Developing Your Talent To Fill Your Succession Pipeline

"Companies are not properly developing their pipelines of future leaders. In PricewaterhouseCoopers's 2014 survey of CEOs in 68 countries, 63% of respondents said they were concerned about the future availability of key skills at all levels. The Boston Consulting Group cites proprietary research showing that 56% of executives see critical gaps in their ability to fill senior managerial roles in coming years. HBS professor Boris Groysberg found similar concerns in his 2013 survey of executive program participants: Respondents gave their companies' leadership pipelines an average rating of 3.2 out of 5, compared with an average score of 4 for current CEOs and 3.8 for current top teams. Equally troubling were responses to other kinds of questions in the survey: No talent management function was rated higher than 3.3, and critical employee development activities, such as job rotations, were scored as low as 2.6. In other words, few executives think their companies are doing a good job identifying and developing qualified leaders. Recent executive panel interviews conducted by [researchers] confirm that this view is widespread. Only 22% of the 823 leaders who participated consider their pipelines promising, and only 19% said they find it easy to attract the best talent." - Excerpt from the article "21st Century Talent Spotting" by Claudio Fernández-Aráoz, published in *Harvard Business Review* in June 2014.

Talent is scarce, and with or without you, the fight for the next generation of banking leaders has already begun.

If want your bank to exist and be dominant 10 years from now, then you need to be talking about succession planning right now.

For some reason, succession planning has an aura of complexity and obscurity. From the outside, it appears that successors are either chosen on personal criteria (he/she is close to the CEO) or on secret criteria that no one knows. If done incorrectly, your employees will look at the plan as say "Really? That guy is going to be our next leader?" But when done correctly, succession planning is extremely simple, and follows a logical path where everyone can understand your decisions. In last month's *Newsletter* (August 2014), we covered the 5 steps for successful succession planning.

Step 1 – Define your long term strategy and core values for your bank. For regular readers of the Human Capital articles, you know that everything in your bank needs to be aligned to and driving your long term strategy that will differentiate you from the rest of the market. Within the succession planning process, your long term strategy and core values set clear criteria and expectations for your future leader.

Step 2 – Translate the bank's strategy into requirements for your leaders. If your 10 year plan is to be a technology driven bank, and the successor to your CEO is uncomfortable using MS Office, then you clearly messed up on your Succession Plan. Too often succession planning focuses on finding people with the skills to perform the position today instead of looking for people who can perform the future version of the position.

Step 3 – Assess your employees against the future leadership profile that was created in Step 2. Do any of your finance people have the skills/potential to fulfill the role of CFO 5 years from now? The leadership profile based on the strategy, gives you the opportunity to assess your people for the critical skills of the future. The assessment will show you where you have strengths and gaps within your succession pipeline.

Step 4 – Create an action plan to build upon your strengths and to address your gaps. For the areas of strength within your succession pipeline, you will need to make sure you are continuing to develop, compensate and invest in these talents. You want to make sure that these talented people stay within your bank, and don't turn your area of strength to a gap. To address the gaps, you will have to decide whether you can develop your internal resources to fill this future role, or whether you need to bring in external talent through recruitment.

Step 5 – Continuously revisit your analysis and decisions to ensure you are still aligned to the bank's long term strategy. We recommend revisiting your Succession Plan at least once a year. We also recommend following up on your action plans to address the gaps at least once a quarter. You need to make sure the steps are taken to fill your pipeline, and ensure that you have the right leaders with the right skills for your bank's future.

This month, the Human Capital Banking partners (the Findley Group and Young & Associates) will be leading series of workshops at the California Independent Bankers Seminar. We will specifically be covering the five steps of succession planning as they relate to leadership succession and board succession. It will in with a table discussion where you can hear directly how other banks are addressing their succession pipeline. We hope to see you there, but until then we hope you gain some learnings from the five Steps of succession planning.

Building Your Succession Development Plan

In this month's article, we will be taking a deeper dive into Developing Your Talent, especially as a means to fill your succession pipeline. Many leaders have difficulty creating a comprehensive and in-depth development plan for their potential successors. They do a great job as identifying the underlying need, but they can' translate that into clear actions. Or, the leaders tend to rely on the same sort of development solutions, trying to solve different problems with the same cure. Or, too often, the development actions never achieve the overall goal, the bank is left without fully ready successors.

In order to ensure the best quality development for your potential successors, research shows that the best development action plans contain a mix of development activities that include 70% on-the-job learning, 20% relationship based activities and 10% formal training. In practice, a Succession Development Plan has one training course to provide the person the theory, establishes one relationship such as a mentor who can help guide the person through the topic, and finally, includes a project or role for the person to practice the skills they learned in the class and from their mentor. If any of the three activities is missing, then the person risks missing key lessons, either through forgetting or never being exposed to it.

Unfortunately, most leaders still have the knee-jerk reaction to sending their potential successors to training programs, or worse, thinking that an MBA / graduate degree is the answer to developing the next generation of leaders. At Human Capital Banking, we believe in the power of 70-20-10 development, and therefore, always recommend that Succession Development Plans contain job based development actions, relationship based development actions, and only one external development action. 70-20-20 development plans are the only way you will be able to build the next generation of leaders for your bank.

70% = Job Based Development Actions

It is a scientific fact that people learn better in developmental roles then they do in a classroom. You can read all the books you want on how to fire someone, but in the end, the first time you fire someone will leave a bigger impression on you. The same can be said for every other skill and capability. The easiest way to develop your talent is to give it roles, projects or assignments that challenge them and help them build the skills of the future.

