

SUCCESSION PLANNING AND LEADER DEVELOPMENT



How to ensure your
star employees become
your superstar leaders

What's inside



Contents

Introduction	3
Why succession planning and leader development?	3
The research.....	3
Succession planning	4
Why is leadership important?	4
Identifying potential leaders.....	5
Define	6
Core competencies	6
Job Analysis Survey	6
Identify	7
Biographical and engagement surveys and interviews	7
Assessments.....	8
Develop	11
Coaching.....	11
Engage	13
Internalise change.....	13
Practice practice practice	13
Performance improvements	13
Leadership Engagement and Performance Model.....	14
Case study	15
Knight Frank Valuations	15
What now?	16
Don't leave leadership to chance.....	16

Introduction



It is never too early for leader development and succession planning

Why succession planning and leader development?

All too often in the professional services industry, highly proficient employees who are exceptional lawyers, accountants, engineers, or financiers are promoted into leadership positions based on their technical knowledge, social skill, confidence, and drive to personally succeed.

While these are valid requirements for promotion, they should not be the only prerequisites. Even the most highly skilled people in their field may not necessarily have the emotional intelligence (EQ), people, or leadership skills to engage teams meaningfully, optimise performance and lead an organisation effectively. It requires a unique set of skills to be an effective leader, and more importantly, it requires self-awareness – knowing one's own strengths and how to minimise potential disruptive behaviours. It is therefore pertinent to have a succession plan and leader development program in place to identify your potential leaders early and give them the opportunity to develop and hone their leadership skills before filling top leadership positions.

The research

Research by Peter Berry Consultancy (PBC) looked at 680 people leaders from both the private and public sector across a range of industries, mainly in Australia. This research supports the notion that emotional intelligence is a key determinant of leadership effectiveness. In general, higher emotional intelligence scores were associated with higher 360 feedback ratings across several leadership competencies. Leaders who score higher on EQ are more likely to be described by others as being able to professionally manage themselves and relate appropriately to others to get the best outcomes from teams and stakeholders.

When considering future Board, CEO and other C-suite positions, it is prudent to identify the next generation of potential leaders (succession planning). Investing in leadership programs and developing future capabilities will drive the sustainable and strategic success of your organisation.



Succession planning

In the 1970s, only eight percent of S&P 500 CEOs were recruited externally. That number grew to 22 percent by 2014. Yet, outsiders are almost seven times more likely to be dismissed within a short tenure than homegrown CEOs. No matter how much a board learns about an outside candidate, it simply has a better understanding of an internal contender's strengths and weaknesses, especially as they relate to the current business and strategic objectives. As a result of the inherent 'information misalignment', the chance of making a mistake is much higher for a CEO or senior executive hired from outside the company.

Publicly listed companies have a governance responsibility to conduct regular succession reviews, but leadership development is about much more than simply meeting governance requirements.

The board, business leaders and HR heads have a shared responsibility to build a sustainable leadership pipeline that readies employees and potential leaders to advance at all levels of the organisation.

Why is leadership important?

Leadership behaviour drives strategy, team performance, culture and employee engagement.

Senior leaders have significant influence over the businesses they lead. With the right skills, motivation and self-management they can use their influence, personality and experience to positively impact the organisation's bottom line. Many senior managers however are not properly developed or supported to enter senior leadership roles and can inadvertently impact an organisation negatively.

According to McKinsey, nine out of ten teams whose leader had a successful transition go on to meet their three-year performance goals. The attrition risk for such teams is 13 percent lower, their level of discretionary effort is two percent higher, and they generate five percent more revenue and profit than average. But when leaders struggle through a transition, the performance of their direct reports is 15 percent lower than it would be with high-performing leaders. The direct reports are also 20 percent more likely to be disengaged or to leave the organisation.

