

## ***Executive Continuity Perspective for CEO's***

As a strategic alignment consulting firm, at Aligns, Inc. we continue to learn much about what enables businesses to outperform competitors and establish sustainable market advantage. The organization's ability to select, deploy, develop, reward and retain talent is core to achieving peak performance. High performing businesses model this at the top of the organization and as such, the Boards and Chief Executives of these organizations devote significant energy to assure that leadership talent is available to set and lead an increasingly challenging strategic leadership agenda.

Over the past few years, as the demands for performance and competition for talent have increased, we have observed the subject of executive continuity to become a significant agenda item for Boards of Directors and CEO's. Today, much energy is being devoted to effective succession planning as the key to developing and maintaining leadership continuity through times of transition.

This article is designed to provide: (1.) A brief historical view of the evolution of succession planning in this country; (2.) Perspective on best practices demonstrated in high performing businesses; and, (3.) Some thoughts on how you might fine-tune the process you currently have in place with you Board.

### **A Bit of History**

Succession planning, the process of assuring readiness of people to fill key leadership roles, has its roots in the military. For years, the armed services have invested heavily in the development of leadership talent to assure continuity of leadership on the battlefield. Beginning in the late 1940's many military officers re-entered the private sector and brought with them the realization that leadership development was a key source of competitive advantage. The early implementation of programs tended to be restricted to the country's largest and most dominant companies; those companies who were competing with each other for top talent. The oil and automotive industries led the way in the design and implementation of succession planning systems focusing on assuring continuity across the most critical position in their organizations.

## Succession Planning

Through the 50's and 60's, our economy grew significantly and, as such, so did the challenges of executive continuity. This was a period when the dynamics of the competitive arena across industries dramatically increased in complexity. By the early 70's most of the country's large organizations had implemented some type of leadership development and succession planning process. However, most were a thicket of paper and bureaucracy controlled by the Human Resources staff, with little evidence that the top management of those large companies were really leading the process. Leadership training programs were implemented to build generic skills, without the necessary linkage to the development and application of market-and organizational-leading competencies required to achieve sustainable advantage. In general, "program mentality" ruled the day.

One company began to break from the pack as it adopted a leadership development and succession planning process that to this day continues to produce extraordinary results. Measures of success included such elements as the number of internal promotions, the cycle time to fill a key executive opening, the mix of internal and external hires and the number of key executives who occupy leadership roles across multiple industries. The first executive known to be appointed as a result of a formal succession planning process was Reginald Jones, Chairman of GE. His successor, Jack Welch, is also an alumnus of GE's process. Over the years, Jack has continued to evolve the process and create linkage to the company's vision, values and strategic plan. In his recent announcement to retire, we now see the benefits of sustained attention to leadership succession planning and executive development.

As the Human Resources staff at GE was aggressively recruited to fill top HR roles in other companies, they brought this legendary succession planning process with them. Their track record of successful implementation of similar processes has been mixed.

We have followed many successes and failures over the years, and have concluded that there are a critical few success factors that enable viable succession planning in the corporate world. These factors are an important cornerstone to staging your transition and subsequent succession.

### **Critical Success Factors**

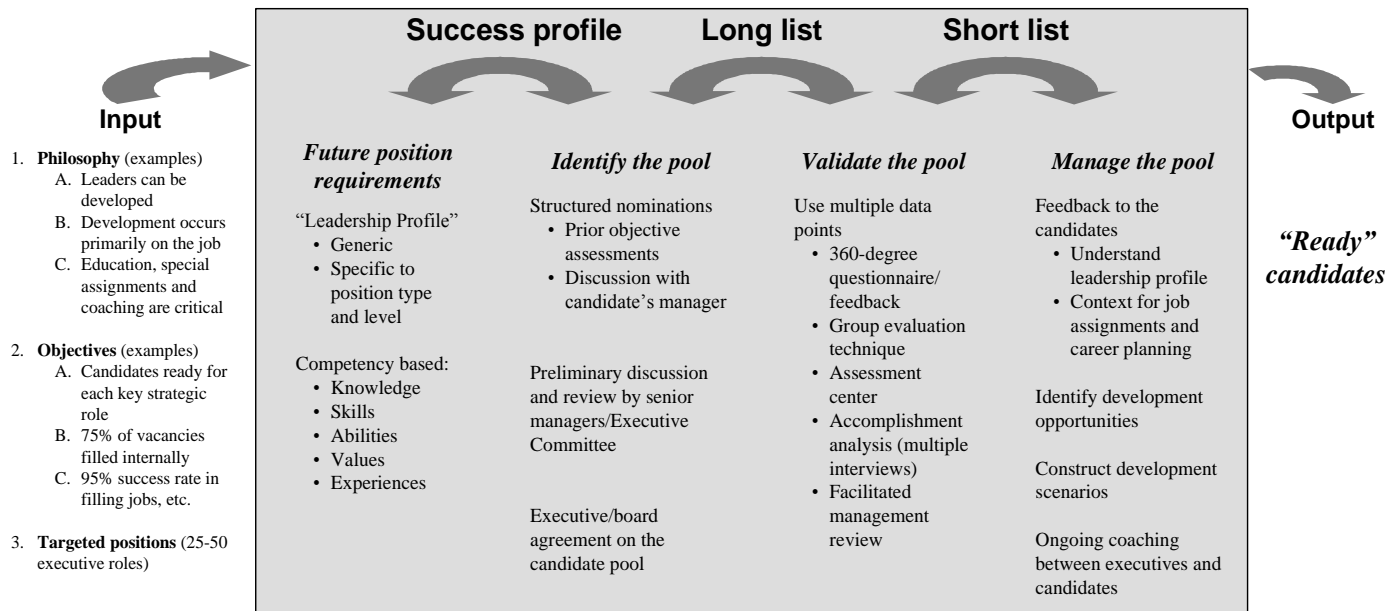
1. Shared understanding within the Executive Committee of the Board of Directors and the company leaders regarding strategic direction and the requisite core values, leadership, technical/functional competencies the organization's top executives must demonstrate. This profile must grow out of the company's vision and strategy and must be continually calibrated to reflect changes in the company's direction and competitive market dynamics.

