Succession Strategies for the New Work Environment
From Pipeline to Portfolio Management
12 December 2014
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Executive Director, South East Asia
A Framework for Member Conversations
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Widespread changes in the organizational environment have led to fundamental changes in how work gets done.

- Employees increasingly work across multiple time zones, cultures, and customer segments.
- An employee’s responsibilities expand as more managers and stakeholders become involved in his or her day-to-day work.
- Employees’ work requires greater collaboration, which also calls for improved soft skills, such as social awareness and negotiation.
- An abundance of information can improve employees’ performance but also complicate decision making and create distractions from work priorities.

### A NEW WORK ENVIRONMENT

#### Geographically Dispersed Workforces

**Change in Amount of Work with Coworkers in Another Location in the Past Three Years, by Percentage of Employees**

- 5% Decreased
- 57% Increased
- 38% Stayed the Same

n = 23,339 employees.
Source: CEB 2012 High Performance Survey.

#### More Matrixed Organization Structures

**Change in Number of Individuals Involved in Decisions in the Past Three Years, by Percentage of Employees**

- 7% Decreased
- 50% Increased
- 43% Stayed the Same

n = 23,339 employees.
Source: CEB 2012 High Performance Survey.

#### Greater Amount of Collaboration Required

**Change in Amount of Work That Requires Collaboration with Others in the Past Three Years, by Percentage of Employees**

- 3% Decreased
- 67% Increased
- 30% Stayed the Same

n = 23,339 employees.
Source: CEB 2012 High Performance Survey.

#### Higher Volume of Information

**Change in Time Spent Finding and Reviewing Data and Information in the Past Three Years, by Percentage of Employees**

- 6% Decreased
- 18% Stayed the Same
- 76% Increased

n = 23,339 employees.
Source: CEB 2012 High Performance Survey.
Organizations need more from their leaders in the new work environment.

- Each year, 14% of leadership positions are newly created, which creates demand for successors who can take on unexpected new roles.
- Leaders must also be prepared for significant change within their roles, which occurs at least every two years.
- Expanding responsibilities in leadership roles will require successor candidates with a breadth of experience.
- Changes in direct reports’ roles have also led to changing requirements for leaders.

Leadership is changing in the new work environment

**Leaders Must be Prepared to Assume Entirely New Roles**
*Percentage of Total Leadership Positions That Are Newly Created Each Year, Reported by HR*

- 14% New Roles

*n = 329 HR leaders. Source: CEB 2013 Succession Management Survey.*

**Succession Implication:** Organizations must identify and plan for new leadership needs.

**Leaders Must Manage an Increasingly Wide Scope of Responsibilities**
*Percentage of Leaders Reporting Change in the Diversity of Job Responsibilities Over the Past Three Years*

- 80% Increased
- 16% Stayed the Same
- 4% Decreased

*n = 895 executives. Source: CEB 2013 Succession Management Survey.*

**Succession Implication:** Organizations must prepare leaders for broader roles through diverse experiences.

**Leaders Must Be Prepared for High Velocity Changes in Job Responsibilities**
*Percentage of Leaders Reporting Frequency of Substantial Change in Their Job Responsibilities*

- 54% At Least Every Two Years
- 20% Every Three Years
- 12% Every Four Years or More
- 14% Never

*n = 895 executives. Source: CEB 2013 Succession Management Survey.*

**Succession Implication:** Organizations must transition leaders through change in-role.

**Leaders Must Manage Teams of Enterprise Contributors**
*Change in Direct Reports’ Reliance on Others in Past Three Years, by Percentage of Employees*

- 50% Increased
- 41% Stayed the Same
- 9% Decreased

*n = 23,339 employees. Source: CEB 2012 High Performance Survey.*

**Succession Implication:** Organizations must prepare successors for cross-silo leadership.

Enterprise Contribution Defined
Employees who are effective at performing their own individual tasks as well as improving others’ performance and using others’ contributions to improve their own performance.
CONTINUITY NOT SUFFICIENT

CEB Corporate Leadership Council’s New Measure of Leadership Bench

To evaluate leadership bench strength, leaders rated the preparedness of their leadership bench for:

- **Continuity**
  - Fill vacancies in existing leadership positions.
  - Fill managers’ roles.
  - Transition successfully into the next role.

- **Optionality**
  - Fill new leadership positions.
  - Fill multiple or cross-functional roles.
  - Adjust to change within role.

**CONTINUITY**
The capacity of a leadership bench to fill gaps in existing leadership needs.

**OPTIONALITY**
The capacity of a leadership bench to evolve as new leadership positions arise and change happens within role.

**LEADERSHIP BENCH STRENGTH**

Source: CEB analysis.
A BIG GAP: ORGANIZATIONS LACK THE LEADERSHIP BENCH THEY NEED

Only a quarter of organizations have the leadership bench they need.

- Seventy-one percent of organizations have a leadership bench prepared for continuity.
- Only a third of organizations have a leadership bench prepared for optionality.

Relative Strength of Leadership Bench for Continuity and Optionality

*Percentage of Business Units or Divisions with a Strong or Weak Leadership Bench*

- Seventy-one percent of organizations have a leadership bench prepared for continuity.
- Only a third of organizations have a leadership bench prepared for optionality.