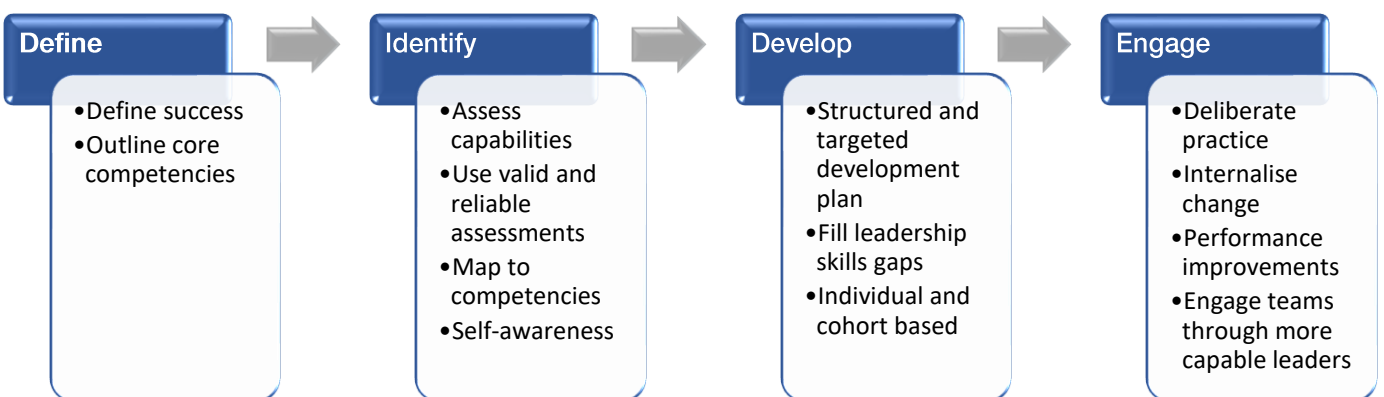


Identifying potential leaders

Not everybody is a natural leader, but the good news is that leadership skills can be learned. Keep in mind that insisting on leadership development for a person who lacks the interest or compulsion to guide others toward common goals will lead to inevitable failure. It takes motivation, self-awareness of strengths and potential challenges, focus, deliberate practise, support, and time to learn leadership skills.

Accurately identifying top talent must involve objective, relevant and validated data. PBC has been using evidence-based approaches to measuring and improving leadership and team performance for more than 30 years and we are the largest worldwide distributor of Hogan Assessments. We have developed this ebook as an introduction to the steps required to identify and develop effective potential leaders, and to provide practical suggestions for succession planning and leader development.

We will explore the steps of succession planning as follows:



Define



The first step is to define what a potential leader in your organisation should look like.

Core competencies

What is the culture of your organisation? Is it academic, pragmatic, process-driven, formal or rooted in tradition for example? What qualities are required of your leaders to be successful? Should they be charismatic, authoritarian, innovative or none of these? What are the core competencies required for your leadership team? Technical skills are most likely a basic requirement, but what other attributes, such as agility, trust, or creativity, are required for your organisation? It is critical to articulate these requirements by developing a leadership capability framework or competency model for your organisation.

Leadership should not be left to chance. How do you assess these qualities and how do you identify the employees that will perform best in a leadership position? These competencies should be mapped against assessments which identify people with the behaviours, beliefs, motives and skills required to deliver organisational strategies.

Job Analysis Survey

The PBC Job Analysis Survey (JAS) is an online survey designed to systematically collect information about the role, responsibilities and characteristics from the incumbent and subject matter experts.

Further validity is gained by running focus groups with key personnel to identify what the core competencies should be.

Both processes allow input from key stakeholders within the organisation to understand the breadth of competencies required for future success.

Commencing this process early is the key, as this allows sufficient time for successful development of the employees showing the greatest leadership potential.

Identify



Once you've determined the qualities, experience and skill you require from your leaders, it is important to identify the developmental needs of the candidates you expect to progress through the organisation, working with them early to ensure they are fully prepared for the responsibilities of leadership.

