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Succession Planning that Pays: 4 Best Practices for Making the Right Talent Investments

Choosing the right investments is a critical responsibility for any business leader. And whether you're selecting which new product to develop, which business unit to expand, or which client relationship to pursue next, the investment strategy typically remains the same—to focus your time and effort on the highest-potential opportunities with the goal of maximizing your returns.

When it comes to making long-term talent investments, however, many organizations continue to struggle with determining how and where to focus their succession planning efforts. According to Global Human Capital Trends, only 44% of executives say their companies are ready to meet future leadership needs—a statistic that's alarming, but not surprising when you consider that only 12.5% of companies currently engage in formal succession planning.

To help maximize your leadership planning efforts, below we're sharing four best practices for ensuring the talent investments you're making today are positioning your organization for a strong and successful tomorrow:

Be Proactive in Identifying High-Potential Leaders

In a fast-paced, high-stress environment, it can be difficult to look past today's fire drills to begin proactively planning for the future. And although many organizations commit to building three-year strategic plans, most fail to approach their leadership planning with the same foresight—especially if there's no known impending need. To maintain long-term stability, however, it's not enough to merely fill leadership gaps as they arise; rather, you must continually work to identify individuals at all levels of the company who demonstrate the potential to one day drive your organization forward. Once you have successfully identified and nominated your future leaders, you can then focus on allocating the necessary resources to develop and retain those key players so that your organization is best prepared to make a seamless leadership transition when a need arises.

Create a Sound Structure for Assessing Potential Candidates

There are many executive decisions where it's appropriate to rely on gut feeling, but selecting an organization's next leader is not one of them. Especially when filling a high-impact position, it's important to replace loose, intuitive definitions of potential with standard, research-based inputs that are more statistically predictive of future success. If you're not already tracking performance metrics on a consistent basis, assessments can be a great tool for accurately gauging factors like motivation, learning orientation, and propensity to deal with ambiguous, complex, and dynamic change. Regardless of your chosen methodology, however, it remains incredibly important not to allow your own perceptions to cloud the facts when selecting a final candidate. It's not about choosing who you think can do the job; it's about accurately determining which candidate has the greatest potential for success.

Evaluate Readiness, Performance, and Potential Separately

According to Harvard Business Review, up to 40% of new CEOs fail to meet performance expectations in the first 18 months. And while a range of factors can cause any new leader to miss the mark, quite often it boils down to the blurring of what should be three distinct requirements: readiness, performance, and potential. When a critical leadership position opens up, some organizations simply place the candidate they deem most "ready". However, just because an individual is capable of stepping into a role today, that alone doesn't mean she or he is the best possible driver of future growth. Similarly, other organizations will place a candidate based on a strong history of past performance, forgetting that even the most exceptional track record fails to address whether that individual has the ability to replicate his or her success at a higher level. Finally, some candidates are placed in executive leadership roles because of their recognized potential, but what's often overlooked is that capitalizing on that potential may first require additional coaching, development, or experience. To avoid making these common mistakes, and to ensure that you're choosing the most-qualified candidate for your next leadership role, opt not to award the position based solely on performance, potential, or readiness, but rather on a strong combination of all three.

Involve Managers Early in the Process

While some organizations choose to remain tight-lipped about their succession plans, those who select their candidates in a fair and structured manner will find many advantages to engaging managers from the start of discussions. Not only are managers helpful in uncovering hidden talent, but the open dialogue is highly beneficial when it comes to communicating expectations, defining processes and accountabilities, and most importantly—attaining buy-in. Although you may be solely qualified to make a succession decision, gaining the early support of other company leaders will set a positive and collaborative tone, facilitate a smoother transition, and ultimately allow your newly-placed hire to hit the ground running.

So what does this all mean?

According to Talent Plus, the estimated cost of turnover for a single senior leader ranges from ten to forty times that individual's salary, making one thing certain—unplanned succession is expensive. By making the right talent investments now, not only can you save money and stress down the road, but you can also send a powerful message to your employees and customers that your organization is strong, well organized, and effectively positioned for future success. At the end of the day, it's your responsibility as a business leader to keep your organization's leadership pipeline strong. For best results, we recommend focusing your energy less on reacting to positions that need filling, and more on preparing the candidates who could ultimately fill them.

Does your organization have a succession plan in place that is properly calibrated with your long-term strategy? At Robinson Resource Group, our certified management coaches offer customized talent assessment services designed to evaluate how the talent and skill sets within your company align with both your current and future needs. To learn more, give us a call today at 708.738.5040, or visit our website at RRGExec.com