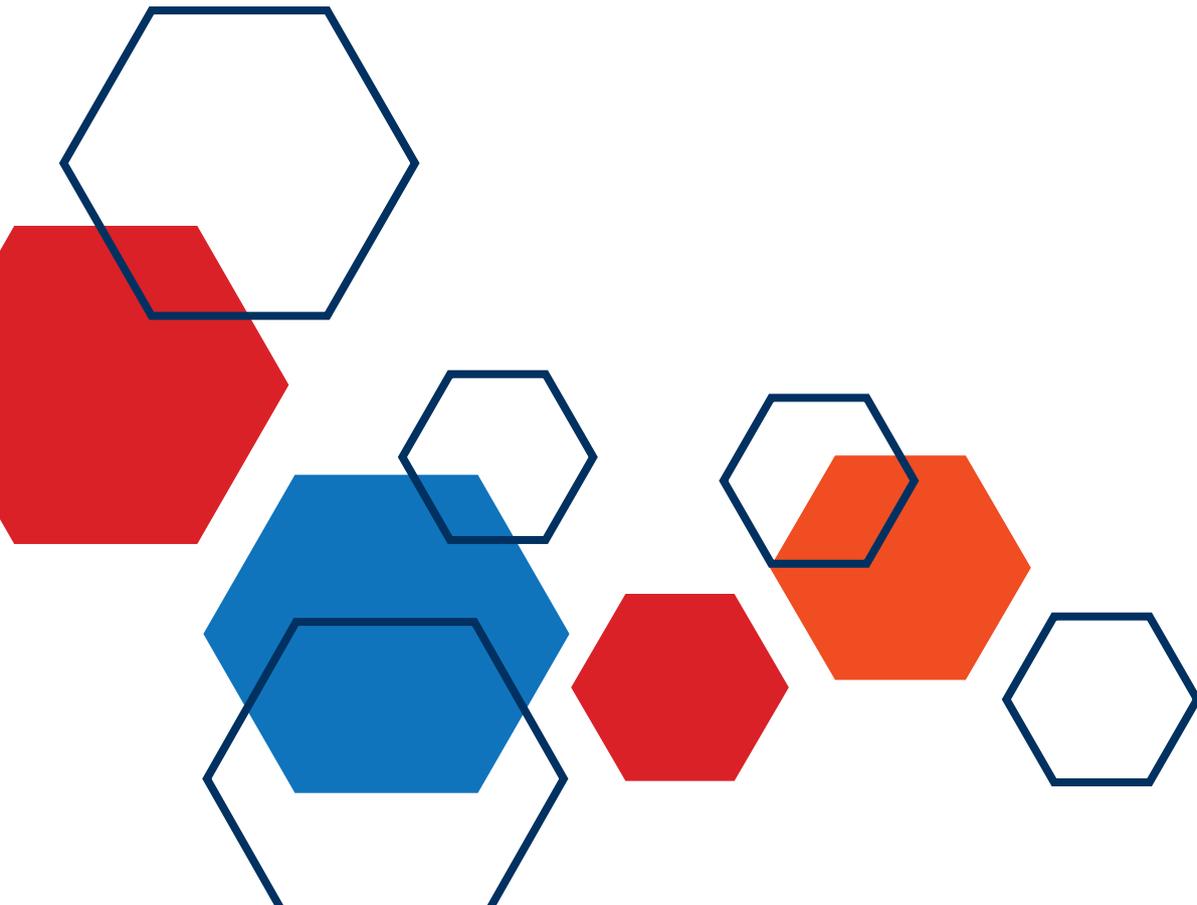


# White Paper

## Succession Planning: Developing Organisational Continuity & Leadership Excellence

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# Importance of Succession Planning

Succession planning is a strategic organisational practice that involves identifying and developing high-potential individuals within an organisation to ensure that key roles can be effectively filled when current employees, especially those in leadership or critical positions, leave the organisation. The main goal of succession planning is to identify, develop, and retain key talent within an organisation to ensure a smooth transition of leadership and critical roles when needed and to maintain continuity in an organisation's operations.