Biographical and engagement surveys and interviews

To complement standardised online personality and cognitive assessments, PBC recommends using career biographical and engagement surveys to identify those employees best suited for a leader development program.

Career biography and expectations assessment

This questionnaire captures information about your employees, including career summary, career experiences, and aspirations and expectations of their career progression. It also captures information to reduce the risk of assumptions being made.

Validation and engagement interviews

These are interviews that further probe and explore your employee's career experiences and expectations captured through the Career biography and expectations survey. The interview aims to understand your employees' level of engagement with their career development, current role, and the broader organisation. The interview explores motivation to progress further in the organisation and their career, testing assumptions that may have been made by managers and others in the organisation.

Manager interview

It is vital when building a leader development program that your employee's manager provides feedback and is engaged with the development process. The manager interview is intended to identify any challenges the manager must address and areas of strength to be leveraged. It is also useful for checking alignment between the manager's perception of the participant and their own report. This manager feedback can be a precursor to the feedback received through the 360-degree assessment later in the process.



Assessments

Using robust evidence-based tools to assess and reassess your employees will give you a strong indication of their capabilities, performance, and future potential. The most efficient and cost-effective way to gather performance-related information is by combining personality assessments with 360 assessments. Adding some cognitive testing gives a powerful profile of both potential and current performance. Secondary measures would include a team assessment (as a reflection of a manager), employee engagement, customer satisfaction and achievement of key performance indicators.

Personality assessments

The starting point for identifying leadership potential and development is through a robust set of personality assessments. They describe a person's values, beliefs, and motivations. This is important because personality:

Underlies all behavior:

- Actions
- Reactions
- Interactions

Describes how we:

- Manage change
- Execute strategy
- Build Relationships
- Handle conflict
- Manage people

Provides information about:

- Individual strengths
- Communication Style
- Derailing behaviors

Determines our general:

- Effectiveness at leading, inspiring, and growing people



Hogan Assessments for example, capture natural and likely behaviour as seen by others. The three core personality assessments define:

HPI

The bright side of personality
Hogan Personality Inventory (HPI)

Developed specifically for business, the HPI predicts the ability to get along and get ahead, which determines success in careers, relationships, education, and life. The HPI provides insight into how people will work, how they will lead, and how successful they will be in their careers.

HDS

The dark side of personality
Hogan Development Survey (HDS)

The HDS considers behavioral tendencies that are strengths under normal circumstances. However, when these behaviors are not being managed or are overused, they become problematic, often degrading leadership effectiveness and eroding the quality of business and personal relationships.

MVPI

The inside of personality
Motives, Values, Preferences Inventory (MVPI)

The MVPI concerns personal values and motives. Organisations around the world use the MVPI to evaluate the fit between individuals and work environments; this fit is critical for engagement and retention.

Cognitive tests

Cognitive tests are a strong predictor of overall job performance. Cognitive tests are a measure of general mental ability or specific aptitudes such as business, verbal, and numeric reasoning.

PBC has a wide range of global cognitive assessments. These include verbal/ numerical, tactical/ strategic as well as abstract reasoning.

Two of our more widely used assessments for leadership include:

360 assessment

You can assess your potential leaders by measuring how positively their behaviours and performance are evaluated by those they work with. Hogan 360 evaluations are completed by multiple people within your employee's work circle (from direct reports, peers, and managers for example). These diverse perspectives help provide a real-time snapshot of the employee's attitude, behaviour, and performance.

The Hogan 360 aims to help leaders at any level gain a better understanding of how they are perceived by others. The results can help pinpoint your executive's strengths and opportunities, which can be used to formulate targeted strategies for leader development.

Not all 360 assessments are created equally. When choosing a 360 provider look for:

1. A technical manual to demonstrate reliability (consistent information about performance) and validity (accurate assessment of performance).
2. Validity coefficients between the 360 and personality assessments.
3. Global benchmarks (updated annually), across industries, sectors, job levels and at top quartile percentiles.

