



## BUILDING LEADERSHIP BENCH STRENGTH

CURRENT TRENDS IN SUCCESSION PLANNING AND MANAGEMENT

by JOYCE A. THOMPSEN and ANNE E.P. SMITH

*What is the compelling case for paying attention to building leadership bench strength?*

*An organization's capability and capacity to deliver targeted results and sustain economic viability over the long term is highly dependent upon its focused planning and management in building, deploying, and retaining critical leadership bench strength.*

*Organizations that fail to identify and prepare current and future leaders are at high risk. Opportunities of many types will be missed or fall disappointingly short of expectations.*

Here are some examples:

- Such organizations will not have sufficient leadership strength and numbers to rapidly seize, shape, and capitalize upon business growth opportunities.
- They will not be able to readily expand into new market spaces.
- They cannot defend as effectively against sudden competitive threats.
- They will not have enough leaders who are ready to immediately and effectively execute new strategic initiatives.
- They will not have enough seasoned leaders to wisely guide new acquisitions to realizing the targeted results.

- They will not have leaders who are able to craft strategic choices in the midst of ambiguous circumstances.<sup>1</sup>

Whether such initiatives are called succession planning and management, building bench strength, or talent management, it is clear that there is a direct connection between such deliberate and systematic identification, engagement, and retention of potential leaders and talented performers, and the achievement of targeted results. There is compelling evidence that this focused attention produces superior performance and financial strength.<sup>2</sup>

For example:

- There is a strong relationship between leadership bench strength—that is, availability and readiness—and financial success.<sup>3</sup>
- A recent study of strategy-to-performance gaps shows that there is an average shortfall, opportunities missed, or performance loss of 37 percent. A significant contributor to such gaps is the failure to have the right leadership resources in place—who can also effectively translate the strategy into actionable priorities.<sup>4</sup>

- Another study has concluded that the long-term viability of an enterprise requires a continuous flow and abundant pipeline of high-potential performers who can move into leadership roles at all levels throughout the organization.<sup>5</sup>
- Organizations that score in the top 20 percent in talent management and leader development produced an average of 22 percent greater total return to shareholders.<sup>6</sup>
- Another report reveals that up to 70 percent of organizations are suffering “moderate to major leadership shortages,” a condition that not only is “inhibiting growth ... but also driving up costs.”<sup>7</sup>

The public sector can also be at risk. Where a strong leadership bench is not in place, the rising challenges of public service and security will not be as fully addressed. This is compounded by the imminence of dramatic demographic shifts. In the coming fiscal year, some estimates show that approximately 493,000 people—31 percent of the federal workforce—will become eligible for retirement. A high concern reported by 87 percent of public sector leaders in a recent study was the need to grow leaders from within the current ranks.<sup>8</sup>

Furthermore, the Center for Workforce Preparation (CWP), a not-for-profit affiliate with the U.S. Chamber of Commerce, has reported that “by 2010, the labor force will fall short of meeting the demands of an estimated 58 million job openings by more than 4.8 million workers.” These numbers include significant percentages of people in leadership roles. It is also clear that there will be fierce competition for highly skilled leaders who can be ready to serve in key roles.<sup>8</sup>

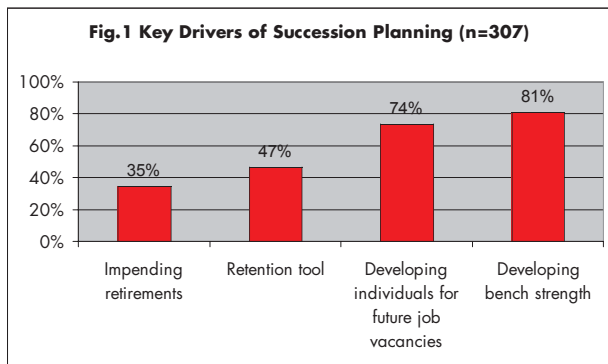
#### ACHIEVEGLOBAL STUDY OF CURRENT TRENDS IN SUCCESSION PLANNING AND MANAGEMENT

In June 2005, AchieveGlobal conducted a survey of 307 United States business and government leaders, 65 percent of which were in senior executive roles. The findings reveal a number of important insights into the current trends and practices in succession planning and management, or building leadership bench strength.

Succession planning and management or a process for building leadership bench strength is used by 71 percent of the survey respondents. Fifty-five percent have used the process at least three years. Between 70 percent to 78 percent of those respondents focus their succession planning and management activities on middle manager and senior executive positions.

