THE PERILS OF SUCCESSION PLANNING
LEADERSHIP, ACCELERATED.

In an increasingly complex, volatile, digital world the capability of an organisation’s leadership group to execute effectively is the only real source of sustainable competitive advantage.

The experienced, impartial, confidential support of the Merryck faculty of mentors has been proven since 1997 to accelerate leadership capability enabling greater strategic clarity, better decision-making and more impactful execution.

THE MERRYCK DIFFERENCE

Merryck mentors are all former CEOs who have direct experience of what our clients are going through.

We employ a rigorous and proven mentoring approach that has been honed and refined since 1997 - practical, business-oriented and tailored to each situation.

Our clients have unlimited access to their mentor. It is a commitment to the relationship as a whole not to a number of hours.

www.merryck.com

PREPARING FOR AN UNCERTAIN FUTURE

The volatility of the past 5 years has been something of a wake-up call for corporations all over the world. While most companies devote considerable attention to succession planning few have managed to keep up with the rate and complexity of the changes they are facing.

The leadership pipeline is thin, the challenges are coming thick and fast, and what is needed from future leaders is less than clear. It is hardly surprising that there have been a number of high-profile failures of succession in recent times.

This is becoming a major issue – both a source of risk for companies and a hand-brake on growth. It is firmly on the agenda of the CEOs we spoke to:

“My biggest priority is to build leadership capability. I see myself as the Chief Capability Officer.”

Louise Makin, CEO, BTG Group plc

It is not entirely clear what companies are going to do to improve success rates but from our recent interviews with both CEOs and CHROs a number of key themes emerged:
In the past it may have been easy to treat succession as a chess game with several moves planned out well in advance and an explicit agreement between the supposed successor and the company about the likely steps ahead.

We have, though, learned of massive failures of this approach. One successor candidate was offered congratulations on being selected for the top job only to respond that he didn’t want it and never had. Amazing as it may seem he had never been asked what his ambitions were and how they might match the company’s future needs. Such epic failures of planning and communication are frighteningly not that rare.

These older approaches to succession planning were really designed to recreate the current leader, with the perceived benefit of delivering both stability and a consistency of culture – an orderly transition from one regime to the next. This may be all well and good in a stable environment where change is gradual. Frankly though, few organisations today can really be said to be in a steady state in any case, and the new regime is often required to drive change and innovation.

Traditional succession planning has often reinforced organisational blind-spots – hindering innovation and slowing down the rate of change.

Neither has it encouraged diversity; either of people or thinking.

1. **Existing approaches are just not fit for purpose today**

“We cannot simply recreate what went before”
— FTSE 100 HRD

“CULTURAL CONSISTENCY IS DESIRABLE, BUT ADAPTABILITY TO CHANGE IS CRITICAL”
— FTSE 100 CEO
At any point in time, succession planning is both a safety net and a best guess for what might be needed in the future. It is by its very nature hypothetical and therefore subject to change at any time – it is by necessity a much more dynamic process than might be suggested by the strictures of the annual talent review.

Having named individuals in place to fill critical roles, should anything untoward or unforeseen happen, is good governance. Defining what might be needed from these roles to move the organisation forward into an uncertain future is much less clear. The very roles themselves might not be appropriate for a very different future.

It seems apparent that planning for a range of possible scenarios and having variety and choice for the moment that the succession becomes real rather than hypothetical is a smart idea.

“Readiness” is a term we hear a lot. This describes whether an individual or groups of individuals are ready to step up to the next level. Assessing the readiness of the talent pool will also identify development priorities in order to accelerate a state of readiness if required.

But “ready now” is not a steady state. It needs to be continuously reviewed as market and business dynamics evolve, and as the context shifts.

2. Succession is a Hypothetical Exercise

It is apparent that planning for a range of possible scenarios and having variety and choice ...is a smart idea.
Having variety and choice is critical because the decision around who ultimately succeeds tends to be largely contextual. One HRD we spoke to described her thinking in this area as follows: “While 70% of the requirements of a new CEO might be defined as ‘core’ or ‘typical’, when it comes to the crunch the business needs at the time are decisive”.

