



SUCCESSION PLANNING

How to overcome
the top 5 risks.

SUCCESSION PLANNING

in numbers

Unprecedented labour shortages. Ageing workforces. Skill obsolescence. The pace of technological change demands increased business agility, leading to the gig economy. A quick glance at the numbers reveals why succession planning is a top priority for HR leaders:

#1

The top reason employees leave positions is a lack of opportunity for career development

(Gallup)

1/3

of businesses have a formal succession planning process

(ATD)

£82 billion

Large companies undergoing forced succession would have generated £82 billion more in market value had they planned the succession

(Strategy-business)

12-18 months

is the average lifespan of a technical skill

(OECD)

7%

of businesses have not had their succession planning interrupted by COVID-19

(I4CP)

14%

of leaders think their organisation does succession planning well

(Deloitte)

3-8 years

is the average tenure of a C-suite leader

55%

of CEOs say developing the next generation of leaders is their top challenge

(Gallup)

53%

of employees said that working from home had a negative impact on their career progression

(Talent International)

60%

of millennials are open to a new job opportunity

(Gallup)

With unprecedented competition for talent and skill obsolescence accelerating, HR Managers must plan for contingency or risk resource constraints. Effective succession planning can be the difference between continued success or potential failure.



WHAT IS SUCCESSION PLANNING?

In *Effective Succession Planning*, William Rothwell defines succession planning as a “deliberate and systematic effort by a company to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement.” Succession planning helps ensure business continuity and performance, particularly during times of



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WHY IS SUCCESSION PLANNING IMPORTANT?

A recent survey by McKinsey showed that 5% of companies have accelerated digitisation. According to the OECD, the average lifespan of a technical skill is now just one to two years. Skill obsolescence is only likely to accelerate. Unless organisations help them to develop and mitigate skill gaps, even the highest performing employees may struggle to stay ahead of the pace of change. Succession planning pipelines will increasingly need to be built upon the skill sets of the future, disrupting traditional benchmarks.

REAL WORLD IMPACTS OF SUCCESSION PLANNING

Whilst economies begin to recover from the pandemic, it continues to have a profound impact on the labour market. More than one in three UK businesses is experiencing a shortage of workers as a result of The Great Resignation (BICS). Baby Boomers will also continue to retire at a more rapid pace over the next 12-18 months.

The consequent labour shortage only exacerbates the skill gap created by technological change, driving HR leaders to reassess their succession plans and pipelines of future executive talent. This guide looks at five core business continuity risks and the succession planning tools and techniques that firms can apply to secure a pipeline of talent.



More than half of workers globally require reskilling.

(DDI).

More than a third of businesses are currently short-staffed.

(DDI).

5

5 BUSINESS CONTINUITY RISKS AND HOW TO AVOID THEM

Prior to Covid-19, societal and technological forces had accelerated business decision-making. Recent world events have made the case for agility clearer still. In an environment characterised by change, succession planning is critical for de-risking business operations. Here are five core risks to business continuity, and how to manage them.

1 **LOSS OF KEY TALENT**

Triggering around half the world's professionals to seek new positions (Microsoft) and the highest recorded vacancy numbers in the UK and many countries worldwide, the pandemic has made employee retention the number one challenge for HR professionals today (*Kronos*). It also highlighted the criticality of building a resilient organisation. Due to the pace of technological change, resilience means embracing the shift from traditional talent management systems to agile ways of working that support non-linear career pathways.

Organisations must develop a fluid yet structured approach to succession planning to ensure continuity of talent in key positions, accelerate development and improve retention. Most HR professionals know that the cost of replacing an employee is around ten times their salary (*HBR*), but the detrimental effects of churn are exacerbated by the current labour shortage. Despite the urgent need for increased resilience and potentially devastating impact of losing key talent, only about 30% of SMEs have identified a talent pipeline. Meanwhile corporations forgo £82 billion in market value due to failure to identify successors (*Strategy-business*).

Lack of development opportunity is the top reason employees change jobs - *Gallup*

HOW CAN SUCCESSION PLANNING HELP YOU RETAIN KEY TALENT DURING 'THE GREAT RESIGNATION'?

