

HUMAN RESOURCES' ROLE IN SUCCESSION PLANNING

Five board members provide practical advice to HR organizations regarding succession planning.

Aaron Sorensen, Ph.D., and Susan Mlot, Axiom Consulting Partners

CEO succession planning and stewardship of the executive talent pool is a top priority for corporate boards. An article published in *Harvard Business Review* in May 2013 — “Talent Management: Boards Give Their Companies an ‘F’” — underscores the challenges facing board members. All hope is not lost, though; HR organizations can have a significant impact on the succession planning process.

Clarify Your Role and Responsibilities

Relative to other board governance processes, succession planning is relatively undeveloped. A best practice in terms of the type of role and relationship that boards and CEOs have with the HR function is not evident, but clarity around expectations is a

critical success factor. There are three general roles that HR leaders play in succession planning.

1 | THE CONSIGLIORE

Success in this influential role requires leveraging data and ensuring transparency with the board and CEO.

Steve Tourek, senior vice president and general counsel at Marvin Windows and Doors, serves as an independent director for a variety of entities and has significant experience working with boards governing large family-owned businesses and privately held firms.

“I have no reluctance picking up the phone to ask for guidance from the HR department,” Tourek said. “When the board is thinking about whether the company has the talent to execute its strategy, about the nature of retention risk and exposure to loss of key people, they turn to the HR department for input and analysis.”

Tom Plaskett, managing director of Fox Run Capital Associates, serves on the boards of Radio Shack and

Signet Jewelers. He expects the chief HR officer (CHRO) to serve as an idea generator, a challenger and a confidant with an independent perspective. In the best case, the senior HR executive is joined at the hip with the CEO to help think through the succession plan that will be presented to the board,” Plaskett said. “Sometimes that can be a very delicate position, particularly in horse-race situations where the CEO might need help resolving conflicts.”

2 | THE PROCESS OWNER

Without a capable individual providing strong and objective process discipline, boards often revert to emergency closed door sessions and uninformed decision-making. HR should be the process steward for succession planning.

Teresa Taylor, CEO of Blue Valley Advisors LLC, serves on the board of three public companies, T-Mobile USA, NiSource and First Interstate Bank Systems Inc. “Succession planning has to be treated as a business process and a formal item on the board’s agenda,” Taylor said. “When it is, it signals to the board that the CEO is taking succession planning seriously.”

She believes that, “The HR department needs to create the process, provide the tools and put forth succession candidates. HR should be a counselor who can help neutralize emotions and make sure decision makers have an objective perspective.”

Stephanie Abramson has been an independent board director, chief legal counsel and dean of professional education and graduate professional studies at New York University. She said, “HR needs to be an integral and constant presence in the succession-planning process because that function influences the kinds of skills the board is looking for.” She recommended that the HR leader canvas the board to hear what skills the members believe the CEO and other senior leaders need to implement an organization’s strategy. “HR needs to be tightly aligned with the board’s priorities,” she said.

3 | THE SUBJECT MATTER EXPERT

Active boards with well-developed governance processes are often looking for HR leaders to know the leadership talent pool and provide reliable and meaningful data. Information needs vary, but most directors seek information and insights about the strengths, weaknesses and development plans for individuals as well as characteristics of the talent pool overall.

Plaskett said HR functions must serve as the central repository of data and expects the HR department to “paint a picture” of various candidates that gives the board an advance opportunity to think about the issues it needs to discuss with the CEO. A succinct summary of experience, responsibilities, past performance ratings and development plans is necessary, but insufficient. The most important assessments come from a candidate’s supervising executive,” Plaskett said. “An assessment of potential — whether someone is ready to lead now, could step in in an emergency, or needs additional development — is extremely valuable to the board.”

Bring Data-Driven Insights to the Table

With the rising use of leadership assessment tools and technologies, boards expect human resources to bring data to the table.

Steve Wilson, chairman and CEO of LCNB Bank in Lebanon, Ohio, has served on the Federal Reserve Bank of Cleveland and as a board member at a variety of public companies and national associations.

Wilson expects human resources to provide detailed talent profiles of potential successor candidates, including strengths, weaknesses and specific development needs, particularly in areas that can help someone move to the next level. He stressed the importance of monitoring progress to ensure that the company is strengthening its talent bench. Wilson also recommended that, “The HR department should be prepared

to provide recommendations on the right approach to talent assessment, because the CEO and board simply don’t have as much exposure to all the top talent in the company.”

There are scores of assessment methods — from competency-based 360 surveys and interviews to cognitive ability tests and personality assessments. Human resources can play a critical role in matching the right methods for each situation. (See Figure 1.)

“Bring lots of facts and feedback about candidates to the table so the board has a clear view of their qualifications,” Taylor said. She said human resources can provide the “institutional memory” that is sometimes necessary in evaluating candidates. For example, if someone was brought into a new position as a change agent to shake things up, it’s not surprising that a few of that supervisor’s direct reports would provide negative 360 feedback. Because the board of directors isn’t mired in that level of detail, the HR department can provide the context and color that give directors a deeper understanding of a candidate’s performance.

