

The Perfect Storm: Preparing for the Talent Tornado **Russell Lobsenz, Ph.D. and Katie Sokol, MPA**

In October 1991, three separate atmospheric conditions combined forces off the New England coast to beget a storm of epic proportion. The resulting tempest, known as the Halloween nor'easter, caught even veteran meteorologists off guard. Instead of heading out over the North Atlantic, it double-backed toward the New England coast picking up strength and speed. Having never seen a nor'easter act in this fashion, meteorologists underestimated the widespread and extensive damage caused by the storm.

For many organizations, the looming talent crisis is the human capital equivalent of the perfect storm. There will be no 100 mile per hour winds...no 100-foot ocean waves...and no loss of life. However, three singular business conditions - shifting demographics, economic conditions, and low employee engagement – are set to converge and create a talent disturbance rarely, if ever, experienced in American business. Though experts forecasted these conditions years ago, many companies who failed to prepare during the developmental stages are about to be thrown headlong into the most intense stage of the storm.

The exodus of a generation of leaders is fast approaching. In a few short years, the largest generation in the history of the United States – the “baby boomers” – will begin their much anticipated exit from the workforce, leaving a massive talent void in their wake. The migration of this cohort will create a skilled labor shortage so significant that it is forcing companies to propel their talent management processes into high gear. According to research by Hewitt Associates, as aging baby boomers transition out of the workforce over the next decade, there will be a 15% decrease in men and women of “key leader age.” Compounding this problem is the eradication of many middle-management positions over the past two decades, leaving many companies with a shallow talent pool from which to replace retiring leaders. The ultimate result will be an impoverished population of younger talent to fill the talent abyss.

Surviving the Storm: A Guide to Talent Preparedness

Companies that hope to survive these turbulent conditions must take immediate action to identify, develop, and retain their internal talent. Succession Management (SM) has been identified by management experts, company boards, and human resources professionals alike as a key strategy for determining the sustainability of an organization.

SM is defined as a purposeful and systematic effort made by an organization to ensure leadership continuity and human capital for the future.

Most organizations would agree that SM is a critical business activity. For an organization to execute its strategy, it must have the right talent in the right place at the right time. Unfortunately, few companies have thoughtful strategies in place for dealing with departures of key leaders. At best, there is an interim strategy, often referred to as the “bus crash envelope,” in which a tenured or retired employee steps in on a provisional basis giving the company time to identify a permanent successor.

For SM to be effective, it must operate as a process rather than an event. It should not be confined to the moment at which the reins are handed over to a successor. Nor should it be an annual, secret ritual conducted in a smoke-filled room by an organization's power elite. Rather, it must be an ongoing process that is part of carrying out daily business. Process-oriented SM systems consistently and continuously assess talent across the company, provide on-going development to ensure leadership continuity in key positions, and effectively manage the talent pool to successfully execute current and future business plans.

SM Best Practices

Like most HR processes, there is no “one-size-fits-all” approach to implementing a SM system. Each organization is unique and, as a result, requires tools that are customized to fit its particular needs. Nevertheless, our experience suggests that successful SM systems have several common characteristics. The following “best practices” are derived from our consulting experiences, review of the literature, and conversations with thought leaders. We have observed many of these “best practices” in leading organizations, reflecting the widespread view that effective SM constitutes an important component of a company's overall business strategy.

Few, if any, companies can expect to implement all of these practices at once. Moreover, changing business and organizational conditions may render a best practice today, obsolete tomorrow. Therefore, the implementation of these best practices should be thought of as a journey, not a destination – they should be continually updated and refined as new and better methods emerge.

Garner Executive Support. Like other corporate initiatives, gaining executive buy-in is the linchpin of an effective SM process. Executives must demonstrate their support for SM by articulating the company's SM strategies, embedding SM into standard operating practices, and allocating financial and human resources to SM.

Link SM to HR and Business Strategy. Integrate SM with other HR initiatives, including recruitment, selection, performance management, and development to ensure alignment. Equally as important, is aligning SM with the organization's business strategy. There is a greater likelihood of key stakeholders (e.g., executives, line managers) supporting the SM process if it underpins achieving corporate goals.

Foster Transparency and Accountability. Participants should understand what is required to move or advance within the organization. This means that role requirements, performance expectations, and success factors should be identified and communicated regularly. Furthermore, managers must be held accountable for discussing employees' performance and potential as well as ensuring their development.

Utilize Technology. Implementing SM technology affords 24/7 global access, and integration and sharing of talent data. Additionally, technology solutions facilitate the SM process by eliminating the burden of too much paperwork and heavy administrative tasks. For organizations ill-equipped to migrate to a comprehensive

technology platform, interim solutions can be developed to automate heavily administrative components of the SM process and distribution of talent information.

Promote Talent Assessment and Development. Successful SM systems promote early identification and assessment, as well as continuous development of future leaders. Instead of focusing only on employees' current capabilities, companies must define future leadership requirements and employ valid assessment tools (e.g., assessment centers, 360-degree feedback) to evaluate candidates against these needs. Future leaders must also be provided development experiences early in their careers to ensure they are adequately prepared to take on broader and more significant roles later on.

