Strategic Succession Planning: Ensuring Continuity and Growth

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EXECUTIVE SUMMARY

HR adds value to the firm through talent, leadership, and organization capability (culture). With the volatility that exists in our current global environment, it’s more important than ever that our companies have a point of view and plan for leadership succession. Firms need the right leaders to ensure the continuity and future growth of our firms. Strategic succession planning involves talent, leadership and organization capability (culture).

THOUGHT QUESTIONS

- What are key actions that your firm takes to plan for leadership succession?
- What gets in the way from having the right people ready at the right time for key role?

THE SUCCESSION PLANNING PROCESS

Mars: Royal Canin is a large and rapidly growing business segment of Mars Inc. focused on global pet care. Succession planning at Royal Canin, ensuring the development of the next generation of future leaders, is a key requirement of all leaders and is included in each leader’s objectives for the year. The rapid growth of the global pet care business and the sheer number of new employees make succession planning a bit more complex, but Mars’ strong and disciplined focus on the process of succession planning has proven very useful in ensuring the right people are ready for critical roles.

Mars spends a great deal of time defining the critical roles needed to succeed in the future. The succession planning process includes calibration reviews where all managers needed to succeed in the future. The succession planning process includes calibration reviews where all managers

Figure 1: The 6 B model

<table>
<thead>
<tr>
<th>Buy</th>
<th>Attract, recruit, select and on-board talented new employees</th>
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<tbody>
<tr>
<td>Build</td>
<td>Develop employees through work experienced (50%), training experience (30%), life experience (20%)</td>
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<tr>
<td>Borrow</td>
<td>Access talent that you do not have to own</td>
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<tr>
<td>Boost</td>
<td>Plan for, prepare, and promote high performers into positions of increasing responsibility</td>
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<tr>
<td>Bounce</td>
<td>Improve performance or move low performers out of the organization</td>
</tr>
<tr>
<td>Bind</td>
<td>Retain high performers through financial and non-financial rewards</td>
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- Workforce planning: what skills, what numbers, where
- Employee value proposition
- Competency model
- Recruiting and on-board
- On-the-job; e.g., assignment, coach
- Training as a guest
- Outside of work experience
- Outsourcing
- Using outside contractors/consultants
- Talent management review
- Succession planning
- Performance management assessment and decision process
- Financial and non-financial rewards
- Match rewards to individuals
- Flexibility
management development review process where managers spend a full day talking about their succession plans and ensuring managers are having the right conversations about employees and taking the necessary steps to accelerate individual development plans of future leaders. The succession process is a common practice across all of Mars’ business segments and succession plans from each segment and country are rolled up to Mars corporate headquarters.

One useful tool that Mars uses when discussing talent is the 6B Model (refer to Figure 1).

**Kraft Foods:** Like Mars, Kraft Foods has a strong succession planning process. Once a year, HR leaders sit down with key managers and talk through each person to discuss whether a person is ready now for a new role, whether they are promotable, and whether or not they are high potential. Much time is spent discussing the next role people will have in the company and how long they need to be in their current role before they are ready to move to a new role.

**Novartis:** Novartis has a robust approach to succession planning that is reviewed annually as part of the Organization Talent Review process, and regularly as part of departmental Talking Talent sessions. Time is spent determining critical roles and the required experience for such roles. Succession planning at Novartis places emphasis on three key elements: 1) assessment of talent in terms of the match between their portfolio of experiences against the requirements of the role, 2) learning agility, and 3) sustained performance. The learning agility approach has been rolled out worldwide and has proven to be a useful tool to discuss a person’s potential for future roles. The concept of learning agility has provided Novartis with a common language to assess potential. Refer to Figure 2 for RBL’s tool to assess your talent’s potential.

### KEY POINTS ON THE SUCCESSION PLANNING PROCESS

- Assess the belief among leaders that people are a source of competitive advantage. Make sure that leaders believe in leadership.
- Invest in everyone, not just your top talent. If you only focus on the top, you may find yourself struggling to fill entry-level positions in emerging markets.
- Make sure people on succession plans are open to career moves. Some employees, based on their family situation or life stage, are more open to career moves at certain points in their lifecycle than other people.
- Build a common process or methodology around the process (talent reviews, calibration reviews, etc.). Make sure that the process is transparent and fair.
- Have line managers be the owners of the succession planning process with HR professionals enabling the process as architects.

**Figure 2: Defining and Assessing Potential**

**Assessing Potential**

| Ambition | Does this person have the ambition to grow, test themselves, and become the best they can become in whatever career path they choose to follow? | 1 | 2 | 3 | 4 | 5 |
| Ability | Does this person have the basic abilities and intelligence to fulfill the highest levels of achievement in their chosen career path? | 1 | 2 | 3 | 4 | 5 |
| Achievement | Has this person been highly successful in their assignments and have a track record of exceptional success in all responsibilities they have been assigned? | 1 | 2 | 3 | 4 | 5 |
| Learning Agility | Does this person love to learn and attack career related data to capture new and unique ideas that can be applied to solving business problems and building their career? | 1 | 2 | 3 | 4 | 5 |

**Overall how would you rate this individual’s potential?**

- Very little upside
- Reached career potential
- Worthy of our investment
- Has a very big upside
- Absolute winner
CONTEXT THAT DRIVES SUCCESSION PLANNING

- Make sure you set the right expectations for a particular role or position. Define the requirements of the role to make sure that you match position and person. Too often succession starts with a debate about which person should be promoted without a clear definition of the requirements of the position. The position requirements set the criteria for evaluating people and focuses on the future not the past.
- Assess people against the expectations you set for the role.
- Ensure the proper investment mechanisms are in place to invest in your talent (refer to the 6 B Model).
- Be very disciplined about the succession process.