Source: CEB 2013 Succession Management Survey.

n = 203 business units.
LEADERSHIP GAPS FELT AROUND THE WORLD

North America: Wrong Leaders Post-Crisis
“During the economic crisis, we needed ‘safe hands.’ Now we need a new bench that can meet the challenges of today.”

- CFO, Manufacturing, United States
  - Continuity: 21%
  - Optionality: 64%

- CHRO, Car Manufacturer, Germany
  - Continuity: 29%
  - Optionality: 71%

- HR Executive, Consumer Goods, China
  - Continuity: 34%
  - Optionality: 66%

- CHRO, Energy and Utility, Australia
  - Continuity: 59%
  - Optionality: 41%

Latin America: Leaders Aren’t Broad Enough
“Our leaders lack the experiences they need to go global.”

- CHRO, Consumer Goods, Colombia
  - Continuity: 50%
  - Optionality: 67%

- CHRO, Car Manufacturer, Germany
  - Continuity: 71%
  - Optionality: 29%

- CHRO, Consumer Goods, China
  - Continuity: 41%
  - Optionality: 59%

- CHRO, Energy and Utility, Australia
  - Continuity: 12%
  - Optionality: 88%

Asia: Successors Too Inexperienced for Roles
“We vastly need to accelerate the development of our successors. We just don’t have enough leaders for a changing world.”

- CHRO, Consumer Goods, China
  - Continuity: 77%
  - Optionality: 23%

Leadership gaps are felt around the world, with the largest gaps in Australia and New Zealand.

n = 203 business units.
Source: CEB 2013 Succession Management Survey.
WEAK LEADERSHIP BENCHES LEAD TO POOR OUTCOMES

- A 10% change in leadership bench strength leads to a 0.5% year-over-year change in revenue and profit.
- To cope with weak leadership benches, organizations are relying on external hires more than desired.

Hiring Externally More Frequently Than Desired

Average Percentage of Executive Positions Filled Externally

- Target: 24%
- Actual: 38%

Time to Productivity Twice as Long for External Hires

Average Time Between Start Date and Productivity Date

- Internal Hire: 1.0x
- External Hire: 2.0x

Note: Organizations that scored in the top quartile of CEB Corporate Leadership Council’s measure of leadership bench strength are considered to have a “strong bench”; organizations in the bottom quartile are considered to have a “weak bench”. Measures of revenue and profit were reported by organization leaders and validated against audited financial data.

A 10% change in leadership bench strength leads to an extra 0.5% year-over-year change in revenue and profit.

Revenue at the average S&P 500 company grew by 2.8% in 2012. Profit at the average S&P 500 company grew by 4% in 2012.
Improving succession management is a top priority for HR.

- HR leaders indicate that succession management is the top talent concern for their Boards of Directors.
- Furthermore, nearly 63% of HR leaders believe that succession is a greater priority today than five years ago.

**SUCCESSION MANAGEMENT IN THE SPOTLIGHT**

**Succession Is Foremost Talent Concern for Board**

Percentage of HR Leaders Indicating Which Talent Issue Is Top Priority for Their Board of Directors

- **Succession Management**: 61%
- **Strategic Talent Needs**: 15%
- **Executive Compensation**: 8%
- **Retention of Top Talent**: 8%
- **Other**: 8%

**Increasing Importance**

Percentage of HR Leaders Who Agree That Succession Is a Greater Priority Today Compared to Five Years Ago

- **Agree**: 63%
- **Disagree**: 21%
- **Neutral**: 16%

n = 329 HR leaders.
Source: CEB 2013 Succession Management Survey.

n = 80 HR leaders.
Source: CEB 2013 CHRO-Board Relationship Survey.

“It is time for us to re-examine our succession processes. We’re so focused on risk management that I worry we’re missing opportunities.”

VP of HR
Energy and Utilities Organization

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Despite significant time spent on succession management, only 28% of current leaders were pre-identified in a succession plan.

- Current succession processes include the use of talent reviews, nine-box assessments, early high-potential identification, succession slates, pipelines and pools.

“...we spend hours upon hours in talent review meetings to map out successors for each position, but when the time comes to fill a leadership spot we rarely look at our original plan.”

Head of HR
Consumer Products Company

DESPITE INVESTMENTS, DISSATISFACTION WITH CURRENT SUCCESSION MANAGEMENT PROCESS

Significant Time Investment on Succession Management Among Leaders

Average Time Spent on Succession Activities by Each Leader: 69 hours on formal succession activities + 113 hours on informal succession activities = 182 hours

Average Time Spent on Succession Activities by Each HR Leader: 144 hours

Total Average Time Spent on Succession Activities for Organization with 200 Leaders and Five HR Leaders Each Year: 37,120 hours

Direct cost of time: $4 million

Source: CEB 2013 Succession Management Survey.

Low Succession Plan Hit Rate
Average Percentage of Current Leaders Pre-Identified in a Succession Plan

n = 203 business units.
Source: CEB 2013 Succession Management Survey.

Dissatisfaction with Current Succession Management Processes

Percentage of HR and Senior Leaders Who Agree That Elimination of Current Succession Process Would Not Change Quality of Successors

n = 329 HR leaders; n = 895 executives.
Source: CEB 20123 Succession Management Survey.
CEB conducts qualitative and quantitative research to assess members’ challenges, test hypotheses, and identify best practices.

