Cracking the Code on C-suite Succession: A Roadmap for Chief People Officers

The tumult of the last three years proved that strong C-suites are more important than ever. It seems then, that C-suite succession would be a top priority for all leaders. Additionally, most chief people officers (CPOs) believe it to be one of the hardest parts of their jobs. In fact, our Global Leadership Monitor shows that only 43% of CPOs think that their organization has a successful strategy for leadership succession at the C-level, suggesting serious room for improvement. At the same time, boards are seeking increased visibility on succession planning efforts below the CEO level. The challenge for CPOs lies in creating a more strategic and systematic approach to C-suite succession in the context of a rapidly changing environment and workforce.

"Succession planning is tough. It is one of the hardest things I do in the organization."

"You go through talent planning, and you talk about bench strength, but when that job actually comes open, let's be honest: things can go sideways."

There is a strong upside to getting this right. A healthy C-suite talent pipeline not only minimizes risk and disruption, but also enhances business continuity, pace and agility, while lowering costs and increasing employee morale. Yet, it remains an important but elusive part of an organization's strategic planning efforts.

"Organizations that get a leader they know and hopefully love end up being more stable. You avoid a lot of uncertainty and cost."

"We view succession planning from a risk management perspective—if someone leaves, we have someone to replace them with."

"The focus and commitment to development has been very well received by our workforce. We have a higher level of engagement."
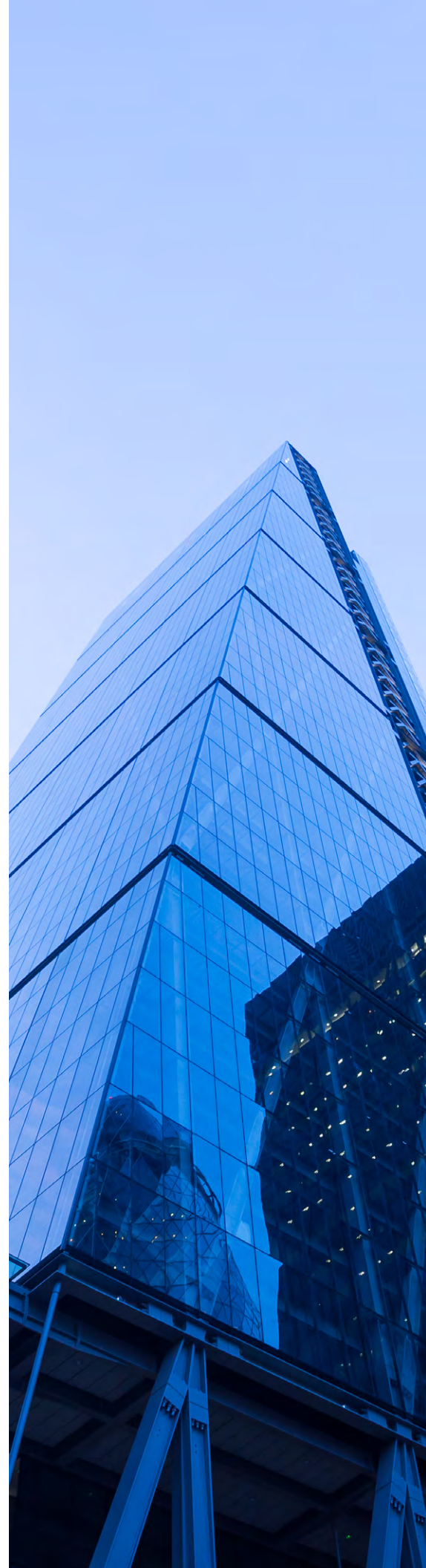
While a great succession planning system is critical, several factors differentiate a great approach from a merely good one. RRA spoke with almost 30 CPOs and board members across the globe to understand the state of C-suite succession planning in their organizations better. Insights from these conversations—along with expertise gathered from the almost 400 succession-related assignments RRA has completed in the last three years—have informed this report. We gathered insight that we hope will help CEOs, boards, and CPOs to uncover:

- The unique differentiators of effective C-suite succession planning

- The common challenges with C-suite succession planning and how to solve for them

- Advice when embarking on this journey

This report will largely focus on what great succession planning looks like at mature (medium to large) organizations, but please refer to page 12 for advice for scaling or high growth organizations

Chief People Officers think C-suite succession has room for improvement

Most CPOs think succession planning practices in their organizations are largely informal and unstructured

Which statement best describes succession practices at your organization?

