



FEATURE

The holy grail of effective leadership succession planning

How to overcome the succession planning paradox

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While organizations realize that succession planning is an important priority, few manage to orchestrate it well. The solution may lie in an approach that better melds data-driven and people-centric elements of the process.

MOST ORGANIZATIONS CAME to realize years ago that current and future success is heavily based on having the right leaders in the right roles at the right time. And yet few of these same companies have found ways to be proactive and disciplined about orchestrating succession planning processes that yield results. Possibly most puzzling is how the field of succession planning has, on the whole, stubbornly resisted change despite impressive advancements in the broader world of talent management. Our research at Deloitte shows real market frustration with succession planning efforts: While 86 percent of leaders believe leadership succession planning is an “urgent” or “important” priority, only 14 percent believe they do it well.¹ This gap between intent and reality inspired us to design a year-long research study to identify the reasons behind this seemingly baffling paradox.²

The problem? Our study concluded that most companies doing succession planning are often derailed by a host of symptoms that point back to a common culprit—the failure to recognize and address the impact of human behavior on the succession planning process. We found few organizations that were combining a disciplined, data-driven process with a user-friendly, people-centric approach that adequately engages stakeholders. More often than not, we found that companies were either avoiding succession planning altogether or were taking a dispassionate, process-oriented approach that minimizes, or even ignores, the very real impact that it has on the people involved.

To learn more about the current state of succession planning and its pain points, we surveyed hundreds of executives and then conducted in-depth interviews with more than 20 CEOs, board members, functional executives, and HR leaders. The results of our research suggest that succession planning is most effective when it takes a “centered”

approach that focuses on people first while maintaining objectivity and procedural discipline. By approaching succession planning in this way, an organization can likely make it not only an effective part of its growth strategy, but also a signature feature of its corporate culture.

Why succession planning matters—and why it’s hard

The potential gains from doing succession planning well go far beyond the obvious result of having a steady pipeline of leaders ready to step into new roles. Our interviewees articulated a number of additional benefits:

- A more-diverse portfolio of leaders as a natural outcome of an objective, unbiased identification process;
- Higher-quality decisions around promotion and developmental investments due to the more effective use of data and organizational input to make informed choices;
- Enhanced career development opportunities for emerging leaders, driving greater engagement and retention of top talent;
- A stronger organizational culture due to an enhanced ability to advance leaders who embody the organization’s stated beliefs (research shows that at least 30 percent of newly hired executives fail in their first 18 months—mostly because of poor culture fit);³
- A “future-proofed” workforce that is better prepared to thrive in dynamic and different conditions; and
- Greater organizational stability and resilience, which breeds market confidence and drives shareholder value.

But while most leaders firmly believe in these benefits, they were also quick to give reasons why they weren't seeing succession planning deliver the expected value:

- **It's a long-term discipline in a short-term world.** By its very nature, succession planning efforts take years to bear fruit, while leaders are typically rewarded based largely on short-term accomplishments. One executive told us that, in his many years on the board of a *Fortune* 100 technology company, the only times the board discussed CEO succession were when a transition was imminent. As another participant remarked, "Succession planning is one of those things that has no lit fuse."
- **Succession planning can be destabilizing and threatening.** Too often, succession planning is minimized because organizations don't want the process to be perceived as a lack of confidence in their current executives. Similarly, executives are hesitant to raise the idea of succession planning lest it be perceived as them signaling their future intentions. This dynamic can have a destabilizing effect on an organization. One of the CEOs we interviewed expressed an all-too-human sentiment: "Why would I want to encourage my board to discuss CEO succession planning? As soon as they do, my time here is short-lived."
- **It's not clear who is accountable for succession planning.** Often, there is no clarity around whether the responsibility of planning for and grooming a successor sits with HR or with business and/or functional leaders. Many of our surveyed leaders had no idea who was ultimately accountable for succession planning in their organizations. As a current chairman of the board for a large nonprofit told us, "Even boards are often unclear on how CEO and executive succession accountability should be set—is it one of the committees? The whole board? An individual? In many cases there is no clarity for it and no one addresses it."
- **Good data is not available or ignored, leading to subjective decisions.** Regardless of whether objective leadership data exists,

