

Want to achieve great succession management: Then don't focus on it

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Succession management, especially for senior leadership positions is one area of HR that probably gets highest level of attention from CEOs and Company Boards. Here I am using the phrase 'Succession Management' to represent organization's capability to continuously grow high calibre leaders that can drive organization's long term growth strategy and create a continuous supply of leadership talent that can be leveraged to fill any senior leadership vacancies that may arise in course of business. But in spite of many decades of discussions, dozens of sophisticated models and processes, very few organizations seem to have developed a sustained institutional capacity for 'Succession Management'

In this article, I am attempting to present my thoughts and understanding about why many organizations fail to get this right and what possibly can they do to start correcting the situation. For ease of discussion, I am presenting this article by creating two categories of organizations

'Category A': Organizations that have developed institutional capacity for SM

'Category B': Organizations that have failed to develop effective capacity for SM

Important note: I am acutely aware that 'Succession Management' is one of the most challenging areas of work and its effectiveness depends on a very large number of tangible as well as intangible variables – and organizations can't be classified in these two simplistic categories. I am using this frame and this article only to provoke thinking and not to imply that there can be a standardized SOP for Succession Management

Few typical ways in which these two categories differ can be characterized as follows

	‘ Category A’ (Organizations that SUCCEED in developing institutional capacity for succession management)	‘ Category B’ (Organizations that FAIL in developing institutional capacity for succession management)
Capability and stature difference between the CEO and his/her Management Committee (MC)	While the difference exists, it’s not very high. Many MC members have comparable stature and voice.	The CEO is the ‘big man/woman’ and rest of the MC is clearly at a much lower level, with much lesser stature and voice
Depth and quality of Succession coverage	Fairly deep and broad– across top 3-4 levels , multiple promising successors are available for critical positions	Fairly patchy – only few critical positions have promising successors – succession quality is particularly poor at top 2-3 levels
Power balance between critical high potential talent and the organization	Organizations hold higher power, because they have confidence in succession quality and organizational capacity to manage the worst case scenario of exit of such talent	Such critical talent often holds the organization to ransom – demanding (and often getting) exceptional, individual specific ‘deals’ with reference to compensation and roles. Organizations worry about losing such talent and go out of their way to retain such talent, often making exceptional accommodations
Degree of external Hiring at top two organizational levels	Very limited external hiring. Most roles at these levels are filled by internal talent <i>Case in point – Aditya Birla Group publically announcing that it will not hire externally at top 2 levels</i> https://tinyurl.com/y7b256ld	More than 50 % of the vacancies / new roles at top 2 levels are filled by using external candidates. Candidates who are internally and formally identified as ‘ High Potential Successors’ are often not given the roles when vacancies actually arise, because the organization does not have enough confidence on these ‘HiPo’s’ and/or feels that it is highly likely to get better candidates from outside

Pattern of attrition	Paradoxically, 'Category A' organizations end up losing many good people – because they hold the bar on expectations from people very high (e.g. a borderline promotion case will be asked to wait for a year more) and are not lenient/ soft with people decisions. The talent that they lose often ends up taking critical roles in other high performing companies	Paradoxically, 'Category B' organizations don't lose too many of their so called HP employees – many of their HP employees are actually ok doing same roles over very long periods of time. (Raising question about validity of the HP rating) The organizations tend to be lenient and soft in their people decisions – which has the risk of spoiling quality of talent pipeline when undeserving people Promotion and higher Performance/ Talent ratings than they deserve
Longevity and success of the 'Management Trainee' programme	'Category A' organizations retain their Management Trainees longer and their MTs rise to the senior most positions (often their Management Committees have more campus hires than lateral hires)	'Category B' organizations struggle to retain MTs beyond 3-4 years – not many examples of MTs reaching Management Committee levels

The main argument that I am trying to present through this article is as follows - In 'Category A' organizations, effective 'Succession Management' is just one obvious and healthy outcome of broad, deep and long term work on the organization wide people ecosystem.

Whereas 'Category B' organizations tend to define their Succession Management work very narrowly, excessively obsessing about small group of so called 'Hi-Pots' and ignoring the issues in broader talent ecosystem. This eventually leads to very poor succession management.

(This argument is very similar to what Viktor Frankl said about happiness:

"...happiness, cannot be pursued; it must ensue, and it only does so as the unintended side effect of one's personal dedication to a cause greater than oneself ...")