- Interviews with HR leaders at member organizations allow CEB to diagnose challenges and serve as a source for best practices.
- CEB surveyed HR leaders and line leaders about succession management practices and leadership bench strength.
- Line leaders who participated in the survey include c-suite executives, business unit heads, general managers, and department or functional managers.

## TWO-PRONGED RESEARCH APPROACH

### Qualitative Research

CEB interviewed HR leaders at more than 150 organizations to assess members’ succession challenges and identify solutions profiled in this study.

### Quantitative Research

CEB administered surveys to 329 HR leaders and 3,409 line leaders at more than 50 member organizations to test hypotheses regarding effective succession management and leadership bench strength.

### Partial List of Survey Participants

- AmensourceBerger
- The Andersons
- arrium
- ASHLAND
- BGL
- Camico
- Capgemini
- Chemtrade Logistics
- Daimler
- Daymon
- Dimexon
- Edgars
- FSC
- Fletcher Building
- FSB
- GFI
- Hellenic
- Hendrickson
- IDEXX Laboratories
- ING
- James Hardie
- Kantar
- Liberty
- Mccoy
- Michael Hill
- NBK
- NiSource
- Syngenta
- Uil
- Ulliel Holdings Corporation
- Versar
- Worthington Industries
DEFINING THE LEADERSHIP POPULATION

- Successors are individuals who may assume more senior and executive leadership positions in the organization.
- Successors are two to five levels away from the CEO at most organizations and who satisfy at least one of these three criteria:
  1. P&L responsibility (or equivalent)
  2. Strategic decision-making authority
  3. Oversight across multiple functions, groups, or regions
- While successors include HIPOs, the focus of this study is on succession management, not HIPO identification and development.
- Executives are layers one to three at the organization and were responsible for rating the strength of the leadership bench.

Source: CEB analysis.
The majority of survey participants were located outside of North America, including Asia (27%), ANZ (11%), and Europe and the Middle East (20%).

Survey respondents work in a diverse set of functions, including operations (17%), sales (10%), and finance (10%).

Survey participants represent a variety of industries, including manufacturing (31%), utilities (10%), healthcare (12%), and financial services (7%).

Survey participants’ organizational tenure ranges from less than one year (6%) to over fifteen years (32%).
Four common breaks limit the effectiveness of succession pipelines.

**SUCCESSION PIPELINES ARE BROKEN**

Pipeline Breaks

1. **PIPES TO NOWHERE**
   - Thirteen percent of leadership positions were eliminated in the past year and 31% of leaders are in newly created positions.

2. **NARROW PIPELINES**
   - A majority of organizations identify less than 10% of their workforce as high potential.

3. **CLOGGED PIPELINES**
   - Nearly three quarters of successor candidates do not perceive significant opportunity for career progression at their organizations.

4. **RUSTY PIPELINES**
   - Thirty-two percent of organizations would change members of their leadership team if given the opportunity.

Source: CEB 2013 Succession Management Survey; CEB 2012 Senior Executive Survey.

**Succession pipelines** consist of individuals or pools of talent who have been identified to have the potential to fill a specific position or a type of role within a certain function.
**PIPELINES TO NOWHERE: LEADERS PREPARED FOR ROLES THAT WILL NOT EXIST**

**Elimination of Key Roles**
*Percentage of C-Suite Roles Eliminated Across Organizations in the Past Year*

- Thirteen percent of leadership positions that existed among organizations in 2011 were eliminated in 2012.

- Some leadership positions that have declined in prevalence since 2007 include Chief Accounting Officer, Chief Administrative Officer, and Chief Operating Officer.

- Furthermore, 31% percent of senior leaders are in a newly created position.

- Organizations need to fill newly created positions such as Chief Diversity Officer and Chief Privacy Officer.

**Changing Leadership Needs**
*Percentage of Executives in Newly Created Positions*

- Sample Roles That Were Eliminated Between 2011 and 2012:
  - Chief Accounting Officer
  - Chief Administrative Officer
  - Chief Commercial Officer
  - Chief Revenue Officer
  - Chief Operating Officer
  - Chief Strategy Officer
  - Chief Procurement Officer
  - Chief Information Officer

- Sample New Leadership Roles Created at Organizations in the Past Three Years:
  - Chief Communication Officer
  - Chief Digital Officer
  - Chief Listener
  - Chief Sustainability Officer
  - Chief Analytics Officer
  - Chief Diversity Officer
  - Chief Customer Officer
  - Corporate Chief Actuary
  - Chief Innovation Officer
  - Head of Campaigns
  - Chief Internet Evangelist
  - Chief Quality and Product Integrity Officer
  - Chief Scientific and Regulatory Officer
  - Chief Knowledge Officer
  - Chief Design Engineer
  - Chief Experience Officer
  - Chief Observance Officer
  - Chief Quality Control Engineer
  - Chief Supply Chain Officer

**Implication:** Succession processes need to adjust to changes in the organization’s leadership needs.
NARROW PIPELINES: INSUFFICIENT LEADERS PRE-IDENTIFIED THROUGH SUCCESSION PLANNING

A majority of organizations have identified less than 10% of their workforce as high potential.