One CHRO we spoke to shared a similar perspective. Ultimately the choice between two good internal candidates for CEO succession came down to which one was strongest operationally because that was what the business needed in the next couple of years. The Board accepted the reality that this might have consequences for future-oriented thinking but the contextual imperative of the immediate future was paramount.

One CEO we spoke to missed out on a new role because the business was about to make a major acquisition and he had no specific experience in that regard. In all other respects he looked like the ideal candidate but the immediate challenge proved crucial.

This all sounds a bit short-term and reactive but it reflects the fast-moving nature of business today. Being clear about the “core” requirements of the role in question and then having choice and flexibility around the impending realities seems to be a very pragmatic approach.
What is certain is that succession planning is becoming an increasingly important item on the Board agenda, and the interest is at much deeper levels in the organisation than ever before. One CEO described how the new-found interest his company’s Board had was bringing a new urgency to succession planning. “We’ve gotten a lot better in thinking about talent and the future pipeline of talent. We also do it as a governance issue for the Board”.

Increased scrutiny of Board performance and heightened awareness of governance issues has unquestionably increased the focus in this area. The potential for key individuals to leave critical roles is clearly a significant risk factor for all companies. Mitigating this risk or at least monitoring readiness to tackle the risk are key challenges for the Board.

But we found that even at Board level the ability to stay future-focused, let alone develop a clear picture of what is down the line, is limited. “With just about every Board I’ve been on for the most part we have been focussed on the here and now. There is little long-term view until the CEO comes closer to term”.

Interestingly, when the question of CEO succession begins to become a reality, Boards seem increasingly under pressure today to go outside. At the very least some kind of external bench-marking exercise seems necessary if only for good form’s sake.

Over the last couple of years the norm has perhaps been to recruit from inside. Better assessment tools and more serious attempts to plan succession may have encouraged this approach. As we have seen this has been less than successful in a fair number of cases. Perhaps the real failure here is that Boards have been pretty poor at really understanding the strategic imperatives facing the business.

Pressure to bring in someone new to shake things up suggests a failure of Board involvement in strategy as much as a failure to develop fresh-thinking talent internally.
“Our pattern-recognition for potential leaders is very Western-biased. This has to change if we are to maximise the value we get from our talent,” Emily Lawson, Group HR Director, Morrisons.

It seems clear from our conversations that organisations are still struggling with diversity. By this we don’t mean simply better representation of different groups but greater diversity of thinking and acting.

We are still stuck with a westernised view of what makes a great leader and we have to ask ourselves how appropriate this will be to a world that looks increasingly to the East for growth and development.

We have to understand better how individual and institutional bias is hampering our ability to think differently, to lead differently and to innovate more effectively.

This is not just about handling cultural differences better but about finding a new inclusive way of leading that enables us to get the most out of the talent we have wherever it may be in the world.

Succession planning can only be truly effective if we have a broader view of what tomorrow’s leaders might look like.
“As the future is so unknowable the key skills for a leader can be described as a process. Learn fast, interpret, make choices, take people with you.” Stephen Clarke, CEO, WHSmith plc

This quote led us to think hard about what the key attributes for a leader in the future might need to be.

We heard in our conversations a number of things that seemed to resonate.

Firstly, a real shift of focus from individuals to teams and how the leader can leverage the strengths of key groups of people in his/her organisation.

Secondly, a realisation that the best of leaders cannot possibly deliver certainty but that clarity of communication at least is essential.

Thirdly, that nobody has all the answers and that the leader must be able to create an environment that encourages working collaboratively in order to benefit from the collective wisdom.

Finally, the ability to stay open, be comfortable with ambiguity and learn fast is a critical attribute of leadership if the organisation is to be able to innovate and remain relevant.

The future is unknowable but perhaps acceptance of this gives us the clues we need when we are thinking about how we plan for succession.

“Learn fast, interpret, make choices, take people with you.”
Stephen Clarke, CEO, WHSmith plc

Summary

THE ABILITY TO STAY OPEN, BE COMFORTABLE WITH AMBIGUITY AND LEARN FAST IS A CRITICAL ATTRIBUTE OF LEADERSHIP