REIMAGINING SUCCESSION MANAGEMENT

Eight disruptive ideas to transform your organization’s approach.
The World Economic Forum predicts that 35% of the skills that are important today won’t be in five years’ time. And 65% of children starting primary school now will do jobs that have yet to be invented.¹

That’s how fast the world of work is changing—and it’s having a fundamental impact on the way organizations are approaching succession management. Or at least, it should be.

Reimagining succession management is not easy. It is both a highly creative process and one involving real precision. However, we have developed eight core ideas that we believe will provide organizations with an effective framework for successfully transforming their approach.

These ideas are based on interviews that were conducted with 29 leading global organizations and on comprehensive research into the most contemporary thinking on the issue.² They also draw on the experience and insights of our consultants, who are based all over the world and work with organizations of wide-ranging sizes and maturities.

Our eight core ideas for reimagining succession management are:

1. Focus on future capabilities.
2. Create talent intimacy.
3. It’s about the journey.
4. Know your points of differentiation.
5. Find the best people, wherever they are.
6. Think team, not individual.
7. Measure impact.
8. Structure HR around business issues.

Each idea is outlined in more detail on the following pages.
In a recent Korn Ferry survey, more than three quarters of respondents said they were hiring for jobs today that didn’t even exist a year ago. In a world where work and technology are changing at such breakneck speed, does it still make sense to think about succession management in terms of business roles? What if you allowed your thinking to be driven by business priorities instead? Rather than focusing on specific leadership positions, you would concentrate on the capabilities your leaders needed in order to meet the challenges ahead.

These challenges will vary from organization to organization and from one industry sector to another. And the leadership capabilities businesses need to build will vary accordingly. Some will need digital leaders. Some will need inclusive leaders. Some will need agile leaders. Some will need all three. The important thing is that you build capabilities that are directly linked to your business strategy.

What would a two-year succession process look like in this capability-based model? Everything would be geared towards people with the competencies, experiences, personality traits and drivers that matched the capability groups you were trying to cultivate. Rather than talking about hiring and developing people for specific roles within the business, you would talk instead about identifying individuals inside and outside the organization who matched the capabilities your business strategy demands, whether that’s digital leaders, inclusive leaders, agile leaders etc.

It may be a very different kind of conversation from the ones organizations typically have about succession management. But perhaps those conversations would be more closely aligned with how line managers typically think about the issue.
Knowing how to prepare for the unknown.

There is currently much debate in the motor industry about whether commercial motors are going to be electrified. If they are, it will have an extremely disruptive effect for many vehicle and motor part manufacturers. But it’s not yet clear whether electrification will happen. And, if it does, it might not be for another 10, 20 or even 40 years.

This ambiguity has significant implications for succession. In the past, our client focused on finding and developing leaders for operational excellence. But, while the business may not be able to say with any certainty what the future will bring, they do know that, whatever happens, this needs to change. In the future they will need leaders who can think differently, form new kinds of partnerships, and drive innovation in a fast-changing, digital world. So, they are now defining these capabilities and seeing how they can develop a group of their leaders to move to this new profile and be ready when the market changes.
What do you talk about when you talk with your talent?

Many organizations confine their talent review conversations to the same relatively straightforward topics, such as what skills the individual needs to develop or what role they should be aiming for next. In our experience, however, the most successful organizations tend to have deeper conversations with their talent—conversations that help them understand each individual’s purpose and what really drives them at work.

We like to use the phrase “talent intimacy” to describe this kind of mindset and approach. Talent intimacy is about getting to know your talent on a deeper, subtler level—not just putting them into neat little boxes, which, however efficient they may make your system appear, can never capture the complexities of people’s ever-changing skill, aspirations and desires.

In fact, neat little boxes come with some big risks attached. And these risks are likely to grow even bigger as HR information systems become increasingly numerical-based. Numerical-based systems favor clear-cut categorization and tend to divide people along yes or no lines. But as we know from all the talent conversations we have had over the years, there is rarely such a thing as a yes or no answer. In real life, the answer is always: it depends.