- Individuals pre-identified for future leadership positions will not cover the organization’s future leadership needs.
- Most organizations do not have enough leaders in the pipeline to meet leadership needs.

Not Enough Successors Identified
Percentage of Workforce Designated as High Potential

- 8% Less Than 1% of Workforce
- 11% 1.1%–3% of Workforce
- 15% 3.1%–5% of Workforce
- 29% 5.1%–10% of Workforce
- 37% More Than 10% of Workforce

n = 895.
Source: CEB 2013 Succession Management Survey.

Narrow Pipelines Lead to an Undersupply of Successors
Average Organization

- 200 Leaders
- 2,000 Total employees
- 10% of Workforce identified as HIPOs = 200 successors
- 7% of HIPOs fall out of the pipeline due to ability misalignment = 14 successors
- 20% of HIPOs fall out of the pipeline due to low aspiration across five years = 40 successors
- 25% of HIPOs leave for a competitor across five years = 50 successors
- 2.5% of HIPOs involuntarily leave the organization across five years = 5 successors
- 55% or 109 successors will fall out of the pipeline over a five-year period

Implication: Organizations must broaden their successor candidate sourcing.

Source: CEB 2013 Succession Management Survey.
Most successor candidates do not believe that there are opportunities to move up at their organization.

- Only one-quarter of leaders and high potential employees believe there are plenty of upward career opportunities at their organization.

CLOGGED PIPELINES: LITTLE ROOM FOR RISING LEADERS TO RISE

Few Leaders Believe There Are Opportunities to Move Up

Percentage of Successors and HIPOs Who Agree that There Are Plenty of Opportunities to Move Up at Their Organizations

<table>
<thead>
<tr>
<th>Percentage of Successor Candidates</th>
<th>Successors</th>
<th>HIPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>Neutral or Disagree</td>
<td>27%</td>
<td>73%</td>
</tr>
</tbody>
</table>

n = 3,409 successors.
Source: CEB 2013 Succession Management Survey.

- Includes HIPOs and non-HIPOs.
- HIPOs stands for high potential employees.

Implication: Organizations need to diversify development through lateral movement.
Compared to ten years ago, HR leaders are more willing to replace members of their senior leadership team.

- Thirty-two percent of HR leaders would replace members of the senior leadership team if given the opportunity.
- In 2003, only 12% of HR leaders would have replaced members of the senior leadership team if given the opportunity.
- Increasing dissatisfaction with senior leader teams suggests that succession strategies cannot end after successor placement.

**RUSTY PIPELINES: MORE SENIOR LEADERS MISALIGNED WITH ORGANIZATION NEEDS**

Percentage of HR Leaders Who Would Replace Members of Senior Leadership Team If Given the Opportunity

![Percentage of HR Leaders Who Would Replace Members of Senior Leadership Team](chart)

- **2003:** 12%
- **2013:** 32%

**Implication:** Succession management strategies cannot end after placement of candidates into senior leadership positions.
Every industry is affected by breaks in the succession pipeline.

- Financial services and technology organizations have the greatest percentage of leaders in newly created roles.
- Consumer goods, financial services, and manufacturing organizations experience narrow pipeline problems.
- Insurance, government, and technology organizations have the most clogged pipelines.
- Consumer goods, government and non-profit, and manufacturing organizations are most likely to face rusty pipeline problems.

### PIPELINE BREAKS COMMON ACROSS INDUSTRIES IN THE NEW WORK ENVIRONMENT

Prevalence of Pipeline Challenges Across Industries

<table>
<thead>
<tr>
<th></th>
<th>Pipelines to Nowhere</th>
<th>Narrow Pipelines</th>
<th>Clogged Pipelines</th>
<th>Rusty Pipelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Goods</td>
<td>●</td>
<td>●</td>
<td></td>
<td>●</td>
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<tr>
<td>Financial Services</td>
<td>●</td>
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<td>Government/Non-Profit</td>
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<td>Insurance</td>
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<td>Manufacturing</td>
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<tr>
<td>Oil, Gas and Mining</td>
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<tr>
<td>Retail</td>
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<tr>
<td>Technology</td>
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<tr>
<td>Utilities</td>
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</table>

Source: CEB 2013 Succession Management Survey.

**Key Research Question**

What succession strategies will enable us to manage succession more flexibly and effectively in the New Work Environment?

Source: CEB 2013 Succession Management Survey.
A majority of HR leaders and executives believe that succession management must be able to respond to changing organizational needs.

- Seventy-nine percent of HR leaders agree that their organization needs to place greater emphasis on shifting organizational needs in their succession management process.
- Sixty-five percent of executives agree that succession processes need to better align to changing organizational needs.

“‘My boss hates the phrase succession planning because it’s too constraining. We should be calling it long-term talent planning because succession planning is planning for a role that already exists. We are skating to a puck that is still in motion.’”

Greg Pryor, VP of Talent Management, Juniper Networks

“We’ve built our succession process under the assumption that we’ll have a steady, stable supply of talent. That is just not the case.”