Develop Metrics and Determine ROI. A key goal of any SM system should be to identify its ROI. At first, determining ROI may seem daunting, but organizations that take the time to collect and analyze data on their SM process will be richly rewarded. Consider both quantitative (e.g., retention rate of internal promotions) and qualitative (e.g., stakeholder perceptions) data sources when determining ROI.

A Model for Effective Succession Management

The model in Figure 1.0 illustrates the key components of a robust SM process, each of which is discussed in more detail below. Each component reflects one or more best practices that distinguish successful SM systems.

Figure 1.0



Step 1: Define and Link SM Strategy to Company Strategy

The first step in the SM model involves defining and linking the SM strategy to the organization's strategy. SM and the development of future leaders do not occur in a vacuum, but rather reflect a company's strategic objectives and goals. SM must occur during the strategic planning process because it depends so heavily on projected changes in the organization's workforce requirements. To ensure SM supports the company's strategy, consideration must be given to the skills an organization requires now, in 5 years, in 10 years, and further into the future.

Step 2: Critical Position Identification and Talent Assessment

Critical positions must be identified and included in the company's SM process. Critical positions are typically defined as jobs that exert critical influence on an organization's strategic and/or operational activities. While many companies target only key *leadership* positions, others look beyond leadership role and include key positions in a variety of job categories. A position may be deemed critical because of the duties assigned to the title, the importance of the work assigned to a given position, or the unique skills required to perform the job. Identifying critical positions requires consideration of the impact on the organization if the position goes unfilled. A critical position placement represents one of the most significant decisions an organization makes. The costs associated with an inappropriate placement can be exorbitant.

Many organizations invest considerable resources in competency models that designate the skills, knowledge, and attitudes necessary for effective performance. Competency models clarify behavioral expectations and establish a standard of comparison for assessment. To ensure that successors possess the competencies necessary to assume a new role, assessment tools such as supervisory evaluations, panel reviews, assessment centers, 360-degree feedback, and interviews should be used. A well-developed assessment strategy ensures that companies accurately identify and optimize their talent.

Step 3: Feedback and Development

Effective SM systems identify and develop emerging talent, or hi-potentials, early on in their careers. Using validated assessments like those described above, organizations can better understand and feed back data on strengths and development needs to hi-potential employees and their managers. Armed with this information, managers can then facilitate the movement of hi-potentials through a series of positions designed to strengthen specific competencies required for progression into successive roles. Best practice organizations employ a variety of developmental activities to engage hi-potentials and extend their capabilities, including "stretch" assignments that provide developmental challenges and promote the acquisition of critical business and leadership skills.

Step 4: Determine ROI

There is increasing pressure on HR departments to employ metrics that show how the organization is benefiting from its programs. With enormous investments being made in SM, company executives are beginning to question what they're getting for their money. With organizations scrutinizing the return on investment (ROI) on their human capital,

more and more HR departments are developing tools for calculating the ROI of SM initiatives. With no “industry” standard, HR departments are fashioning their own ROI metrics based on their specific requirements and factors of paramount importance to their organization.

There are literally hundreds of metrics organizations can use to evaluate the effectiveness of their SM system. The decision of which metrics to employ should be guided by your understanding of business goals. The most powerful metrics are those that are directly linked to business outcomes and can be retrieved at meaningful increments (e.g., quarterly, twice a year). While many metrics are quantitative (e.g., number of internal promotions), qualitative metrics (e.g., internal client feedback) should not be overlooked. Keep in mind, to be most meaningful, metrics should be conceived and implemented before a SM system is launched. Doing so makes it possible to conduct a precise before and after comparison.

Conclusion

SM is one of the most vehemently debated practices in organizations today. Much of the attention to SM can be attributed to a confluence of economic and business conditions that threaten leadership continuity. Additionally, the recent departures of key executives (e.g., Carly Fiorina from HP, Philip Purcell from Morgan Stanley) highlight the need for a proactive SM strategy to effectively handle key leadership changes in organizations. Unfortunately, few companies have implemented the type of thoughtful SM system necessary to fortify themselves against the talent deficit. There is little shelter from the forthcoming talent tornado – it will be an equal opportunity natural disaster. Organizations that have any hope of mitigating the impact of the storm must begin to implement defensive measures immediately.

For more information on how to implement a best practices Succession Management process, please contact Russell Lobsenz at Fenestra, Inc.

Russell E. Lobsenz, Ph.D.
Fenestra, Inc

Russell Lobsenz is an industrial/organizational psychologist who has counseled senior executives in planning and implementing organizational effectiveness initiatives for 15 years. In his current role at SH&A, Russell is responsible for designing succession management strategies, 360-degree feedback programs, and assessment systems for selection, promotion and development. Prior to joining SH&A, Russell worked as an internal consultant for the FBI, Bell Atlantic, and Square D/Groupe Schneider. Russell has been a regular contributor to the human resources literature and is a frequent speaker at SIOP, SHRM, ISPI, and ASTD. He is also on the faculty of New York University's Graduate School of Arts and Sciences.
russell.lobsenz@fenestrainc.net

Katie Sokol, MPA
Fenestra, Inc

Katie Sokol is an associate consultant at Fenestra, Inc. Katie is part of the Talent Management practice area focusing on selection and succession planning. In her current role, Katie is responsible for administering a behavior-based assessment program across 35 countries. Katie earned her Masters of Public Administration with a specialization in Organizational Development at Clark University.
katie.sokol@fenestrainc.net