The logo for the Ravens Progressive Matrices (RPM) assessment, consisting of the letters 'RPM' in white on a blue square background.

Ravens APM

The Ravens Progressive Matrices is designed to evaluate a person's ability to analyse and combine new and existing data to solve unfamiliar problems, learn new skills, and put problems in context in order to see the bigger picture.

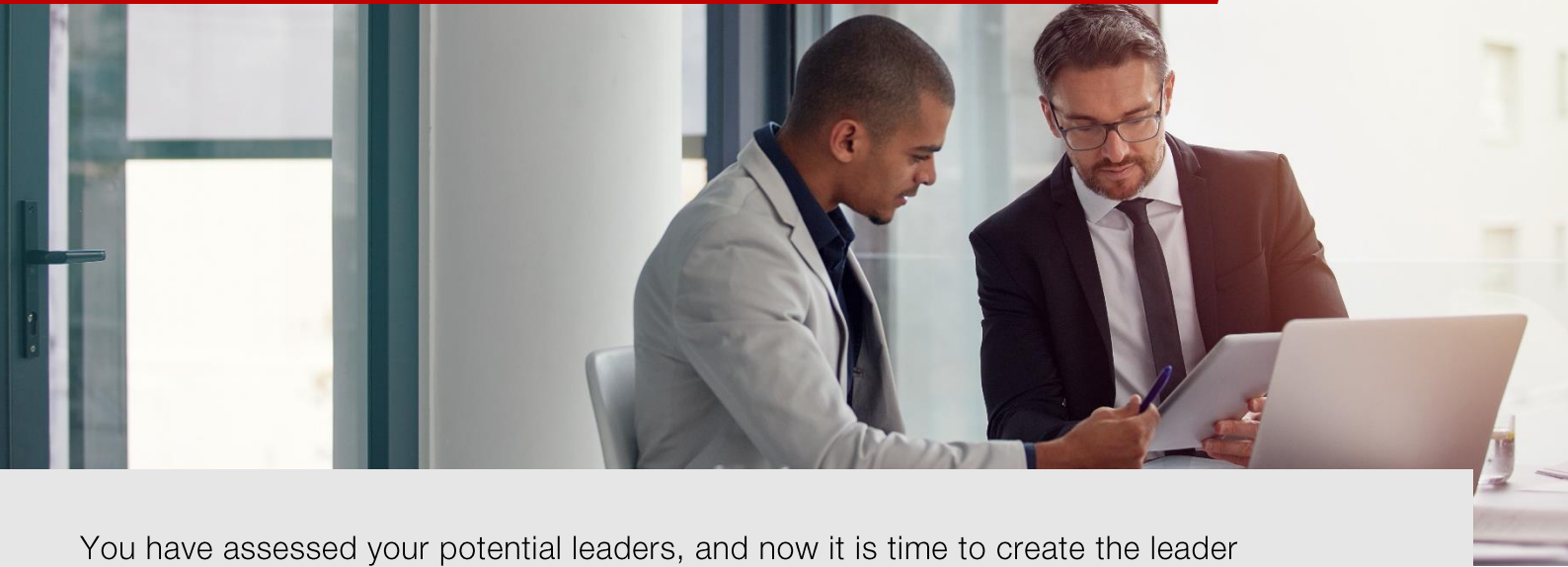
Job-level norms are available, including executives, directors, managers and individual contributors.

The logo for the Hogan Business Reasoning Inventory (HBRI), consisting of the letters 'HBRI' in white on a green square background.

Hogan Business Reasoning Inventory

The Hogan Business Reasoning Inventory (HBRI) describes reasoning style – the ability to evaluate sets of data, make decisions, solve problems, and avoid repeating past mistakes. By assessing reasoning style, you can identify a person's problem-solving style, understand their capacity, and identify areas for development. It evaluates two kinds of problem solving:

- *Qualitative* reasoning involves working with data visualisation, logic, and verbal information to solve problems.
- *Quantitative* reasoning involves working with mathematical and spatial information to solve problems.