#### KEY DRIVERS FOR SUCCESSION PLANNING AND MANAGEMENT

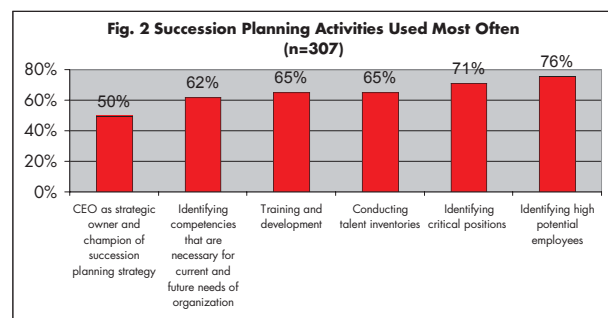
Four primary drivers were reported by organizations that are engaging in succession planning and management.



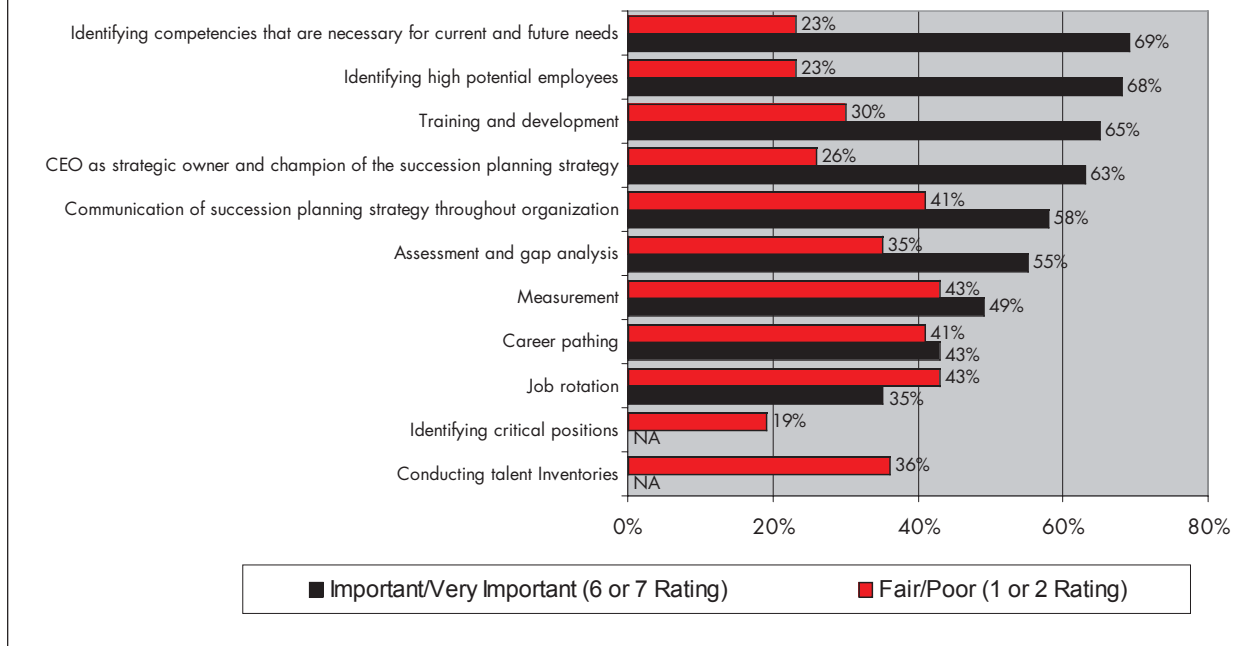
These survey results strongly correlate to the observations noted in previous leadership research conducted by AchieveGlobal and referenced above in other studies.

#### SUCCESSION PLANNING AND MANAGEMENT ACTIVITIES

A majority of the respondent organizations reported the use of six types of succession planning and management activities, as shown in the following table.



**Fig. 3 Importance & Rating of Succession Planning Activities**  
(n = 307)



Respondents were then asked to rank the importance of such activities and rate the actual performance of their organizations in those activities. Those results are shown above.

There are some interesting observations about this set of data. Three activities that are not used by the majority of the respondents—and were given weak ratings in actual practice—were ranked relatively high in importance. Those areas were:

- Communication of the succession planning strategy throughout the organization
- Assessment and gap analysis
- Measurement