SVP of HR, Consumer Goods Organizations

**WIDESPREAD AGREEMENT ON NEED TO BETTER ALIGN SUCCESSORS WITH CHANGING ORGANIZATION NEEDS**

<table>
<thead>
<tr>
<th>HR Believes Succession Must Shift with Changing Needs</th>
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</thead>
<tbody>
<tr>
<td>Percentage of HR Leaders Who Agree That They Need to Place Greater Emphasis on Shifting Organizational Needs in Succession Management</td>
</tr>
<tr>
<td><img src="chart1.png" alt="Graph" /> 79% Agree</td>
</tr>
<tr>
<td>n = 329 HR leaders. Source: CEB 2013 Succession Management Survey.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Line Leaders Want Improved Alignment with Business Needs</th>
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</thead>
<tbody>
<tr>
<td>Percentage of Executives Who Agree that Succession Processes Need to Better Align with Changing Organizational Needs</td>
</tr>
<tr>
<td><img src="chart2.png" alt="Graph" /> 65% Agree</td>
</tr>
<tr>
<td>n = 895 executives. Source: CEB 2013 Succession Management Survey.</td>
</tr>
</tbody>
</table>
Organizations need to make four shifts in their current succession process to adjust with changing needs of the organization and to avoid key pipeline breaks.

**FOUR SHIFTS FOR EFFECTIVE SUCCESSION MANAGEMENT IN THE NEW WORK ENVIRONMENT**

From... | To...
--- | ---
Supply-Driven Planning | Demand-Driven Planning
Assessing current roles and gaps in leadership supply | Assessing leadership needs that will lead to achievement of strategic goals
Avoids: Pipelines to Nowhere

Deep Identification | Broad Sourcing
Early identification of future leaders within organizational silos | Selecting successors from across the enterprise through greater transparency
Avoids: Narrow Pipelines

Vertical Career Paths | Deliberate Diversification
Preparing successors through upward career paths | Preparing a leadership bench for a variety of futures to hedge against uncertainty
Avoids: Clogged Pipelines

Successor Transition | Leadership Team Rebalancing
Concluding succession management at transition of successor into pre-identified role | Rebalancing the senior leadership team against strategic goals
Avoids: Rusty Pipelines

**Old Approach**
PIPELINE MANAGEMENT

**New Approach**
PORTFOLIO MANAGEMENT

Source: CEB analysis.
Succession management in the new work environment resembles portfolio management, not pipeline management.

- Managing a portfolio of investments typically involves financial goal setting, investment selection, asset diversification, and portfolio rebalancing.

SUCCESSION MANAGEMENT AS PORTFOLIO MANAGEMENT

Managing a Portfolio of Investments

<table>
<thead>
<tr>
<th>Goal Setting</th>
<th>Investment Selection</th>
<th>Asset Diversification</th>
<th>Portfolio Rebalancing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine financial goals</td>
<td>Identify the right investments given financial goals</td>
<td>Diversify investments within the portfolio to mitigate risks</td>
<td>Reassess investments and allocations given changes in goals or portfolio performance</td>
</tr>
</tbody>
</table>

Translation to Succession Management

<table>
<thead>
<tr>
<th>Needs Assessment</th>
<th>Sourcing</th>
<th>Diversification</th>
<th>Rebalancing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessing leadership needs that will lead to achievement of strategic goals</td>
<td>Selecting successors who will help the organization meet strategic goals</td>
<td>Preparing a leadership bench for a variety of futures to hedge against uncertainty</td>
<td>Reassessing current leaders’ fit given changes in strategic goals</td>
</tr>
</tbody>
</table>

Source: CEB analysis.
CEB CORPORATE LEADERSHIP COUNCIL MODEL OF SUCCESSION MANAGEMENT

Portfolio Management Model

1. **Demand-Driven Planning**
   Assess leadership needs that will lead to achievement of strategic goals.

2. **Broad Sourcing**
   Select successors from across the enterprise through greater transparency.

3. **Deliberate Diversification**
   Prepare a leadership bench for a variety of futures to hedge against uncertainty.

4. **Leadership Team Rebalancing**
   Rebalance leadership team against strategic goals.

Source: CEB analysis.
PORTFOLIO MANAGEMENT STRATEGIES MORE EFFECTIVE THAN PIPELINE STRATEGIES

Indexed Maximum Impact of Pipeline and Portfolio Succession Management Strategies on Leadership Bench Strength

- On average, portfolio strategies are twice as impactful as pipeline strategies, leading to an extra 2% growth in year-over-year revenue and profit.
- Each bar represents a set of activities associated with the succession strategy.
- The rest of the study will evaluate four key questions about succession management.

Maximum Impact Defined
The most improvement an organization can expect to receive on Leadership Bench Strength by improving their effectiveness at a strategy or tactic.

Portfolio management strategies can double the strength of the leadership bench compared to pipeline strategies. That leads to an extra 2% growth in year-over-year revenue and profit.¹

Source: CEB 2013 Succession Management Survey.

Note: The maximum impact on leadership bench strength is calculated by comparing two statistical estimates: the predicted impact when a respondent rates a driver with a relatively “high” score and the predicted value when a respondent rates a driver with a relatively “low” score. The effects of all drivers are modeled using a variety of multiple regressions with controls.

