as having full senior leadership commitment. Programme implementation is not as complex as many fear. The US Society of Human Resource Management (SHRM) defines succession management components as being selection, training, development and career planning, career management, replacement planning and gap analysis. Most firms undertake several of these already, it now requires leadership to bind them to organisation goals and stick with the process.

Q5. What level of priority does the Leadership Team place on **potential future leadership gaps** in your organisation?

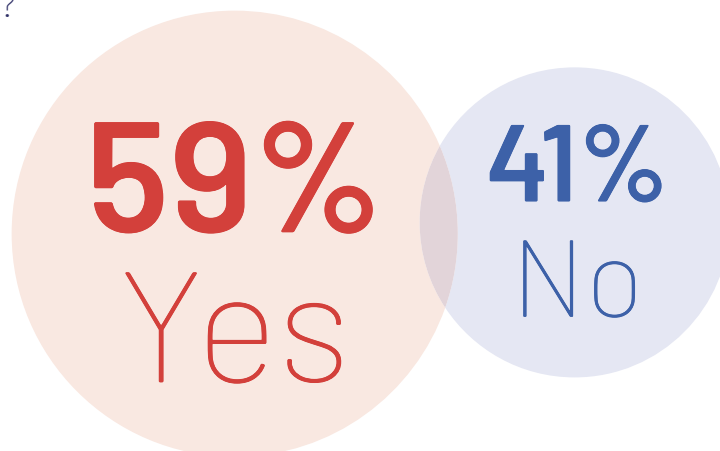


Q6. Which of these **functional talent pipelines** causes most concern for your organisation leadership, either through current gaps or the ability to meet likely future needs? (Organisations without any of these functions selected a “Not Relevant” option)

	Is a Current Concern	Is a Future Concern for the Business	We are Fully Covered in all Eventualities
Information Technology	35%	36%	14%
Operations	30%	43%	18%
Supply Chain Management	23%	33%	11%
Human Resources	20%	43%	21%
Quality	19%	26%	23%
Commercial or Consulting	18%	21%	15%
Finance	13%	49%	23%
Research & Development	8%	24%	20%

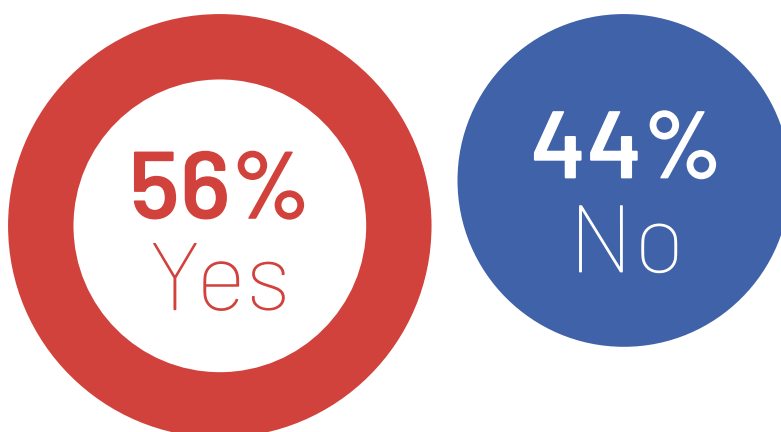
Finance, Operational Management, Human Resources and Technology are the big four future concerns for responding businesses. Organisations are now looking across many knowledge centred functions to understand their risks. We see HR in many firms increasingly applying succession planning to lower executive levels than previously, to identify high performers (HiPo's) over a longer period. We note too, that more firms are using a blended model of permanent and contract/seconded talent to support HiPo development and address short term talent gaps while the HiPo comes through.

Q7. Does your organisation have **formal processes in place**, including assessments, competency frameworks, feedback meetings and performance measurement, to **support the identification of high potential employees**?