You have assessed your potential leaders, and now it is time to create the leader development plan. These plans should be structured, targeted, monitored, and ongoing. Leader development is a process. Assessments can provide a platform for building sustainable behavioural change over a six-to-12-month period. Using the Hogan personality assessments in conjunction with biographical and engagement interviews, and the Hogan 360 deliver maximum impact when combined with coaching.

Coaching

As your executive's seniority increases, their leadership skills become more important than their technical capabilities. Developing these skills through coaching is an effective way to ensure your employees are well-equipped for leadership roles. The key considerations for a successful coaching program include:

1. Finding the right coach

Given coaching can be a very personal experience, time should be taken to find the right coach to ensure your employees are comfortable and given the best opportunity to maximise their career potential. Hogan Personality Assessments can be used to align personality preferences between coach and employee.

2. Understanding the employee

Using personality assessments, such as Hogan Assessments and 360-degree feedback, ensures a targeted approach to identifying your employee's strengths and areas for improvement. This can result in measurable improvements in knowledge (knowing what to do) and personal effectiveness (knowing how to do it).

3. Linking personal improvement goals to organisational strategy

This provides the optimal opportunity for personal development to impact business improvement and ultimately business success.

4. Evaluating progress

Quantitative (for example, business results and KPIs) and qualitative measures (such as 360 assessments) should be taken on an ongoing basis to evaluate the coaching program's impact on your employees.

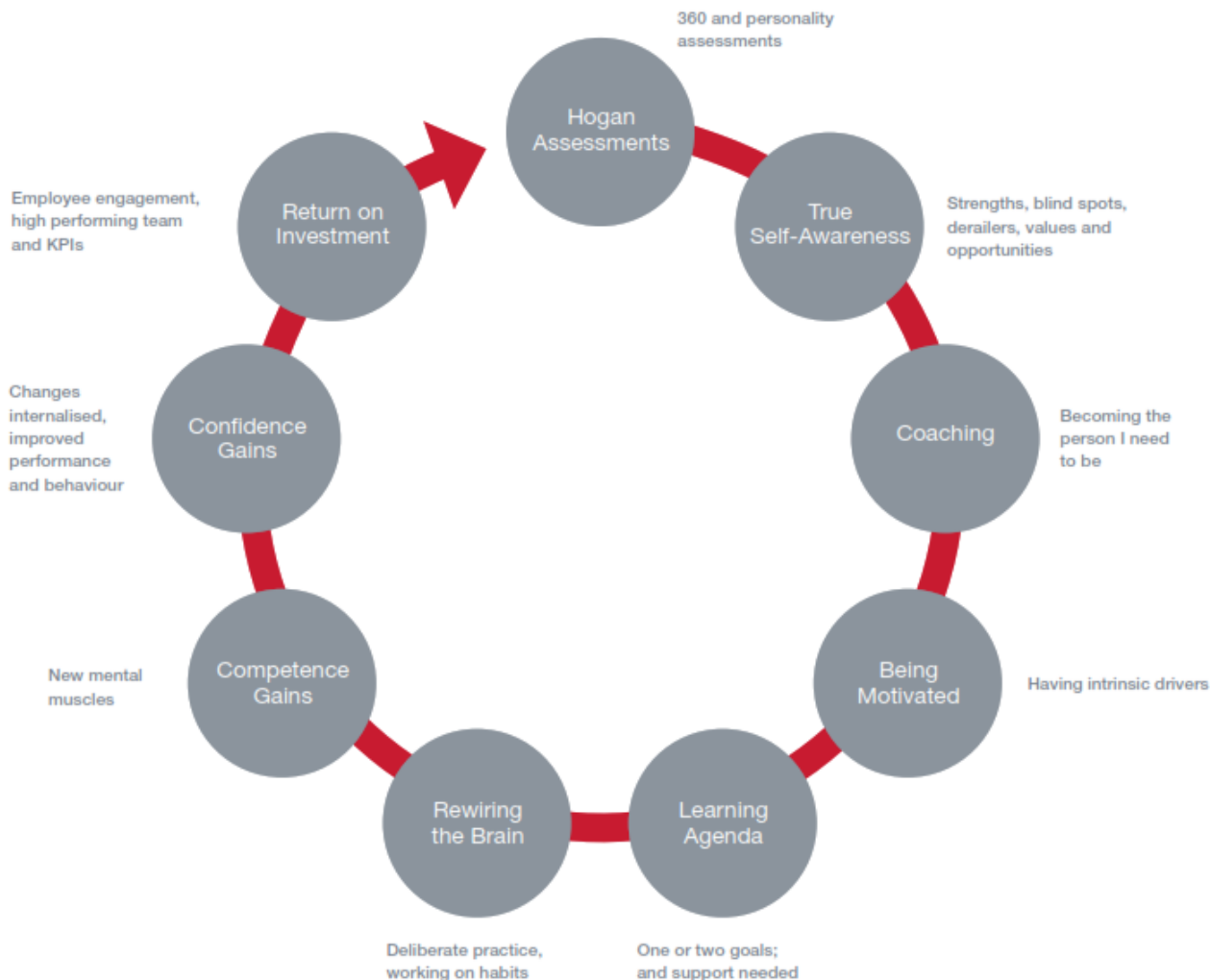
Coaching should begin with a discussion of how success will be measured, focusing on two or three development goals at any one time. Your employees should identify key relationships they can lean on during the process. Professional development cannot succeed without a clear understanding of your employees' core motivation. Protecting and improving reputation is an essential motivator; others could include strengthening a personal brand, improving job performance, increasing engagement, or boosting overall career success.