Is this leader willing to relocate? Well, it depends where they’re relocating to. It depends what the role is going to be. It depends how settled their children are at school. Organizations that practice talent intimacy will understand and respond to these sorts of nuances, and will avoid missing out on suitable talent by confining them once and forevermore to the box marked ‘will not relocate’.

The same goes for so-called high-potential talent groups. The obvious question here is: high potential for what? For staying the course? For turnaround situations? For entering a new market? What’s really needed is not a ‘high potential’ label but rather an intimate understanding of what each individual has the potential to achieve.

Here are some top tips for getting to know your talent more intimately:

- Check in often.
- Make sure you have the most up-to-date information.
- Don’t make assumptions.
- Find out about individual purpose.
- Do not label people.
65% of female CEOs interviewed for a recent Korn Ferry study admitted that they had not considered becoming CEO until somebody—a mentor or boss—who had a deep understanding of their capabilities and drivers told them they could do it.3

67% of the world’s most admired companies have leaders who devote a significant amount of time to developing talent, compared with 48% among peer companies.

What does a typical development journey look like? In the old way of thinking, progression goes in one direction: up. But in a world where roles are constantly changing, is the traditional career path still fit for purpose? Perhaps a more effective model would be a Harry Potter-style staircase that moves freely between areas and levels.

Our research shows that the most admired companies use career assignments to develop capabilities among their high potentials and senior executives. However, these assignments do not necessarily have to involve moving up. They can go sideways, diagonally, even down—whichever direction helps people gain the experience they need.

How do you make sure individuals successfully navigate this complex, new world of development possibilities? We think there is an argument for having dedicated career counsellors to provide select individuals with expert career advice. The career counsellors’ job would be to get to know your talent intimately and to map out the career moves that would be most useful for them.

As we saw with the example of women CEOs in the previous section, people’s career aspirations are not fixed. They can be shaped and influenced, not just by an individual’s own experiences but also by the guidance, advice and insight they receive from others. In this sense, your career counsellors would also have a critical role to play in helping to cultivate the capabilities your organization needs for the future.

61% of the world’s most admired companies use career assignments to develop high potentials and key executives.

Among peer companies, the figure is only 35%.
An organization we have been working with for the past 10 years has been looking at different ways to effectively build its CEO succession pipeline. The company is relatively small, employing less than 1,000 people, so does not have the vast network of opportunities that a multinational would be able to draw on. Instead, they have had to think creatively about how they can equip potential CEO candidates with the knowledge and experience they will need to perform effectively in the role. This has made them masters of the “Harry Potter staircase” approach.

One of the candidates, for example, was encouraged to move out of her role in the legal department to take charge of one of their smaller businesses, with the explicit remit of learning how to deal with customers, handle labor negotiations and run a successful enterprise. She was subsequently made Board Secretary—so she could develop board relationships and learn about risk management—before transferring to a role in strategic planning.

None of these roles was at the same level. In the traditional way of thinking, her moves into business management and strategic planning both represented a step down. By making these downwards and diagonal career moves, however, she became well positioned as a prime candidate for the CEO role.
To provide everyone in your workforce with a dedicated career counsellor is neither commercially viable nor of practical value. The sensible solution would be to focus your career counselling service—and similar programs and initiatives—on those individuals whose development is worth most.

This brings us to the familiar concept of talent differentiation. How can we reimagine differentiation for the contemporary business world?

Let’s start with an example from online retail. Did you realize that all your favorite online retailers have assigned you a personal customer value score? This score tells them how valuable you are as a customer to the organization. It is based on all the past data they have accumulated about you, such as when you make your purchases and how likely you are to return goods, and it determines the kind of service you will receive in the future. Want to know what your score is? Try making a complaint. If you receive a rapid response by email—or better still by phone—then the chances are you have a high customer value score. If you have to wait a week, it’s safe to say you don’t. The point is that the retailer differentiates its service depending on how much each customer is worth to the business.