¹ Revenue at the average S&P 500 company grew by 2.8% in 2012. Profit at average S&P 500 company grew by 4% in 2012.
## SUCCESION STRATEGIES FOR THE NEW WORK ENVIRONMENT

<table>
<thead>
<tr>
<th></th>
<th>Needs Assessment Strategy</th>
<th>Sourcing Strategy</th>
<th>Diversification Strategy</th>
<th>Rebalancing Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IDENTIFY INVESTMENT AND DISINVESTMENT PRIORITIES THROUGH DEMAND-DRIVEN PLANNING</td>
<td>USE BROAD SOURCING TO IDENTIFY SPECIFIC INVESTMENTS FOR THE PORTFOLIO</td>
<td>DIVERSIFY THE PORTFOLIO TO IMPROVE VERSATILITY AND MANAGE RISKS</td>
<td>RECALIBRATE THE PORTFOLIO TO ENSURE LONG-TERM RETURNS</td>
</tr>
<tr>
<td></td>
<td>General Mills Strategic Talent Meetings</td>
<td>CORNING Transparent Talent Planning Process</td>
<td>OIL Holdings Corporation Dually-Deployable Successor Candidates</td>
<td>OmniSuite¹ Leader/Strategic Alignment Matrix</td>
</tr>
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<td>Senior Leader Bench Recalibration</td>
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</table>

¹ Pseudonym.  
² CEB Corporate Leadership Council composite.
DEFINE FUTURE TALENT NEEDS BY ENVISIONING NEW CRITICAL ROLES BEFORE THEY EXIST

Conventional Approach to Defining Future Leadership Needs

Future-Focused Succession Needs Defined Through Leadership Competency Models
Defining future talent needs using leadership competency models is often too vague for effectively identifying and preparing successors.

MTS India’s Creation of Future Critical Roles
MTS India translates broad business priorities into specific succession goals by identifying and validating potential future critical roles, allowing for more relevant assessment and preparation of future leaders.

Prototype Future Critical Roles

1. Translate Broad Strategic Direction into Potential Critical Job Roles to Minimize Ambiguity
MTS recognizes the level of ambiguity associated with translating broad business strategy to potential critical job roles. MTS creates prototypes by drafting job descriptions to allow for more rigorous planning.

2. Gain Business Buy-In and Validate Future Roles Through Co-Creation of Job Descriptions
MTS gets business buy-in for new critical roles by validating and refining them with the business to check for workflow-fit and alignment to business unit specific plans.

Source: MTS India Ltd.; CEB analysis.
HR drafts job descriptions for each of the potential future critical roles to envision the skills and experiences required.

- Recognizing the challenges associated with translating broad business strategy into specific critical roles, MTS uses its job description template to ensure more rigorous succession planning.
- Job descriptions are drafted for each identified critical job role, including aspects such as relevant experiences, skills, and key accountabilities.
- The job descriptions are used as an anchor for deliberate succession planning, allowing MTS HR to accurately and effectively determine the requirements of the leadership pipeline.
- When drafting job descriptions, HR collaborates with the Strategy Team and the Business Line Heads as needed for information about the potential role.

For each role, HR creates a draft job description to transition from broad ideas about areas of critical business focus for the future to concrete skills and experiences the leadership pipeline will require.

**Position:** Chief Data Scientist  
**Department:** Analytics  
**Function:**  
**Position based at (Location):** London

**Reports to:** Chief Strategy Officer

**Educational Qualifications:** Graduate degree in Advanced Analytics, Statistics, Computer Science or Applied Math, Physics or relevant subject.

**Relevant Experience:** Extensive experience solving analytical problems using quantitative approaches. Experience with big data tools (e.g., Hadoop, HDFS, Cassandra, Storm)/Strong background in statistical concepts and calculations

**Skills:** Proficiency with statistical analysis tools (e.g., SPSS) and with software development technologies (e.g., Java, C/C++, .Net)

**Position Summary**

Will be responsible for developing predictive systems, creating efficient algorithms and improving data quality.  
Will work closely with the R&D team to identify, evaluate, design and implement statistical analyses of gathered open source, proprietary, and customer data to create analytic metrics and tools for use in various applications.

**Principal Accountabilities**

Work with engineering and research teams on designing, building and deploying data analysis systems for large data sets.  
Design, develop and implement R&D and pre-product prototype solutions and implementations using off the shelf tools (e.g., SPSS), and software (e.g., Java, C/C++, .NET)

Source: MTS India Ltd.; CEB analysis.