In the rest of the article, I have tried to identify 7 specific mechanisms / processes / elements related to broader talent ecosystem that eventually impact the quality of 'Succession Management'

The seven mechanisms

- 1. Having an effective and comprehensive framework for people assessment and using it with uncompromising standards of excellence**
- 2. Not over-relying on direct supervisors inputs for people assessment but deploying a wider governance process**
- 3. Leveraging EVERY hiring opportunity for building future talent pipeline**
- 4. Institutionalizing entry level trainee program to build future leaders**
- 5. Deeper focus on 'prime mover' talent and roles**
- 6. Not allowing 'blockers' to choke the 'feeder' roles**
- 7. Clear governance and effective processes for Talent Development**

1. Organizational ability to make sharp and tough people decisions using an effective shared framework

'Category A' organizations tend to have well defined frameworks for people decisions that go well beyond here and now performance – but also meaningfully incorporate aspects such as level / band specific capabilities, values and most importantly, judgement about quality of talent relative to external market.

As mentioned earlier, the 'Category A' organizations leverage these frameworks in a very sharp manner and avoid lenient decision-making – they use such frameworks to keep raising the bar on capabilities, performance and talent quality through all their processes.

The following table represents the typical differences that can be found across these two categories of organizations

	Category A	Category B
Performance Ratings	<p>Top rating norm as well as actual ratings given typically at 5 % of the population</p> <p>The relative rating norm is NOT changed as per business performance.</p> <p>They err on the tougher side and apply consistent organizational standards – when in doubt, a lower rating is given – hence high PM ratings are TRUE markers of good performance and valued by employees. Hence PM ratings can be valid input to many other decisions</p>	<p>Top rating norms are at 10-15 % and actual ratings given may even exceed that by 2-4 % points.</p> <p>The relative rating norm is often relaxed to cover more people if the business does well</p> <p>They tend to be lenient and inconsistent across the organization – so when in doubt, higher PM rating is given – hence high PM ratings are not necessarily true markers of performance – in employee’s mind each rating is valued at one level lower. PM ratings are NOT a reliable input for other decisions</p>
Promotion Decisions	<p>Adopt ‘when in doubt , wait’ principle – they know that lenient promotion decisions cause huge long term damage by clogging talent pipeline and by creating poor leadership standards</p>	<p>Lenient promotion decisions often taken to avoid risk of ‘attrition’ – level differentiated standards of leadership are NOT clear or not upheld – high performers can get promoted without displaying adequate next level capabilities ONLY on basis of short term results delivery</p>
Decisions on ‘Talent ratings’	<p>Individuals are rated as HP only when they exhibit credible capabilities to take on specific critical high level roles faster (in other words, when they display higher velocity as well as range in a specific direction that is valuable)</p> <p>Well established processes exist for annual review and validation of HP ratings. Organization does NOT shy away from communicating if the employee needs to lose the HP status</p>	<p>HP ratings are given leniently, seen as putting faith in people and supporting their development (This makes some employees happy, it damages the organization’s long term interest)</p> <p>There is lot of reluctance to review and downgrade HP rating – organization worries about potential demotivation and attrition risk</p>
	<p><i>NOTE - Whether the HP status should be formally communicated to employees or not - is a non-trivial decision – and organizations whose talent processes are in early stage of maturity should begin by NOT communicating the talent rating formally, in the initial phase. Once the talent assessment, engagement and development systems and governance matures, over a period of 2-3 years – the organization can start communicating the HP status formally to employees.</i></p>	

1A. In people decisions: all that shines is often NOT gold (difference between emergence and effectiveness)

‘Category A’ organizations know and apply the **critical distinction** that organizational psychologists make between **‘leadership emergence’** and **‘leadership effectiveness’**.

