

Succession Planning and Talent Management: We've come a long way, but....

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Succession Management

- ◆ **The process by which business leaders ensure they have the right talent to achieve strategic goals. This includes**
 - **Ensuring the availability of ready successors ... in the right place ... at the right time**
 - **Building bench strength for key roles**
 - **Aligning ready talent with the strategic direction of the larger organization**
 - **Filling key openings from within, without delay, and with confidence to maximize business results**

Agenda

- **Lessons from the private sector**
- **Why succession management is growing in importance**
- **Common pitfalls**
- **How to build a more robust succession management process that provides a real leadership advantage**

Why the Increased Focus on Succession Management?

- ◆ **More recognition that:**
 - **Having the right talent is critical**
 - **There are not enough of them around**
 - **They are more likely to *leave***
 - ***Not* having them is very costly**
- ◆ **So, companies that identify, build, retain, and optimally deploy strong talent will have a distinct leadership advantage**

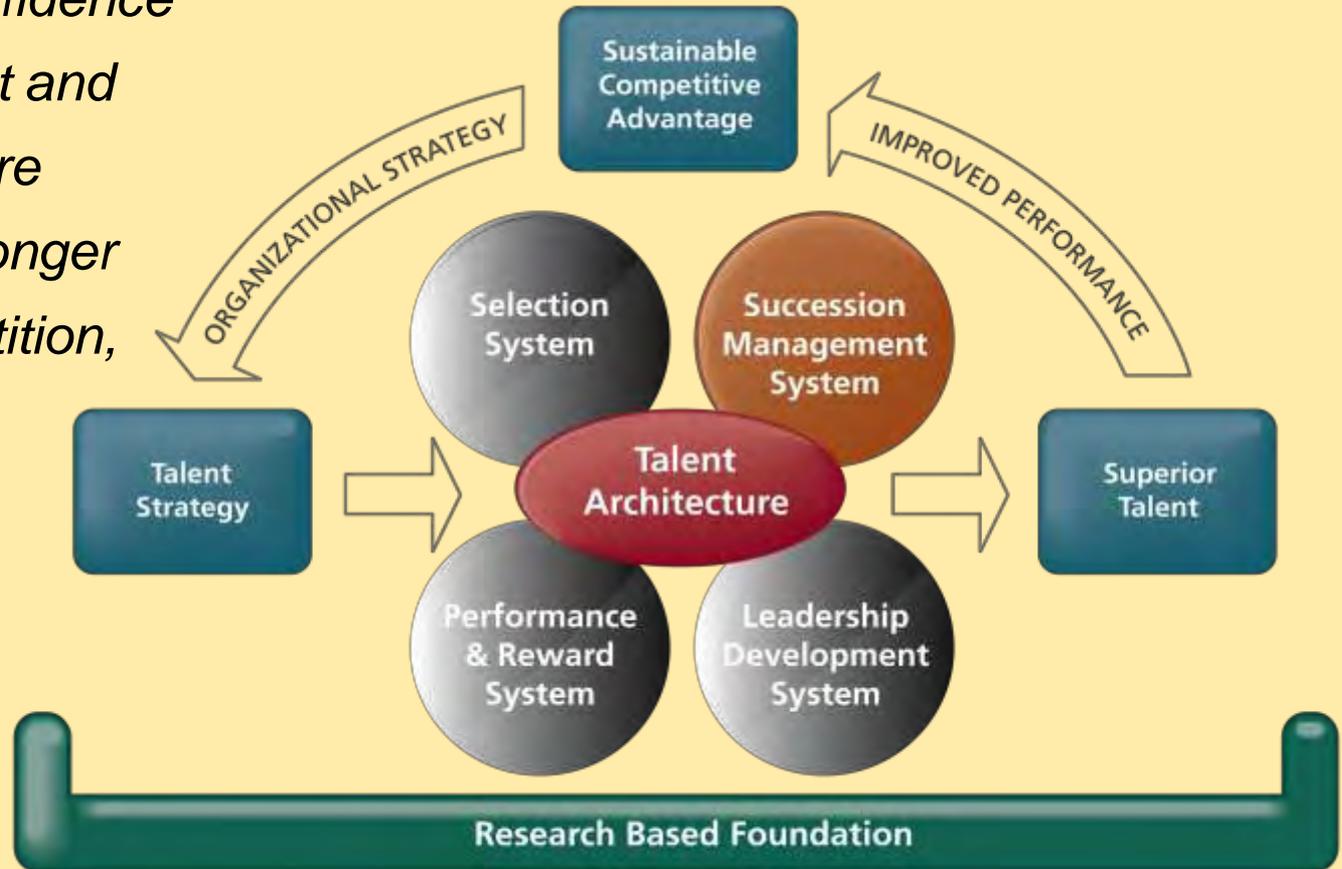
What Does Success Look Like?

◆ Compared to some benchmark, having:

- Strong, high performing talent in **pivotal** roles
- Quick processes to successfully place superior talent in key positions
- A strong bench
- Robust processes for managing succession
- Effective acceleration of development and readiness
- Retention of critical talent

Real Leadership Advantage

Well placed confidence that your current and future leaders are increasingly stronger than the competition, resulting in improved performance and sustained competitive advantage.



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Where do Companies stand with respect to Succession Management?

- Studies consistently show only **50** to **60%** have some kind of a succession process or plan in place
- **94%** of companies have **not** adequately **prepared leaders** to step into senior executive positions*
- Little sign of succession as providing a ***leadership advantage***

The Public Sector

US Dept. of Labor Statistics

- ◆ **We're getting old: 45-64 group growing faster than any other**
- ◆ **Government folks even older: 44% age 45+ (private sector 30% OFs)**
- ◆ **Fewer young'ns: Government 27 % under 35 (private sector 43%)**
- ◆ **10 years of drought: Government ownsizing means fewer younger workers**
- ◆ **Fewer of them: Supply of 25-34s slowed to 11% growth (compared to 14% a decade ago)**

The Evolution of Succession Management

“Back of the Envelope”

- Immediate needs
- Single positions

Replacement Planning

- Near-term needs
- Back-up charts

Talent Inventory

- Long-term needs
- Key roles
- Management bench strength
- Development objectives

Succession Management

- Strategic needs
- Continuous process
- Talent portfolio
- Integrated systems

Where Does your Organization Stand?

◆ Quick Survey

◆ Discussion:

- How well is your organization's succession management process working?
- What are the biggest challenges in your organization's succession process?

Common Evidence of Problems

- **Key roles unfilled for long periods**
- **Emergency outside hires**
- **Key roles filled mostly from outside**
- **Replacements unsuccessful**
- **High turnover among HIPOs**
- **Lack of bench strength is concerning Board/Execs**
- **Complaints about promotion decision fairness**

What's at the Root of Problems with Succession Management?

- Lack of focus and attention from senior line execs
- Optimistic pursuit of external “players”
- Lack of a *robust* succession management process
- Starting over every few years
- Lack of skill in decision making about people
- Lack of comfort making tough people decisions
- (public sector) Fear any process will smack of “anointment”

Typical Succession Management Process



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Taking It to the Next Level



Six keys to a more robust succession management process and building a leadership pipeline for sustained advantage

Six Keys to a Robust Succession Management Process

-  Solid Understanding of **Talent Needs**
-  Robust, **Targeted Data** on Talent
-  Carefully Managed Talent **Reviews** and **Decisions**
-  Realistic, Robust Approach to **Develop** Talent
-  Robust **Evaluation**
-  Core Principles, Policies, and **Frameworks**

Help Provide Focus

- ◆ **Look through the list of six key determinants of a robust succession management process**
- ◆ **Choose two that are most relevant to you and your organization**
- ◆ **Indicate those by raising your hand**