**Benefits of Drafting Early Job Descriptions**

- Early development planning
- Stakeholder alignment

**Note:** MTS India recognizes that the job descriptions cannot be completely accurate and updates them as required based on changes in business strategy.
## Succession Strategies for the New Work Environment

<table>
<thead>
<tr>
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<th>Diversification Strategy</th>
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1. General Mills: Strategic Talent Meetings
2. MTS: Future Critical Role Creation
3. CORNING: Transparent Talent Planning Process
4. Dually-Deployable Successor Candidates
5. OMNISUITE: Leader/Strategic Alignment Matrix
6. Senior Leader Bench Recalibration

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1 Pseudonym.
2 CEB Corporate Leadership Council composite.
CREATE ONLINE TALENT PROFILES TO IMPROVE GLOBAL VISIBILITY OF TALENT

Talent Decisions are Informed by Talent Profile Data

Corning's Employee Profiles
Illustrative

<table>
<thead>
<tr>
<th>John S.</th>
<th>Global Talent Planning Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td></td>
</tr>
<tr>
<td>2012: Fully met expectations</td>
<td></td>
</tr>
<tr>
<td>2011: Fully met expectations</td>
<td></td>
</tr>
<tr>
<td>Talent Designation</td>
<td></td>
</tr>
<tr>
<td>Knowledge Expert</td>
<td></td>
</tr>
<tr>
<td>Strengths and Areas for Development</td>
<td></td>
</tr>
<tr>
<td>Manager Comments:</td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Career Path Options (Manager-Owned)</td>
<td></td>
</tr>
<tr>
<td>Availability: 2013</td>
<td></td>
</tr>
<tr>
<td>Career Path 1</td>
<td></td>
</tr>
<tr>
<td>Job Family—HR; Role—HR COE Senior Manager</td>
<td></td>
</tr>
<tr>
<td>Career Path 2</td>
<td></td>
</tr>
<tr>
<td>Job Family—HR; Role—TM Specialist, Manufacturing</td>
<td></td>
</tr>
<tr>
<td>Career Interests (Employee-Owned)</td>
<td></td>
</tr>
<tr>
<td>COE Director</td>
<td></td>
</tr>
<tr>
<td>Plant HR Manager</td>
<td></td>
</tr>
<tr>
<td>Development Plan</td>
<td></td>
</tr>
<tr>
<td>Action 1</td>
<td></td>
</tr>
<tr>
<td>Due Date: 31 December 2013</td>
<td></td>
</tr>
<tr>
<td>Status: In Progress</td>
<td></td>
</tr>
<tr>
<td>Mobility Timing</td>
<td></td>
</tr>
<tr>
<td>Domestic: 3 Years+</td>
<td></td>
</tr>
<tr>
<td>International: –</td>
<td></td>
</tr>
</tbody>
</table>

Source: Corning Inc.; CEB analysis.

Use of Talent Profiles
1. Employees and managers update talent profiles annually at the beginning of the Talent Planning cycle.
2. Talent profiles and succession plans are reviewed in talent planning meetings.
3. Managers share outcomes of talent planning meetings with employees.

Employee and Manager Career Paths Shown Side-by-Side
- Employee and manager each select up to two career paths within Corning.
- Manager selection does not “over-rule” employee selection ensuring that both perspectives are taken into consideration.

Availability and Readiness Timing
Managers indicate “Availability Timing” for when an organization can release an individual from their current position and “Capability/Readiness Timing” specific to each career path.
Corning developed a search algorithm which provides a rank-ordered list of potential succession candidates based on selected search criteria.

The manager, who owns the succession plan, reviews the search result profiles and selects qualified candidates to his succession plan, which is then vetted in group talent planning discussions.

Reviewing the search results allows thoughtful consideration of candidates that were previously unknown to the manager.

Succession Plan Finalization (Illustrative)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Successor Name</th>
<th>Current Position</th>
<th>Talent Designation</th>
<th>Capability</th>
<th>Availability</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>John S.</td>
<td></td>
<td>Core Talent</td>
<td>Q2 2013</td>
<td>Q4 2013</td>
<td>Capable to do this job right now given his experience</td>
</tr>
<tr>
<td>2</td>
<td>Pauline A.</td>
<td></td>
<td>Core Talent</td>
<td>Q3 2013</td>
<td>Q4 2013</td>
<td>Interesting candidate, capable with the right development, with mobility only downside</td>
</tr>
<tr>
<td>3</td>
<td>Kim B.</td>
<td></td>
<td>Emerging Talent</td>
<td>2014</td>
<td>Q3 2013</td>
<td>Viable successor depending on how she feels after time in commercial TM role</td>
</tr>
<tr>
<td>4</td>
<td>New Hire</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Good “port of entry” for external hire</td>
</tr>
</tbody>
</table>

Source: Corning Inc.; CEB analysis.
## SUCCESSION STRATEGIES FOR THE NEW WORK ENVIRONMENT

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<th>4 Rebalancing Strategy</th>
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<td>USE BROAD SOURCING TO IDENTIFY SPECIFIC INVESTMENTS FOR THE PORTFOLIO</td>
<td>DIVERSIFY THE PORTFOLIO TO IMPROVE VERSATILITY AND MANAGE RISKS</td>
<td>RECALIBRATE THE PORTFOLIO TO ENSURE LONG-TERM RETURNS</td>
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<td>GENERAL MILLS</td>
<td>CORNING</td>
<td>OIL</td>
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¹ Pseudonym.
² CEB Corporate Leadership Council composite.
UIL needed to change its senior leadership team from individuals with highly specialized expertise to general managers with a broader enterprise perspective.

- UIL had a specialized workforce where employees were promoted based on expertise in the field. As the company expanded, it grew important for leaders to have a broader perspective of the business.
- To achieve this, UIL’s criteria for identifying high-potential employees requires that each candidate be “dually-deployable”. The criteria for proving that a candidate is dually-deployable are flexible so that the HR SVP considers the entire career of the HIPO.