■ Succession processes are informal and unstructured.

■ Succession plans are created well in advance of need using a formal process and set of criteria. We have already identified potential successors when a need arises.

■ When a succession need is identified (e.g. because a leader leaves or a new position is created), we activate a formal process and set of criteria.

- 51%
- 28%
- 21%
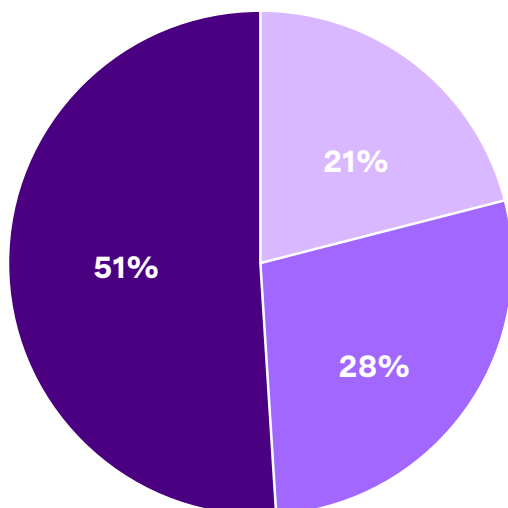
43%

of CPOs think their company has a successful strategy for C-suite succession

36%

of CPOs think their company's succession practices are transparent and clearly understood

Source: Russell Reynolds Associates Global Leadership Monitor; N=52 CPOs

The unique differentiators of effective C-suite succession planning

Several CPOs highlighted ways in which their succession planning philosophy is differentiated and offers them a competitive advantage. While these actions are not practical for every company, thinking about them as future-state objectives definitely is. Further, a strong foundation allows an organization to be more flexible and dynamic—and to design a bespoke solution that works for their context. Ultimately, to move the needle, CPOs need to own the succession planning approach with the board and CEO.

> "The minute people see this as a rigid process, it's broken and needs fixing."

> "Succession planning is not simplistic. It is flexible, dynamic, and tailored to our business."

A differentiated C-suite succession planning strategy…

1. Starts with business goals and objectives

A differentiated strategy starts with the business's goals, which inform the critical skills, experiences and capabilities required for long-term success. The most forward-thinking CPOs review their business outlook, identify skills needed to address business needs, and target talent—both internally and externally—who either has those skills, or has the ability to develop those skills. Several CPOs underlined the importance of partnering with the business in doing this well. Many also opined that great strategy is a blend of business goals and people's aspirations and development needs.

> "The clearer the business strategy and outlook for the next 3-5 years, the better succession planning decisions are."

> "The business changes. We're not just looking at people leaving. We plan for both people and the business."

> "We bring business leaders into the discussion. I ask them what they look for, what they need to be successful, and what specifically would improve their organization. Those things change."

> "CEOs tend to want to organize around people instead of around strategy—that's a huge barrier to doing this well."

2. Is focused on future—and not just current—C-suite needs

One of the most common barriers to effective succession plans is that they are developed through today's lens. Several CPOs commented that—while it might be straightforward to determine whether someone will be ready for a job in, say, three years—it is much harder to predict what the job will entail at that point. Ultimately, it is important to hire and develop leaders who are agile, commercially oriented, and possess a learning mindset. These leaders are better equipped to roll with the punches when things inevitably change, taking on expanded job scopes, stretch opportunities, or entirely new value-driving roles.

"It's a bit of a fatal flaw in succession planning if you don't think about your future business goals."