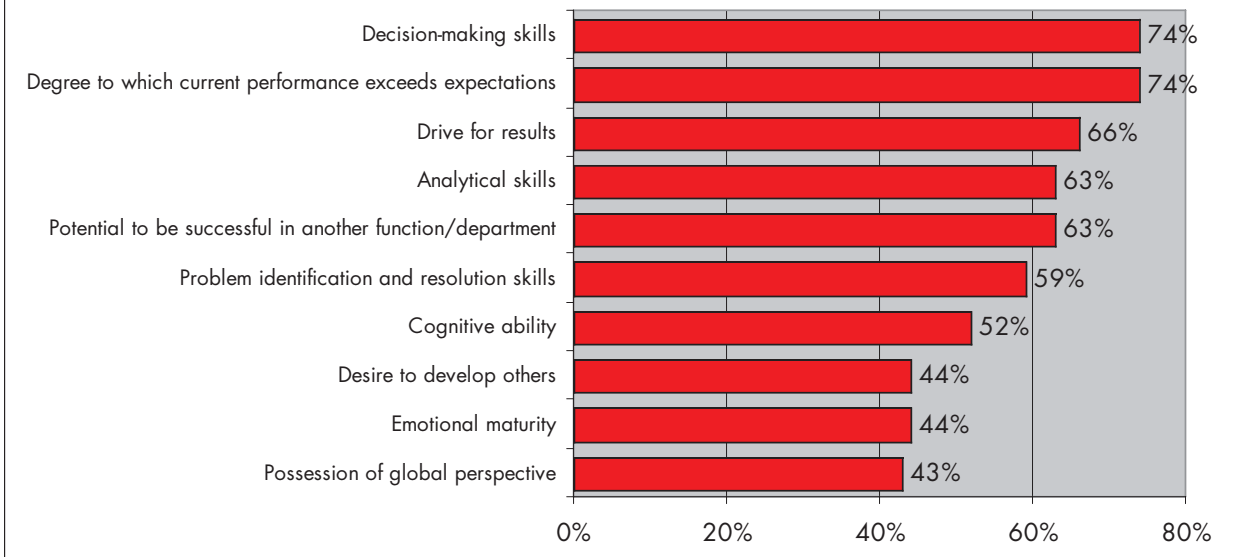
In further investigation, it appears that these are more difficult activities to conduct, especially in the early launch phases of succession planning

and management. Thus, a smaller percentage of respondents have had an opportunity to formulate their approach to these activities or gain successful experience in practice. Yet, it is clear from this survey, as well as other studies, that there is significant importance in clear communication of intent, using the precision of assessment and gap identification for developmental planning, and the need to measure the success of the process and its contribution to the organization. These may be natural target areas for seeking outside expertise and guidance.

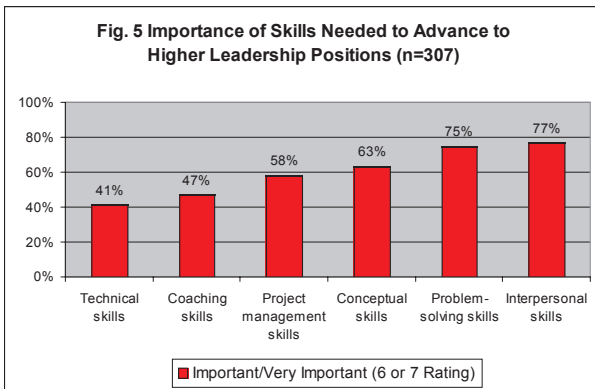
#### LEADERSHIP COMPETENCIES

Survey results showed that 10 leadership competencies were commonly used to identify high potential employees. Those competencies and the frequency of use are shown on the following page.

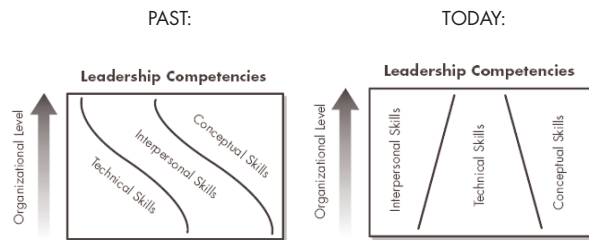
**Fig. 4 Competencies Used to Identify High Potential Employees (n = 306)**



In a separate survey question, respondents ranked the importance of skills actually needed and used to advance to higher level leadership positions. Those with a ranking of “important/very important” are shown below.



The survey ranking of the importance of skills needed at higher organizational levels is quite consistent with other executive leadership research in a study conducted by Stephen Zaccaro.<sup>9</sup> The following graphic portrays the rising relative importance of interpersonal and conceptual skills today, compared with previous times.