Deeply ingrained habits are difficult to change. Your potential leaders must be willing to commit to deliberate practise to achieve competency, then mastery. Re-educating the brain involves repetition until new habits become second nature. Through a combination of assessment, motivation, and hard work your future leaders should feel more competent and confident, which should be reflected in how others perceive them. These factors are measurable through a repeat 360 assessment.

The coaching cycle

To effectively coach behavioural change that drives improved performance, the coaching cycle should start with formal evidence-based assessments to inform the process.

Employees must have inherent motivation to want to change and improve. Motivation can include career success, individual results, team performance and improved personal brand. Deliberate practise leads to confidence which manifests in improved performance and reputation, better career prospects and enhanced business results.



Engage



The goal of an effective leader is to build, motivate and direct cohesive, engaged and productive teams. Your potential leaders must have the skills and emotional intelligence to lead effective teams as they are the key driver of performance. Your employees need to actively engage in their development by being motivated to practise and improve until the changes are internalised.

Internalise change

The best way to internalise change is to apply the learning and practise it. Your potential leaders should emotionally connect with the behaviours they want to emulate. They should teach what they have learned, and they should go out of their way to discuss their learnings with a delegate or other colleague. Essentially, they must 'walk the talk' in order to truly internalise all that they learn.

Practice practice practice

While leadership skills can be learned, regular practice is required to gain confidence and for continual improvement. It requires developing leaders to be mindful of their actions, reactions and behaviours. It requires them to step out of their comfort zone, undertaking leadership activities that may feel uncomfortable and repeating them until they gain proficiency. This can include role play, taking on initiatives, actively listening and delegating to name just a few.

Performance improvements

Led effectively, your teams play a vital role in executing the strategic plan and achieving KPIs. Effective teams have greater decision-making capability and capacity to navigate increasingly complex work environments.