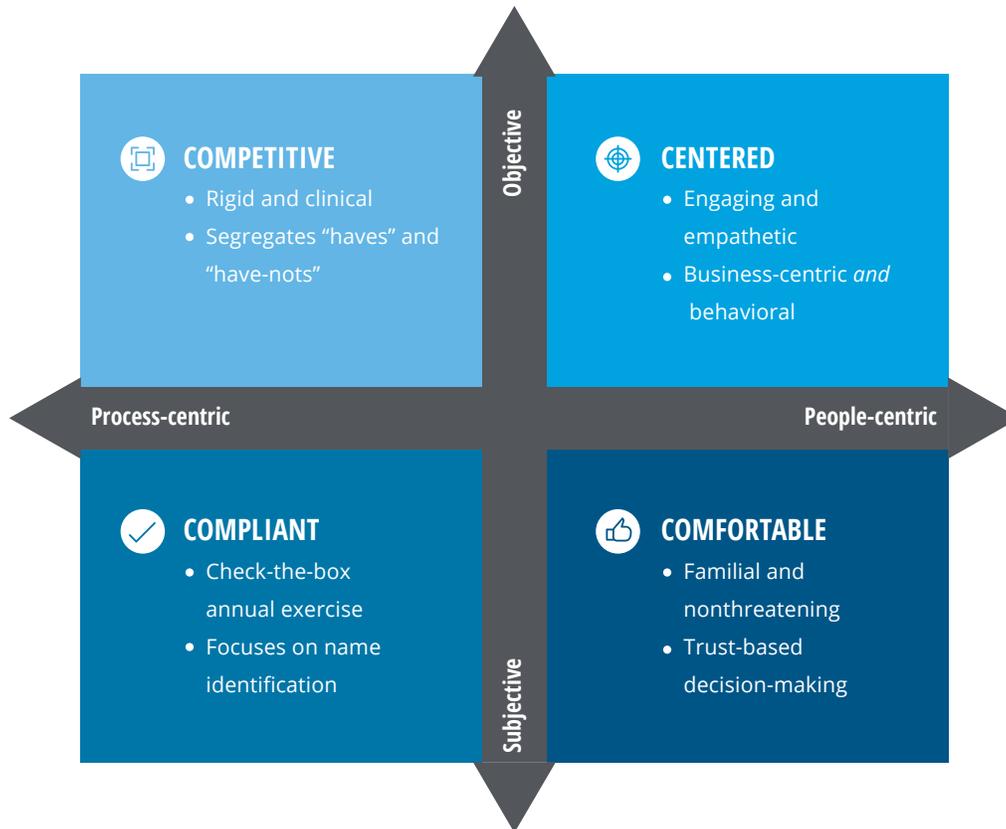
many organizations can still default to subjective or political succession decisions based on factors such as likability, sponsorship, or tenure. We heard many examples of organizations investing in obtaining solid data (for example, through an executive assessment), only to have it thrown out and replaced by pure opinion. As one executive from a large health care company lamented, "Even with a lot of data, subjectivity and politics come into play. You can have a 10-hour leadership assessment done with all kinds of psychometrics, but still have politics derail the whole conversation." Another CHRO stated, "Take any talent-related plan put down on paper, and you need to watermark 'politics' all over that plan."

- **There is no clear process for succession planning.** Many leaders said that their organizations lacked a strong methodology or tools around succession planning. One executive told us, "Boards and senior executives don't know how to succession plan. If you ask them about financial oversight or executive compensation, they're clear on how it works. But ask them about succession planning, and you get blank stares."



FIGURE 1

Four approaches to succession planning



Source: Deloitte analysis.

A centered approach for effective succession planning

Based on our respondents’ descriptions, we mapped the succession planning approaches that we heard along two dimensions: whether the approach was *subjective or objective*, and whether it was *process-centric or people-centric*. We chose these dimensions to capture the spectrum of approaches being used as well as to reflect our belief that an effective succession planning approach must be sensitive to participants’ motivations, experiences, and emotions—but not so sensitive as to ignore real-world evidence and business demands.

This mapping yielded four broad approaches to succession planning (figure 1), three of which

represent how most of the organizations we studied currently operate, and one that represents where we believe most need to be to make succession planning a strong lever for growth.