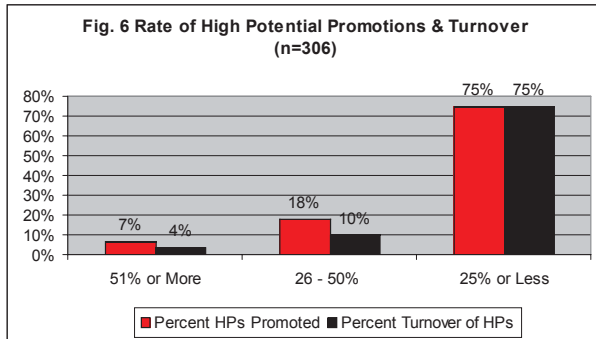
\* Zaccaro, Stephen J., *The Nature of Executive Leadership: A Conceptual and Empirical Analysis of Success*, American Psychological Association, Washington, D.C., 2001.

The exception from the June study is the lower ranking of coaching skills. By comparison, in other AchieveGlobal studies, the importance of coaching and developing others rises to a very high importance level and is viewed as a critical role in leadership positions.

#### HIGH POTENTIAL PROMOTIONS AND TURNOVER

The survey also inquired about the rate of promotions, as well as the turnover rate of people who had been identified as high potential candidates and involved in the succession planning and management process. The results showed that 75 percent of the respondents had promoted up to 25 percent of their high potential

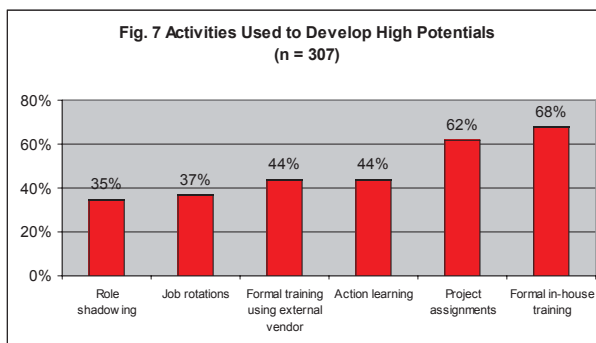
candidates since the program inception. Another 18 percent had promoted between 26 percent and 50 percent of such candidates. Only 7 percent had promoted more than half of their high potential people.



In additional research, AchieveGlobal has learned that the identification and expectations for high potential candidates need to be carefully managed. For example, if candidates construe such a designation to be any form of promise for promotion or quasi-contract—and they are subsequently not selected for openings, there may be significant disappointment and risk of turnover. Other studies report that even with the presence of a succession planning and management process, key openings may or may not draw upon the high potential candidate lists in final placement decisions. Communications of intent and management of opportunities must be carefully reconciled and positioned to avoid unintended adverse effects.

#### TRAINING AND DEVELOPMENT ACTIVITIES

Survey results show that a number of activities are currently in place to develop high potential candidates, as noted in the figure below.



When responding to how training and development is used in succession planning and management, specific patterns emerged.

- The activities were focused on identified developmental gaps.
- The primary skills for development are:
  - Leadership
  - Team building
  - Communications
  - Change management
- Organizations use a balance of internal and external resources for training and development.
- There is frequent use of action learning techniques with real or relevant situations.

#### CHALLENGES TO SUCCESSION PLANNING AND MANAGEMENT

Responses to the survey revealed seven common challenges to the succession planning and management process.

##### Seven Common Challenges Organizations Face Related to Succession Planning

1. Finding the right employees to develop
2. Time for the process
3. Buy-in by senior leaders
4. Organizational issues such as downsizing or mergers
5. Implementation and follow-through
6. Assessment and measurement
7. Losing talented people

Respondents were then asked how their organizations are currently addressing the challenges before them. For those who need to find the right talent, they reported the use of more assessment tools, broader recruitment efforts, creation of rotational opportunities, laying out career paths, and more explicit internal development of skills. There was a common observation about the shortage of talent, experienced and skilled bench strength, and serious challenges in recruitment.

Where greater buy-in is needed, those organizations engage the CEO in personal persuasion with senior executives, human resources representatives work directly and one-on-one in such situations to review the process and show positive results, and the management team cascades the purpose and importance down and through the organization.

Where implementation and follow-through has been a tough challenge, there is greater emphasis in creating formal guidelines and commitment to placements. There is also a focus on creating thorough communications plans and securing outside expertise in implementation planning.

For those organizations who are struggling with assessment and measurement, they are seeking external help where needed to conduct job analyses, competency identification, career pathing, leadership assessment and feedback, organizational review process steps, career development tools, and retention strategy planning. Others are continuously seeking feedback from all parties involved in the succession planning and management process. Some focus on identifying the blockers to their success. Still others looked for outside help in carefully planning the communications strategy and setting up effective developmental plans.

For those who are experiencing retention problems, the organizations are coaching senior management on the importance of succession planning and the direct links to retention strategies. There is also stronger emphasis on communicating the long-term benefits of staying with the organization as compared to realizing a pay raise elsewhere—use of the employee value proposition for their organization.