Remote working has made it harder than ever for teams to communicate, and feedback opportunities can be essential for opening up communication, uncovering issues affecting performance, and understanding behavioural and technical competencies within your business. Employees who are given feedback opportunities are nearly three times more likely to feel that their purpose is fulfilled at work (*McKinsey*). A 360-degree Employee Engagement assessment is designed to measure employee sentiment, enabling your organisation to take action to resolve issues that could otherwise have led to churn.

Another way to build a robust talent pipeline is to assess the gaps in your current workforce. Carrying out a behavioural assessment of your employees will inform benchmarking in key roles and reveal where there is development potential. The insights gained will also provide your employees with valuable self-awareness, helping to improve communication between employees and line managers, a key lever for improving retention. These insights also support individuals' career development, helping to boost both engagement and retention.




Remote working has made it harder than ever for teams to communicate.

2 LOSS OF EMPLOYEE ENGAGEMENT

Rapid changes to the working world, digital transformation and general disruption caused by the pandemic have created an employee engagement crisis. McKinsey estimates that employee disengagement caused by the pandemic has resulted in £5 trillion annual productivity losses for businesses worldwide. Engaging employees in a remote or hybrid environment is now a core challenge for businesses.

With virtual work a new normal for many organisations, performance frameworks need to be re-evaluated. In the absence of face-to-face management and peer recognition, new systems of recognition and reward are required to maintain employee engagement. Benchmarking performance across your organisation will help to create a talent pipeline, insuring against loss of productivity in important operational roles.



New systems of recognition and reward are required to maintain employee engagement.

“We see people missing the social connection that in-person work provides.”

Natasha Nel - Organisational Development Specialist, University of the Free State

HOW CAN YOU RAISE EMPLOYEE ENGAGEMENT THROUGH SUCCESSION PLANNING?

Traditional succession planning is no longer applicable to today’s agile organisations and non-linear career pathways. To ensure continuity of talent in key positions, firms must introduce fluid succession planning that embraces cross-functional collaboration and agile working. Interdepartmental secondments, coaching and mentoring can all help to engage employees.

Role benchmarking using behavioural competencies helps to create visibility of career pathways through your organisation. The assessments offer employees insights that focus development activity, increasing engagement. They are also helpful for people managers, who may themselves benefit from an Emotional Intelligence assessment, which identifies the gaps in their interpersonal relationships, helping them to better motivate their direct reports

3 LACK OF LEADERSHIP

The return on investment for leadership development programmes is poor. Despite companies worldwide spending £270 billion a year on leadership development programmes (*Training Industry*), five in six HR Managers are dissatisfied with the results (*Gartner*). Just 14% of leaders believe their organisation does leadership succession planning well (*Deloitte*). Almost half of companies lack a contingency plan for CEO succession (*HBR*), although the cost of an unplanned CEO succession for large corporations is an average of £1 billion in shareholder value (*Strategy-business*).

“The high proportion of external CEO hires in the UK who are then subsequently pushed out of the company (30%) raises concerns that UK companies’ succession planning is falling short.”

Ashley Unwin - UK Consulting Lead, PriceWaterhouse Coopers

Part of the problem may be the emphasis on senior roles, which often leads key management roles to be overlooked for leadership development programmes. Internal candidates are also often overlooked. In the UK, 58% of CEO hires are external, although external hires cost around 20% more and are less successful than internal candidates (*PWC*). A further challenge may be that qualification for leadership development is often highly subjective. 73% of firms identify potential leaders through a single nomination by their manager (*CrForum*).

HOW CAN YOU CREATE A PIPELINE OF TALENT DURING A LABOUR SHORTAGE?

A key indicator of leadership potential is fluid intelligence. Measuring this will help to identify employees who learn quickly and have potential to be high performers in future roles. Emotional Intelligence assessments can also help to focus leadership development programmes by providing insight into an individual's blind spots and stress responses. Both Aptitude and Emotional Intelligence assessments can be invaluable for team diagnostics, helping you to build strong and balanced executive teams.