Key #1: Solid Understanding of Talent Needs



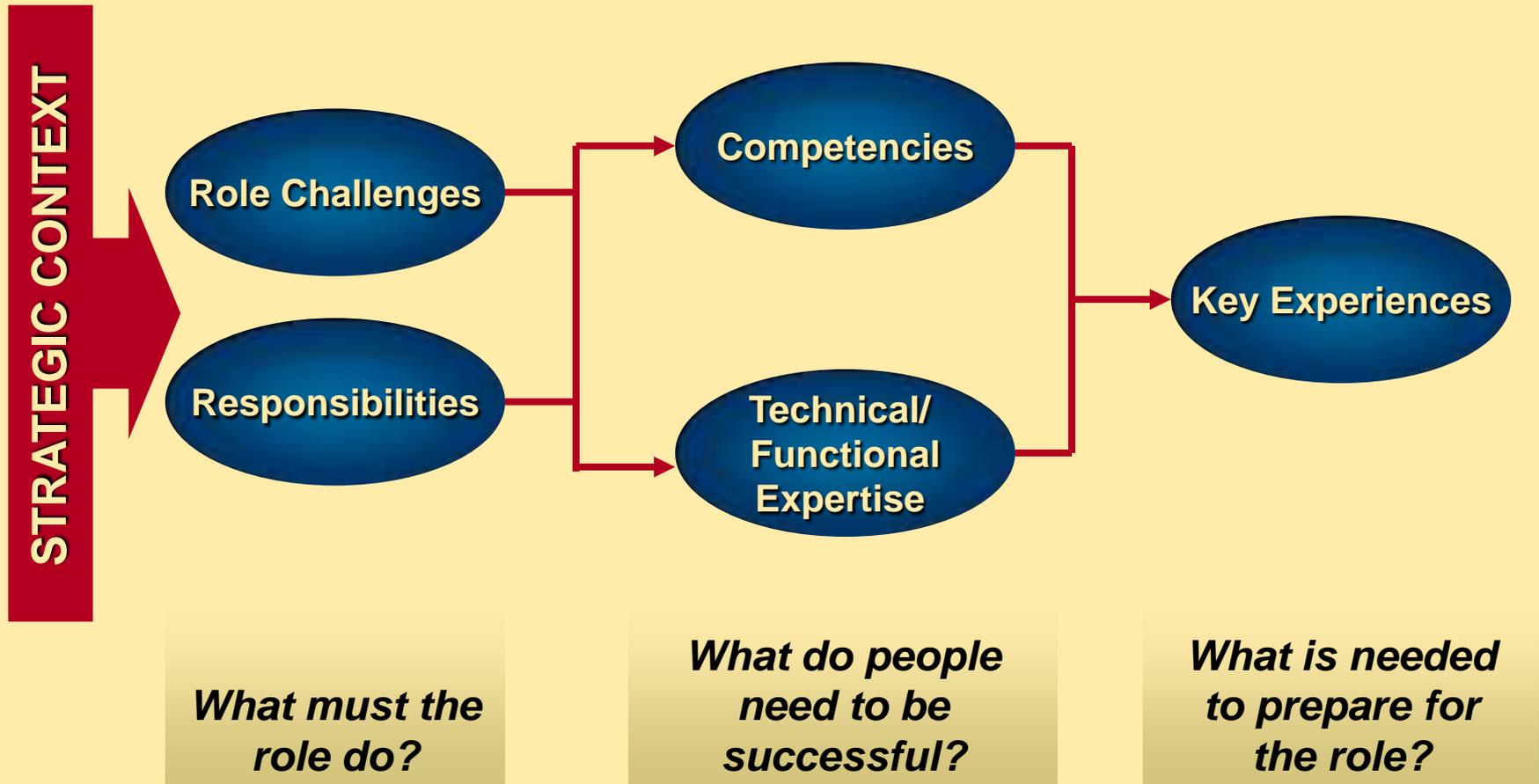
Talent Need Questions

- Which roles are most **critical**?
- What **types** of talent do we need in each role?
- How **many** do we need in each role?
- How will our needs differ in the **future**?

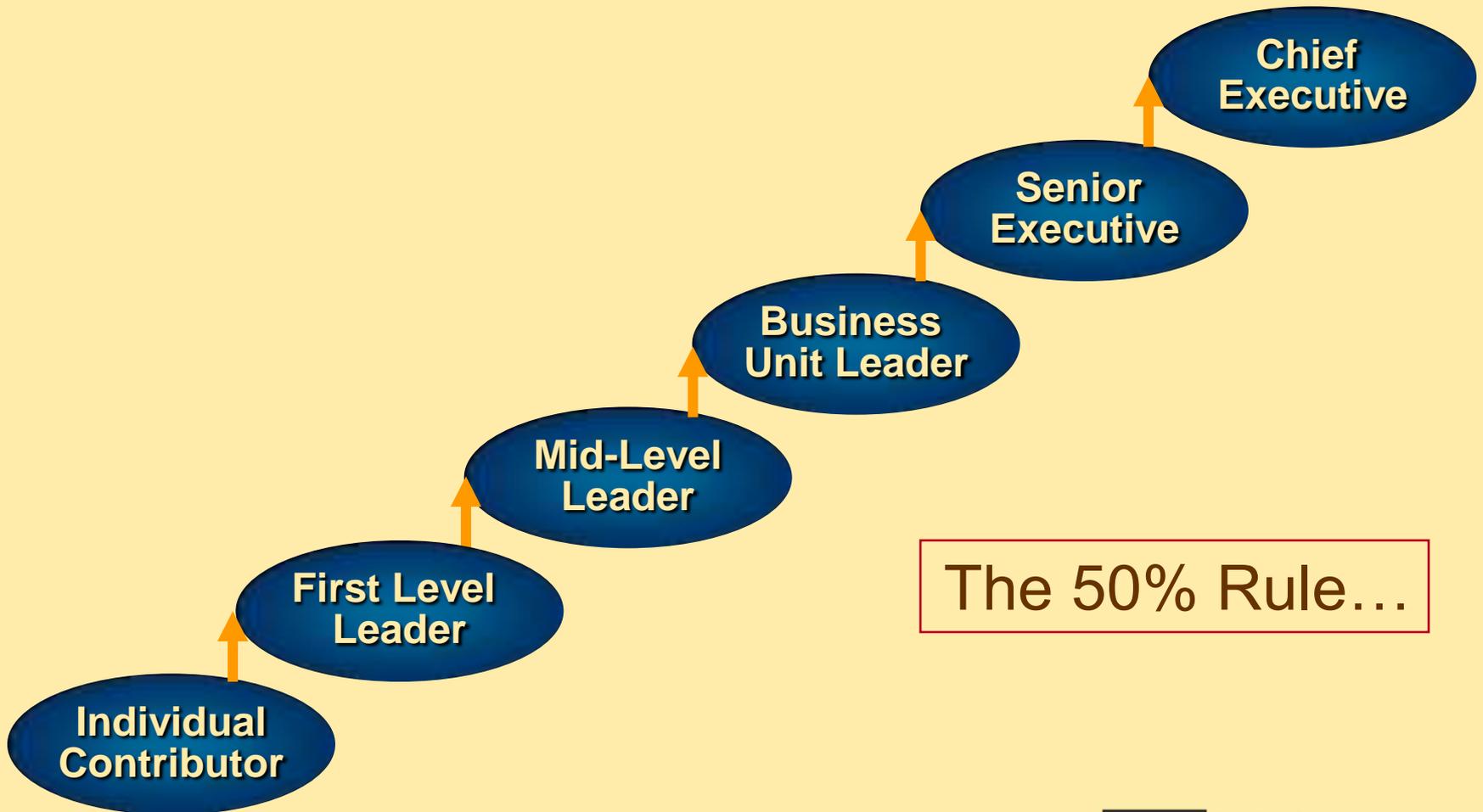
Typical Pitfalls

- **Review of needs doesn't adequately consider the longer-term**
- **All roles treated as equally important**
- **Performance requirements are too generic, not aligned with changing business needs**
- **Competencies not differentiated among various roles or levels**

Performance Models



Differentiated Talent Architecture



Challenges and Success Factors Differ by Level

◆ Consider how Senior Executive roles differ from mid-mgmt. roles on:

- Financial responsibility
- Value chain responsibility
- complexity
- Breadth of responsibility
- Time horizon
- Strategic focus
- Stakeholders
- Visibility: internal and external

Leadership Competency Architecture (LCA)

