

Time to turn around ugly stats

On my way back to the office after SCNetwork's event on CEO succession, I received an email from McKinsey Quarterly with an article on the same topic.

The piece started with an ugly statistic: "Two-thirds of U.S. public and private companies still admit that they have no formal CEO succession plan in place, according to a survey conducted by the National Association of Corporate Directors (NACD) last year."

A CHRO recommended CEB's research briefing titled "Succession Strategies for the New Work Environment." She added: "The current work environment is changing too fast for traditional succession planning approaches to work effectively."

Her comment points to a broader problem with succession management — not just CEO successions. Thirty-eight per cent of HR leaders and 36 per cent of senior leaders who responded in 2013 to CEB's worldwide survey agreed elimination of current succession processes would not change the quality of successors.

Yet, 61 per cent of HR leaders indicated succession management was the top talent priority for their board of directors.



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CEB found major leadership gaps all over the world — not just in the U.S. They explain the shocking statistics as follows:

- Our work environment is changing.
- Leadership is also changing.
- Current succession management practices, which were designed for the old world, have become highly ineffective.

Strong partnership

CEB recommends replacing the traditional "pipeline approach" to succession management with a

"portfolio approach." I am assuming other experts in the field are advocating different solutions, all with their own merits.

Finding the right fix is obviously important. But another issue might be even more critical: Who should take the lead in reinventing succession management?

My mind goes back to SCNetwork's event. Speaker David Gibbons talked about the importance of a strong partnership between current CEO, CHRO and head of the board of directors' HR committee. I know from experience that unleashing the power of partnering is critical to succeed with change.

I don't think it really matters who takes the lead in establishing the partnership — as long as someone does. If the CEO or head of the HR committee hasn't already started the process, then the CHRO should most definitely seize the opportunity.

Extra profit growth

"On average, portfolio strategies are twice as impactful as pipeline strategies, leading to an extra two per cent growth in year-over-year revenue and profit," said CEB.

I never get too excited about top-line growth but I love it when the bottom line is increasing. Two percentage points from one strategic initiative is not too shabby. From this perspective alone, reinventing succession management is a worthwhile undertaking.

But, there is also the increased scrutiny from the board of directors and the large number of leaders who are dissatisfied with the current approach.

It's time to turn the statistics around. The CEO, CHRO and head of the HR committee should reach out to each other. In partnership, they can transform succession management for the new world.

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