Now what if we apply this same approach to leadership development? At first, it may seem a little distasteful and de-humanizing. But wait. Isn’t this form of differentiation already happening, albeit at an unspoken level? For example, one of your leaders tells you they are leaving for another organization. Do you make a counter-offer or do you let them go? Another leader expresses discontent with the training you’ve provided. Do you immediately rush down to their office or do you send them an email the following day? In both cases, the course of action you choose will depend on the individual’s perceived value to the organization.

Is it really such a stretch to imagine that value being formally calculated rather than relying on the instincts of line managers and members of the HR team? This ‘employee value score’ could be based on each individual’s fit to your organization’s leadership capabilities. So those who had the highest value scores—and whose competencies, experiences, drivers and personality traits therefore matched your business priorities—would be the ones who were assigned their own dedicated career counsellors or who were offered development opportunities first.
When the pressure is on to fill a vacancy, it’s tempting to hire whatever talent is available rather than waiting for the talent that’s right. This is especially true when the skills you’re searching for are in high demand or if the vacancy in question is putting your operational continuity at risk.

Successful organizations, however, will always take the time to look before they leap. Challenging questions they ask themselves include:

• What capabilities do we need to achieve our future business goals?
• Is our current team of the right caliber?
• Are there internal moves we can make to stimulate the growth we want to see?
• Do we need to look outside the organization to find the talent we need?

The tricky thing about searching for suitable successors is that the best talent is not always in the most obvious places. To increase your chances of success, it is worth exploring all available options and giving serious consideration to whether you should build, borrow or buy the talent you need.

‘Build, borrow, buy’ should be a familiar concept to anyone who has worked on CEO succession with a board. Often, the internal candidate earmarked for the CEO role will not be ready to move up when the position becomes available. With the ‘build’ option temporarily ruled out, it is not uncommon for boards to consider borrowing talent from elsewhere, whether it’s a board member or perhaps a recent retiree who can fill the vacancy on a temporary basis.

What if we applied this more elastic approach to succession not just at CEO level but for lower levels of leadership as well? It would mean asking a new set of questions when searching for a successor:

• Does this person need to be a full-time employee?
• Could the position be filled by a contractor?
• Is there someone who has recently left the organization who would make a perfect fit for the role?

As long as you are absolutely rigorous at the point of specification, and use each vacancy as an opportunity to challenge the profile, then exploring different options and looking for successors in non-obvious places is only likely to increase your chances of finding the best talent for your business.
“One of the pieces of work I will drive with my own team is an in-depth evaluation of the top 100 of the firm against key capabilities. We will then challenge ourselves every time we have a vacancy to decide whether we build, buy or borrow to fill these roles. We will make a really conscious choice about every job we have as to how we will drive transformation through key hires.”

Group HRD at global financial services firm.

A recent global survey of 1,110 hiring professionals revealed that finding qualified talent is perceived to be 54% harder today than it was only one year ago.
Research has repeatedly shown how valuable it is to think about team performance. But for some reason, when it comes to succession management, the team goes out of the window and organizations focus exclusively on the individual instead.

There is, of course, an exception to this rule. When boards are replacing people in their top leadership team, they will routinely consider how the different capabilities and personalities of team members combine as a whole. We saw above how an approach typically applied at board level could also pay dividends lower down the organization. Is this another area of succession management where that might hold true?

A team-centered model of succession management might, for example, involve making multiple moves at once rather than filling vacancies person-by-person. In doing so, you could focus on ensuring you had the right capabilities in place and that individual members were able to work together effectively as a team.
We have written a lot about the capabilities your organization needs to develop in order to meet the challenges of the future. In a world that runs on business metrics and analytics, shouldn’t you be measuring the ongoing impact of these capabilities and identifying where and how they make a difference to your business?

