START
Succession Planning NOW

Your Roadmap to Preparing Future Leaders
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That means each day, 10,000 of the workforce’s most experienced and knowledgeable participants leave organizations. Many of these retirees are also high-level leaders. The Center for American Progress released a report that revealed the cost to replace highly-skilled executives can exceed 213% of their annual salary!

In a competitive talent market, organizations simply can’t afford to lose all that valuable knowledge. Furthermore, when leaders leave, unprepared organizations are forced to undergo the long and expensive process of replacing C-level leaders. Occasionally these organizations bring back retirees as consultants, giving leverage to the consultant to make salary and time-clock demands.

Smart organizations are being proactive – they’re developing succession plans to prepare for the inevitable changes in leadership that will come.

In this ebook, we’re going to discuss practical approaches to succession planning by covering the biggest challenges, how organizations can overcome them, and how your company can create seamlessness in times of personnel change.

The most popular approach to succession planning is the organizational, or strategic perspective. This perspective puts the organization in charge of investing in employees and developing leadership based on organizational goals and objectives.

Fundamental to the success of the approach, then, is identifying and developing the next generation of leaders. Those identified are typically referred to as “high potential,” or HIPO.

While proactive organizations put great effort into identifying and developing their HIPO employees, this process is not without its challenges.
For a HIPO employee to become a successful leader, two things must happen. First, it is crucial for an employee to remain with an organization long enough to mature into a leadership role. Second, in order to be a successful senior leader, they have to find success first in their initial leadership responsibilities.

A Compdata survey discovered that average employee turnover rates are on the rise - 2018 rates were 3.5% higher than 2014 turnover rates.

When you add the cost of career development and training to a high-potential employee, avoiding turnover from your HIPOs is especially crucial.

That means strong employee retention rates and great leadership development opportunities should precede succession planning.

Popular rhetoric says people don’t quit jobs, they quit bosses. While poor management does have a substantial impact on employee turnover, people with great bosses will often leave for other reasons. So it’s crucial for businesses to have a more sophisticated philosophy on employee retention, especially when framed within the context of succession planning.

A study by the Harvard Business Review found some fascinating data about employee retention.

The study looked to create a model to predict which employees at a given company were likely to leave or stay within the next six months.

The researchers found that those who were likely to stay found their work enjoyable 31% more often, used their strengths 33% more often, and expressed 37% more confidence that they were gaining the skills and experiences they needed to develop their careers.

The researchers made the following argument: There are three key ways that managers can customize experiences for their people:

**ENABLE THEM TO DO WORK THEY ENJOY**

**HELP THEM PLAY TO THEIR STRENGTHS**

**CARVE A PATH FOR CAREER DEVELOPMENT THAT ACCOMMODATES PERSONAL PRIORITIES**
We can attribute a portion of this challenge to the pervasive idea that high-performing individual contributors will make strong leaders.

The Peter Principle illustrates why performance is often the sole factor in promotions. This principle is a management concept developed by Laurence J. Peter, which theorizes that people tend to rise within an organizational hierarchy to their “level of incompetence.”

This is always true when employees are promoted based on their past performance; employees are promoted as a reward for strong work, and when strong work slows, so too do the promotions. In the meantime, those with great leadership qualities who may not be top technical performers are overlooked.

To overcome this phenomenon, it's necessary for decision makers to understand the difference between high-performing employees and high-potential employees.

Conveniently, the very act of succession planning is a key to retaining employees; when your HIPOs understand that you are creating a career path for them, they're more likely to stay.

Retaining high-potential employees is only one side of the succession planning coin; the greater challenge is in identifying and knowing who your high potentials are in the first place.
High Performance and High Potential

In the upper right quadrant of this chart, you'll find the area where high performance and high potential intersect.

This quadrant is where organizations should focus their assessment.

When you assess for potential, you aren't just looking for replacements for current leaders. You should be looking at the future needs of the organization. **What skills, competencies, and knowledge will you need your next generation of leaders to master?** They may be different than what your current leaders possess.

Consider the changes your organization has gone through in the past decade. Did you have a dedicated social media marketing strategy in 2009? Did your organization have the need for data science during that time? New jobs are being created every year, and new skills are needed to keep up with the rapidly changing world of work.

**A high potential employee is someone who understands your business, your market, and your customers, is capable of being a great leader, and wants to move into a leadership position.**

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High Potential and Low Performance

If you identify talent that has high potential, but they just aren't performing, it’s easy to start wondering if you’re evaluating potential correctly. Rest assured! It's perfectly normal for high potential employees to exhibit poor performance. The key here is to diagnose, correct, and evaluate.