METACOMPETENCIES	FRONT-LINE LEADER	MID-LEVEL LEADER	BUSINESS UNIT LEADER	SENIOR EXECUTIVE
Super Factor: Thought Leadership				
1. Analysis	Analyze Issues and Solve Problems	Make Sound Decisions	Use Insightful Judgment	Use Astute Judgment
2. Strategic Thinking	Understand Strategies	Act Strategically	Think Strategically	Shape Strategy
3. Financial Acumen		Use Financial Data	Apply Financial Acumen	Apply Financial Insights
4. Innovation	Identify Improvements	Think Creatively	Innovate	Display Vision
5. Global Perspective			Display Global Perspective	Drive Global Integration
Super Factor: Results Leadership				
6. Focus on Customers	Seek Customer Satisfaction	Meet Customer Needs	Focus on Customers	Ensure Customer Focus
7. Planning	Establish Plans	Build Realistic Plans		Align the Organization
8. Managing Execution	Execute Efficiently	Manage Execution	Ensure Execution	Optimize Execution
9. Results Orientation	Show Initiative	Show Drive and Initiative	Drive for Results	Drive Organizational Success
10. Courage			Lead Courageously	Lead Boldly
Super Factor: People Leadership				
11. Influence	Solicit Support	Build Support	Influence Others	Use Organizational Influence
12. Engage and Inspire	Encourage Commitment	Motivate Others	Engage and Inspire	Energize the Organization
13. Talent Enhancement	Select and Develop	Develop Others	Build Talent	Develop Organizational Talent
14. Open Communication	Communicate Effectively	Foster Open Communication		
15. Collaboration		Promote Teamwork	Promote Collaboration	Ensure Collaboration
16. Building Relationships	Relate Well to Others	Establish Relationships	Build Relationships	Build Organizational Relationships
Super Factor: Personal Leadership				
17. Establishing Trust	Demonstrate Credibility	Establish Trust	Inspire Trust	Earn Unwavering Trust
18. Adaptability	Readily Adapt	Show Adaptability	Adapt and Learn	Demonstrate Agility

Key #2: Robust, Targeted Data on Talent

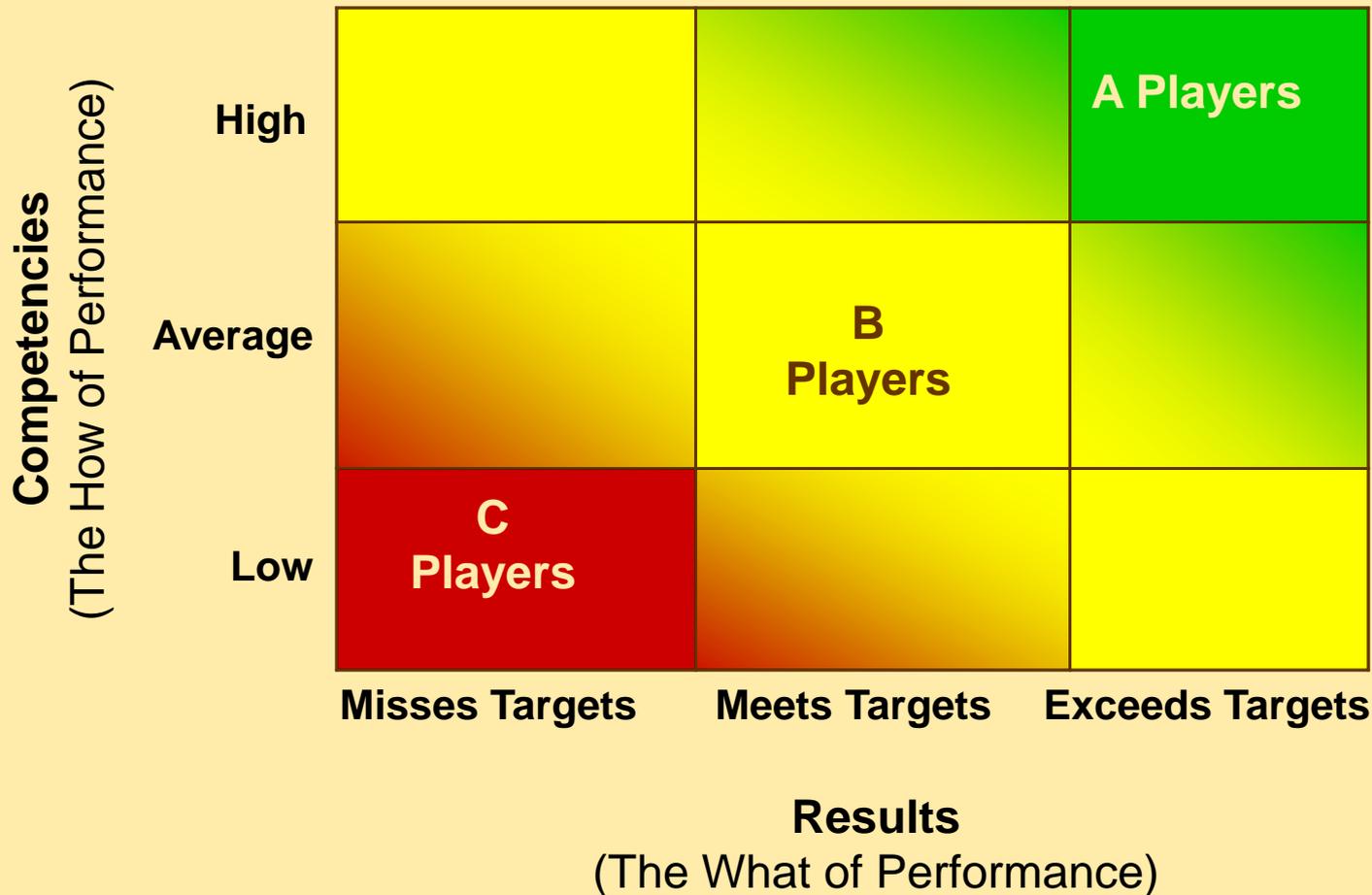


Measuring Current Performance in Typical Organizations



Results/Goal Attainment

Differentiating Performers on What and How: Performance²



9 Box on Performance and Potential

Performance² Potential Matrix

Potential Assessment	High	Under Achievers	HIPOs	Very HIPOs
	Average	Low Performers	Achievers	HIPOs
	Low	At Risk	Solid Performers	High Achievers
		“C” Players	“B” Players	“A” Players



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Typical Pitfalls:

◆ Reliance on Error-prone Boss Judgments about People

- Typical rating errors
- Different standards, experiences, exposure to the person being rated, and biases.
- Difficult to accurately compare one person's performance and capabilities with another
- Rating people the same in order to avoid tough conversations
- Lack of agreement when evaluating talent.

How Solid are Boss Evaluations?

STUDY

- 6,000 leaders evaluated by two bosses
- Collected for research purposes only

FIRST QUESTION:

“How would you rate this leader’s competence in his/her current position?”

Seven-point scale:

- Outstanding, one of the best
- Clearly above average, much more competent than most
- Somewhat above average, more competent than most
- Average, competent
- Somewhat below average; weaker than most
- Below average; much weaker than most
- Very weak; one of the worst

How Solid are Boss Evaluations?

◆ **RESULTS**

- **Over 80% were rated “above average”**
- **Of the 15% who were rated “outstanding” by one boss**
 - 2nd boss disagreed 62% of the time
 - 2nd boss rated same person “somewhat above average” or lower 29% of the time
- **Of the 17% who were rated “average” or lower by one boss**
 - 2nd boss disagreed 39% of the time

How Solid are Boss Evaluations?

◆ **SECOND QUESTION**

◆ ***“How would you rate this leader’s long-range advancement potential?”***

Seven-point scale

- **CEO/President**
- **Senior executive**
- **Executive**
- **Upper Middle management**
- **Middle management**
- **Front-line management**
- **Not suited for management**

How Solid are Boss Evaluations?