The argument for doing so is twofold. On the one hand, it enables you to prove to the business that the capabilities you are developing are the right ones. On the other, it gives you the data you need to refine your capabilities and keep them aligned as closely as possible with business strategy.

How can you be sure that your measurement process will do these jobs effectively? First, there needs to be some rigor around the process itself. Second, it’s important to approach the process with an open mind, and to be ready and willing to adjust your capabilities if that is where the data leads you.
The last but by no means least important of our eight ideas involves reimagining the HR function itself. Is the center of excellence structure still fit for purpose? Or might it be more productive if HR was structured around business issues instead?

Let’s say, for example, that one of your organization’s priorities was to build digital capability. Would it not help to make this one of the key ‘themes’ of your HR function—and to structure your HR teams accordingly? In other words, bring together a specialist HR team consisting of people with different areas of HR expertise to look at all your HR processes through a digital capability lens. For example how you can recruit, reward, engage and develop people to this capability.

There are two obvious benefits to structuring your HR teams around issues rather than areas of expertise: one is that it enables your people to work in a more agile and collaborative way; the other is that it sets a powerful example of the capability-based approach that you should be trying to work towards in succession management.

10% of organizations who took part in our research have transformed their structure away from the traditional center of excellence in order to be more agile.
Next steps.

Before you can begin planning your journey of reimagination, it is important to understand where exactly you are setting out from. At Korn Ferry, we have created a talent management continuum, based on our research, which outlines the four different stages of maturity that today’s organizations fall into (Figure 1).

Those at the least mature end of the continuum are at what we have defined as the ‘maintain’ stage. This is characterized by a compliance mindset and a focus on meeting regulatory requirements.

At the other end of the continuum, organizations with the most mature approach to talent management are taking a much broader view of the issue. They have adopted a portfolio mindset, which involves looking at the larger talent ecosystem and making bold decisions in order to secure the best people in their sector. We have called this the ‘disrupt’ stage.

Between these extremes, there are two transitional stages: ‘Evolve’ and ‘Refresh’. ‘Evolve’ organizations have a risk management mindset and focus on ensuring business continuity. ‘Refresh’ organizations have an asset management mindset and are primarily concerned with making best use of the talent they already have.

Where should you be aiming for on the succession management continuum? Our research shows that businesses at the mature end of the spectrum—in the ‘Refresh’ or ‘Disrupt’ categories—have seen the greatest shareholder return over the last five years. There is an argument to say that all organizations should therefore aspire to reach one of these two stages; and those organizations already at the ‘Disrupt’ stage should be looking at ways to do what they’re currently doing even more effectively.

In the meantime, you can use our diagnostic tool to identify where your organization currently sits on the succession management continuum and to discover which areas of your succession management approach would benefit most from being reimagined.

To take our talent maturity model diagnostic, visit https://engage.kornferry.com/rtm-assessment.
### Korn Ferry’s talent maturity model.

