

Leadership Planning Addresses Gaps in Talent Pool



A single unplanned CEO departure costs \$1.8 billion more than a planned CEO departure in shareholder value and 100 times more than the CEO's salary.¹



▶ **According to Pew Research, an average of 10,000 people will turn 65 years old every day for the next 11 years. While that is a sobering statistic, it has actually been occurring since Jan. 1, 2011, when the first group of baby boomers reached 65.²**

Meanwhile, younger generations are sweeping into the workforce in greater numbers than ever before. Having surpassed baby boomers as the nation's largest living generation, millennials will eventually make up 75 percent³ of the total workforce over the next 10 years. Generation Z, the generation following millennials, is estimated to be even larger, according to Bloomberg.⁴

Ironically, with this shift in employment priorities on the horizon, organizations in all sectors are struggling with succession planning—the ability to attract and retain the next generation of leadership. Drawing and retaining valuable talent is imperative to the growth and health of any organization. While it is now commonplace for some employers to go to great lengths to appeal to new talent, companies with stricter budgets must explore other options.

What is succession planning?

Succession planning is defined as a long-term strategy to ensure the continued effective performance of an organization, division, department or work group by making provisions for the development, replacement and strategic application of key people over time.

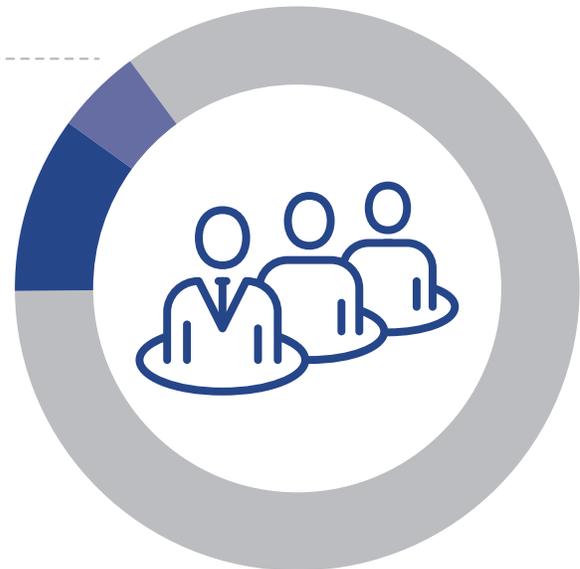
Geared toward developing the internal bench strength of an organization, succession planning is usually part of a larger talent management program that attracts the best people through recruitment, keeps them through effective retention practices and develops them through well-targeted talent development efforts.

Succession planning should not be confused with replacement planning, which identifies one or two individuals who are ready and able to replace a person (normally in leadership) on short notice, such as in an emergency. Typically, this replacement is temporary. A replacement plan is a tactical, stop-gap measure, but it is not the same as a long-term and continual solution like succession planning.

Each year

10% – 15%

of corporations must appoint a new CEO because of retirement, resignation, dismissal or ill health.¹



Establish an emergency plan

Having said that, every organization must have an emergency plan in place, even if they're working on something long-term. If your executive director or CEO has to take an extended leave of absence; unexpectedly takes another job; or a disaster creates an inability to work, you will not have weeks or months to pull together a succession plan and process.

For example, when the World Trade Center towers were attacked on 9/11, 172 corporate vice presidents⁵ lost their lives. The New York State Department of Taxation and Finance lost 39 employees, including two of three senior leaders, and the Port Authority of New York and New Jersey lost another 37.⁶

Today, there are legitimate concerns about terrorist attacks. If that happens—apart from obvious humanitarian concerns about loss of life—there is a concern that corporate headquarters or federal or state agencies could lose their primary or regional headquarters and the people that run them.

Even though this particular point is about replacement planning, it ties into creating a healthy pipeline of young talent to cover all contingencies, which is key to succession planning.

Why leadership succession planning?

Interruptions in leadership cause critical delays in production and processes in your organization. Employees can be greatly affected mentally and emotionally, especially if the departing leader was popular. Delays can turn into medium- to long-term stoppages, and the results can be devastating, taking years to recover—if it recovers at all.