Leaders play a pivotal role in organisations and when a leader departs, their absence can have a profound impact on the organisation. A leader's departure often creates a void in terms of vision and direction, which can disrupt the workflow and stability of the organisation. Succession planning becomes crucial in such instances, as it helps ensure a more seamless transition by identifying and developing individuals with the potential to step into leadership roles. Reports on the average

tenure for CEOs and executives vary significantly depending on the company and region, although generally hovers around 5 years, underscoring the importance of proactive succession planning to seamlessly fill these pivotal roles.

Effective succession planning not only mitigates the risks associated with leadership turnover but also contributes to the long-term sustainability and success of the organisation. It allows for the preservation of organisational knowledge and expertise, and facilitates the continuity of strategic initiatives, thereby minimising the negative effects of leadership changes on organisational performance and growth. Effective succession planning ensures future leaders are not only capable but aligned with the organisation's values and strategic objectives. It can also enhance employee engagement and loyalty by sending a positive message that the organisation is invested in their growth and has a clear path for their advancement.

**“79% of board members rated executive succession a very or extremely important issue in the 2023 Gartner Board of Directors Talent Survey”**



# Succession Planning Best Practices

Succession planning involves a strategic and systematic approach to identifying, developing, and retaining key talent within an organisation. The key components of succession planning encompass various stages and processes designed to ensure a smooth transition of leadership. By incorporating these key components and best practices, organisations can help build a robust succession planning framework that not only addresses immediate leadership needs but also contributes to the long-term health and sustainability of the organisation.

## Integration with Broader Organisational Strategy

Linking succession planning with the broader organisational strategy ensures that leadership development efforts are purposeful, strategic, and closely aligned with the organisation's long-term vision and goals. When there is a disconnect between succession planning initiatives and the broader organisational strategy, it results in a misalignment between the skills and competencies developed in potential successors and the evolving needs of the organisation. This lack of alignment can lead to the development of leaders who may not possess the skills crucial for achieving the organisation's strategic purpose, objectives, and values, diminishing the effectiveness of succession planning efforts. Effective succession planning is underpinned by a thorough understanding of the organisation's strategic goals and the leadership requirements to achieve them, to ensure leadership development supports broader organisational objectives. Leadership development efforts should support the achievement of strategic goals and objectives.

## Balancing Short-Term & Long-Term Focus

Succession planning should strike a balance between short-term operational needs and long-term strategic goals when identifying and developing potential successors. Succumbing to the pressures of immediate leadership needs, some organisations may prioritise filling current vacancies without adequately considering their long-term strategic goals. This can result in overlooking the development of a sustainable pipeline for future leadership. While addressing immediate needs, this approach leaves organisations vulnerable to leadership gaps in the future and results in reactive rather than proactive responses to succession challenges. Effective succession planning balances the organisation's immediate leadership needs with a focus on developing a sustainable pipeline of leaders for the future. There needs to be clearly defined short-term and long-term succession goals to ensure the organisation's future leadership needs are not neglected.

## Identifying All Critical Roles

Effective succession planning begins with the identification of crucial roles within the organisation. These are positions that, if left vacant, could significantly impact the organisation's ability to achieve its goals. Key positions may include executive leadership roles, specialised technical positions, or any other roles crucial to the organisation's success. Without a clear understanding of all critical roles, organisations risk gaps in their succession plans that overlook vital contributors to organisational success.

## Talent Identification & Assessment

Once key positions have been identified, effective succession planning requires the regular assessment of the skills, competencies, and potential of employees. This includes evaluating current employees to identify those individuals with the skills, knowledge, and leadership qualities necessary for future roles and where there may be gaps that need to be targeted as part of development initiatives. Without these evaluations, there is a risk of misguided development efforts and ineffective succession planning.