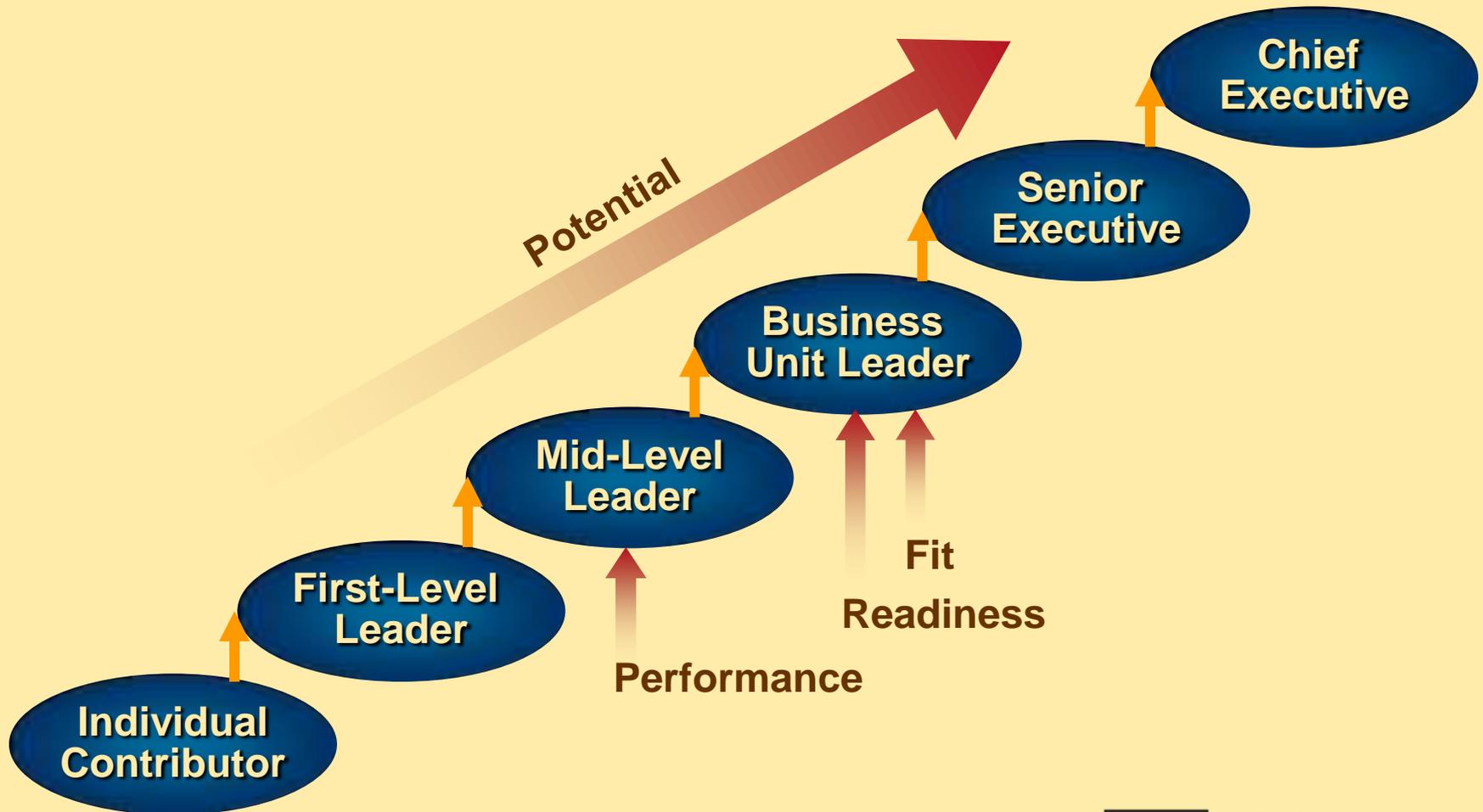
◆ RESULTS

- Over 70% were rated “executive” potential or higher
- Of the 16% who were rated “senior executive” potential or higher by one boss
 - 2nd boss disagreed 53% of the time

How Solid are Boss Evaluations?

- How confident are you in your “talent evaluators?”
- How can you be sure you are identifying and investing in the right talent?

Different Data for Assessing Performance, Potential, Readiness, and Fit



Getting More Robust, Targeted Data on Performance



A More Robust Measure of the "How" of Performance: TalentView™

Complete Questionnaire - Microsoft Internet Explorer provided by Personnel Decisions Int'l

File Edit View Favorites Tools Help



Address https://www.datasltn.com/wss/s_survey.cfm?QAZ=791319&TSR=421&MMN=8470247&EF=524

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1.	Consistently and proactively reaches out to others to appropriately involve them in decisions and plans that affect them.	Collaborates with others by appropriately involving them in decisions and plans that affect them.	Makes plans and decisions affecting people without involving them.	Can't Say
2.	Thoroughly considers industry, market, and other external business factors when making decisions.	Considers market and other external business factors affecting own area when making decisions.	Considers mostly short-term tactical issues when making decisions; fails to sufficiently consider industry, market, and other external business factors when making decisions.	Can't Say
3.	Systematically and consistently draws accurate conclusions from financial and quantitative information.	Generally draws accurate conclusions from financial and quantitative information.	Draws inaccurate conclusions from financial and quantitative information.	Can't Say
4.	Consistently provides specific feedback, coaching, and guidance on how others can improve (e.g., models effective skills, role plays tough situations).	Provides useful development suggestions, coaching, and guidance to others when needed.	Provides few suggestions, and little coaching, guidance, or advice to help others improve (e.g. does not identify and take advantage of "coachable" moments).	Can't Say

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Getting More Robust, Targeted Data on Potential

Accelerators

Leadership Experiences

Career Goals and Motivations

POTENTIAL

Foundations (Capacities)

Personality and Interests

Cognitive Aptitudes

Prerequisites

Results Performance, Track Record

Leadership and Functional Performance

PERFORMANCE

From Performance and Potential to Readiness

Performance² Potential Matrix

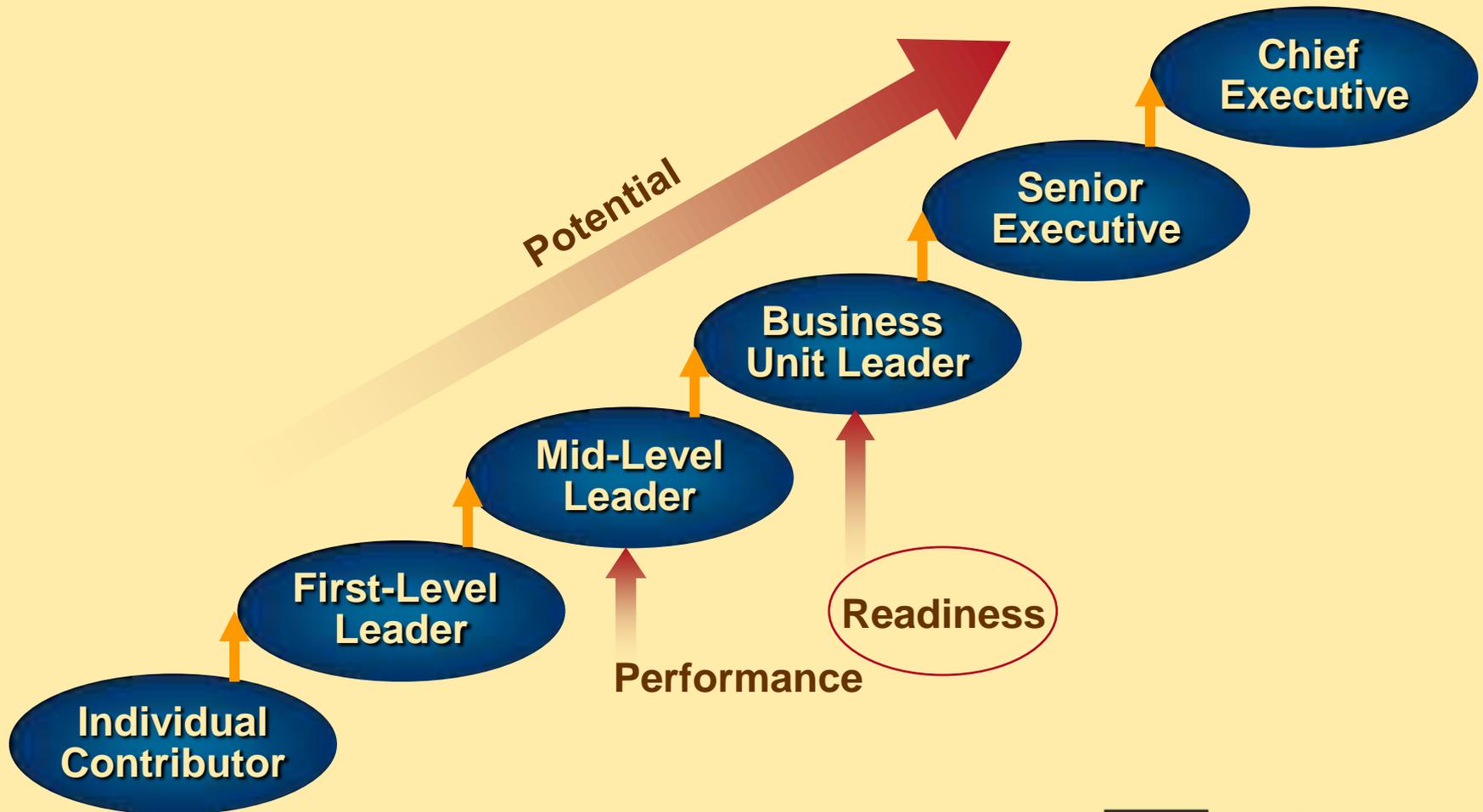
Potential Assessment	High	Under Achievers	HIPOs	Very HIPOs
	Average	At Risk	Achievers	HIPOs
	Low	High Risk	Well Placed	High Achievers
		“C” Players	“B” Players	“A” Players