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## CONCLUSIONS

A variety of forces—sharp demographic shifts, downsized middle management ranks, renewed economic growth, new business opportunities, and competition for critical talent—has significantly raised the importance of the strategic lever of building, deploying, and retaining critical leadership bench strength. Furthermore, organizations that fail to identify and prepare leaders

run considerable risks in missing mission critical opportunities and suffering financial consequences.

While a majority of organizations are now pursuing some form of succession planning and management, developing bench strength, or talent management, the formation of best practices is still in the early stages. On the basis of these survey results, previous leadership development research, and practical experience, AchieveGlobal observes that the following guidelines are essential:

1. Create a compelling case for the purpose, importance, and expected impact of a succession planning and management process that fits the explicit current and future needs of your own organization. Ground the case with data from thorough business and organizational assessment.
2. Secure a high level of conviction and active involvement in the process by all senior leaders, led by the CEO. Crystallize roles and responsibilities for all players. Confirm the intent to use this process for all openings.
3. Set an overarching strategy for building leadership bench strength: right people, right place, right time.
4. Define a meticulous, comprehensive, strategically aligned, fair, and equitable succession planning and management process that provides opportunities to everyone.
5. Create a detailed communications plan to accurately portray the full intent of what to expect—and what not to expect.
6. Identify an accurate list of leadership competencies (skills, knowledge, abilities, and motivations)—a talent portfolio—that will produce superior performance in likely future scenarios of the organization.
7. Identify key linchpin positions that can propel or inhibit strategic initiatives or opportunities.

8. Use the competencies to assess the current talent pool. Analyze the results to identify high potential candidates and create pinpointed developmental plans.
9. Align the succession planning and management process with the employee value proposition—why a promising leader will want to grow, develop, and contribute with this organization over the long term. Incorporate appropriate messaging in recruitment strategies.
10. Create a set of training and developmental experiences that are directly connected to building skill in the leadership competencies.
11. Tie the process to the organization’s performance management, promotion, reward and recognition, and related human resources systems, processes, and policies.
12. Engage in at least annual reviews with the process and all candidates. When there are triggering strategic circumstances, conduct an immediate review.
13. Look first to succession planning or leadership bench strength inventory for promotional opportunities.
14. Periodically measure and evaluate the integrity and progress of the process, regulatory compliance, the movement of high potential candidates, turnover and retention strategies, impact of developmental activities, and other metrics that tie to strategic fulfillment. Communicate and celebrate results.
15. Include the board of directors, shareholders, or other key stakeholders in critical communications.

With deliberate succession planning and management, the organization will develop a broad and deep leadership bench that can seize and capitalize upon spontaneous opportunities, realize strategic targets, and rise to the toughest challenges.

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#### ABOUT THE RESEARCH

In June 2005, the AchieveGlobal Research Group conducted an online survey on the subject of succession planning with a sample of U.S.-based leaders in 17 vertical sectors from business and government. Forty percent of the respondents were from manufacturing, banking, and health care. There were a total of 307 respondents, of whom 65 percent were executives. Eighty-five percent of the organizations have 1,500 or more employees. The survey included opportunities to supply both quantitative and qualitative data. In addition, a number of relevant published articles and research reports were reviewed.

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- <sup>8</sup> “Critical Crossroads: Developing Leaders in the Public Sector.” AchieveGlobal research paper, 2003.

<sup>9</sup> Zaccaro, S. *The Nature of Executive Leadership: A Conceptual and Empirical Analysis of Success*. Washington, D.C.: American Psychological Association, 2001.

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Dr. Joyce Thompsen is an experienced corporate executive, consulting practice leader, and educator. Her primary role is to help organizations clarify and execute strategy to achieve desired results. Other areas of emphasis include designing customized leadership, sales performance, and customer service programs, providing guidance in complex organizational development situations, designing performance management systems, competency-based systems and assessments, succession planning, and managing organizational talent.

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Joyce has earned a Ph.D. in applied management and decision sciences, an MBA, and a B.S. in business education. Her professional affiliations include The Institute of Electrical and Electronic Engineers, the Engineering Management Society, The World Future Society, and the American Society for Training and Development. She has been a director of the Research Advisory Board of the Greater Minnesota Corporation; a gubernatorial appointee to the Elementary-

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AchieveGlobal helps organizations translate business strategies into results by improving the performance of their people. Clients worldwide rely on AchieveGlobal's expertise in leadership development, customer service, and sales effectiveness. Implementing research-based learning solutions, AchieveGlobal empowers clients to successfully develop leaders and acquire, grow, and retain profitable customer relationships.



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