## Succession Planning

2. In the early phase, limitation of the number of positions for which succession planning is applied is essential. The number tends to be somewhere between 15 and 30, depending on the business. More than this will result in the process being bogged down and the top leaders of the company realizing that they may have created a burdensome and unmanageable process.
3. The ability of the organization to collect and apply objective assessment information and development insight regarding those who occupy these key positions, as well as those who have the potential to fill these roles at some point in the future. This requires well-designed tools for obtaining and integrating multiple perspectives and expertise in interviewers, assessors and those who facilitate the process. While in-house staff adds great value to the processes in many organizations, more and more organizations develop a relationship with a consultant to help them work through CEO succession with the highest degree of rigor and objectivity.
4. Unwavering commitment to implementation of development plans that provide key individuals with the diverse and challenging job assignments, special assignments, formal training, coaching, etc. necessary to exercise and develop new and existing competencies. The top executive must devote time and attention to the development agenda for key successors. Ultimately, the integrity of the transitioning executive is measured by the development progress and the readiness of his/her successors. This is an appropriate area to be questioned by responsible Board members.
5. Absolute integrity is associated with the process. It is very easy for organizations to fall into the “crown prince/princess” syndrome. While confidentiality is important, I have repeatedly seen situations where the succession planning and leadership development processes caused talented and high potential people to lose trust in a system that gave the feeling they were being moved around like playing pieces on a chess board. Although the goal is clear, getting there requires much discussion.

**A Summary C-Suite Succession Proven Practice**

*Executive Continuity Process: Best Practices*



**Getting Started: Planning For CEO Succession**

You may be fortunate to have a successor in the organization and thus have the opportunity to engage in discussions with this executive with openness and candor. If this is the case, it is important to establish a shared view of CEO competencies as the basis for construction of a very specific development plan that serves as the basis for learning and ongoing evaluation of contributions and potential. Additionally, staging the involvement of the CEO successor(s) in activity usually reserved for the Chief Executive requires careful planning and communication with key Board members and others. Should you find yourself in a situation in which you have multiple executives who demonstrate the potential to succeed you, the process to manage this must be grounded in objectivity, candor, confidentiality and candor.

## Succession Planning

On the other hand, you may have an internal “horse race” underway. Such races can either be staged in a manner that assures decision criteria are linked to the business strategy and competency requirements of the CEO role, or left to the subjectivity of a few key Board members. The later is sub-optimal and can in fact be destructive to the overall team dynamic required at the leadership team table and around the Boardroom.

The Executive Committee of the Board typically has the charter and primary responsibility for the CEO/President succession. In some situations, the Compensation or Human Resource Committee is also involved at the point that relevant approvals are required for CEO succession. This committee is also increasingly involved in assuring that the broader issues associated with succession planning and organization-wide executive development and retention are effectively addressed. If Board roles are not as clear as you would desire, engaging the Executive Committee in succession planning agenda is an effective means of gaining understanding and commitment to actions required to assure executive continuity within the organization.

The market for top leadership talent is extremely competitive. Investors, customers and members of your organization are increasingly concerned the capability and continuity of leadership. In response, an increasing number of Boards and CEOs are seeking the expertise of trusted advisors to help with this process. The ultimate strategies for succession planning process design and communication needs to reflect the complexities of the business situation you face, the readiness of your Board to support this important agenda and the capabilities of your senior human resources leader. Ultimately, the risks need to be understood and plans enacted to assure that the organization will continue to thrive through times to leadership transition.