First, diagnose the cause of the poor performance. Is the HIPO employee doing work that aligns with their skills? Do they have a good relationship with their manager? Is their work fulfilling?

Asking the right open-ended questions can help your organization identify the reasons your HIPOs aren't performing as well as you'd like.

Next, correct the issue. Communicate to your HIPOs that you believe they have the ability to deliver great work, and communicate the solution that you believe will increase their performance.

If they're being moved or reassigned, reiterate that it's not a punishment, but rather a calculated decision that you believe will help them deliver their best, and put their career on a strong track.
If you've identified employees who are high-performing but low on potential for leadership, there could be a few factors at work here.

The best first step might be to re-evaluate your assessment criteria and dig a little deeper, just to ensure you're not overlooking qualities of leadership that are simply more subdued than others.

If you're fairly confident that your assessment criteria is reliable, assess the employee's motivation levels.

Do they believe in their ability to succeed in leadership? Do they have the motivation needed to overcome their skill gaps? Are they receiving meaningful feedback on their good work?

If they have the skills and drive to be high-performing, they can probably become a high-potential employee. Identify their skills gaps, make sure they're well-managed and re-assess. With a little effort, employees in this quadrant can become a part of your succession plan.
However, keep in mind that many employees are driven to be high-performers, but aren't aspiring to leadership roles. Don't expect every high-performer to want to be a leader, and remember they're just as valuable to your organization as HIPOs, even if they're not interested in taking on a leadership role.

**Low Performance and Low Potential**

These employees are poor candidates for inclusion in high-potential development programs. While there may be a few diamonds in the rough, the time and capital costs are high for attempting to turn this quadrant into future leaders.

In fact, these employees usually present more difficult performance management issues. Sometimes organizations have to make hard choices related to employees that plot in this quadrant, especially if coaching and development seem to be having no effect on performance or potential.

**Building Effective Development Plans**

Now that you've identified high-potential employees, the next step is to develop them. Remember that employees are 37% more likely to stay with organizations when they believe they are gaining the skills and experiences they need to develop their careers.

When assessing your HIPOs, look at their strengths, weaknesses, and career goals. Career development should be customized for each future leader based on those three things.

There are questions you need to answer when you start developing future leaders:

- **What skills or competencies should you target first?**
- **What do you value in your current leaders?**

Standardized development works well in onboarding, early management training, and competency-based training. However, for leadership development, a mix of standardized and customized learning is most beneficial. Many leadership competencies should be customized based on your HIPOs’ strengths and weaknesses.

One of the most important competencies to look at for all potential leaders is their level of emotional intelligence.
Emotional Intelligence

A study by TalentSmart analyzed 33 key workplace skills alongside emotional intelligence (EQ) to see which ones had the highest correlation to performance. It turned out that EQ was the strongest predictor of performance for a wide variety of job types. TalentSmart’s studies have also shown that 90% of top performers are also high in EQ, whereas only 20% of bottom performers have high EQ.

These types of studies have been replicated many times over, and they make it clear that EQ is a strong indicator of the long-term success of a leader.

When you consider some of the core qualities of high emotional intelligence, it makes sense that great leaders exhibit high EQ.

The fundamentals of EQ include: self-awareness, self-management, social awareness, and relationship management.

Self-awareness gives leaders insight into their own strengths and weaknesses, and allows leaders to honestly and objectively assess their own performance.

Self-management means having a strong internal voice that guides leaders with managing their own emotions and behaviors in a way that delivers positive outcomes.

Social awareness is about accurately picking up on other people’s emotions and understanding social dynamics at play in different situations.

Relationship management combines each of the first three competencies, using self-management skills and awareness of others to successfully build and maintain positive relationships.

Getting Started with Development

Finding and developing your HIPOs is an exciting process, and it’s never too soon to start. Once you’ve planned out the skills you need to develop with each person in your succession plan, it’s time to look at training resources that can help you efficiently and effectively build those skills.

Off-the-shelf training content can be a valuable asset when developing leadership competencies. You can use on-demand content as standalone training, or as a great supplement to in-person courses or seminars. Taking short bursts of leadership training content helps your HIPOs to quickly put their new skills into practice and see progress toward their goals.

Check out these resources to help you get started developing your HIPOs!
Recommended Resources

- **PRACTICAL EQ**
  - A Handbook for Developing Your Emotional Intelligence

- **NEW MANAGER PLAYBOOK**

- **Back to Human**
  - How Great Leaders Create a Connection in the Age of Isolation
  - Presented by: Dan Schawbel

- **EPISODE 34: EXPERIENCED MANAGER TRAINING**

- **EPISODE 17: DEVELOPING COACHING SKILLS OF YOUR MANAGERS AND LEADERS**

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**SOURCES**