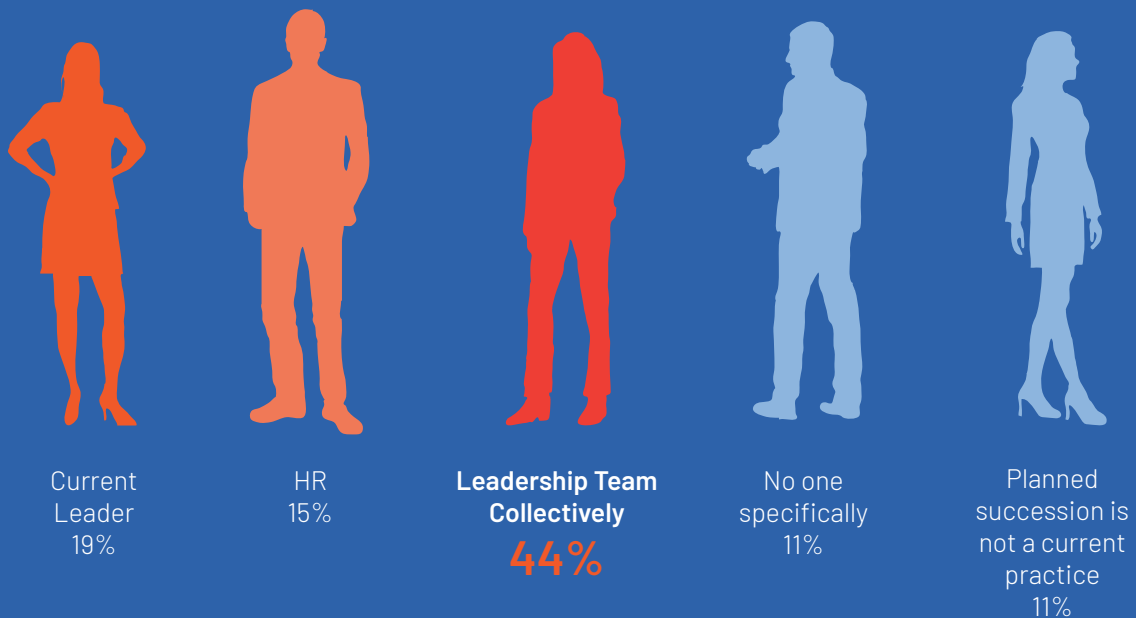
Poor HiPo selection is money wasted, while weak HiPo programme management risks building your competitor's talent pipeline. Effective HiPo selection means removing bias, challenging selections and ensuring multiple approval steps are required. One poor appointment to your HiPo pipeline can undermine the value of being included for the rest. A disappointing HiPo experience risks the exit of a strong performer.

Q8. Does your organisation create personal **performance development programmes** for those identified as having **potential for future leadership positions**?



Organisations identifying as working within the Services sector reported as being those most likely to have performance development programmes for future leaders in place (63% Yes). Those within Professional Services were least likely (38% Yes), perhaps due to the hierarchical nature of professional firms whereby, employees generally rise with level of experience and leadership is often expertise centred.

Q9. Who in your organisation has primary responsibility for the identification and **development of successors** for your current leaders?



HiPo selection undertaken collectively by a Leadership Team means the selection criteria is clear and transparent to all. It also ensures that HiPo employee learning and development is aligned to the organisations strategic priorities and it can make the HiPo feel they are being invited into the future of the firm, not just being recognised or promoted.

Q10. Which if any of these **potential blockers to effective succession management** does your organisation experience?

Potential Blockers:	Consistently Experience	Occasionally Experience	Do Not Experience
A generally haphazard or inconsistent approach to determining who are high potential employees	43%	38%	20%
Refusal to accept a key employee might leave and that their departure must be planned for	40%	46%	14%
Fear of the need to be open and honest with non-high performance employees about their futures	33%	48%	20%
Concern about developing high potential employees only for them to leave and join a competitor	30%	46%	24%
Objection to moving a person out of their current role due to their high performance in it	25%	54%	21%
Subjective feelings or halo effect determining which HiPo employee is promoted	24%	64%	13%
Lack of understanding in the organisation about what succession management is	23%	59%	19%
Concern by a leader about being outshone by a potential replacement	16%	44%	40%

It is impossible to overstate how important the HiPo selection process is to your succession management programme. Being transparent with those not selected, is as important as being clear with those who are. HiPo's are generally chosen for a specific track which naturally includes a high technical competency. However, from a wide range of literature on the subject, a number of reoccurring traits also appear core to success.

Competency / Trait	In Practice
Vision	Can create a compelling future perspective based on sound, rational, critical thinking.
Engaging Communication	Communicates meaningful goals at all levels and encourages others to engage.
Assertive Communication	Works carefully with change resisters and rigid mindsets in a non-confrontational manner. Listens to concerns rather than ignoring them. Keeps focussed on the desired outcomes.
Agile Adaptors	Quickly understands the root cause of a problem and considers multiple scenarios.
Organisation Awareness	Understands the impact of their actions on others. Aligns their team to Organisation Goals, seeking team, not just personal success. Recognises the importance of organisation culture and values.
Committed Learners	Demonstrates a constant appetite for growth. Receives critical feedback with an open mind.

Succession management is essential to organisation successes. Programme development can be resource intensive but the payback is significant. We know that firms who demonstrate this type of commitment to their employees usually win the best talent too. The ability to have continuity in the face of an unexpected exit or talent lined up for new roles, is a major competitive advantage.



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