"It is about articulating where to go. And hopefully the CEO and leadership team have the blueprint to get there."

"We asked each executive committee member to examine their job with a future-focused lens to ensure we're not framing succession needs around today."

3. Is done in partnership with the CEO

CEOs who succession plan well are deeply invested in the process, as they know that getting it right is key to the business's future. The savviest HR leaders partner closely with their CEOs to design a system that draws on best in class practices, yet speaks clearly to the organization's context and culture.

"We have to have buy-in from the CEO. It starts at the top. If they take it seriously, then others do too."

"This depends on the clarity and mindset of the CEO, and where they want to go."

"The new CEO is very interested in this. We've been spending time as a team defining the critical skills and capabilities. I've also spent a lot of time with the board talking about succession planning."

4. Is viewed as good governance and has board oversight

At companies that succession plan well, boards are part of the process, and are also invested in developing future leaders themselves via mentorship and sponsorship. Board exposure is considered a critical experience in developing executives for C-suite roles.

"There is a high level of involvement from board members, who are very experienced in succession planning. I get a lot of support from them."

"The board likes a deep dive into this process. They want more exposure to these executives, and it's up to me to figure out how to make that happen."

"Our chairman mentors a couple of people at the company. Each board member is assigned an executive to mentor, so that, by the time these executives are considered for C-suite roles, they are not new to board exposure."

"I'm pretty strategic about who meets the board. They love it."

"In my experience boards are getting a lot closer to the organization, particularly through the people function."

5. Dives below the C-suite

The best organizations look several layers below the C-suite to develop future leaders. However, the CPOs we spoke with noted that it takes time and effort to develop skills and experiences among a diverse bench of future leaders. This often requires CPOs to work to debias decision-making among stakeholders, raise awareness on the difference between someone's potential and readiness for a role, and ensure an organization's overall readiness for C-suite succession planning. Most importantly, CPOs strive to not alienate next-generation leaders in the organization, who are often disillusioned about the process and therefore potential flight risks, with only 14% agreeing that succession-planning in their organizations is transparent and clearly understood.

"Filling the pipeline from the bottom takes time, and people need exposure to a range of different roles to develop competencies."

"You have to be thoughtful about how deep you're going into the ranks, and include someone who's going to be in the C-suite in 10 years. And get really serious about a development plan to grow your own leaders."

"We make sure that this is open and transparent, accessible, and leads to the right decisions."

"For next-generation leaders, [succession planning] can be very opaque, and they will largely say they do not understand what it takes to get to the next level. High-potential leaders will have more clarity, but not as much as they should."

6. Is intentional about diversity, equity, and inclusion

Every CPO noted that getting DE&I right is the ultimate goal—but that few are doing this well. They agreed that succession planning needs to have a very long term lens in order to develop diverse leaders internally. This involves moving beyond virtue signalling, towards fixing systemic inequities within the organization. While the majority are still on this journey, a few CPOs shared their advice.

> "We can talk all we want about increasing diversity in the C-suite, but without long-term development of diverse future leaders, none of that matters. CEOs largely don't get it."

> "For the slates we build, we go three layers down in the organization to ensure diversity. This tends to be our first opportunity to develop a diverse leader for the role, and gives us enough time to do so."

> "We make sure every opening has a diverse slate of candidates to choose from."

7. Positions the organization as a talent academy

Several CPOs noted that a differentiated process is a continuous one—both for the organization and its workforce. Great internal mobility is often part of the value proposition a company offers employees, and is tied to an organization's reputation as a result.

> "For us, succession planning and talent planning is an ongoing process."

> "I've learned that succession planning has to happen throughout the organization—as soon as one layer of talent gets promoted, a new "bench" needs to be developed."

> "Culturally, this is very aligned to who we are. Our CEO likes people thinking that they can do anything—and we put our money where our mouth is. If you've got the propensity, we'll give you a shot."

Common challenges with C-suite succession planning and how to solve for them

The CPOs we spoke to shared the hurdles they've faced during succession planning—along with ideas on how to overcome them.