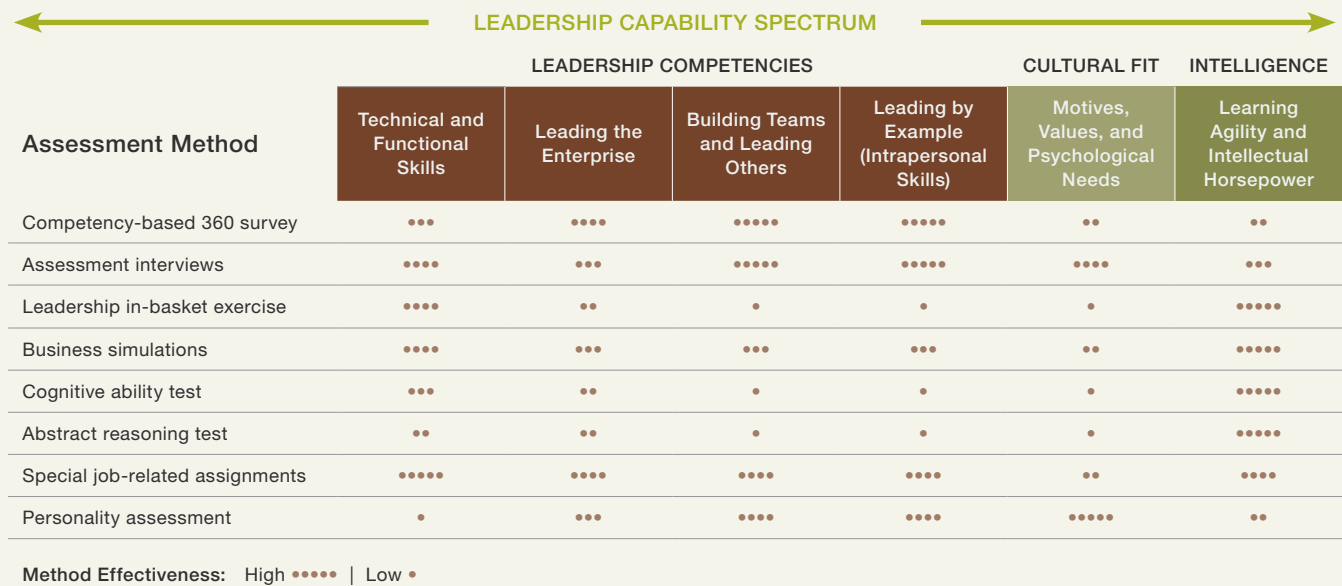
At a minimum, career mapping all the officers of the company is a common board expectation, Wilson said. But often, a company must go far deeper in the organization chart to identify the key roles that must be accounted for in the case of a short-term challenge. “The board will ask ‘Who would step in to fill a key position in case of an emergency? How will you mitigate the risks of losing a key player?’ The HR department should have the facts to help answer those questions.”

Don’t Sit Back. Step Up!

Human resources has an opportunity to contribute more to succession planning, but this will require the HR function and CEO’s view of human resources’ role in the process to evolve.

Taylor believes human resources’ primary succession planning

Figure 1 | Leadership Assessment Method Matrix



Source: Axiom Consulting Partners

responsibility is to “push,” while Abramson said, “HR should insist on staying in the conversation, reminding the board about the goals of succession planning, what the strategy is and what skills are needed.”

Tourek encouraged HR leaders to take the initiative in transitioning from a transactional to a strategic role in helping the board fulfill its succession-planning obligations. “There is a greater willingness to give HR significant input rights in succession planning decisions,” he added. “After all, HR is a major gateway to capacity building. Even if the HR team doesn’t possess the all the capabilities in house, boards expect the HR leader to locate and access the expertise the board needs to do its job.”

HR’s contributions to the succession planning process are a function of the CEO’s views of HR’s role, Plaskett said. “To be a true strategic contributor to the succession planning process, the CHRO should help the CEO align the organizational structure and talent with the strategy. Understand the CEO’s vision and then look at the structure — and

where the holes are — to help the CEO appreciate where the company is today and how to move it forward,” Plaskett added.

Abramson suggested that, “CEOs should liberate their HR leader to become more of a business generalist. With a broader perspective of the business and its strategy, the HR leader can earn a spot on the management committee and be more engaged with the board.”

Tourek stressed that HR’s job extends far beyond being a resource to the board’s selection process.

“HR has a critical role to play in helping a new CEO or other senior executive realize his or her full potential,” he said. “Once the succession has occurred, the work has just begun. The HR leader can help ensure the conditions for a new executive to succeed by facilitating the communications, mentoring and alignment needed to manage change and transition well.”

Conclusion

The boards of directors at many organizations seek help in fulfilling their succession-planning responsibilities

and the HR leader is in a perfect position to provide that help. Clarify the role and the responsibilities you’re capable of taking on. Familiarize yourself with leadership assessment tools and bring data to the discussion. Take the initiative to turn succession planning from an episodic HR scramble into a core business process. The results will serve the entire organization for years to come. **WR**

Aaron Sorensen, Ph.D., is a principal at Axiom Consulting Partners in Chicago. He can be reached at asorensen@axiomcp.com.

Susan Mlot is a partner at Axiom Consulting Partners in Chicago. She can be reached at smlot@axiomcp.com.

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