DUALLY-DEPLOYABLE HIPO CRITERIA IDENTIFIES VERSATILE LEADERS

UIL’s Criteria for High-Potential Candidates

1. **A HIPO Must Be on a Succession Plan For an Executive Position**
   The HIPO pool is limited to those the company assumes will be future leaders in order to prioritize talent management investments.

2. **A HIPO Must be Dually-Deployable, Having the Potential to Serve as a Leader in at Least Two Departments**
   Enterprise perspective is easier to teach to already versatile candidates.

Two Key Steps to Determining Dual-Deployability

1. **HR Nominates Dually-Deployable Candidates**—When a successor candidate is considered for HIPO status, HR and VPs familiar with the candidate are responsible for presenting to the executive team in which departments the candidates could serve and why.

2. **Leaders Discuss and Agree**—After the presentation, the executive team has to agree that the candidate is dually-deployable.

Selected HIPOs Engage in Training and Development

HIPOs are then put on collaborative action teams together to further develop soft skills and learn about challenges facing the organization.

Illustrative Examples of Proof of Cross-Functional Capabilities

Past Experience Within Another Function:

- Candidate “A” moved from Finance to HR in 2005.

Experience on Projects that Span Functions

- Candidate “B” worked with the IT and Utilities teams on the 2012 SmartGrid Project.

COMPANY SNAPSHOT

UIL Holdings Corporation

Industry: Utilities

2012 Revenue: US$1.57 Billion

2012 Employees: 1,865

Headquarters: New Haven, CT

“We want our HIPOs to be able to wrestle with greater organizational issues. By identifying which of our successors have the capacity to provide value to more than one department, we can better allocate our resources to the candidates that will be able to lead the company with a broader enterprise perspective.”

Diane Pivirotto
SVP HR
UIL
## Succession Strategies for the New Work Environment

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### General Mills
- Strategic Talent Meetings
- Future Critical Role Creation

### Corning
- Transparent Talent Planning Process

### DIL Holdings Corporation
- Dually-Deployable Successor Candidates

### OmniSuites
1. Leader/Strategic Alignment Matrix
2. Senior Leader Bench Recalibration

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1. Pseudonym.
2. CEB Corporate Leadership Council composite.
**CONNECTING LEADERSHIP AND STRATEGY**

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<td>Collin F.</td>
</tr>
<tr>
<td>Cost Reduction</td>
<td></td>
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<td>Customer Retention</td>
<td></td>
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<td>Process Efficiency</td>
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<td>Geographic Expansion</td>
<td></td>
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<tr>
<td>Product Innovation</td>
<td></td>
</tr>
<tr>
<td>Leader Roll-Up</td>
<td>Grossly Misaligned</td>
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</tbody>
</table>

Source: SHL.
CONNECTING LEADERSHIP AND STRATEGY (CONTINUED)

<table>
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<th>Leadership Team</th>
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<tr>
<td>Cost Reduction</td>
<td>Leading and Deciding</td>
<td>Stacia S.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Misaligned</td>
</tr>
<tr>
<td>Customer Retention</td>
<td>Interacting and Presenting</td>
<td>Milli M.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Little Aligned</td>
</tr>
<tr>
<td>Process Efficiency</td>
<td>Creating and Conceptualizing</td>
<td>Jas K.</td>
</tr>
<tr>
<td>Geographic Expansion</td>
<td>Enterprising and Performing</td>
<td>Nick A.</td>
</tr>
<tr>
<td>Product Innovation</td>
<td>Supporting and Cooperating</td>
<td>Carolyn S.</td>
</tr>
<tr>
<td>Leader Roll-Up</td>
<td>Analyzing and Interpreting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adapting and Coping</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organizing and Executing</td>
<td></td>
</tr>
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Source: SHL.
THE NEED FOR OBJECTIVITY IN HIPO IDENTIFICATION

Without a Way to Accurately Identify High-Potential...

Nearly ½ of all organizations lack a systematic process for identifying high-potentials

Only 1 in 3 organizations use valid assessment data to identify high-potential

...many organizations simply assume that their high performers are their high-potential employees

Source: SHL.
USING ANALYTICAL INSTRUMENTS IN TALENT DECISIONS

Source: SHL.
ALL HIGH PERFORMERS ARE NOT HIGH-POTENTIAL

Only 15% of an organization’s high performers are likely to be high-potential...

... assuming high performers are high-potential means that only 1 in 7 are actually HiPos...

...focusing HiPo investments on too many of the wrong people wastes scarce resources

Source: SHL.
A BETTER DEFINITION OF HIGH-POTENTIAL

CEB High-Potential Employee Model

The High-Potential Employee

A HiPo employee is a proven high performer with three distinguishing attributes that allow them to rise to and succeed in more senior, critical positions:

1. **Aspiration** - to rise to senior roles
2. **Ability** - to be effective in more responsible and senior roles
3. **Engagement** - to commit to the organization and remain in challenging roles

The Challenge

Organizations need to assess for these distinguishing characteristics to accurately identify their true HiPos

Source: SHL.
THANK YOU

For further enquiries please contact Shaurav Sen.

e-mail: ssen@executiveboard.com