There are five distinct stages of leadership change:



1. Pre-planning to be ready for an emergency succession as described



2. Transition planning—the leader's process of planning his or her own departure



3. Succession planning—the organization's process of planning for the departure of a current leader



4. Implementing leadership change—announcing the departure, managing internal and external relationships, and selecting an interim or new person for the leadership role



5. Supporting the onboarding of a new leader

With a strong succession plan and a talent pipeline in place, your organization can avoid gaps in leadership and safely navigate even critical business emergencies. Now that we have covered the need for a succession plan, how do organizations attract talent?

Make your company attractive to millennials

The first wave of the “silver tsunami” has arrived,⁷ and the flood of retirements in many industries presents challenges. Not only are companies training and promoting early- and mid-career employees into management and leadership positions, but they are also challenged with recruiting and retaining the “best and brightest” millennials.

Millennials are a major force on today’s job market, and they bring with them unique perspectives that can make organizations successful. However, millennials don’t intend to stay in their positions long, averaging 3.8 years at each job.⁸ To engage and retain this critical part of the workforce, companies must understand millennials’ needs.

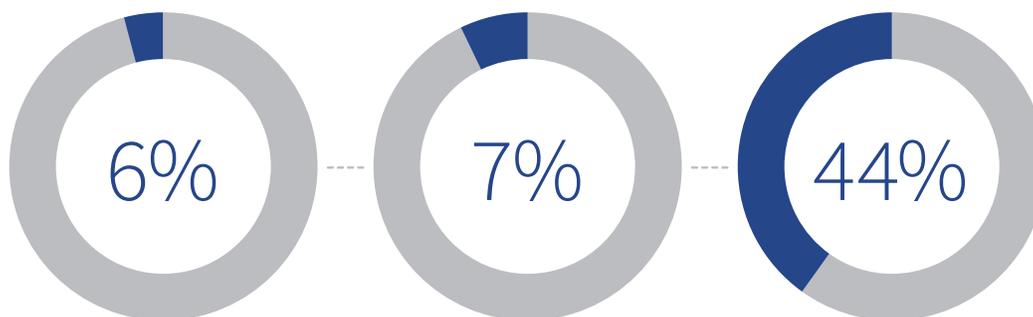
Although the workplace of the last several decades worked well for baby boomers, a similar work environment may be less attractive to Gen Xers and millennials. Creating and maintaining productive and vibrant work environments is critical to attracting and keeping the best workforce.

A. Provide mentoring and a career path

For example, millennials value mentoring opportunities and consider this as a selling point for those looking to advance their careers. They want constant feedback and are in a hurry to be successful, so formal development programs are also important.

Companies wanting to attract younger workers can steal a tactic from the tech industry by providing direct paths from internship to full-time employment. Not only do internships allow the organization to screen the candidate’s performance over time, but it shows both parties exactly what to expect. That helps establish a long and mutually beneficial relationship. Furthermore, allowing interns to rotate between departments to see how different agencies operate provides context for future engagements.

Only **6%** of companies reported they had **“excellent” programs in place to develop millennials** in 2015.⁹ In 2016, **7%** of companies had **accelerated development programs**, but **44%** said they were making progress.¹⁰



B. Be realistic and candid

Instead of portraying your business as something it's not, focus on the unique attributes of the work. Be completely transparent with applicants about what to expect from that position. If your agency has made workplace adjustments (e.g., ditching the "cubicle farm" office environment, providing a remote work option or adding flexible schedules), highlight these strengths.

The companies that have been the most successful in attracting talented millennials—Google and Apple among them—are naturally innovative employers who are never restrained by "how things used to be done."