COMMON QUESTIONS & CHALLENGES

- People on succession plans don’t materialize.
- People are not re-locatable.
- People on the succession plan are not ready to move or have not had enough time to develop in their current role.
- Line managers are not willing or able to have the right conversations about the development of their people.
- Companies have a hard time predicting how a critical role will evolve in the future.
- Providing people with necessary time to develop people for new roles.

Time in Job: Sometimes organizations move people too quickly into a new role and don’t provide enough time for proper development. Many companies like to see people in a role for 2-3 years before they move into another role. A good rule of thumb is to allow people to spend 2 business cycles in their current role before you move them to a new role. In other words, don’t base time on a specific number of months or years but how many business cycles the person has experienced in their role. You want to be able to see if they succeed or fail during those cycles and how well they adapt.

Diversity: Most discussions about diversity begin by emphasizing how people are different. Shift the focus by discussing the 2-3 things people have to have a common understanding of in order to be successful in your company. In other words, start diversity with the few things people in the company have to be the same on. Start with unity and the common bonds and values people must have. Some organizations refer to these as “Citizenship Standards.”

Culture: In many large companies it’s not uncommon to find “micro-cultures” that don’t always seem to be aligned with a single shared global culture. It can be very difficult to identify that single common thread that holds the corporate culture together. One way to find that common cultural glue is by thinking about culture from the outside in. What is your company best known for or good at by your key customers and investors? Thinking from the outside in can help clarify the common global culture (e.g., your company is known for innovation) and provide a shared brand where micro-cultures fit.

Relocations: Not all people on the succession plans are re-locatable. This can be due to timing issues, a person’s life stage, or the fact that some people do not want to move every two years. Most global companies expect people to move if they want to become corporate officers. Companies should be sympathetic to each individual’s life circumstance, but it’s also important that employees who are identified for key roles know there are consequences to their choices. If someone is not willing or ready to move it is important that the person knows this may prevent him/her from being a senior officer at the company. You don’t want to discourage people, but it is important each person understands what is required to progress in your company and the consequences of their choices. One excellent practice is to ask people very early on in their career the following question: “When you think about the end point of your career, what is your destination assignment here? This allows for a longer planning horizon for succession planning.

Assimilation: Mars noted that it is often very difficult to have systemic development plans in place when you hire large masses of people that you need to assimilate to the company culture. To help people assimilate faster, make sure they are “cultural hires” and not “technical hires.” Novartis has recently reviewed its global onboarding practices and recognized that another way to speed up assimilation is by consistently appointing “onboarding buddies.” The onboarding buddy can help new hires with the technical aspects of their role and also be a useful sounding board on how things really get done in the company’s culture. And finally, learn from companies who have done large mergers & acquisitions successfully. Find out how these organizations were able to assimilate large numbers of new hires all at once.

Transparency: Novartis and Kraft Foods, like many other organizations, are debating the best way to communicate with associates how their potential is linked to their career and personal development. Kraft Foods has shifted away from using the 9-box and now focuses on sharing if each individual is: 1) promotable, 2) high potential, 3) or a key contributor. Although most organizations struggle with how transparent they should be, RBL believes a lack of transparency is a lack of leadership courage. The greatest gift you can give people is to let them know where they stand.
### SUMMARY OF SUCCESSION PLANNING OPTIONS

<table>
<thead>
<tr>
<th>Succession Planning Choice</th>
<th>Challenge</th>
<th>Best Option</th>
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<tbody>
<tr>
<td>Time In Job</td>
<td>How long should a person stay in a job before they are moved to a new role?</td>
<td>Have the individual spend 2 business cycles in a role before a change. Don’t predefine specific months or years for time in a job (e.g., you must spend 2-3 years in a role before a move).</td>
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<tr>
<td>Diversity</td>
<td>Should firms select for key positions based on race, gender, religion or cultural diversity?</td>
<td>Shift from diversity to unity. Identify the critical few values that all employees need to share to be successful in your firm.</td>
</tr>
<tr>
<td>Culture</td>
<td>How does a firm create a common culture in a global firm with diverse brands and business units?</td>
<td>Think about culture from the outside in to identify the 2-3 capabilities (e.g., innovation) your firm is known for or good at by your customers and external stakeholders. Aligning culture from the outside in creates shared cultural values all businesses can identify with.</td>
</tr>
<tr>
<td>Relocation</td>
<td>How do firms handle employees on the succession plan who don’t want to relocate for a critical position?</td>
<td>Be sensitive to each individual’s life circumstances but also be clear about what it takes to succeed in the organization by stressing there are consequences to each person’s choice. Identify at the outset each person’s “destination job” at your firm.</td>
</tr>
<tr>
<td>Assimilation</td>
<td>How do firms quickly assimilate and develop new hires to fit their culture?</td>
<td>Provide new hires with an “onboarding buddy”. Learn from companies with experience in M&amp;A. Hire for cultural fit as opposed to technical fit.</td>
</tr>
<tr>
<td>Transparency</td>
<td>Should firms let people know they are high potential or on the succession plan for key roles?</td>
<td>Be transparent with where people stand.</td>
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### CONCLUDING POINTS
- Line leaders are the owners of succession planning process. HR is the architect of the process.
- Be very clear about the roles and expectations of the future evolution of the roles in your company.
- Ask each new employee what his or her destination job at your company would be. This allows for a longer planning horizon for succession and allows the organization to help people get to where they want to be.