> "Our process is fairly structured, but that does not mean it is successful. In the past, it has been so structured that it has provided very little wiggle room and has hurt retention in some areas. If someone was not progressing on the path our process laid out, they left the organization."

Challenge 1: Predicting the future

Succession plans designed around the status quo—what today's organizations and leaders look like—will encounter problems when it comes time to implement these plans. Top organizations are actively investigating how AI will transform work, redefine job roles, and reshape organizational structures. The CPOs we spoke with suggested thoughtfully defining future role requirements, and being courageous enough to revise outdated leadership models when it comes to competencies needed to thrive in the role. They also emphasized focusing on truly value-driving roles that are critical to the future of the business.

> "We have a success profile for senior leaders in the organization. We look for functional depth and specific leadership competencies, depending on the role."

> "We've become a bit more realistic post-pandemic. Skillsets that worked then do not work as well now."

> "We will see as much change in the job market over the next 5 years as we did over the past 25 years. Long-term organizational health has become about building enough elasticity and resiliency to absorb this rate of change."
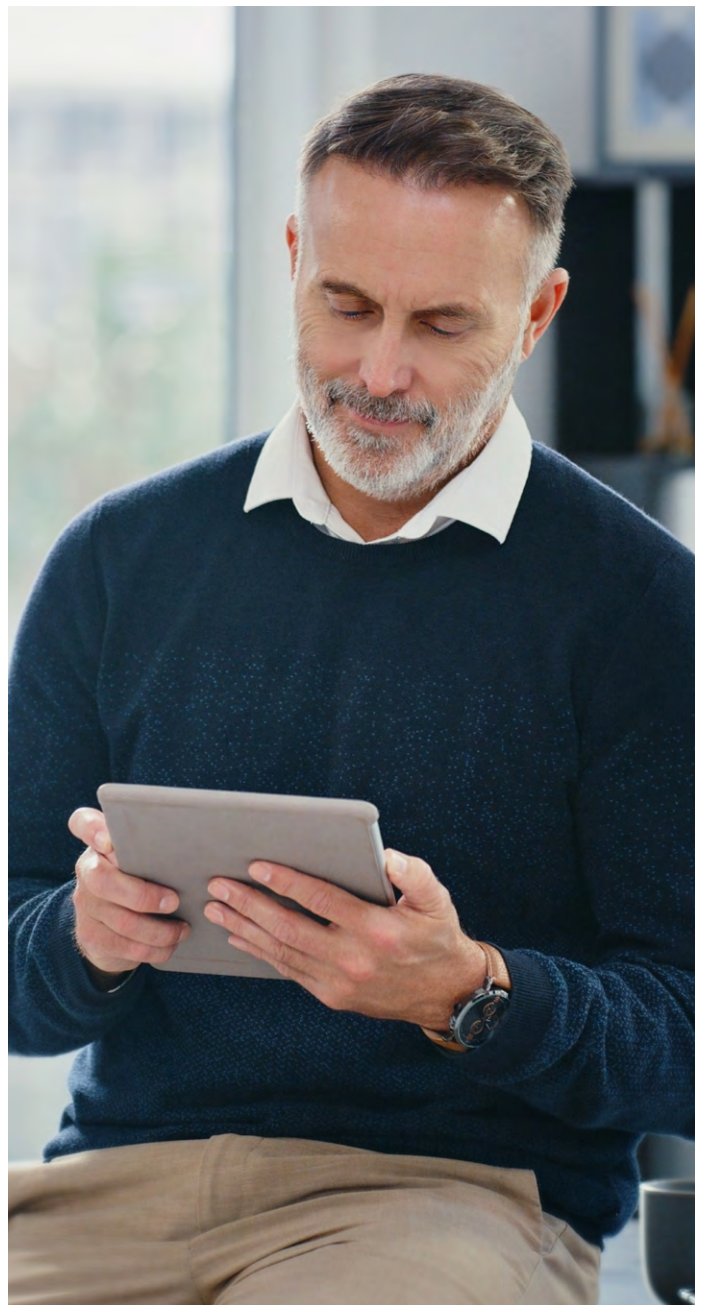
Challenge 2: Evaluating potential vs. readiness

Once key roles are identified, the best CPOs evaluate the readiness of internal talent, as well as those who have the potential to step into these roles in the future. As such, best-in-class organizations identify ready-now successors, as well as those with future potential, and put development plans in place to get talent ready for these roles.