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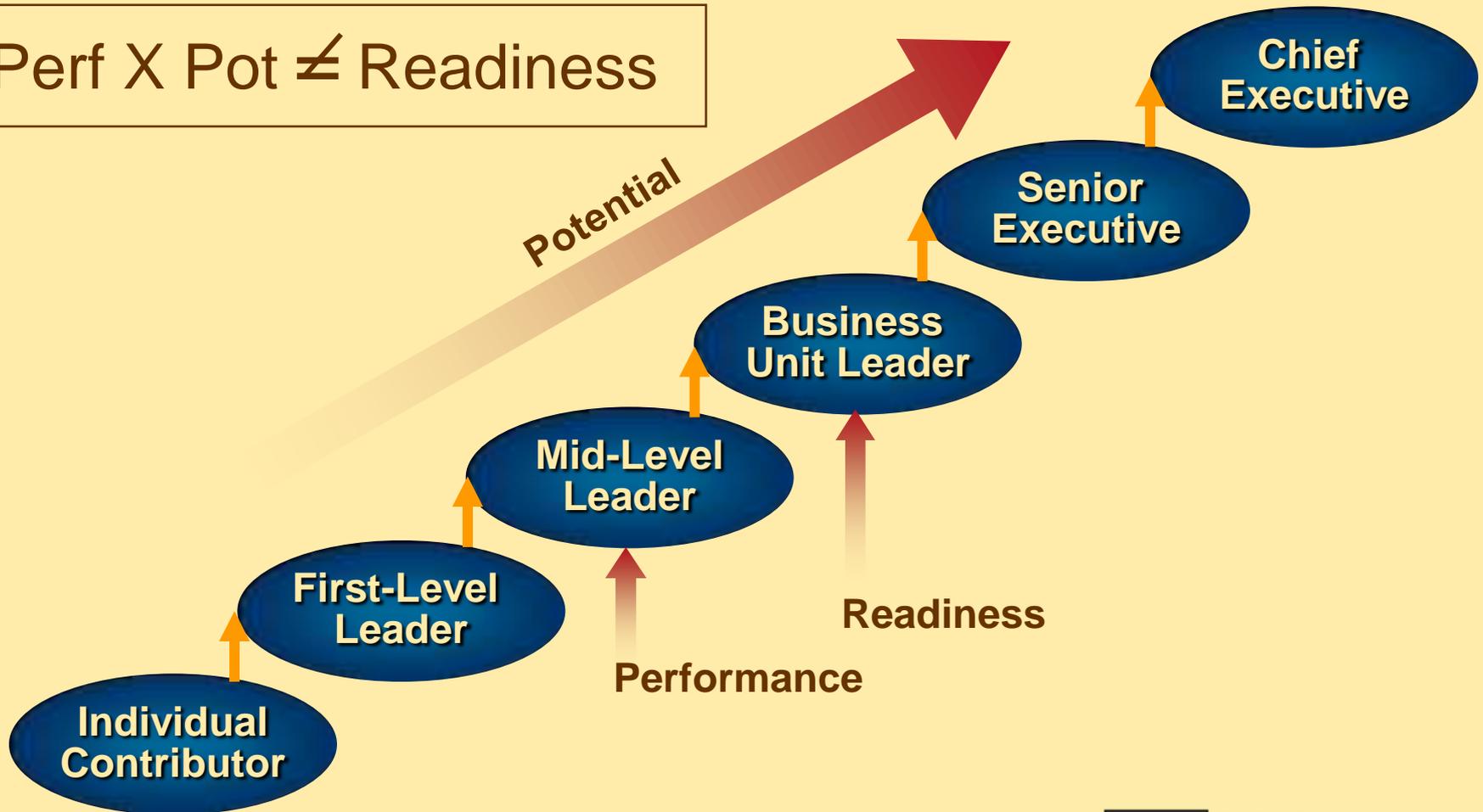
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But, Performance × Potential Doesn't Equal Readiness



But, Performance × Potential Doesn't Equal Readiness

Perf X Pot \neq Readiness



The Transition to a New Level

- **Big jump in responsibility**
- **Need to contend with new challenges**
- **Often require new, or higher levels of capability**
- **Need to let go of the previous job (e.g., the 50% rule)**

We Must Get More Robust About Assessing Readiness

- It drives one of the two the “big ticket” talent decisions – who to promote
- Performance and potential evaluations have less significant consequences
- Unless the size of the jump is small, potential does not assure success

A More Robust Measure of Readiness: Formal Assessment

- Measures of experience, cognitive ability, and work style/motivations
- Business simulations of the unique challenges in the next level role
- Multiple, objective, highly trained assessors
- Specific performance standards
- Benchmarking of talent—comparison to the broader market

Getting More Robust, Targeted Data on Readiness



Readiness of the Talent Pool

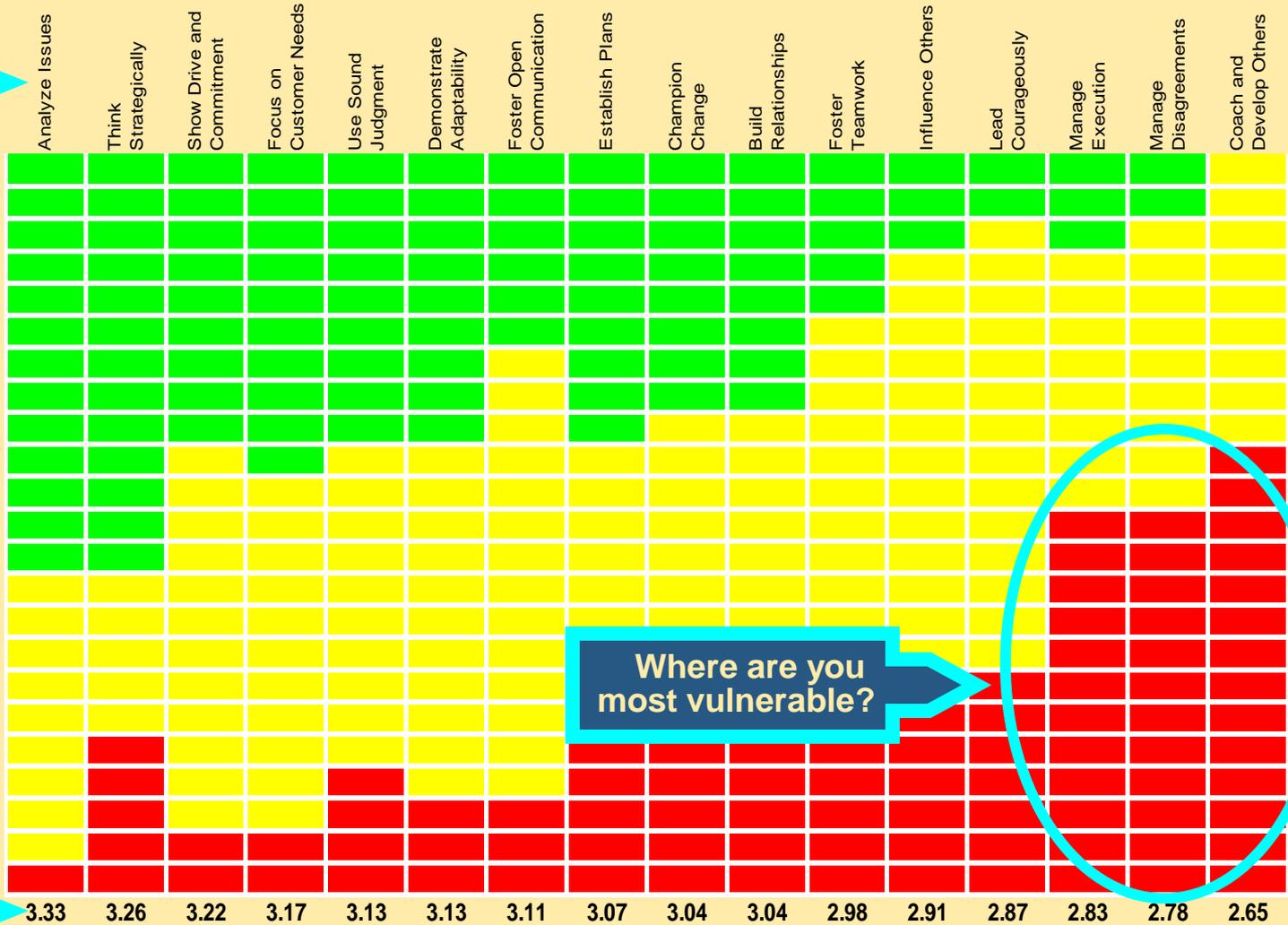
Use Seasoned Judgment
 Shape Strategy
 Demonstrate Vision
 Apply Financial Acumen
 Align the Organization
 Drive Execution
 Lead Courageously
 Engage and Inspire
 Display Influence
 Develop Talent
 Foster Collaboration
 Build Relationships
 Inspire Trust
 Foster Open Communication
 Drive for Stakeholder Success
 Adaptability
 Anticipate Customer Needs
 Global Integration
 Communicate With Impact
 Readiness™ Index