To quote Dr. Tomas Chamorro-Premuzic (Professor of Business Psychology at Columbia University): *“...It is one thing to emerge as a leader, and another to be effective. In fact, the key attributes that contribute to emergence are not just irrelevant when it comes to effectiveness, but often detrimental. For example, self-promotion, political skills, and networking skills will play a major role in getting people into leadership positions – this is why many leaders are confident and charismatic, if not narcissistic.*

*However, in order to lead effectively people need good judgment, empathy, and self-awareness, and these qualities are rarely found in individuals who are self-focused and obsessed with getting ahead as opposed to getting along. **The result is that many designated HiPos end up being fake HiPos or faux-Pos, while many individuals who possess the critical characteristics that are needed for exceptional leadership end up flying under the radar and remaining hidden gems**”*

(In fact Dr. Tomas has argued elsewhere <https://hbr.org/2013/08/why-do-so-many-incompetent-men> that failure to distinguish between these two aspects has also led to gender gap in leadership positions – where competent but under-confident women are often ignored to favour over-confident but under-competent men)

Such decisions, where self-promoting but incompetent employees are favoured, but understated and competent employees are ignored not only destroy value as a direct consequence but also act as a very powerful signalling mechanism for all employees. These decisions can significantly influence behaviour, development and culture of the organization. The signalling power of such decisions and their potential impact can be understood with help of the following examples:

In ‘Category A’ organizations

Decision and action	Potential signal and its impact
<p>A very important High Performing employee is communicated that while organization values her tremendously , it will be reviewing the HP status every year against the actual impact created by her – and while the organization will support her in all possible ways – she is mainly responsible that through her work and leadership impact she continues to demonstrate accelerated potential for next level</p>	<p>The HP employees do not develop a sense of ‘entitlement’ but realize that it’s a privilege that needs to be earned every year by working on self-development and creating greater impact</p>

<p>An employee who significantly exceeds annual targets , but displays poor collaboration and team leadership is told that only results will not earn him top rating – and is given a one-step lower rating</p>	<p>The employee understands that the organization means business when it says ‘What’ as well as ‘How’ of performance matter and starts working earnestly on controlling and improving his derailing tendencies</p>
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In ‘Category B’ organization

Decision and action	Potential signal and its impact
<p>An employee who is an incompetent showboat takes extensive efforts to keep the Department Head happy through flattery and sycophancy – this leads to the employee getting top performance ratings as well as fast track promotions , even when the actual performance is at best below average</p>	<p>All the employees realize that proximity to department head and self-promotion matter much more than actual performance and potential</p>
<p>A Department Head as described in the above box gets into an implicit understanding with another similar Department Head and they enter into an unstated pact to promote and sponsor talent from each others’ team (a kind of a quid pro quo) while fully knowing well that this talent may be actually be undeserving</p>	<p>Top leaders lose credibility and are seen as putting own interest ahead of the organization’s interest. Employees start focusing on keeping the ‘right people’ happy and building ‘visibility’ with ‘right people’ – instead of focusing on the actual work itself. Culture of ‘please the boss at any cost’ begins to develop – no one does anything that might upset the boss or contradict/him or her – as a result quality of work starts to suffer.</p>

1B. Defining distinct and broad leadership bands – with clearly graded capability and complexity differentials across levels

Many ‘Category B’ organizations have 8-12 Employee grades across the hierarchy and land up developing practice of time bound promotions, with hardly any change in complexity of job or expected capability across grades.

In a stark contrast, ‘Category A’ organizations define a small number of fairly broad leadership bands – and define the capability expectations across bands in a very sharply differentiated manner. Promotion from one band into another is a considered as a significant transition – and the decisions are taken often after a thorough diagnostic process. In this scenario, it is well understood by employees as well as line managers that

only by performing well at current level, the employee will NOT be considered for a promotion at next level. In fact the level differentiated diagnostic processes often reject employees who only have displayed high performance but not next level capabilities – and some of these employees may choose to exit. While this may cause short term pain to the organization, in long term this goes a long way to improve the talent ecosystem because employees lacking potential end up leaving the organization and the bar on potential is raised higher.

2. Not over-relying on direct supervisor’s views on critical people decisions – but having broader and effective governance system

One least talked about (but very well known) dark secret in the context of people decisions is that fact that individual leaders routinely take decisions that serve their short term, often personal agenda but which actually cause serious damage to long term well-being of the organization.

Here are a few examples

Area	Decision
Selection	Hiring someone in Managerial position only on the basis of technical capabilities required for one specific role – not evaluating Managerial capabilities / long term potential or even values match for the organization
Promotion / Career moves	Systematically cultivating and growing yes-men/women or even personal friends to drive personal power – even while knowing fully well that these individuals lack the next level capabilities and/or organizational values.
Performance Rating	Giving top ratings only on the basis of short term performance – even when the employee has not acted as an organization leader and/or not upheld organizational values. Not really holding the employee accountable for ‘how’ of performance – because that’s a difficult conversation

‘Category B’ organizations often end up starting a vicious circle by allowing poor leaders (lacking character or lacking competence or both) to take up top leadership roles. Such top leaders are often insecure and driven more by personal interest – they systematically end up cultivating a second line of leaders who may lack competence but are loyal to the individual leader. Once one top leader promotes such sub-optimal talent to higher role, it becomes a precedent – and then other leaders also use this excuse – that if Mr. A could promote someone as weak as Mr. B to this level, Mr. C that I am recommending is much better than Mr. B and hence must be promoted.