“COMFORTABLE”—AN INFORMAL, PEOPLE-CENTRIC, BUT SUBJECTIVE APPROACH

“Most boards and executives make the mistake of thinking that succession planning is only about deciding which people should be in certain roles. That’s hard and daunting if you don’t have any process or method on how to get there.”
—Retired CEO

Organizations using an informal, intuition-driven approach to succession planning leave these decisions to a small group of leaders who “know what’s important to us as an organization.” These leadership groups tend to select successors based less on objective data than on reputation and tenure. This approach is often found at founder-based, private companies that, even though they may have grown into large organizations, continue to conduct business in the old “family business” style. But while a “comfortable” approach helps maintain the old culture, it is fraught with bias and can often overlook hidden gems within the organization. Over time, this style can lead to complacency and stagnation, as the organization repeatedly recreates itself in its own image without evolving for the future.

“COMPLIANT”—A CHECK-THE-BOX EXERCISE THAT COLLECTS NAMES AND THEN FILES THEM AWAY

“Succession planning can be a lot of work for something many will file away in a drawer for the rest of the year.”
—Vice president, leadership development

Many other organizations recognize the importance of standardized processes, objective data, and a regular cadence of activities to structure their succession planning decisions. But with more immediate priorities competing for leaders’ time, these tools and processes likely fall by the wayside, and subjective decision-making takes over. This can be particularly evident at organizations where the onus for succession planning rests explicitly with the HR function. Without anyone taking up adequate executive accountability, succession planning can turn into an annual check-the-box activity where leaders fill out a variety of forms (such as the nine-box talent model) to record their opinions—and then turn to other matters, leaving HR without the political capital to question leadership’s input or deviate from existing plans.

“COMPETITIVE”—A RIGID, RIGOROUS PROCESS THAT IGNORES THE PEOPLE ASPECTS

“In a bigger organization, succession planning can be threatening. It makes leaders realize they are not indispensable. It can actually be destabilizing to an organization if not positioned well.”
—CEO

The “competitive” state is characteristic of organizations that take succession planning seriously and build substantial processes (including objective criteria) to evaluate and advance chosen successors. This type of succession planning typically identifies a select group of high-potential future leaders and puts them through a rigorous assessment and development program for future roles. While this approach may be effective at identifying and promoting future leaders, it also has the major drawback that it typically ignores the very real human reactions that can arise when a process fails to take people factors into account. In our study, we heard numerous examples of succession planning programs of this sort “blowing up” in organizations, resulting in high anxiety, frustrated leaders, or worse. The process can be perceived as a cold and threatening corporate program being done *to* individuals, not *for* them. As a result, instead of embracing the process as a key part of their leadership responsibilities, many participants tend to look for ways to “beat the system” or question the validity of diagnostics in order to raise their own stock or that of the candidates they support.

“CENTERED”—A BALANCED APPROACH THAT BLENDS OBJECTIVITY AND EMPATHY

“Our leadership succession program is very people-intensive, which I think it has to be. The tools and process should all support that.”
—HR vice president, supply chain

A “centered” approach is designed to put the people involved—both the leaders managing the process and the successors who are being considered—at the center, supported by processes that help decision-makers maintain objectivity. Recognizing that succession planning has a huge impact on the careers of the current leaders who are responsible for its success, and acknowledging the emotions involved for both current and prospective leaders, this approach focuses on creating an environment that channels emotions productively into the succession planning process. It uses people-centered design tools that allow organizations to consider objective talent assessment criteria without the process being perceived as threatening to the leader community. The aim is to create a succession program that leaders want to participate in, which can only happen when all participants appreciate its value and feel that it is fair and easy to navigate—and that it ultimately creates more opportunity for all involved.

Toward a centered approach

What prevents organizations from practicing centered succession planning? As we stepped back to consider the challenges, we realized that there was a pattern to many of the reasons our interviewees gave for ineffective or half-hearted succession planning: self-preservation, short-term thinking, reliance on subjective opinion, and a lack of accountability. The consistent and common thread in these reasons is *human behavior*.

To some extent, overemphasizing process at the expense of considering how people will emotionally react is an attempt to correct for the way people naturally tend to behave. Many of the barriers to adopting a centered approach, in fact, could theoretically be overcome simply by changing how people act and think. But, of course, changing human behavior and thinking is anything but simple.

The consistent and common thread preventing organizations from practicing centered succession planning is human behavior.

For incumbent leaders and their organizations to practice centered succession planning, it’s necessary for them to:

- Believe that there’s something in it for them;
- Embrace accountability and advocacy for succession planning processes and outcomes;
- Plan for the organization’s future—not necessarily current—leadership needs;
- Discipline themselves to pursue long-term outcomes even if they seem to address less-immediate business needs; and
- Cultivate transparency and trust in the system throughout the organization.