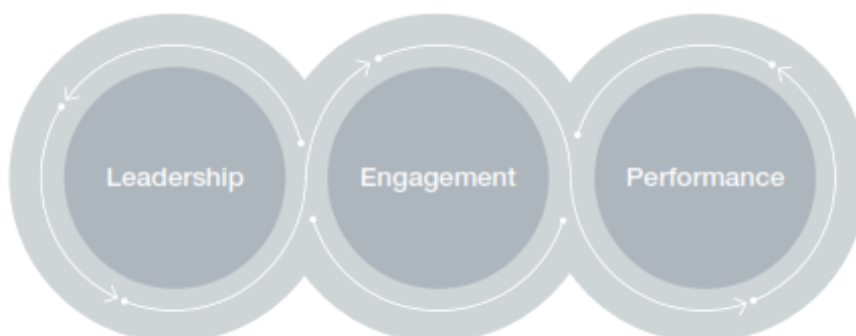
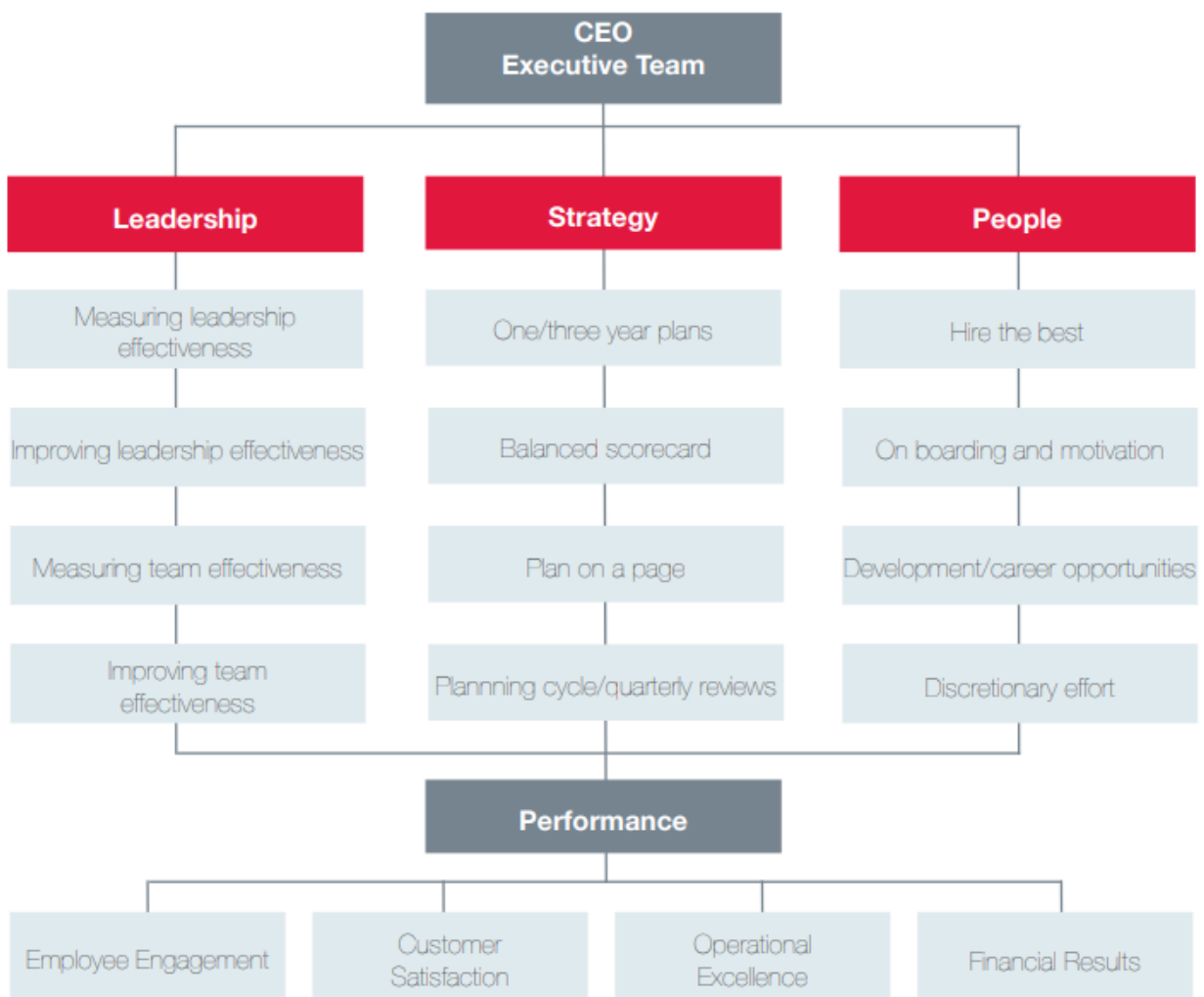
Team members should have clearly defined responsibilities and competencies in order to be accountable and high performing. The culture of the team needs to be carefully managed to maximise engagement and results. The role of your leaders is to foster and live the values they espouse. If your potential leaders take ownership of their leader development, are motivated, internalise their learnings and practice, they will be in an excellent position to lead your organisation successfully.