The ‘Category A’ organizations effectively leverage the following mechanisms to minimize these phenomena

A) Holding senior leaders accountable for all people decisions in their organization

These organizations closely review all the people decisions taken by the senior leaders – mistakes of omission (e.g. failure to act on a values mismatch situation in timely manner in spite of red flags) as well as mistakes of commission (e.g. cultivating undeserving personal favourites and getting biased by their influence) are discussed and accountability for them is clearly established. Selection mistakes or confirmation mistakes made by all leaders are reviewed carefully

Similarly, leaders who display judicious judgement about people are recognized and given a bigger say in such decisions.

B) Credible, capable, independent and powerful HR function:

HR function as a whole, and HR Business Partners in particular play a singularly important role in this context. On one hand they need to coach and train line leaders to take better people decisions – on the other hand they also need to protect the organization's long term interest by pushing line leaders back when the line leaders are tempted to take short term or biased decisions as mentioned above.

In 'Category B' organizations, HRBPs are often so subservient to line leaders that the HRBPs start thinking that their primary responsibility is to keep the line leader happy and tow his or her line – even when it causes serious damage to organization's long term well-being. (E.g. allowing and actually supporting a line leader to sponsor a toxic and incompetent subordinate because it serves that line leaders personal agenda). If the HR function frequently fails in this manner to stand up for what is right, it can cause serious long term erosion to its credibility.

C) Open , objective , judicious leadership councils for people decisions (Performance , Promotion and Talent)

Since human performance and potential is influenced by multiple individual as well as context specific variables, business decisions about people can never be predicted with complete accuracy. But at the same time, quality of these decisions can be substantially improved through leadership councils that have following attributes

- Membership to these councils is given to people with high competence as well as high character (right values)
- Very open discussion is encouraged – adequate critique and debate is invited about each case – not just from the sponsoring leader but especially from other leaders who are not directly representing the particular employee
- Rigorous assessment of functional capability with reference to world class benchmarks – Even before coming to discussion on leadership capabilities, a thorough assessment of functional competence must be done by a set of leaders who have a good sense of external benchmarks of work and competence in that

area ('Category B' organizations often fail at this and end up promoting very solid B players who are only good at running a steady state operation to very senior roles. These leaders then fail to provide futuristic vision and also fail to attract and inspire next generation of leaders)

3. Leveraging EVERY managerial hiring opportunity for building future talent pipeline

'We can do no great things – only small things with great love'

Mother Teresa

'Category A' organizations operate with obsessive focus and high standards on talent in all people decisions – especially during selection. It's a well accepted fact that selection of right talent is one of the (if not 'the') most critical activities for any business organization.

In 'Category B' organizations, selection decisions at initial managerial level are seen as very tactical and are left to very junior leaders who may lack perspective, character as well as competence to hire for long term. 'Category A' organizations, on the other hand, can be seen as leveraging some of the following practices

- **Staffing the 'Talent Acquisition' team very judiciously** : The TA team can have a significant long term impact on the talent ecosystem (the false negative mistakes made by them – that is rejecting of good candidates – will in fact never even be known to anyone else). The 'Category A' organizations understand that single most important capability that internal TA teams need to have is the ability for talent assessment – evaluating capabilities, values and potential of the candidates. In fact almost every other activity performed by the TA team can potentially be outsourced.
- **Identifying a set of ratified interviewers and involving them in all selection decisions**: Interviewing is an art as well as a science - and it is possible that sometimes functionally very competent leaders may be poor selectors. So 'Category A' organizations do not shy away from defining a set of 'ratified selectors'.
- **Try to hire people who demonstrate clear potential to move at least one level higher** – This is particularly critical when hiring at senior –middle level (one level below Management Committee) – because if that layer gets filled with people lacking potential – it completely clogs the talent pipeline