Incorporating assessments, such as personality and 360 assessments, is instrumental in identifying high-potential talent and having well-targeted development initiatives. They enable organisations to not only identify high-potential individuals but also to tailor development plans that address specific areas of improvement. Additionally, using reliable, well-validated assessments helps to ensure a more accurate, objective, transparent, and fair process during succession planning and talent development. A key flaw in many succession plans is the tendency to focus solely on current performance while overlooking future potential. To build a sustainable leadership pipeline, organisations must assess both performance and potential, ensuring they identify not just those who excel today but also those with the capability and drive to excel in leadership roles in the future.

## Employee Aspirations

It is important to consider individual career aspirations when engaging in succession planning such as during talent assessments and development planning. Failure to do so can result in a mismatch between employees' goals and the roles identified in succession plans. This oversight may lead to disengagement and reduced enthusiasm among potential successors, as their personal and professional goals may not align with the organisation's succession strategy.

## Talent Development

Once high-potential individuals who possess the qualities required for key roles have been identified, they should be provided with targeted development opportunities that provide them with the necessary skills and experiences to succeed in critical roles. The goal is to not only enhance the skills and competencies of potential successors but to also align their professional growth with the evolving needs of the organisation.

Talent development in succession planning encompasses a range of initiatives, including leadership development programs, coaching, mentorship, and on-the-job experiences. It may also include multiple development cycles to ensure they reach the level required for success in key roles.

Using assessments, such as personality and 360 assessments, as part of talent development initiatives enhances the understanding of an individual's leadership potential, strengths and opportunities for improvement.

This enables the creation of tailored development plans that harness the individual's strengths and address potential challenges, thereby enhancing the likelihood of a successful transition when the need arises. This personalised approach not only contributes to the individual's professional growth but also helps align their competencies with the specific requirements of future leadership roles.

Many organisations miss the opportunity to look at their collective development needs across organisational levels or the entire organisation. This view of aggregated data can help build scalable development approaches to meet collective development needs. By taking a broader perspective on leadership development, organisations can design initiatives that address systemic gaps and create a more consistent leadership pipeline, ensuring long-term success.

Many organisations invest significantly in coaching as part of their leadership development initiatives. According to insights from Executive Coaching for Results (CoachSource, 2020), the global trend in coaching is on a steady rise, with 92% of organisations incorporating 360-degree or multi-rater feedback tools and 71% integrating Hogan personality assessments into their coaching programs. Key areas of focus within coaching initiatives include executive presence, emotional intelligence, influencing others, and vision and strategy. In the context of senior leadership, it is strongly recommended that coaching be outsourced externally to qualified professionals. This external expertise ensures a tailored and objective approach, contributing to the effective development and advancement of senior executives.

### Communication & Transparency

Clear and transparent communication is essential to the success of succession planning. Employees should be aware of the organisation's commitment to talent development and the existence of succession plans. Inadequate communication about the importance of succession planning and the criteria for career advancement can create uncertainty among employees, potentially leading to disengagement and talent retention challenges. Organisations can help foster a culture of transparency by clearly communicating a commitment to talent development and succession planning. This may include providing employees with information about the criteria for advancement and the opportunities available for career growth. This transparency may help to foster trust and engagement, as employees understand how their career paths align with organisational goals.

### Emergency Succession Plans

Effective succession planning ensures that there is a clear understanding of who would step into key roles in the event of sudden departures. Having emergency succession plans in place helps ensure the organisation can respond quickly and effectively to unforeseen circumstances by identifying potential interim leaders and strategies for addressing immediate skill gaps. Without these contingency emergency succession plans, organisations risk operational disruptions and may struggle to identify and transition interim leaders swiftly, potentially impacting business continuity.

### Measurement of Success

Succession planning should not be a one-time event, but an ongoing and dynamic process. It is important to regularly review and update succession plans to reflect changes in organisational strategy, structure, and personnel. Regular reviews can help ensure that the organisation's succession planning efforts stay aligned with its evolving needs and goals.