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<tr>
<td><strong>Strategy and planning</strong></td>
<td>Imitator</td>
<td>Early adopter</td>
<td>Pacesetter</td>
<td>Game changer</td>
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<tr>
<td><strong>Talent analytics and measurement</strong></td>
<td>Data reporting Headcount and budget reporting.</td>
<td>Data mining Analysis of talent data.</td>
<td>Trusted analytics Business and talent analytics combine to inform decision-making.</td>
<td>Predictive analytics Analytics used to identify the decisions that need to be made.</td>
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<tr>
<td><strong>Talent focus and mindset</strong></td>
<td>Compliance mindset Meeting regulatory commitments.</td>
<td>Risk management mindset Ensuring business continuity.</td>
<td>As set management mindset Making the most of the individual talent you have.</td>
<td>Portfolio management mindset Managing the talent ecosystem.</td>
</tr>
<tr>
<td><strong>Talent acquisition</strong></td>
<td>Order fulfillment Filling a specific vacancy.</td>
<td>Specification shaping Critical review and challenge of the role and person needs.</td>
<td>Requirements planning Scoping the mid-term resource needs.</td>
<td>Talent scouting Proactive identification of non-obvious candidate.</td>
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<td><strong>Succession management</strong></td>
<td>Replacement planning Person to job.</td>
<td>Replacement pool Multiple people to one job.</td>
<td>Succession pool Multiple people to multiple jobs.</td>
<td>Capability planning People mapped against future capabilities.</td>
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<td><strong>Stretch moves/risk-taking</strong></td>
<td>Stretch moves as reward Stretch moves linked to promotion.</td>
<td>Stretch as development Stretch moves planned for growth.</td>
<td>Stretch as experience Stretch linked to breadth.</td>
<td>Stretch as all Stretch is everyday.</td>
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<tr>
<td><strong>Talent reviews</strong></td>
<td>People planning Talent review as risk management.</td>
<td>Organization and talent reviews Talent review as asset management.</td>
<td>Dual rhythm talent reviews Talent reviews are people-centered and dual rhythm.</td>
<td>Inflection point talent reviews Talent reviews drive transformation.</td>
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<tr>
<td><strong>Deployment/ internal mobility</strong></td>
<td>Job posting Individuals posted to jobs.</td>
<td>Preference posting Individuals input to the decisions on posts.</td>
<td>Self-nominated moves Individuals drive choice of internal move.</td>
<td>Open market Internal market mirrors freedom of external market.</td>
</tr>
<tr>
<td><strong>Talent development</strong></td>
<td>Career development Hierarchical career progression ‘One-step’ moves up the ladder.</td>
<td>Career ‘climbing frames’ Movement occurs across, down and up.</td>
<td>Spiral careers Careers spiral in and out of the organization.</td>
<td>Plastic careers The lines between organizations cease to exist.</td>
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<tr>
<td><strong>Learning and development</strong></td>
<td>Skill-based training Improving capability to perform the current role.</td>
<td>Blended learning Improving capability to perform the next role.</td>
<td>Stretch learning Opening up career options.</td>
<td>Lifelong purpose Improving employability.</td>
</tr>
<tr>
<td><strong>Talent engagement</strong></td>
<td>Employee opinion Understanding the point of view.</td>
<td>Employee engagement Improved performance through higher engagement.</td>
<td>Engagement and enablement High performance through the right levels of autonomy and productivity.</td>
<td>Employee purpose Exceptional purpose-driven performance.</td>
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Conclusion.

As the world continues to change at an exponential rate, and the future seems more uncertain than ever, it can be tempting to avoid making any risky decisions about succession planning and to fall back instead on the status quo.

To do nothing, however, is not to be risk-free. Far from it. Organizations that stick with outdated approaches to succession management risk missing out on the very best talent and failing to successfully implement their business strategy.

Fortunately, there are many ways in which you can plan for the future, even when that future is impossible to predict—and the eight core ideas outlined in this paper provide a robust framework for doing so.

As a starting point, organizations should work through the ideas and identify where they may be falling behind their competitors. By focusing on advancing to the next level of maturity in these weaker areas and then, ultimately, working towards a disruptive state across the board, they will dramatically increase their chances of securing the talent they need to survive and thrive in the years ahead.

About our research.

Our eight ideas are built on two studies carried out during late-2017 and early-2018. The first involved a review of recent studies into the future of work, leadership and talent management; the second involved interviewing representatives of 29 leading global organizations to understand their response to the seismic changes taking place in the world of work. These organizations include:

- Anglo American
- ARM
- Atkins
- BAE Systems
- Bain Capital
- BP
- Brambles
- British Army
- BT
- IDEXX
- Legal & General
- Mars
- National Grid
- Novartis
- Nokia
- Phoenix Equity Partners
- RBS
- Schlumberger
- Tesco
- Virgin Atlantic
References


About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities. We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people. Visit kornferry.com for more information.

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