4. Institutionalizing entry level trainee programmes to build future leaders

While many organizations have 'Management Trainee' programmes, only few of the organizations succeed in making these programmes as an important source of senior leadership talent. Few of the reasons why the Management Trainee programs of 'Category B' category of organizations fail in this regard can be described as follows

- **Lack of coherent, consistent thought and principles underlying the entire program** - For these programs to truly become source of future leaders – all the elements – from selection, induction, career path, assessments, development, and promotions need to be designed with synergistic interlocks and sharp focus on the end objective. For example , if the organization believe that it needs future leaders who understand the ground realities of the line functions (say Sales, Manufacturing and others) and capacity to move across functions and countries – the organization needs to select , train , develop the entry level talent and build the entire program in alignment with these objectives
- **Absence of inspiring and capable leaders in middle management** – Its not only enough to hire great entry level talent – this talent can ONLY be anchored and nurtured by middle managers who can inspire them. If this kind of middle managerial talent is absent , no amount of HR engagement / top leaders interactions will be able to substitute for this deficit (As Netflix likes to say – great organization means *'opportunity to work with 'stunning' colleagues'*)

5. Laser sharp focus on prime mover talent and prime mover roles

While 'Category A' organizations focus holistically on the entire talent ecosystem, they make even higher investments in roles that can be considered as 'prime mover'. These are typically P&L roles at all levels as well as mission critical functions for the business (e.g. Marketing for a Consumer Products company or R&D for a Pharma company)

The 'Category A' organizations understand that high quality talent having strong potential for P&L leadership is extremely valuable and equally rare (This is so because it requires someone to have an effective combination of many critical capabilities – High quality thinking , relentless drive and ambition, self as well as social awareness, good team and culture development capabilities, influencing , resilience, ability and hunger for financial value creation and last but very important – strong ethical character.)

Category A organizations go out of their way to select, identify and groom this kind of talent. They also ensure that all 'Prime mover' roles are staffed with talent that at least meets the threshold capability levels – because they know that weak staffing in these roles causes huge long term financial and organizational value erosion.

6. Not blocking the feeder roles – moving people out of them if necessary

"Organizations struggle more with moving blockers than with almost any other aspect of talent management," Allan Church, VP – Talent Management at PepsiCo.

When 'Category B' organizations think about succession, they do not provide adequate attention to 'feeder roles' – the roles that have the highest suitability and potential for grooming talent for next level critical roles. If an organization continues to tolerate average performers lacking future potential in most of the feeder roles – it is no surprise that they do not develop an ongoing supply of top talent.

'Category A' organizations keep a sharp focus on quality of talent in feeder roles – if they discover that any one of the incumbents is not able to take up higher roles and has become a 'blocker' – they do not shy away from having the tough conversation and move that person out of the feeder role and replace the incumbent with a high potential employee.

As result, in best case scenario, the 'Category A' organization face the problem of plenty – where most of the feeder roles are staffed with high quality, ambitious, high potential employees – and organization finds it difficult to provide all of them growth paths – resulting in attrition of some of these people – but organization is still the net winner, because such a talent ecosystem keeps building and replenishing talent pipeline, even while losing some of the good talent.

7. The real work begins AFTER Talent Identification

The 'Category A' organizations have a well-developed, multi element talent development process with well-defined roles and governance. (Many roles holders – including the individual employee, direct supervisor, department head, HR Business partner, Talent Development lead and an internal/external mentor may be involved and hence it is important that there is a clear shared understanding between all of them about each other's roles. Absence of this clarity on roles can sometimes lead to so much confusion that such incoherent talent development & engagement efforts can cause more harm than any good.

The Development Planning process begins with comprehensive individualized diagnostic and also takes into account the individual's aspirations and preferences – it is designed with a destination role / direction in mind –which is agreed based on discussion between the HP employee and the organization.

Any subsequent discussions about projects and roles are done keeping in mind the governance as well as the Development Plan made. Ad-hoc changes that serve the organization's purpose but may not meet the individual aspiration are avoided as much as possible. Discussions about any potential changes are managed with lot of sensitivity and to ensure that there are no confusing signals sent to the employee.

Conclusion

Hence it can be seen that these seven elements, leveraged by capable leaders driven to build an inspiring and high performing organisation will end up creating a deep, broad and self renewing talent ecosystem. With every element of talent process – well aligned to attract, engage and develop high quality talent for long term – and healthy succession pipeline for top roles will end up becoming a very natural outcome of this ecosystem.

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