Traditional succession planning is obsolete.

What is the purpose of this article?
Enable investors, the board of directors, and C-Suite to discuss how to improve succession planning. The focus of this article is on the board of directors and C-Suite.

What are the critical learnings in this article?
1) Board directors and C-Suite executives must be able to make major decisions on the day they are appointed. Need to learn about the company for 6-12 months risks failure.
2) Board directors and C-Suite executives need to have the capabilities to succeed in a future which is very different from the past. These leaders are of limited value if they only have the skills and experience to solve yesterday's problems with the day before's solutions.

What does traditional succession planning look like?
1) A person is interviewed for a board director or C-suite position.
2) There is an assessment and due diligence process.
3) The C-suite candidate accepts a job offer and on the first day of their job has accountability and delegated authority to make decisions.
4) The board director is put forward for election. On the date that they are elected they have accountability and decision making authority

BUT
1) "Two-thirds of US public and private companies still admit that they have no formal CEO succession plan in place"[1]
2) I assume that the board of directors succession planning is in a similar state.

How effective has traditional succession planning been?
Close to half of successors fail. Most board directors have limited knowledge of their company and approve plans to fail.
1) 40-to-50 percent of new leaders fail within the first 18 months.[2]
2) One in three CEO successions fail.[1]
3) Most companies successfully execute their plans to fail.[3]
4) Most company directors do not understand: the strategy, how the company creates value, and industry dynamics.[3]

What was the traditional succession planning process?
1) Select a successor. The process, and process quality, varied enormously.
2) Elect them to the board of directors or appoint them to the C-Suite.
3) Give them lots of time to get up to speed.
4) Once they are up to speed, see what happens – do they succeed or fail?
5) May, or may not, exit failing leaders.

How long did it take for leaders to get up to speed and make an impact?[2]
1) Most new leaders—92 percent of external hires and 72 percent of internal hires—take far more than 90 days to get up to full speed. Many executives admit it took them at least six months to achieve real impact (62 percent for external, 25 percent for internal hires).
2) CEOs face an even longer runway: On average, stakeholders give them nine months to develop fully a strategic vision and win support from employees, 14 months to build the right team and 19 months to increase share price employing that direction.
3) I assume that board directors also require significant time to get up to speed.

Why did this approach work in the distant past?
1) Customer requirements and needs changed slowly. Changes happen rapidly today.
2) Competitors did not emerge or grew slowly. Now, competitors suddenly appear and rapidly grow to global scale.
3) Technology changed slowly. These days, new technologies suddenly appear and old technologies rapidly change.
4) Crisis were few and far between. Today, and in the future, there will be never ending crisis.
5) In the past, the near-term future looked similar to the past. Now, the near-term future may be radically different from the near-term past.

Why does the traditional succession plan execution often lead to failure?
1) The selection process is flawed or doesn't exist.
2) The preparation process is flawed or doesn't exist.

3) Exiting of failing leaders takes too long or doesn't happen. A weak or non-existent succession process results in failing leaders remaining.

What are the fatal flaws in succession planning?
1) In today's fast changing world, crisis and major changes in the company's ecosystem do not wait until the director or C-Suite executive gets up to speed.
2) Many ecosystem members no longer tolerate a new director or C-Suite executive requiring a long-time before they provide value.
3) By the time the person is up to speed, massive damage may have occurred to the company.
4) Failing leaders are not exited, due to lack of prepared successors.

What are the three fundamental changes that must be made to succession planning?
1) Board directors and C-Suite executives need to be up-to-speed on the day they assume accountability and decision making authority.
2) The potential successors need to learn, develop themselves, and be assessed prior to day one.
3) Successors need to have the capabilities to succeed in a future which is very different from today and from the past. Assessment and development processes must change.

What does a successor look like on the day before they assume decision making authority.
The leader:
1) Understands who the key members of the company's ecosystem are, their expectations, and has (or creates) relationships with them. Key members include: employees, your team members, customers, suppliers, partners.
2) Is self-aware of their strengths and weakness. Self-awareness is very different from personal opinion.
3) Announces changes to their team on day one.
4) Understands the company's culture and know what actions to take to change it.
5) Understands the company's past performance, priorities, and actions. Know what actions to start taking on day one and what priorities to change.

What are your next steps?
1) Be clear on how the future may be different from today and the past
   a) What will be the purpose of the company?
   b) Who will be the ecosystem members?
   c) What will be the long-term trends, both likely and unlikely?
   d) What will be the near-term challenges?
   e) What will be the future scenarios?
2) What's the value the director, or C-Suite member must enable?
3) What are the implications of the above regarding the skills the successor will need to have?
4) What are the capabilities the successor will need to succeed in a potentially unknown future? [4]
   a) What self-awareness?
   b) What character is needed? Values, morals, and ethics? Perseverance?
   c) What relationships and relationship building skills are necessary? E.g. building relationships with colleagues, customers, partners, regulators, NGOs (Non Governmental Organizations) etc.
   d) What crystallized intelligence (i.e. historical skills, knowledge, and data)?
   e) What fluid intelligence (ability to solve problems without past experience)?
   f) What cognitive skills?
5) Identify potential successors, inside and outside your company.
6) Assess talent without direct contact.
7) Assess talent with direct contact e.g.
   a) Reference checks
   b) Formal background checks
   c) Behavioural interviews
   d) Psychological and cognitive ability testing
   e) Simulations, both a day-in-the-life and crisis simulation
8) Prepare:
   a) Development plans for successors and a monitoring process.
   b) The onboarding plan leading up to the day the person assumes decision making authority.
   c) The ongoing assessment and development plans, which evolve over time. The regular assessment considers whether or not the person must be replaced with one of their successors.

Footnotes

[1] CEO Succession starts with your leaders, McKinsey
https://www.mckinsey.com/featured-insights/leadership/ceo-succession-starts-with-developing-your-leaders

[2] It really isn't about 100 days, McKinsey
https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/the-organization-blog/it-really-isnt-about-100-days

[3] Is your company planning to fail? Koor and Associates
http://koorandassociates.org/avoiding-business-failure/is-your-company-planning-to-fail/

[4] Core components of talent
http://koorandassociates.org/creating-business-value/core-components-of-talent/

What further reading should you do?

Why are value, morals, and ethics important?
http://koorandassociates.org/values-morals-and-ethics/why-are-values-morals-and-ethics-important/