Five key practices can likely help organizations move their succession planning efforts toward the centered state.

1. MAKE SUCCESSION PLANNING WORTHWHILE FOR THE PEOPLE MOST AFFECTED BY ITS RESULTS

As one CEO we interviewed remarked, “The biggest barrier [to succession planning] is addressing ‘What’s in it for me?’ before I do it for others.” Asking leaders to fully engage in succession planning without an emphasis on their own interests is likely to result in apathy and avoidance. Organizations can manage these issues by offering bigger, bolder opportunities to current incumbents so that they will focus on succession. An organization that does succession planning well will align incentives and development opportunities for both the incumbent and the successor.

As for *what* incumbent leaders need to be motivated to do, it’s important that they take an active role in developing successors instead of approaching

the process as a passive onlooker where their only responsibility is to identify names to go on a chart. It is often wrongly assumed that talent will be ready for the next role without much involvement from current leaders. A CEO of a large financial services company observed, “Succession management is often done in too passive a way. Most companies just ask, ‘Is that person ready?’ as opposed to, ‘How do we get them ready?’” This mindset is amplified by organizations’ frequent focus on performance over learning.

To counter this tendency, many leading organizations craft short- and long-term incentives that reward leaders for creating environments that develop successors, not just identify them. The most effective of these environments include an artful combination of three learning elements:

- **Experience.** Giving successors opportunities to learn through intentionally provided day-to-day experiences.
- **Exposure.** Establishing opportunities to learn from others both inside and outside the organization and in a broader ecosystem across industries and functions.
- **Education.** Developing successors’ expertise through formal instruction focused on building capabilities.

In an organization dedicated to developmentally oriented succession planning, career opportunities are plentiful for all, creating yet more incentives for both incumbents and successor candidates to actively engage in the process.

2. ESTABLISH ACCOUNTABILITY AND ADVOCACY

One common challenge that emerged from our research is the lack of clear accountability for succession planning. Who is responsible for identifying and developing top talent—the CEO, the CHRO, direct managers, the board of directors? Some organizations grappled with assigning responsibility across businesses, and in many cases,

the lines of responsibility remained unclear. As one CEO remarked, “I don’t actually know [who is responsible for succession management in our organization]. Even though leaders get it that this is the right thing to do, they’re typically not incented or held accountable.” Behavioral science supports this idea: Research shows that, while people may acknowledge the importance of an activity, they won’t engage in it until clear accountability has been assigned.⁴ Interestingly, we found that *who* specifically has organizational accountability for succession planning doesn’t much matter—as long as it’s clear *where* the accountability lies.

Equally important as clear accountability is strong executive advocacy. Having one or more senior-level advocates for succession planning is crucial in building an effective succession culture in the organization. Succession planning should be championed as a critical growth lever by these senior leaders, or it risks being considered a “nice to have” and not being discussed on the executive agenda.

In addition to establishing accountability and advocacy at the top, organizations with effective succession management practices push accountability for succession planning down through all levels of the business.⁵ One fast-growing technology company in San Francisco has baked a key metric into its managers’ goals—the rate at which they develop and promote their own people. Bonuses are heavily influenced by this metric, and manager performance is rewarded for developing talent that is moved across the organization.⁶

3. ORIENT TOWARD THE FUTURE

At its core, succession planning is about preparing an organization for the future. Yet ironically, many organizations build their succession processes around the needs of current roles, not what those roles will look like in the future.

Orienting succession processes toward the future rather than present needs yields two key benefits. The first is that it helps prepare the next genera-

tion of leaders to deal with a world that will differ, possibly drastically, from the present. The most effective organizations we talked to spent intensive effort on understanding future business dynamics and their implications for effective leadership. By keeping these implications in mind while developing and promoting leaders, an organization can prepare itself to thrive in a changing environment.

The second benefit is the vastly different way that many incumbent leaders view succession planning when it is considered for the future versus the present. It was clear from our research that succession planning activities oriented to the near term can evoke a sense of fear for many. When we asked a leading CEO, what got in the way of his company engaging in succession planning, he answered candidly, “It’s the fear factor.” Another HR executive stated, “I think there is such a gap between intention and execution in succession planning because leaders don’t want to have people ready for their jobs. They want to appear irreplaceable.” Focusing on future decision-making related to future roles can help address such concerns, making the discussions less threatening for current leaders focused on self-preservation.