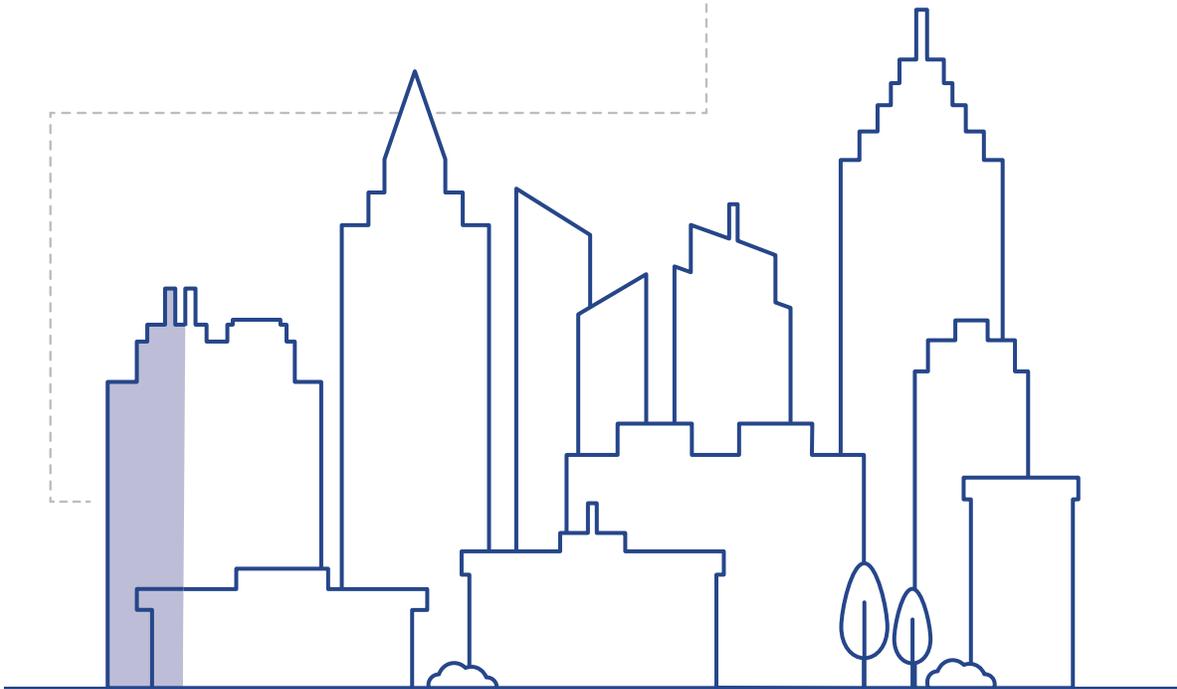
Make sure you don't promise what you can't deliver. Pandering to a younger workforce will be seen as forced and repel the exact applicants you seek to attract. Be up front with what you can offer and emphasize the positive aspects of the company to portray the work in the best possible light.

C. Demonstrate the organization's passion

Perhaps no other characteristic distinguishes millennials from other generations than their desire to want their work to have purpose. Coincidentally, one of the top requirements millennials have when seeking employment is the potential to provide value and bring passion to the organization. They also want to work for employers focused on putting people first rather than the bottom line.

Providing opportunities to encourage and support the passion and purpose behind the company can go a long way with a next-generation workforce.

Only
7% of companies formally assign a board mentor to senior executives below the CEO.¹¹



Leadership succession planning assistance

SkillPath can help companies prepare leadership to pass the baton to the next generation of leaders by assisting current managers to strengthen their competencies.

Competencies are the personal and professional attributes critical to successful performance at the senior executive level. Experience and training that strengthen and demonstrate the competencies will enhance a candidate's overall qualifications.

Fundamental competencies include the following:



Interpersonal skills—Leaders treat others with courtesy, sensitivity and respect. They consider and respond appropriately to the needs and feelings of different people in different situations.



Oral communication—Leaders make clear and convincing oral presentations. They listen effectively and clarify information as needed.



Integrity/honesty—Leaders behave in an honest, fair and ethical manner. They are consistent in words and actions. Leaders model high standards of ethics.



Written communication—Leaders write in a clear, concise, organized and convincing manner for the intended audience.



Continual learning—Leaders assess and recognize their strengths and weaknesses; pursue self-development.

These competencies align closely with what millennials and Gen Z employees are looking for in their employers and their bosses. SkillPath can help management master the foundations of these competencies or supplement their training to keep retention rates on the material high. Younger generations of employees also can accelerate their careers with this type of leadership development training.

Companies do not need to completely change their culture to attract the next generation of employees. Take a hard look at what needs to be updated and what your organization brings to the table. Know the worth your business has and how that speaks to millennials.