We recommend the following job based development actions:

- Job rotation – Either a short term project role or moving to a different position on a long-term basis
- Providing greater decision making authority
- Leading a task force or a sub-team on a task force

- Leadership responsibility for an employee network
- Participating on a task force in a new functional area
- Project that offers learning in a new area
- Filling in for a colleague who is on vacation or on short term disability
- Project with exposure to senior leaders

20% = Relationship Based Development Actions

An executive's time is valuable, and your people know it. Most people believe that it is a significant investment and honor to receive one-on-one coaching from an executive. Through coaching, the senior leader can share his/her knowledge and experiences and guide the employee through their own developmental growth. Exposure is another great developmental action. While some of you spend your life in front of the board, to most employees the board of directors is a distant concept. Having a "talent" present his/her project to the board not only gives the employee recognition for great work, but it also helps your Board start forming a relationship with this next generation of leaders.

We recommend the following relationship based development actions:

- 1 on 1 sessions with a C-level or board member
- Presenting regularly to the Senior Leaders / Board of Directors
- Coaching from others with more experience
- Mentoring an individual or a team from another sector or serving as a mentee
- Teaching/training others – inside the company or outside the company (having to teach someone else also strengthens the teacher’s skills)
- Obtaining regular feedback from manager, clients, peers, subordinates
- Building self-awareness through 360 degree feedback and other interventions

- Joining an external organization that specializes in the topic (Toastmasters, Chamber of Commerce, Professional Organization, etc…)

10% = External Development Actions

Not everything can be learned through firsthand experience or by coaching. Sometimes you need to go to a class or read a book. The important thing to remember is that any external course needs to provide a skill required for the long-term vision. Not everyone needs an MBA to be a great leader. As a bank, make sure any external investments you make will have a significant ROI, and fill in some skill gaps that is required for your bank's vision.

We recommend the following external development actions:

- Reading a book related to the topic
- Attending external courses or webcast offered by a professional association or university
- Attending a speaker series - online or at a conference
- Receiving an advanced degree or certification from an university

Focus your Developmental Investments

Your bank does not have unlimited resources, and you as a leader do not have infinite time to dedicate to succession development. Just like the strategic investments throughout the rest of your bank, you need to be very deliberate in investing in your people. Employees with more long term potential should receive more developmental investment then employees who have reached their limit.

Additionally, you should be investing in the stronger performers in your bank, and not the low performers. Succession development is about building the next generation of leaders, and not turning around the bad apples of today.

In line with the 70-20-10 methodology, below is a sample on splitting your developmental investments across the 9 Block Performance vs. Potential Matrix. (This example matrix comes from *One Page Talent Management* by Marc Effron and Miriam Ort.)

	Mastery Focus (Lowest potential category)	**Growth Focus** (Middle potential category)	**Leadership Focus** (High potential category)
Top Performer	**Special Projects**: Yes **Development Role**: No **Ldr/board exposure**: Maybe **External Investment**: 1.5x avg	**Special Projects**: Yes **Development Role**: Yes **Ldr/board exposure**: Yes **External Investment**: 2x avg	**Special Projects**: Yes **Development Role**: Yes **Ldr/board exposure**: Definitely **External Investment**: 5x avg
Average Performer	**Special Projects**: No **Development Role**: No **Ldr/board exposure**: No **External Investment**: 0.5x avg	**Special Projects**: Yes **Development Role**: Maybe **Ldr/board exposure**: Maybe **External Investment**: average	**Special Projects**: Yes **Development Role**: Yes **Ldr/board exposure**: Yes **External Investment**: 2.0x avg
Low Performer	**Special Projects**: No **Development Role**: No **Ldr/board exposure**: No **External Investment**: None	**Special Projects**: No **Development Role**: No **Ldr/board exposure**: No **External Investment**: None	**Special Projects**: No **Development Role**: No **Ldr/board exposure**: No **External Investment**: None

How Human Capital Banking Can Help You Ensure Your Long Term Succession

From our experience, most banks are thinking about succession planning too short-term. They are worried about someone filling the job tomorrow, or just trying to fulfill the regulators' requests. Premier Performing banks always have an eye on the long term success, and with that in mind they are always building their people towards achieving that future success. They know how to use their long-term differentiation strategy to identify the requirements of their future leaders, and then they assess their people and build their Succession Plan to ensure those requirements are met. That is one of the critical ways Premier Performing Banks ensure they have the talent to outperform the market.

With the right mindset, long term succession planning can be an easy value adding strategy for your bank, and this is what Human Capital Banking wants to support you in. Our partners have led countless strategic retreats over the past 30 years, and can help your bank differentiate itself. From there, our Human Capital services are designed to translate your bank's strategy into clear people actions. We will help you identify which of your people is best suited to lead your 10 year vision. We will help you develop and grow your people to make sure they have the right skills needed for your strategy. We will help you select the best candidate for an open position that not only fits the job criteria, but also has the best organizational fit with your bank.

We want to be your bank's partner in differentiating yourself from every other bank. Whether it is Human Capital Banking, The Findley Group, or Young & Associates, we can help you build your strategy for success. If you would like to read any of the past Human Capital articles, especially the "Differentiator" series, you can find them all on www.HumanCapitalBanking.com

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