

# Have succession planning and talent management reached their limit?

By Serge Roux-Levrat and Hans Christian Steckling

Succession planning and talent management are not delivering on their promises. Some ask: is it worth investing into? We say: definitely yes, but differently! The solution lies in changing the way we go about it: from appointing CTMOs to developing different leadership profiles as opposed to cloning an "ideal" leader. These disciplines are in their infancy - there is still much room for improvement!



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## Observations

Several articles have recently been published on the topics of succession planning and talent development. Most conclude that the efforts undertaken by companies are failing to develop the desired strength of the leadership backbench. Additionally, many reports indicate that the level of engagement of employees remain disappointingly low even though new talent management tools have been introduced over the last 15 years.

Is this surprising news? Not really. Why? For two main reasons. Firstly, most talent management processes are faulty by design: indeed, succession planning, talent management, leadership development and recruitment are interdependent issues, not independent of one another as assumed by today's HR processes. Secondly, these processes are often insufficiently aligned with business management and the company's strategic direction.

To complicate matters further, the pace of change is accelerating, the world is becoming flatter, new competitors are emerging, the war for top talent diversity is intensifying, new ways of collaborating are appearing and margins are being squeezed even more. Today, companies have to integrate far more cultural and diversity factors than ever before and to create a strong culture of innovation and corporate renewal. This poses a real challenge to companies, but

also a wonderful opportunity to leapfrog their competitors!

## The difficulties

All in all, we can confidently say that the forces identified above impact leadership development - and therefore succession planning - in two major ways.

Firstly, we cannot predict any more all the critical skills that the top leaders of an organization will need to possess in order to lead the company successfully 10 years from now. As a matter of fact, we cannot even do that for a shorter-term horizon. Indeed, who can forecast the challenges a company will be facing once its current leaders retire? Will it be restructuring,

“Succession has always been the ultimate test of any top management or [...] institution.”

*Peter Drucker*

reducing the company's cost base, developing new products or distribution channels, navigating in rough seas, maximizing the return on human capital, or a combination of these and other threats?

It is therefore no coincidence that many well crafted, but ad hoc succession plans fail to deliver the right profiles at the right times. Take Coca-Cola

for example. Its legendary CEO, Roberto Goizueta, always thought that he had trained the best person that could take over his role one day. However, when his groomed successor took over, he did not last long: within two years he had to resign. The environment the company faced changed so drastically that the successor's skill set no longer matched what was required for the top job. Is this an isolated case? No. Within three years of taking over at Dell, Kevin Rollins had to let Michael Dell be back in charge. At Citigroup, Charles Prince was ousted 4 years after taking over the corner office. In fact, the statistics show that almost 40 percent of all new CEOs fail in their first 18 months.

Secondly, because of the ferocious talent war that is going on, a company has no certainty that the talents it develops will be there when a succession-planning gap (or an urgent and unplanned replacement) needs to be closed (or done).

Thirdly, it is extremely difficult to predict success at the C-level with high accuracy. Yes, full competency-based behavioral interviews complemented by 360-degree behavioral reference-takings and assessments of potential can provide you with a lot of interesting information about an executive. However, no one can accurately predict how executives will react and behave when they are appointed to the C-level from this set of information. How many executives change for the worse once they are regarded as serious contenders for the top CEO role? More than we think. Some become "dictators". Others suddenly lose their decisiveness, become manipulative or start compromising on their values in order to continue to deliver

their "numbers". Others fail to successfully put together winning teams.

The problem is that below the C-level, executives know that unless they "play" the game well, they are unlikely to be promoted. As a result, many will not reveal their true self until they are sufficiently high in the organization to feel safe to be themselves.

This behavioral tendency poses quite some risks for a company and is unfortunate for all the parties concerned: not only can an executive see his career halted almost overnight, but also the company will see its people investment nose-dive to zero.

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Worse, the company is now faced with the prospects of "removing" an executive who has become more a liability than an asset. This inevitably creates uncertainty and therefore impacts employee engagement negatively.

### The solutions

How can companies increase the success rate of the executives they promote to the C-suite?

Firstly, by getting to know them well. Companies should therefore assess their talented people regularly and leverage effectively all the information they possess about each one of their executives: i.e. the educational track record, work

history, performance reviews, communication style, 360-degree feedback reviews, track record as people managers and developers, how they behaved in rough seas or surmounted mistakes, etc.

Secondly, by pairing their top executives (starting usually at the N-3 level for a Fortune 500 company, N being the level of the Group CEO) with a talent agent – not to be confused with a traditional executive coach. Why? Because this pairing can increase substantially the promotability score of an executive. Indeed, unless you have gained an intimate knowledge of a top executive (including his/her strengths, development needs, character flaws, real values, etc.) through a talent agenting relationship that extended over a sufficient time span, you will have a limited ability to: a) develop effective and personalized development plans; and b) assess the aptitude of an executive to perform successfully within the C-level suite.

Thirdly, by setting up professional talent review boards (TRBs) to review the information available on each executive (including the input emanating from the talent agents) and draw up promotability maps. These maps should distinguish between the skills, abilities and character traits that can be strengthened from those that cannot easily be changed.

Moreover, they should highlight the ability of an executive to learn and unlearn as well as his or her willingness and commitment to change. Today, our experience clearly shows that the values and drivers of executives are insufficiently taken into account when promotion or succession planning decisions are being made. And this is unfortunate,

as it inevitably increases dramatically the probability of making a wrong decision.

Based on these maps, highly customized personal development plans can then be elaborated and implemented by each “talent agent – executive” pair. The role of the talent agent will then be to enable the executives followed to reach their true potential, develop and hone the skills that can and should be strengthened, learn to handle as effectively as possible some of the treacherous situations that they will inevitably face in the future and uncover the key character traits that could become a stumbling promotion block for them.