CPOs are also acutely aware of the signal this sends their organizations—success stories of internal talent reaching the C-suite strongly impact employee engagement and morale.

"We define role requirements and competencies, and then identify people 1-2 or 3-5 years out from being able to take that role. We then put development plans in place for these people."

"We must have someone internal. Otherwise, people will think they will never make it here."

Challenge 3: Strategic use of data

Senior leaders need to have data and insight to make informed decisions about critical talent. While they differ widely in their opinions on how best to identify high-potential talent, they are bringing more data points and perspectives to bear when making decisions. CPOs underscored the importance of objective talent data to make better decisions, with many seeking external validation of these decisions.

"We have a lot of data on our leaders and are not afraid to use it."

"We use a combination of performance data and regularly do 360s. We make sure we have realistic development plans in place."

Challenge 4: External market benchmarking

Most CPOs talked about the importance of developing a view on external talent, even if the intention is to make an internal appointment. The skillset of top external talent gives these leaders a better understanding of where internal talent stands, and what skills need to be developed. It also creates a back-up in case the internal succession plan fails for any reason. Those who do this best take a strategic lens to proactively identifying external talent to meet future needs.

"We include names from outside the company, just to understand what the bullseye person with the right knowledge, skillset, and style looks like."

"I am always looking for people I know who can do roles. I keep in contact with them. I do reach out to them when we need to fill senior roles."

Challenge 5: Removing obstacles to development

Once organizations identify high-potential talent and add them to succession plans, they need to put tailored development plans in place to ensure these future leaders develop the skills and experiences needed to succeed in future C-suite roles. In speaking to CPOs, several noted that they were developing agile and adaptable leaders by putting them through stretch opportunities.

> "We have development plans in place for leaders to stretch. We give them opportunities to present to the board, and to external stakeholders, to ensure they're ready to take the pressure of more senior roles."

Challenge 6: Mitigating transition risks

A common pitfall is to assume that a leader's development ends the day they are appointed to the C-suite. In fact, this is the time to put onboarding plans into place. This can include coaching, assigning a buddy, and helping leaders develop an understanding of key stakeholders and their expectations. Several CPOs shared their efforts to ensure new leaders' success.

> "Onboarding plans have a huge impact on success in the role."

> "We put together formal 30, 60 and 90 day plans when onboarding new C-suite leaders."

> "You can only onboard someone properly once. After that, the time is gone. We ensure all newly appointed leaders work on-site for the first three months."

> "If someone joins from the outside, we put them through a cultural immersion. This is very high touch, and run by one of our key leaders. If someone steps into a more senior role internally, we provide accelerated coaching, usually done by one of our search partners."

Challenge 7: Measuring return on investment

CPOs underlined the importance of measuring success, and iterating to develop a process that works best within the organization's context. While performance is key, several HR leaders take a multi-faceted approach. For instance, some measure the proportion of leadership roles filled with leaders identified during succession planning, while others measure the change in business performance or team engagement over a 12-month period. Some examine the sustainability of the role for the appointed leader—not just their performance, but whether they are thriving.

> "We look at team engagement during the first two weeks of the new leader's tenure, and compare it to a year later. We do 360s with the leaders' direct supervisors. We also look at business performance—for instance, are customers increasing. These puzzle pieces give us an idea of the complete picture."

> "We track the percentage of internal successors who have actually got the job."