Readiness™ Measure

Participant A	3.50	3.50	3.50	4.00	4.00	3.50	3.50	4.00	4.00	3.00	4.00	4.50	4.00	3.50	3.50	4.00	4.00	3.00	3.50	94
Participant B	3.50	4.00	3.50	4.00	4.00	3.00	4.00	3.50	3.50	3.50	4.00	4.00	4.00	3.50	3.50	3.50	3.50	3.50	3.00	91
Participant C	3.00	3.50	3.50	4.00	3.50	4.00	3.50	3.50	3.50	4.00	4.00	3.50	3.50	4.00	3.00	3.50	4.00	3.00	3.50	88
Participant D	3.00	4.00	4.50	2.50	4.00	3.00	3.50	3.50	3.50	3.50	3.00	4.00	4.50	4.00	2.50	3.50	3.50	3.50	3.50	84
Participant E	2.00	3.00	4.00	2.00	4.00	2.00	4.00	4.50	4.00	4.00	5.00	4.00	3.00	4.00	3.00	4.00	4.00	3.00	3.00	79
Participant F	3.50	4.50	4.00	3.50	3.00	2.00	4.00	3.00	4.00	2.50	3.50	3.50	4.00	3.00	3.50	3.50	3.50	4.00	3.50	75
Participant G	3.50	3.50	3.50	2.50	2.50	2.50	3.50	2.50	3.00	2.50	3.50	3.00	3.50	4.00	3.00	3.50	2.00	2.50	3.00	68
Participant H	2.50	3.50	2.50	3.00	3.00	3.00	3.50	3.00	3.00	2.50	2.50	3.50	3.50	3.00	3.00	3.00	2.50	4.50	2.50	65
Participant I	3.50	3.50	2.00	4.00	3.00	2.50	3.50	3.00	2.50	2.50	3.50	2.50	2.50	3.00	3.00	3.00	3.50	2.50	3.50	61
Participant J	3.00	3.00	2.50	3.50	2.50	3.00	3.00	3.50	3.00	4.00	3.00	3.50	3.50	2.50	3.00	3.00	2.00	2.50	3.00	57
Participant K	3.00	3.00	2.50	3.00	2.50	3.00	3.00	3.00	2.50	3.50	3.00	3.50	4.00	3.50	3.00	3.00	2.50	2.50	3.00	49
Participant L	2.50	3.00	2.50	2.50	3.00	3.00	3.00	3.00	3.50	2.00	3.00	2.50	3.00	3.00	3.00	3.00	3.50	4.00	4.00	44
Participant M	2.50	3.50	3.00	2.50	3.50	2.50	3.00	2.50	2.50	3.00	3.50	2.50	3.50	3.00	3.00	3.00	3.00	3.00	3.00	33
Participant N	2.50	3.50	3.00	2.50	3.00	2.00	2.50	3.00	2.50	2.00	4.00	4.00	4.00	4.00	2.50	3.50	2.00	2.00	3.00	30
Participant O	3.00	3.50	3.00	3.00	3.00	3.00	3.50	2.00	3.00	3.00	3.00	2.00	2.00	2.50	3.50	2.50	3.00	3.00	4.00	29
Participant P	3.00	3.00	2.00	3.00	3.00	3.00	2.50	3.00	2.50	2.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	1.50	3.50	27
Participant Q	3.00	2.50	2.50	3.00	3.00	2.50	2.50	2.50	2.50	3.00	3.00	3.00	3.50	3.00	2.50	3.00	3.00	3.00	2.50	20
Participant R	2.00	2.00	2.00	2.00	3.00	2.50	3.00	3.00	3.00	2.50	4.00	3.50	3.50	3.00	3.00	2.50	3.00	2.00	4.00	16
Participant S	3.00	3.00	3.00	2.00	2.00	3.00	2.50	3.00	2.50	2.50	3.50	3.00	3.50	3.50	3.00	3.00	2.00	2.50	2.50	10

Group Strengths and Development Needs: Where are You Vulnerable?

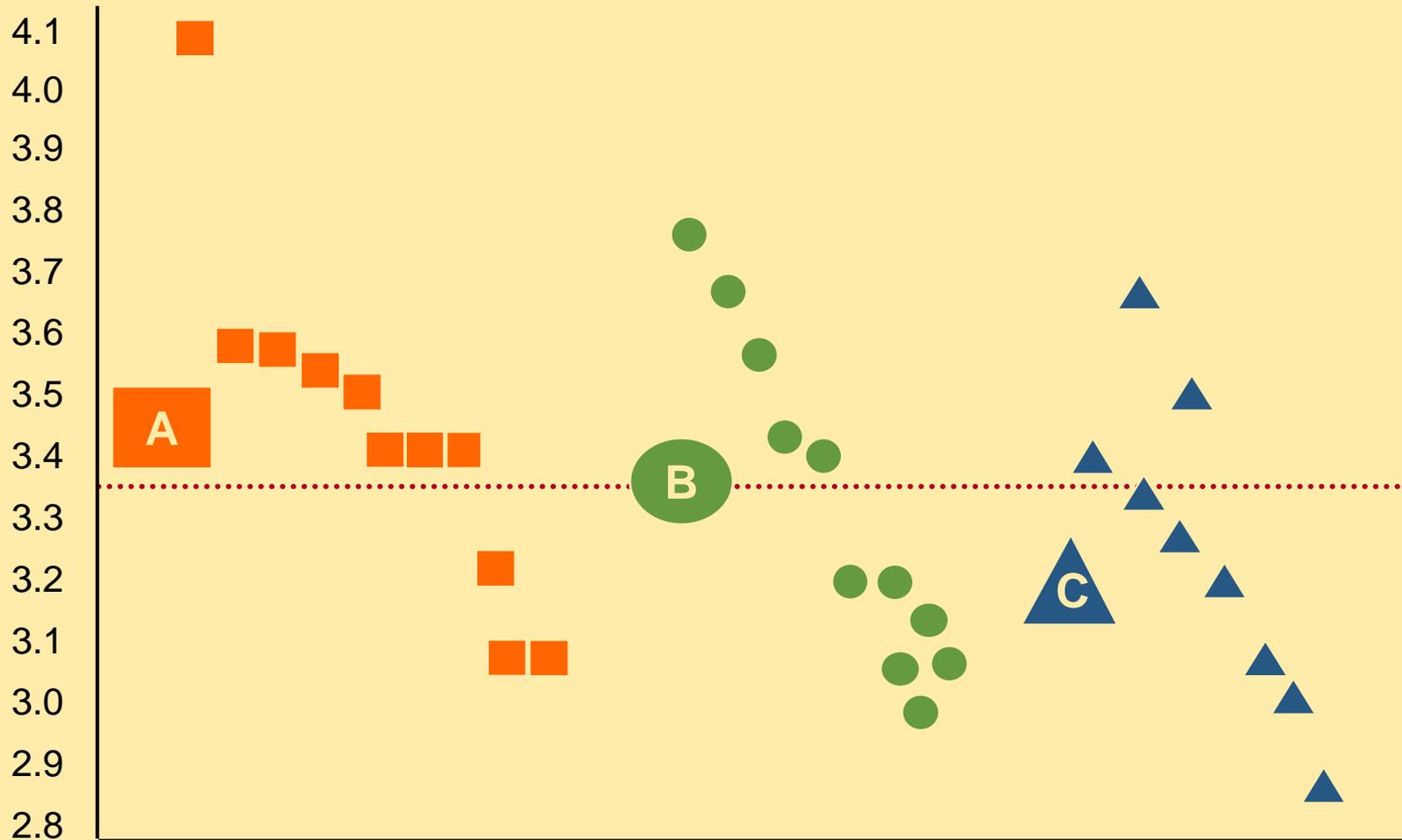
Competencies



Where are you most vulnerable?

Average for group

Business Group Comparisons: Is Our Talent Allocated Optimally?