For best results, each talent agent should follow several executives and be integrated in the quarterly TRB meetings that the company conducts. If this process and executive talent agenting pairing is followed and complemented by a culture that allows executives to be themselves and to make mistakes, then a company should be able to predict executive promotability over a three-to-five year time horizon with a 90 percent confidence level, thereby reducing dramatically the cases of succession planning failures.

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Fourthly, by creating in every major organization a “Talent Scout” or Chief Talent Management Officer (CTMO) position with the mandate to

manage the key risks associated with the management of human capital. In our views, the CTMO should oversee the following critical areas: recruitment, talent retention, talent development, leadership development and succession planning. To add value, the CTMO would basically have to:

- a) Minimize recruitment risks, turnover, absenteeism, succession planning failures and compensation & benefit collateral damages;
- b) Maximize onboarding, employee engagement, on-the-job learning and development, ability to cope with change, corporate agility and employee resilience;
- c) Ensure that top performers deliver their numbers the right way (i.e. without sacrificing company values) and grow the value of the human capital that they have been entrusted with;
- d) Manage corporate renewal, i.e. ensuring that the composition of the leadership and human capital of the company (in terms of diversity, values, skill set, cultural acumen, etc.) changes as fast as needed

Fifthly, companies should not develop “clones” of an ideal leader, but several distinctive leadership profiles. This will enable them to have the right leader at the right time!

**The advantages**

What are the main advantages of such a talent management approach? On the one hand, it shows that talents matter for the company and that it is committed to promoting from within. As Jim Collins and Jerry Porras pointed out in their book, “Built to last”, less than 5 percent of the CEOs

who led great companies came from the outside world, versus over 20 percent for the companies that they regarded as just good. In our opinion, an external person should be appointed to the top CEO role only when key circumstances are met (for example, when the company is going through a significant crisis and has lost its credibility, as was recently the case for General Motors).

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On the other hand, it maximizes talent retention as the key issues that frustrate the company’s top talents can usually be timely identified by the talent agents. The company can then successfully address them. Additionally, such a strategy helps to identify earlier and more precisely the need for external recruitment. The company can then work with firms that specialize in strategic recruitment and career counseling to poach the best people available on the external talent markets well before (i.e. ideally with a one-to-three year anticipation timeframe) the succession planning gaps need to be closed.

**Key recommendations**

Two new practices can help companies mitigate their key leadership capital risks: talent agenting and strategic recruitment. As they implement them, they will have to select external providers who are regarded as credible by candidates and

who are prepared to tie up with few clients per industry. Without this exclusive partnership, an external provider cannot deliver great value on the strategic recruitment front. Needless to say, the talent agents should have assumed key leadership positions themselves, and be intimately familiar with the trends and challenges of different industries. This will enable them to be of real value to the executives they work with and understand the various pressures that they are submitted to.

Strategic recruitment is an essential tool for companies that seek to optimally manage the rate of corporate renewal, foster innovation, penetrate successfully new markets, and influence key stakeholder networks. When considering the strategic recruitment option that they should pursue, companies should take a corporate view, and not just a silo, functional or “blinded” industry view, as is too often the case nowadays.

**Conclusion**

In today’s world, a company that is not taking talent management seriously is at a serious disadvantage when it comes to attracting and retaining its best talents as well as to generating extraordinary returns on its human capital. Indeed, unless it performs regular risk management audits on its human capital, it will increasingly be navigating in dangerous seas: it could find

one day that it does not have the leaders it needs to execute its strategy successfully.

Going forward, we firmly believe that overlooking all human capital related risks will be the most important task of a company’s Board of Directors. This will hold true regardless of the industry in which a company operates.

**“Two new practices can help companies mitigate their key leadership capital risks: talent agenting and strategic recruitment.”**

Overall, we encourage you to take a fresh look at succession planning and talent management. View them through a holistic and strategic lens rather than through an organizational and functional one. Additionally, we invite you to identify the functions that are strategically important for your future success as well as the skills and experience that your current and upcoming leaders need to gain.

Thereafter, develop, with the help of companies that specialize in strategic recruitment and talent agenting, a set of strategies geared to maximizing your return on human capital and minimizing your people risks.

Give them the mandate to develop a series of strategic recruitment options that you could exercise in order to timely drive change, innovation, corporate renewal and the upgrading of your leadership capital. For best results, do not treat this as a one-off exercise, but as a continual process.

Now the question is: as an executive, what can you do yourself to increase your promotability? If your company is not offering talent agenting support, then you should take the initiative yourself. After all, you are ultimately responsible for your own development. If you fail to succeed at the very visible C-level, your brand value can be devalued very quickly. A talent agent will specifically help you: a) minimize the risks on your career and earnings; and b) transform yourself for the better.

Always have in mind that once a major risk has materialized, repairing the damages inflicted to your personal brand will be a very costly and time-consuming exercise. You might be able to turn around the situation yourself, but teaming up with a talent agent will ease your recovery path and give you the honest mirror view that you need to take with confidence the right next steps. Who else can give you an honest and objective view, but a caring and competent talent agent?

**Talent Agenting** is a proven leadership development program process pioneered by both HCS-CONSULTING and getTalented. A talent agent is a mentor, a coach, a sparring partner, and an independent trusted advisor at the same time. Talent agenting helps successful leaders to move faster and more effectively into the next levels of professional development. It follows a highly customized approach and leverages a variety of diagnostic tools and solutions to accomplish its goals. It can be used as a stand-alone process or as part of a company’s leadership development process.