Advice for scaling and high-growth companies

Highly sophisticated processes are often associated with larger or more mature companies. However, getting the right practices in place is on the agenda of HR leaders at scaling or growth companies. While many acknowledge the status quo—that most succession plans currently point to external appointments—they are focused on changing this in the future.

> "Normally, succession planning evolves with the size of the company."

> "In our case, and with most companies our size, a lot of the successors will have to be external. Hopefully, that changes with time."

> "We need different skillsets at different stages. Today, we're scaling quickly and going external most of the time. If we go public, that could change."

> "Once we get to a certain size, I can see that investment being made."

The reality for such companies is that, due to their rapid growth and evolution, people who are successful at the early stage may not be successful as the business matures. Additionally, these organizations are lean, and the gaps between levels are large, so next generation leaders often struggle to find the breadth of experience and leadership opportunities to grow into C-suite roles. While a succession planning strategy focused on external hiring may sound good in this scenario, it may lead to organ rejection for the newly hired executive, due to poor culture alignment or lack of a proper onboarding. More importantly, it's not sustainable as the company grows. Some forward-thinking companies recognize that because they are fast-growing, it becomes even more important to accelerate the development of internal talent. Often, designing jobs for high potential talent is a viable strategy.

> "External talent is not always a good cultural fit."

> "The joy of growth is that there are so many more leadership opportunities for people to move horizontally versus only vertically, where you end up creating new titles like VP, DVP, EVP, etc. There are genuine roles to aspire to."

> "Unless you are a giant corporation with SVPs reporting to EVPs, there is often too big of a gap between C-suite jobs and the teams below them. This tends to be the biggest problem with succession planning."

Ultimately, CPOs at organizations that are growing or scaling need to focus on building the right capabilities for succession planning, and getting external help when needed to tackle some of the challenges listed above.

Advice for chief people officers embarking on succession planning journeys

As your organization begins succession planning, we offer the following advice:

1. Build a business case

This is hard to get right. Change takes time, and leaders need to start planning for it early. Several CPOs noted the importance of building a strong business case for the board, CEO, and leadership team, to ensure they see this as a key business imperative, not a nice-to-have. Getting the needed support is key.

> "Plan appropriately and start early. The last thing you want to do is rush this."

> "Really understand why the company wants to do it. Ideally, it should be deeply rooted in helping individuals see their growth, along with a focus on business continuity."

> "Build a proper business case, and create awareness around the need to do this right. The board and leadership team should really want to do it."

2. Be courageous and honest

Once you have a business case, be honest about your starting point. Do you have critical talent or capabilities internally, or do you need external expertise? Also, be honest with your own talent on what they need to work on to get to the next level, and the extent to which that can be developed internally. Finally, be sensitive to managing leadership's perspectives on the potential or readiness of talent—which can often be subjective, particularly if not validated by an external advisory partner.

> "You have to be able to be honest about whether you have the right capabilities internally."

> "This level of transparency is unprecedented. Radical candor has been a huge change for the company."

> "We have honest and open conversations with our incumbents. These are very helpful, but not always comfortable."

3. (Over)communicate

Spending the time upfront to educate the CEO, board, and leadership team on your succession plan is critical—but not enough. Next-generation leaders need to be aware of the organization's commitment to developing their careers as well. The CPOs we interviewed spoke to the importance of communicating intentionally with next generation leaders. A clear process, internal success stories, and diverse role models show the broader organization that internal mobility and development is possible.

"Use any channel you get to talk about this. One cannot communicate enough."

"Our CEO, board, and C-suite are well aware. Next-generation leaders also know if they're part of succession plans. We intentionally tell people if we think they have potential."

"Celebrate people who are promoted into roles. Tell the story. We promote enough from within that people know they have opportunities. We also coach women to be more vocal in raising their hand."

Building a deep, diverse, and engaged succession pipeline is crucial to ensuring the continued renewal and relevance of your organization's leadership team. We hope the insights above help CPOs crack the code on C-suite succession.

Authors

Morgan Dyson is a member of Russell Reynolds Associates' Human Resources Officers capability. She is based in San Francisco.