By capturing this message, your company can become a highly sought-after career opportunity for millennials and further the future generation of the workforce.

About the Author



Daniel Rose creates content, articles, white papers and case studies for the Thought Leadership department at SkillPath, using his 25 years of experience in adult education and training to inform, enlighten and engage his readers. He is an expert in management, leadership and communication, and his writings about compliance, human resources and workplace issues have appeared on *Forbes.com*, *Inc.com*, *Entrepreneur.com* and *ReadersDigest.com*, as well as the *Los Angeles Times* and the *Orange County Register*. He recently co-authored *Top Career Tips* (2018 SkillPath Publications).

About SkillPath

A leader in learning and development since 1989, SkillPath provides professionals worldwide with strategic and innovative training solutions.

Our mission is to provide the highest-quality training for companies and businesspeople around the world, so they can benefit personally and professionally from the experience.

As a 501(c)(3) nonprofit organization, our revenue funds scholarships for students at Graceland University. We have a long history of partnering with programs that develop individuals' leadership and innovation skills, and our mission aligns with companies that share a goal to invest in mentoring and scholarship opportunities for students and young professionals.

To learn more about this topic or other workplace challenges, download additional free resources at es.skillpath.com/resources.

References

- 1 – Higginbottom, Karen. (July 2018). “Abrupt Departure of Intel’s CEO Highlights Importance of Succession Planning.” *Forbes*. <https://www.forbes.com/sites/karenhigginbottom/2018/07/19/abrupt-departure-of-intels-ceo-highlights-importance-of-succession-planning/#7f2b18e346ac>
- 2 – Cohn, D’Vera, and Taylor, Paul. (December 2010). “Baby Boomers Approach 65 – Glumly.” Pew Research Center. <http://www.pewsocialtrends.org/2010/12/20/baby-boomers-approach-65-glumly/>
- 3 – Mitchell, Alastair. (August 2013). “The Rise of the Millennial Workforce.” *Wired*. <https://www.wired.com/insights/2013/08/the-rise-of-the-millennial-workforce/>
- 4 – Miller, Lee J., and Lu, Wei. (August 2018). “Gen Z Is Set to Outnumber Millennials Within a Year.” Bloomberg. <https://www.bloomberg.com/news/articles/2018-08-20/gen-z-to-outnumber-millennials-within-a-year-demographic-trends>
- 5 – Rothwell, William J. “The Growing Interest in a Strong Succession Planning Program.” <https://www.amanet.org/training/articles/the-growing-interest-in-a-strong-succession-planning-program.aspx>
- 6 – “September 11: One Year After.” (September 2002). *The Boston Globe*. archive.boston.com/news/packages/sept11/anniversary/victims/wtc1.htm
- 7 – McGregor, Jena. (August 2018). “What a ‘Silver Tsunami’ of Retiring Baby Boom Business Owners Could Mean for Their Workers.” *The Washington Post*. <https://www.washingtonpost.com/business/2018/08/30/what-silver-tsunami-retiring-baby-boomer-business-owners-could-mean-their-workers/>
- 8 – Rein, Lisa. (October 2014). “Millennials Like Government Work but Don’t Stay Long, Survey Finds.” *The Washington Post*. <https://www.washingtonpost.com/news/federal-eye/wp/2014/10/08/millennials-like-government-work-but-dont-stay-long-survey-finds/>
- 9 – “Leadership: Why a Perennial Issue?” (February 2015). Deloitte Insights. <https://www2.deloitte.com/insights/us/en/focus/human-capital-trends/2015/developing-leaders-perennial-issue-human-capital-trends-2015.html>
- 10 – “Introduction—The New Organization: Different by Design.” (February 2016). Deloitte Insights. <https://www2.deloitte.com/insights/us/en/focus/human-capital-trends/2016/human-capital-trends-introduction.html>
- 11 – “2014 Report on Senior Executive Succession Planning and Talent Development.” (2014). The Conference Board, IED, Stanford University. <https://www.gsb.stanford.edu/sites/gsb/files/publication-pdf/cgri-survey-2014-senior-executive-succession.pdf>