

Succession planning will unlock more productive power in your workforce

The only source of long-term sustainable competitive advantage is people and the culture they create by working together. While competitors can replicate our products, structures, processes and technology, they cannot do the same with our organisation's culture.

Investing in people is the key to executing strategic objectives as well as giving organisations the best chance to be successful.

A *Harvard Business Review* article argues that companies can unlock up to 40% more productive power in their workforce through better practices in time, talent and energy management.

Succession planning is the proactive and future-focused talent practice of identifying, developing and investing in people to fill business critical roles. Its aim is to ensure that the right people with the right abilities are in the right roles at the right time in order to effectively execute the business strategy.

According to a joint *RHR International/Chief Executive* magazine study, more than half (53%) of the directors surveyed rated themselves as "ineffective" in executing their responsibilities in this area and 48% hadn't seen a copy of the succession plan within the last year. There are eight steps to successful succession planning:

Identify critical roles

Focus on identifying the 10% of roles that create over 80% of the value, the ones on which success or failure truly depends.

According to research by McKinsey & Co, "60% of critical roles tend to be two layers below the CEO, and 30% three layers or more below the CEO".

Critical roles impact on the bottom-line and drives revenue, involves developing strategy or product design, require using rare or a wide range of skills.

Future-focused capabilities

The World Economic Forum estimates that up to "65% of



Investing in people gives firms the best chance of success, writes **Pedro Angulo**

IMI business analysis



Many companies fail to pay enough attention to succession practices.

children entering primary school today will ultimately end up working in completely new job types that aren't on our radar yet".

Ensure the succession process is future-focused by concentrating on building current as well as future capabilities.

OECD research has found talent requirements shifting from cognitive skills to technological (for example, cybersecurity, AI, digital) and socio-emotional (for example, curiosity, emotional intelligence, collaboration) skills.

Pick out high performers and high potentials

When assessing the performance of employees, consider how well they perform today and how likely they are to perform in the future.

Although most HIPOs are high performers, not all high performers are HIPOs. HIPOs tend to display the fol-

lowing characteristics: drive and ambition, self and social awareness, engagement, learning agility, optimism, curiosity, analytical rigour, and conscientiousness.

Match critical talent to critical roles: Assess the fit between critical roles and talent in an objective and unbiased manner and address any misalignments i.e. how to manage people in critical positions who are underperforming or blocking the growth of a high potential.

This assessment should guide all talent decisions around recruitment, development, redeployments, restructurings and promotions.

Make succession a key responsibility for executives

Executives must make succession, as well as the professional growth and development of the critical talent across the organisation, a core element of their job.

Promote a learning culture where leaders grow leaders, rather than hoard talent.

Utilise a talent portfolio management approach

The traditional succession process of focusing on critical roles, identifying successors and developing them until ready to transition into those critical roles will not suffice to cope with the existing high levels of change and unpredictability.

Organisations need to start utilising a talent portfolio approach where leaders are developed, not just for one, but for a variety of potential future roles, based on the future direction of the business.

Avoid succession biases

Avoid biases towards always selecting people like us or people who have previously held the role rather than someone with high potential.

Research from Spencer Stuart concludes "first-time CEOs lead three years longer, with less volatility in performance than CEOs with prior experience, delivering higher market-adjusted total shareholder returns over the course of their tenure".

Re-evaluate succession planning and adjust

Keep track of the number of critical jobs unfilled and for how long have they been vacant; the number and readiness level of successors per role; the diversity / gender split of successors for roles; percentage of key vacancies filled by internal vs. external candidates; engagement levels of critical talent; and the percentage of people in critical roles leaving the business.

Succession planning is critically important to improve the resilience and sustainability of your business, as well as to develop the future leaders to execute the business strategy successfully.

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