Using assessments to identify talent with the development potential for future roles will help to eliminate bias in the succession planning process, both validating decisions and galvanizing a pipeline of talent. Leadership ability should be measured from pre-employment and throughout an employee's tenure as it provides a view on both the effectiveness of your organisation's development programmes and the individual's growth.



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4 LOSS OF BRAND IDENTITY

Breakdowns in the succession planning process can also result in the loss of vital knowledge, influencers and brand awareness. Companies that end up firing their CEO lose an average of £1 billion in shareholder value, compared to companies with a succession plan (*Strategy-business*). Losing key operational specialists and internal advocates can be almost as damaging, hurting both project outcomes and employee morale.

Succession planning forms an integral part of maintaining a healthy organisational culture. Ninety percent of C-suite leaders surveyed believe that company culture is inextricably linked with financial success and perceived value in the world (*Columbia Business School*). Successfully identifying and nurturing talent will help you increase your brand's attractiveness for candidates and customers.

HOW CAN YOU MAINTAIN BRAND IDENTITY?

Ascertaining their behavioural compatibility with the role requirements is more predictive of future in-role success than previous experience. You can do this with a Behaviour assessment, which is typically rooted in DISC theory and establishes an individual's preferred behavioural style. Understanding the behavioural makeup of your workforce will enable greater agility and success in the reallocation of resources as the 'gig economy' continues to grow and markets evolve at pace.

A Personality assessment can measure the traits that matter the most for predicting job success. These include conscientiousness, competitiveness, adjustment and ambiguity acceptance, all of which are useful predictors of your employees' potential for success in changing roles and contexts. Since personality stays relatively constant over time, a Personality assessment can be an incisive means of developing a talent pipeline.



A Personality assessment can measure the traits that matter the most for predicting job success.

More than one third of HR leaders report struggling to develop effective senior leaders and 45% struggle to develop effective mid-level leaders.

Gartner

5 INEFFECTIVE DEVELOPMENT ACTIVITY

Due to the skill gap created by rapid digitisation, development has risen to the top of business agendas. According to the World Economic Forum, around half of the world's workers need significant upskilling or retraining. This means that professionals increasingly need to upskill themselves to keep pace with the change. 87% of millennials say that career development opportunities are important to them in a job (*Gallup*). A recent Global Culture Report by the OC Tanner Institute revealed that development opportunities were second only to hybrid working on jobseekers' list of priorities.

With flexible working and non-linear career paths on the rise, effective development activity involves more coaching, mentoring and lateral moves than previously. Learning on the job is now essential, and the current labour shortage has made investing in your people a time and cost-effective alternative to buying in new talent. Yet despite the increased emphasis on development activity, 74% of surveyed employees say they aren't reaching full potential at work due to a lack of development opportunities (*Entrepreneur*).



High emotional intelligence improves decision-making, discernment and the ability to influence others.

HOW CAN YOU ENSURE THAT YOUR DEVELOPMENT ACTIVITY IS EFFECTIVE?

Technological development is set to continue apace, and skill obsolescence is on the rise. With reskilling the new normal, it is crucial that firms establish their people's speed of learning from the recruitment stage. Individuals who learn quickly are likely to be better able to perform in agile working environments that involve constant learning. An Aptitude assessment can be a useful indicator of how quickly new recruits will get up to speed with the demands of their new role, and their capacity to perform in a fast-paced environment.

Estimates put the half-life of a professional skill at just five years. In five years that valuable skill you gained in school or in the workplace is half as valuable as it was when you acquired it. *Adobe*

Measuring your employees' emotional intelligence can be an invaluable means of identifying focus areas for development activity. An Emotional Intelligence assessment measures the capabilities and beliefs most relevant to professional success. Eighty percent of employees believe that emotional intelligence is fundamental to career advancement (*Levo Institute*). The trait is especially beneficial in leadership and people management roles, as studies show that high EI improves decision-making, discernment and the ability to influence others.



SUCCESSION PLANNING IN THE REAL WORLD

“We know that the key to the success of students in the development programme is dependent on how fast and how easily they understand and cope with new things and learning, how they adapt to circumstances. For infrastructure, technology as well as validity, [Thomas has been] very good so far.”