4. CREATE SHORT-TERM GOALS TO SUSTAIN A LONG-TERM FOCUS

Succession planning is a long-term discipline in a short-term world. As one CEO told us, “Organizations are wired for short-term thinking—quarterly results, dealing with rapid changes ... Succession planning is, by nature, a longer-term discipline that gets pushed because it doesn’t fit the cadence of most organizations’ planning timeframes.” Leaders are often too busy with day-to-day firefighting to spare thought and time for longer-term decisions; hence, succession planning remains low on their list of priorities.

One strategy organizations can borrow from behavioral science is to pursue longer-term outcomes

by setting shorter-term goals. For example, instead of asking someone to plan for an event five years from now, organizations can break the task down into smaller, shorter-term components and ask people to complete one component in the next three months. An associate vice president of leadership development explained this process in his organization: “We’ve broken [succession] into smaller pieces to create more focus and depth. We have nine executive talent review sessions per year—so we’re doing this often and proactively.” Seeing leadership succession planning as part of their day-to-day job helps keep leaders engaged in the shorter term while also proactively pursuing long-term success.

5. ESTABLISH TOOLS, PROCESSES, AND MESSAGING TO CULTIVATE TRANSPARENCY AND TRUST

Many employees, and even organizational leaders, often feel that leadership succession and planning is done within a “black box,” without the transparency and simplicity necessary to inspire trust in the process. Distrust in the system can likely lead to disengagement and even unacceptable workplace behaviors. Organizations that use simple, accessible, and transparent data collection processes for succession planning and clearly communicate succession decisions using this data are more successful. As with many other business processes, many leading companies are taking a design thinking approach to succession planning, creating an experience that blends objective, disciplined methods with the intrinsic needs of the people for whom the process is designed.

Here’s one example we’ve observed of two contrasting companies, both involved in an executive succession exercise. One company instituted an objective assessment process to evaluate its top 50 leaders, but provided minimal context for the effort. It sent out an email to these leaders without clarity on the details, creating tremendous anxiety

and frustration among this group. In contrast, the other company, while pursuing the same objective, embedded thoughtful communications into the initiative, including one-on-one meetings with each leader to discuss both organizational and individual objectives as well as to answer questions. The result? The latter company's leadership team was far more engaged in and trusting of the process.

Balancing empathy, objectivity, and discipline

The “holy grail” of effective succession planning turns out to be surprisingly obvious but unsurprisingly difficult: balance empathy and attention to

human factors with objective decision-making and the organizational discipline to see the process through. The hard part is encouraging current leadership to think and act in ways that enable the organization to achieve this balance. An understanding of human behavior can hold the key to successfully enlisting these vital stakeholders in the effort to identify and develop those who will follow them. Whether it's addressing the anxiety of incumbents, motivating them to train potential successors, prompting them to plan for the future, or winning their trust that the whole process is worthwhile, how well an organization handles these very real human factors will have a significant impact on its ability to effectively find and develop its next generation of leaders.

Endnotes

1. Adam Canwell et al., “Leaders at all levels: Close the gap between hype and readiness,” Deloitte University Press, March 7, 2014.
2. The author team designed a year-long mixed-methods research study to understand why so few organizational leaders effectively engage in leadership succession planning activities. The study began in the summer of 2017 and was completed in July 2018. We sent out a survey to a random sample of over 200 leaders across industries to determine the barriers and enablers to their leadership succession planning activities. Our survey also included an assessment with how strong they believed their current leadership succession program was and what could be done differently to enhance its effectiveness. After analyzing the survey data, we then sat down with over a dozen CEOs, board members, and HR leaders to conduct semi-structured interviews to further investigate the effectiveness of their leadership succession activities. We then used qualitative text analyses for the interview transcripts to identify themes and patterns in the responses. This report includes the findings from this year-long study using both quantitative and qualitative research techniques.
3. Jean Martin, “For senior leaders, fit matters more than skill,” *Harvard Business Review*, January 17, 2014.
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5. Gerald Kane et al., *Coming of age digitally: Learning, leadership, and legacy*, Deloitte Insights, June 5, 2018.
6. CHRO/former CHRO of technology and online companies, in-person interview, October 2017.

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