It is beneficial to establish metrics and KPIs to measure the success of succession planning efforts. Without meaningful metrics, organisations may struggle to assess the effectiveness of succession planning strategies and make informed adjustments to improve future outcomes. Useful metrics may include the time to fill key positions, the percentage of internal promotions, and the satisfaction of employees participating in succession programs. The progress of individuals in leadership programs should also be monitored and the effectiveness of talent development initiatives should be assessed. When investing in leadership development, return on investment can be critical. We look for the achievement of KPIs, employee engagement and retention, and highly performing and engaged teams.

### Legal & Ethical Considerations

It is important to consider the legal and ethical implications of succession planning. This includes ensuring fairness, compliance with employment laws, and the ethical treatment of employees throughout the succession planning process. Overlooking legal and ethical implications in succession planning can expose an organisation to legal risks, damage its reputation, and undermine trust amongst employees, potentially resulting in talent attraction and retention issues. Organisations are likely to benefit from conducting regular reviews of their succession planning practices and from establishing clear policies and guidelines to ensure fairness and ethical treatment of employees throughout the succession planning process.

### Inclusivity & Diversity

Inclusivity and diversity are increasingly recognised as critical components of effective succession planning. Organisations are likely to benefit from ensuring that succession planning is inclusive and that the pool of potential successors reflects a diverse range of backgrounds, experiences, and perspectives. This includes fostering an environment where individuals from all backgrounds have equal opportunities for leadership roles.

Neglecting to incorporate inclusivity and diversity considerations in succession planning can lead to a lack of representation from diverse backgrounds in the pool of potential successors. A leadership pipeline lacking diversity may limit innovation and organisations miss out on valuable perspectives, potentially hindering their ability to thrive in a diverse and ever-changing business landscape.

Organisations may actively seek diversity in the pool of potential successors by implementing inclusive practices, such as unbiased talent assessments and diverse selection panels, to ensure a fair representation of talent from different backgrounds and perspectives. Using well-validated personality assessments that are strong predictors of performance without discriminating against groups on factors like gender or culture can increase diversity and promote fairness in succession planning.

# Key Pillars of Succession Planning

PBC advocates for a comprehensive approach to succession planning that not only facilitates decision making for appointing the next CEO but also ensures the development of a robust leadership pipeline capable of delivering on the organisation's strategic goals. Effective succession planning is built on the following key pillars:

## 1. Alignment to Capability Requirements

Effective succession planning begins with a clear understanding of the capability requirements for key leadership roles, both now and in the future. These requirements should:

- Align with strategic direction: Reflect the organisation's long-term goals and strategic priorities to ensure leadership readiness for the challenges and opportunities ahead.
- Be informed by organisational context: Draw from a thorough analysis of the opportunities, risks, and challenges unique to the organisation and its operating environment.

Once the capability requirements are clearly defined, potential successors can be assessed and developed with greater precision. This targeted approach helps to ensure that individuals are prepared to meet the evolving demands of their roles and the broader organisational landscape, strengthening the leadership pipeline.

## 2. Leveraging Data-Driven Insights

Succession planning should leverage data-driven insights to evaluate the alignment of potential successors with the organisation's leadership capability requirements. A combination of standardised and tailored assessment methods can offer a

comprehensive and accurate view of individual and cohort-wide capabilities, enabling informed decision making.

- Assess both potential and performance: Evaluations should measure not only current leadership performance but also the potential to grow and succeed in future roles, ensuring that identified successors are prepared for evolving challenges.
- Use predictive approaches: Evidence-based tools and methodologies that reliably predict job success should be incorporated to identify and nurture high-potential individuals. It is also important to use assessments that do not adversely impact diverse groups.

Data insights should inform key areas of analysis, including:

- Individual strengths and development areas: Understanding how each potential successor aligns with capability requirements and where targeted development is needed.
- Comparative positioning: Assessing the relative readiness of successors against leadership benchmarks, enabling effective prioritisation for critical roles.
- Cohort-wide analysis: Identifying collective strengths and gaps across the leadership pipeline to support strategic development initiatives at scale.