Widyarini Utami

SENIOR VICE PRESIDENT OF TALENT

ACQUISITION AND HEAD OF EMPLOYER

BRANDING

DANAMON

“Undertaking the Behaviour assessment [PPA] followed by 360 notably helped to remove anxiety around newfound responsibilities for many of the managers. Each individual also received a full written report, but the face-to-face consultations with the Thomas team were invaluable as each manager was able to explore the feedback in depth and pull together a plan to support their development.”

Julie Pegg

HR BUSINESS PARTNER

SIEMENS

“Some companies struggle with their talent pipeline. We have the opposite problem, which is that we can hire for positions in 80-100 cities concurrently and we have an absolute abundance of candidates applying for our positions. We’ve deployed something like twenty thousand psychometric tests across the business and it’s meant that we’ve been able to scale from 500 people to around 750 during Covid. That’s why we selected Thomas as a provider of choice.”

Iain Kendrick

PEOPLE DIRECTOR

CANONICAL

OUR ASSESSMENTS

Psychometric assessments provide an objective source of rich information about the capabilities and skill gaps within your workforce. They can help to inform hiring, succession and development decisions, and provide a means of mapping the talent within your organisation. Start developing your talent pipeline today.



PERSONALITY

Our Personality assessment is grounded in the 'Big 5' model, assessing traits that predict professional success and risk for derailment. With their personality profile, you can identify candidates with the highest potential for workplace success and achievement.



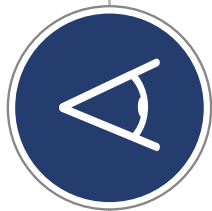
APTITUDE

The General Intelligence or Aptitude assessment provides an objective picture of a candidate or employee's speed of cognition and learning. The assessment can also assist in removing bias from recruitment processes and widening your talent pool.



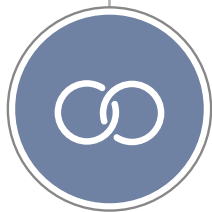
EMOTIONAL INTELLIGENCE

Our Emotional Intelligence assessment measures 15 emotional traits concerning wellbeing, self-control, emotionality and sociability. These traits will help you to provide targeted support that will enhance your highfliers' ability to deliver organisational outcomes.



BEHAVIOUR

Our Behavioural assessment provides deep insights into a person's behavioural preferences, strengths, limitations and communication style. This helps to increase self-awareness and provides a vocabulary for discussing nuanced behavioural dynamics.



ENGAGE

Our Employee Engagement assessment establishes the level of engagement within your organisation, and identifies strategies to improve employee wellbeing, motivation and productivity. This helps to identify the areas in which to focus engagement initiatives.



GUIDING YOU THROUGH THE CHANGING WORLD OF HR

Download the entire '10-minute takeaways' series today to unleash the power of your people.



Employee **Engagement and Motivation** post-pandemic.



Building and nurturing **High Performing Teams**.



Employee **Retention** during 'The Great Resignation.



Delivering on your **Diversity and Inclusion** goals.



Leadership in a complex and changing environment.



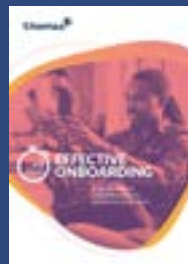
Recruiting for Potential in a skill shortage.



Succession Planning for an uncertain future.



Recruiting Leaders in a labour shortage.



Effective Onboarding for agile organisations.



Beating Bias in recruitment.



Managing Hybrid Teams for sustainable success.



We'd love to hear from you. If you would like to discuss anything covered in this guide further, or find out how we can work together to develop your people strategy, please reach out to your customer success manager.

Alternatively, you can get in touch to request a one-to-one chat with our experts by [clicking here](#).



You can learn more about our **psychometric assessments**



You can also explore the new and improved **Thomas Perform**

© Thomas International Ltd 2022. Founded in 1981, Thomas International transforms the performance of organisations around the world through smarter people decisions, looking beyond just skills and experience to identify the true potential and capability of people. Its talent assessment platform combines technology, psychology and data to make the complex nature of human behaviour, aptitude and personality easier for everyone to understand. Today, Thomas helps over 11,000 companies across 140 countries unleash the power of their people.

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