

Traditional succession planning dooms your company to failure. V3

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.
- 3) Board director and C-Suite talent requirements must be defined in terms of the 10 core components of talent. The traditional approach of focusing on crystallized intelligence (i.e. historical skills, knowledge, and data) is insufficient in today's turbulent and hyper-competitive world.

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.
- 5) Give them lots of time to get up to speed.
- 6) Once they are up to speed, see what happens – do they succeed or fail?
- 7) Failure is tolerated with the hope that the leader will improve.

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 dynamics³

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.
- 2) Competitors did not emerge or grew slowly.
- 3) Technology changed slowly.
- 4) Crisis were few and far between.
- 5) In the past, the near-term future looked similar to the past

Why does the traditional succession plan execution often lead to failure?

- 1) Customer requirements and needs change very rapidly.
- 2) Now, competitors suddenly appear and rapidly grow to global scale. Unlimited capital is available to new companies who are successfully destroying existing companies.
- 3) These days, new technologies suddenly appear, and old technologies rapidly change.
- 4) The selection process is flawed or doesn't exist.
- 5) Today, and in the future, there will be never ending crisis. Crisis will not wait until a director or C-Suite leader gets up to speed. Massive damage will have occurred by the time someone gets up to speed.
- 6) The near-term future will be radically different from the near-term past. It has become impossible to predict the future.
- 7) The preparation and onboarding process is flawed or doesn't exist.
- 8) Exiting of failing leaders takes too long or doesn't happen. A weak or non-existent succession process results in failing leaders remaining. There is no pool of qualified 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, 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? The future is impossible to predict
- 2) What's the value the director, or C-Suite member must enable?
- 3) What are the implications of the above regarding talent components the successor will need to have? ⁴
 - a) Self-awareness? Both internal and external.
 - b) Character? Values, morals, and ethics? Courage? Perseverance?
 - c) Relationships and relationship building skills? Persuasion? Negotiation? Creating and maintaining followers?
 - d) Communications? Writing? Speaking? Body language
 - e) Crystallized intelligence? (i.e. historical skills, knowledge, and data)?
 - f) Fluid intelligence? (ability to solve problems without past experience)?
 - g) Cognitive skills? Long term memory? Working memory? Logic and reasoning? Visual processing? Processing speed? Attention?
 - h) Able to quickly learn and unlearn?
 - i) Creativity?
 - j) Physical? Senses? Strength? Endurance?
- 4) Identify potential successors, inside and outside your company.
- 5) Assess talent without direct contact with successors.
- 6) Assess talent via direct contact with successor 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

7) 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 developing 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?

Your company will fail. Koor & Associates

<https://koorandassociates.org/avoiding-business-failure/your-company-will-fail-v1/>

Why are value, morals, and ethics important? Koor & Associates

<http://koorandassociates.org/values-morals-and-ethics/why-are-values-morals-and-ethics-important/>