By leveraging data strategically, organisations can build a more precise, holistic view of their leadership pipeline, ensuring readiness at both individual and collective levels to meet future demands.



### 3. Focusing on Both Potential and Performance

The skills and competencies required for success at the next leadership level often differ from those that have contributed to a person's success in their current role. Succession planning should:

- Define the benchmark for success: Establish a clear and forward-looking definition of what 'good' looks like at the next level, creating a tangible baseline for leadership readiness and potential.
- Assess leadership potential and performance: Evaluate not only what individuals have achieved but also their capability to grow into more complex and strategic roles. This dual focus helps to ensure that potential successors are equipped for future challenges.
- Bridge capability gaps: Use assessment insights to identify developmental gaps and create targeted, deliberate development plans that prepare successors for the evolving demands of leadership.

By focusing on both potential and performance, succession planning ensures a proactive approach to building leadership capability, fostering readiness for future opportunities, and aligning individual growth with organisational needs.

### 4. Integrating Robust Reporting Mechanisms at Individual, Comparative and Cohort Level

Effective succession planning requires comprehensive reporting mechanisms that facilitate informed decision-making at all levels. These mechanisms should include:

- Individual reports: A detailed profile of each potential successor, outlining their strengths, development needs, and readiness for advancement. These reports enable tailored development plans and informed role placement decisions.
- Comparative analysis: Side-by-side evaluations of potential successors to identify the best candidates for specific leadership roles. This comparative approach ensures objectivity and clarity in selection decisions.
- Cohort insights: A big-picture view of the leadership pipeline, highlighting collective strengths, capability gaps, and areas for strategic development across the organisation.

By incorporating these reporting mechanisms, organisations can make data-driven decisions that align individual, comparative, and collective insights with their leadership and strategic goals.

### 5. Providing Support for Individual and Collective Development

A successful succession plan goes beyond identifying potential successors - it actively invests in their growth and readiness. Research shows that 75% of new executives feel unprepared for their roles, often due to insufficient structured support (Association for Talent Development, 2022). To address this, organisations should prioritise both individual and cohort-level development:

- Targeted individual development: Create tailored development plans that address the unique needs of each potential successor, ensuring alignment with both their personal growth objectives and the organisation's strategic priorities.
- Cohort level development: Build the collective capabilities of the leadership pipeline by offering shared learning opportunities such as coaching, mentorship, and experiential on-the-job assignments. These initiatives foster collaboration and enhance leadership readiness across the group.

By combining individualised attention with cohort-wide initiatives, organisations can prepare a capable and confident leadership pipeline, equipped to meet future challenges and deliver on strategic imperatives.

### 6. Ensuring Succession Planning is Scalable and Repeatable

To be effective over the long term, succession planning must be designed to endure and adapt, supporting leadership transitions as organisational needs evolve. Some strategies for sustainability and repeatability include:

- Integration with talent management: Embed succession planning within the broader talent management strategy to ensure alignment with organisational priorities and seamless integration with other processes.
- Standardised methodologies: Develop and implement standardised assessment and evaluation methodologies to ensure fairness and consistency in developing talent across different departments, geographies, and levels of leadership.
- Build in feedback loops: Establish feedback mechanisms to continuously monitor and improve the succession planning process, incorporating lessons learned to enhance future cycles.

By embedding, updating, and scaling succession planning processes, organisations can build a dynamic and enduring approach that prepares leaders for current and future challenges while maintaining alignment with strategic objectives.

### **About Peter Berry Consultancy (PBC)**

PBC is a multidisciplinary global consulting firm with over 30 years' experience in the delivery of solutions aimed at maximising the potential of individuals, teams, leaders and organisations. We undertake research to support our evidence-based solutions and have a network of partners and distributors globally.

PBC is the Australian and New Zealand distributor of Hogan Assessments and the authors of a range of diagnostics including the Hogan 360 suite, Agile suite, High Performing Team Assessment (HPTA), and co-authored the Hogan Safety Climate Survey.

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