Which Strategic Challenges are at Most Risk?



How Solid is Your Data?

- ◆ **Discussion:**
- ◆ **What pitfalls do you see in evaluating talent in your organization?**
- ◆ **Share an example of where you've seen these pitfalls at work**
- ◆ **How do these pitfalls impact the accuracy of talent decisions?**

Key #3: Carefully Managed Talent Reviews and Decisions



Relevant Data for Talent Reviews

- Education
- Demographics Data
- Experience
- Current assignment
- Tenure in current role
- Accomplishments
- Strengths
- Development needs
- Development plan
- Language proficiency
- Mobility
- Goals/career preferences
- Retention Risk
- Performance
- Potential
- Readiness

Typical Talent Review Agenda

- **Discuss organization needs**
- **Review 9-box distribution of talent**
- **Plan replacements**
- **Identify/address blockers**
- **Review key pools**
- **Designate watch list**
- **Identify potential developmental experiences/
moves**

Divergent Opinions

"His team loves him and he has collaborated very well with his peers" ...

"Sure, but he hasn't executed his key initiatives."

"She's done a great job turning around her business" ... "yes, but she's alienated half of her stakeholders in the process"

"He has effectively driven major change while hitting his numbers" ...

"Oh, but remember the incident at the sales conference last year?"

"She is a really good leader"...

"I don't agree. Providing clear direction and holding people accountable for results isn't leadership if you can't inspire the team."

"I think he's ready to advance"...

"I'd keep him in the job for another year"

How Do Decisions Get Made?

- **Boss' view prevails?**
- **Most senior person in the room decides?**
- **Consensus?**
- **Path of least resistance?**
- **Those who sound most informed and impartial decide?**
- **Those who have the best data decide?**
- **Weighting views based on strength of the data?**
- **???**

Carefully Managed Talent Reviews and Decisions

- **Consistent use of robust, relevant data**
- **Training for review panels**
- **Multiple ready candidates considered for each opening**
- **Real-time updating of data**
- **Clear criteria for fit decisions**
- **Clear oversight on decisions**

The Talent Review: Bringing It All Together



Key #4: Realistic, Robust Approach to Develop Talent



Development in Your Organization

Discussion:

- How does your organization develop potential? Readiness?
- What aspects of development work best?
- How often do people actually develop in the ways people had planned or hoped?
- What pitfalls are at work in your development processes? What are the consequences of these?

Developing Talent

TYPICAL PITFALLS

Inadequate Perspectives:

“Just provide the right experiences, don’t focus on competencies.”

Developing Talent

TYPICAL PITFALLS

Inadequate Perspectives:

*“Just provide the right **experiences**, don’t build competencies.”*

In Reality:

- Experience can be very developmental, but...
- Experiences don’t always teach the right things or at the right time,
- Experiences provide insights, not necessarily skills, ...
- Experience is an inefficient teacher

Developing Talent

TYPICAL PITFALLS

Inadequate Perspectives:

*“Just leverage peoples’
strengths, don’t address
weaknesses.”*

Developing Talent

TYPICAL PITFALLS

Inadequate Perspectives:

“Just leverage peoples’ strengths, don’t address weaknesses.”

In Reality:

- It’s very important to leverage strengths, particularly rare ones
- However, not developing in weak areas is risky business
- People don’t change their “hard-wired” personalities or abilities, but they can and do improve their skills and **behavior** a lot
- Developing weaker areas builds versatility and reduces risk

Developing Talent

◆ *TYPICAL PITFALLS*

◆ *Half-truths:*

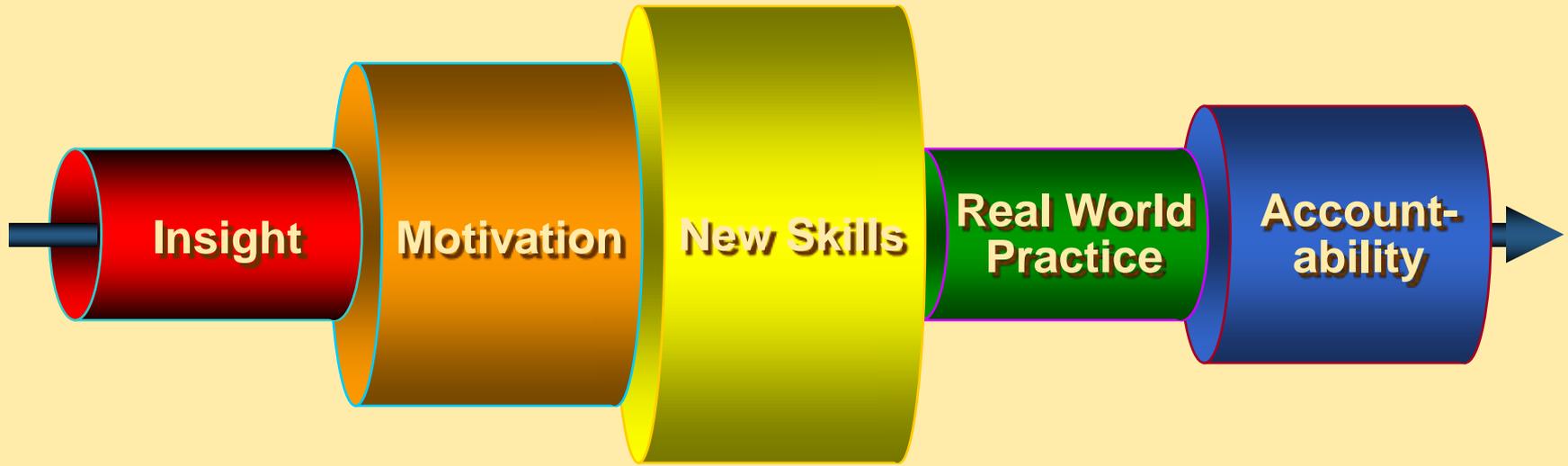
- That individuals are most likely to improve when they “own their own development”
- That individuals will be motivated to develop
- That individuals will want the proposed assignments or moves, or at least learn to like them
- That the assignment or experience will provide the needed development
- ...

PDI Development Pipeline[®] Model



What are the conditions which drive development?

PDI Development Pipeline[®] Model



Development That “Sticks”

- ◆ **The Goal: Nine months from now, the person:**
 - Remembers what was learned
 - Has translated the learning into practical behavior changes
 - Has applied those new behaviors on the job in ways that have improved performance
 - Has used those new behaviors enough that they are now tools that they can be easily used in the right situation
- ◆ **How much planned learning achieves this goal?**
- ◆ **How can you design the experience to ensure the goal is achieved?**

Developing Talent

◆ Discussion:

- How does your organization develop potential?
- How are the various conditions required for real development ensured?
- What conditions are managed well and where are the pinch-points?

Key #5: Robust Evaluation



Evaluate Metrics

TYPICAL METRICS

- ◆ % of open positions filled internally
- ◆ % of open positions filled from succession list
- ◆ Diversity
- ◆ Cross-functional assignments
- ◆ Turnover of key talent

Evaluate Metrics

◆ *TYPICAL METRICS*

- ◆ % of open positions filled internally
- ◆ % of open positions filled from succession list
- ◆ Diversity
- ◆ Cross-functional assignments
- ◆ Turnover of key talent

◆ *ADDITIONAL METRICS*

- % of A players among those promoted, hired
- Selection of A, B, and C players, by source
- Turnover of A, B, and C players
- Talent developed by key leaders
- Overall supply vs. future needs
- Business impact of talent differences

Selection Metrics

	TARGET (External) 20%	Number of "A" Players after 12 Months
Positions Filled	18	6 (33%)
Internally	6 (33%)	4 (66%)
Externally	12 (67%)	2 (17%)