Dee Fitzgerald is a senior member of Russell Reynolds Associates' Leadership Advisory group with a focus on the Human Resources Officers capability. She is based in Sydney.

Lilly Lin is a member of Russell Reynolds Associates' Leadership Advisory group with a focus on the Human Resources Officers capability. She is based in Chicago.

Corrado Menghini is a senior member of Russell Reynolds Associates' Human Resources Officers capability and leads the Zurich hub. He is based in Zurich.

Christine Nalty is a member of Russell Reynolds Associates' Human Resources Officers capability. She is based in San Francisco.

Anna Penfold leads Russell Reynolds Associates' global Human Resources Officers capability. She is based in London.

Harsonal Sachar leads Knowledge for Russell Reynolds Associates' Human Resources Officers and Legal, Regulatory & Compliance Officers capabilities. She is based in Toronto.

Contributors

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Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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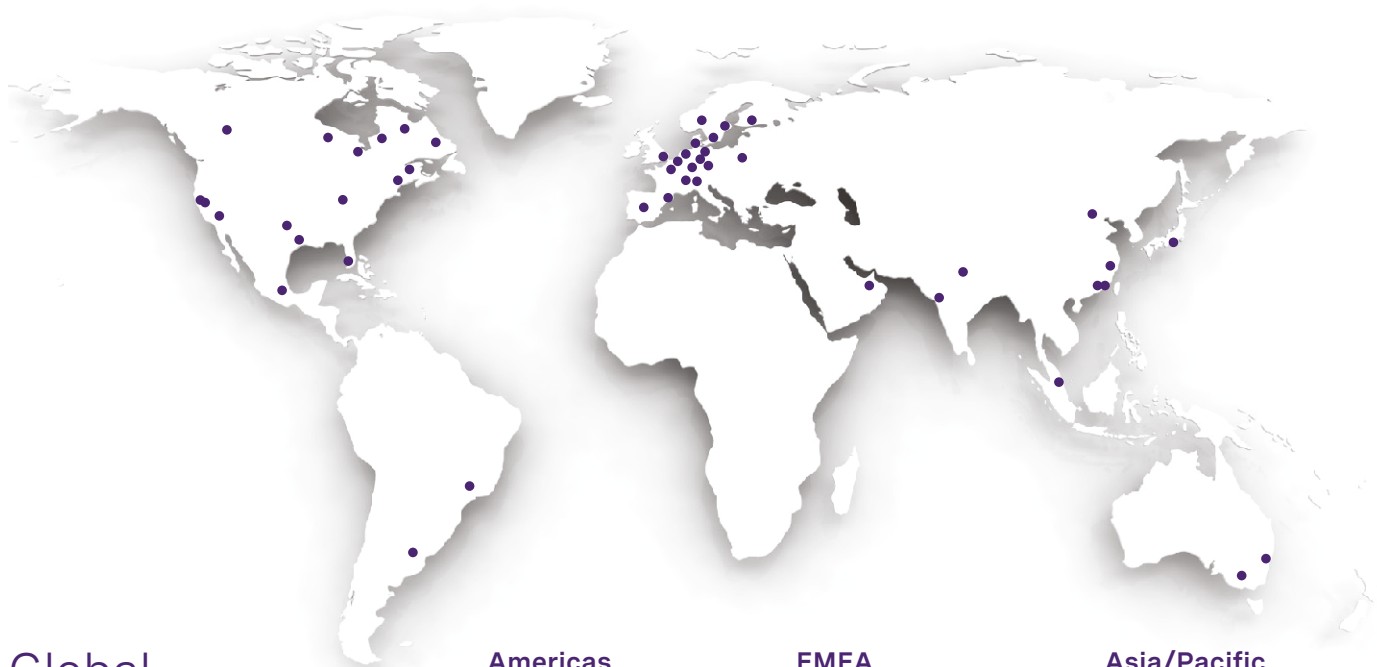
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