By developing your high performing employees in preparation for senior leadership roles, you will future proof your organisation. A leader that can step into a senior role well prepared will ensure teams are engaged, willing to put in effort, and comprised of individuals with a belief in the organisation, leader and strategy.



Leadership Engagement and Performance Model

PBC has developed a Leadership Engagement and Performance Model (LEAP) that demonstrates the correlations between leadership, strategy, teams, and performance.



Case study

Knight Frank Valuations

Knight Frank Valuations is a global real estate consultancy with commercial and residential offerings.

Knight Frank Valuations South Australia has been working with PBC since 2007 to build leadership capability with investment in a disciplined business planning cycle and talent development. The program has produced superior employee engagement, customer satisfaction and financial performance.

This company is very strong on execution and discipline: there is no fad surfing. It has a strong, strategic planning cycle with high accountability, clear KPIs and regular reviews. Knight Frank Valuations SA is a values-driven business. The company credo is “Work hard, play hard and show humility.”

Knight Frank Valuations uses Hogan personality assessments for selection and development and the head of the business is personally involved in every selection decision.

The company invests heavily in leadership, people and culture. They use the Hogan 360, the High Performing Team Assessment and measure employee engagement and customer satisfaction.

In the most recent employee engagement survey the best four things about the company were:

- Fellow employees
- Teamwork
- Career path/development opportunities
- Training/learning opportunities

The customer survey showed that Knight Frank Valuations outranks its competitors, gives excellent service and benefits from 100% loyalty.

The results

Knight Frank is achieving top 10 percentile scores for the most senior managers in 360 reviews and top 10 percentile results in the management team assessment, employee engagement and customer satisfaction.

The bottom line is, Knight Frank is achieving top one percent financial results measured externally by global financial consultants.



What now?



Peter Berry, Managing Director of PBC

PBC uses evidence-based diagnostics, and we are the Australian distributor for Hogan Personality Assessments. We've also developed the Hogan 360 and the High Performing Team Assessment (HPTA). In addition, we administer a range of cognitive tests.

PBC offers coaching through a team of consultants and associates who are fully qualified organisational psychologists, focused on identifying and developing potential candidates and leaders. They represent coaching expertise across a range of industries, organisational levels and technical disciplines.

Don't leave leadership to chance

Get in touch with PBC for an obligation free discussion about how we can help your organisation secure its future leadership.

Sydney

Level 8/201 Miller Street
North Sydney NSW 2060 Australia
+61 2 8918 0888



Melbourne

Suite 303/430 Little Collins Street
Melbourne VIC 3000 Australia
+61 3 8629 5100



info@peterberry.com.au

www.peterberry.com.au

ABN 77 007 400 606