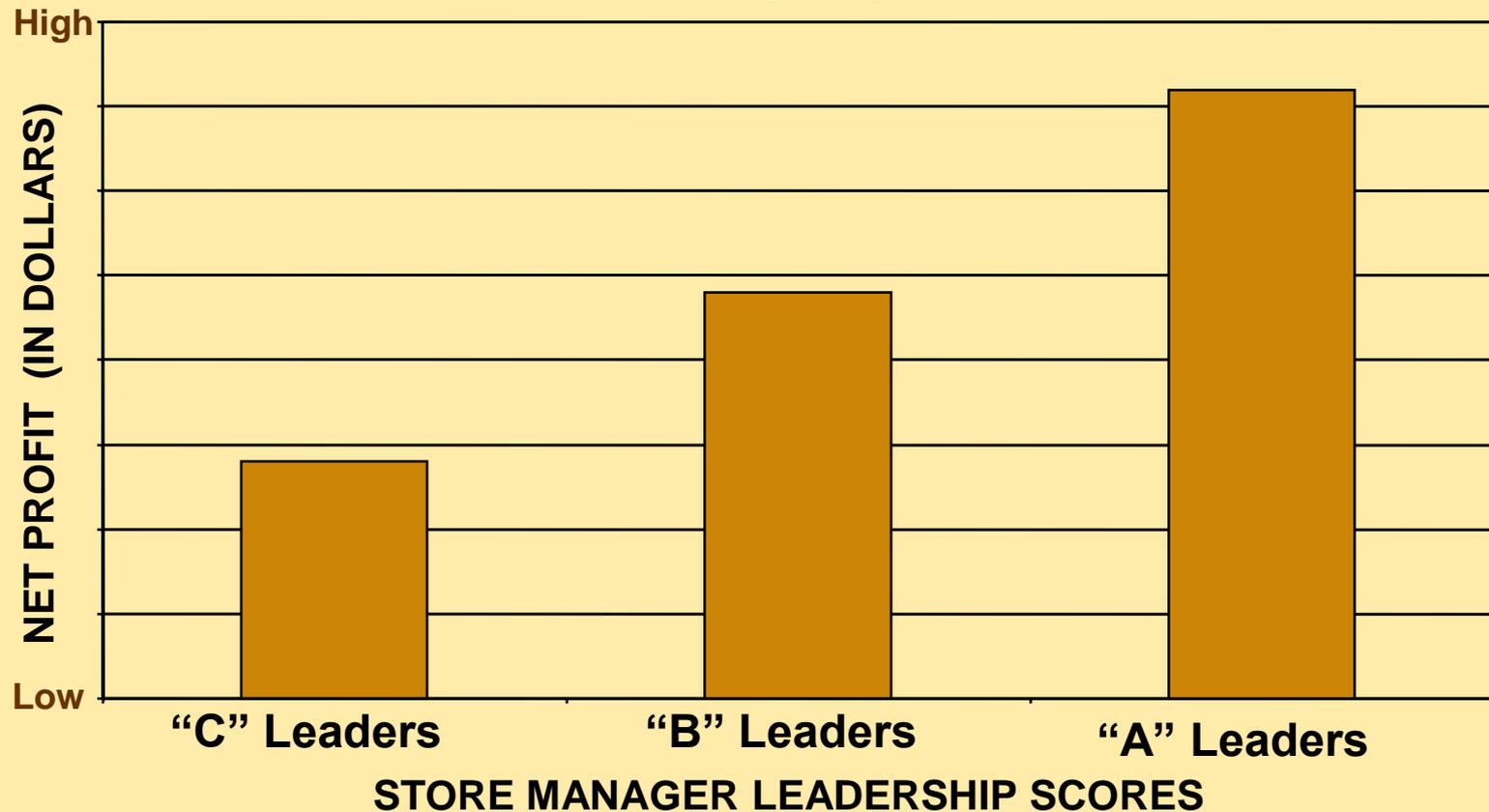
Turnover Metrics

Rolling Average for the Past 12 Months

“A” Players (n=20)	40%	21%
“B” Players (n=60)	20%	
“C” Players (n=20)	5%	

Business Impact of Talent Differences

Impact of Leadership Performance on Net Profit: Company A



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Real Leadership Advantage Drives Improved Business Results

- ◆ Compared to “C” Store Managers,
“A” Store Managers had:
 - 43%** Higher Employee Engagement
 - 18%** Higher Customer Satisfaction
 - 32%** Higher Net Profit (\$1M+)

Key #6: Core Principles, Policies, and Frameworks



Core Principles, Policies, and Frameworks

Examples:

- Responsibilities of corporate vs. operating units and line vs. HR
- Consistency of process and practices across units
- When positions should be filled internally vs. externally
- Target diversity level
- What to communicate to HIPOs
- How to prepare HIPOs
- How to deal with blockers
- Criteria for promotion
- Key definitions
- How to deal with failures

Core Principles, Policies, and Frameworks

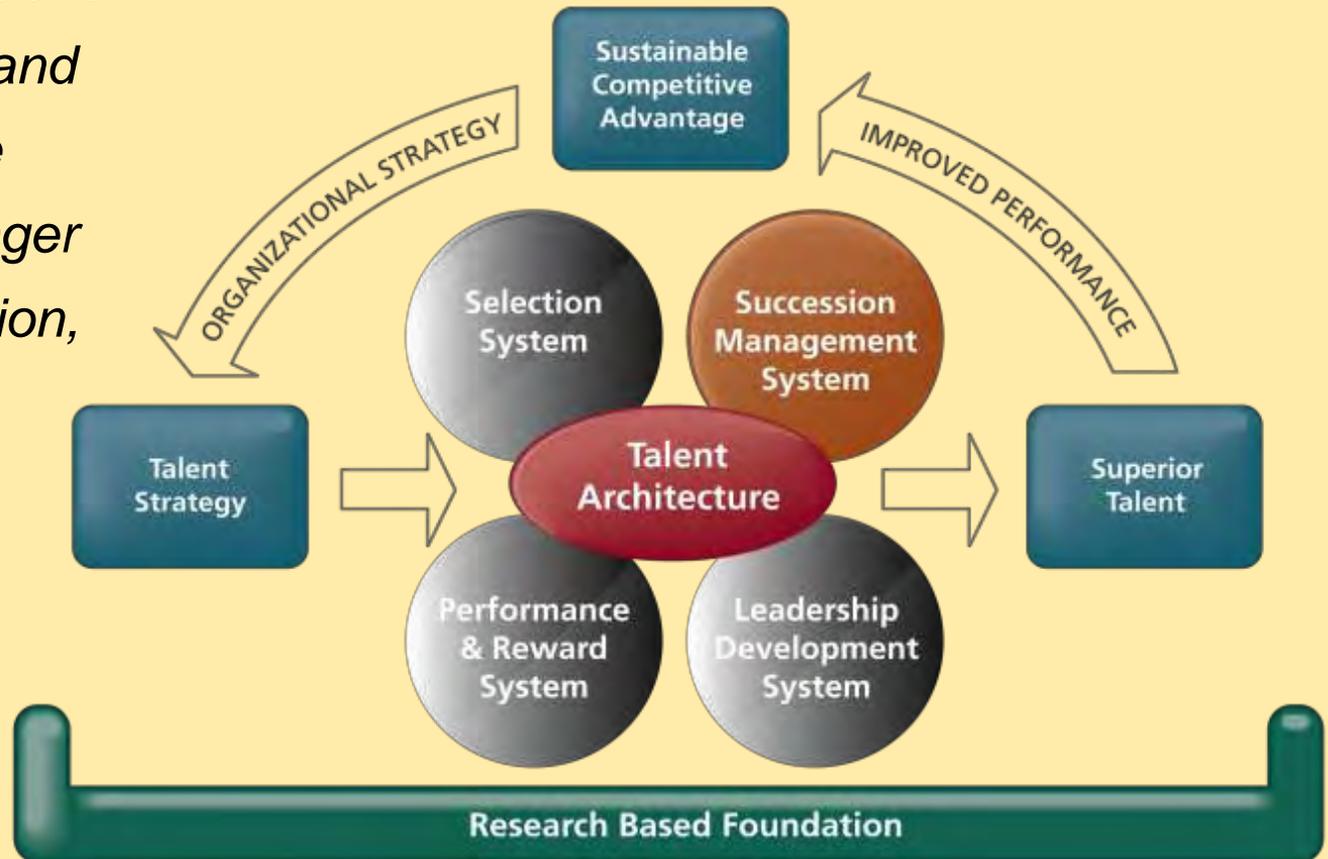
- ◆ **Typical consequences when they are absent:**
 - **Inconsistency, lack of integration**
 - **Inefficiency**
 - **Confusion**
 - **Consternation**
 - **Conflict**
 - **Sub-optimization**

Six Keys to a Robust Succession Management Process

-  Solid Understanding of **Talent Needs**
-  Robust, **Targeted Data** on Talent
-  Carefully Managed Talent **Reviews** and **Decisions**
-  Realistic, Robust Approach to **Develop** Talent
-  Robust **Evaluation**
-  Core Principles, Policies, and **Frameworks**

Real Leadership Advantage

Well placed confidence that your current and future leaders are increasingly stronger than the competition, resulting in improved performance and sustained competitive advantage.



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Thank you