

NACD Texas TriCities Chapter | Houston

Key Takeaways – Talent Development, A Boardroom Imperative

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Talent Development

- The board should develop a clear picture of the talent inside the company from an up-close (rather than far-away) perspective by meeting, observing and getting to know key members of management in various settings, both inside and outside of the boardroom.
- A clear understanding by the board of the talent development picture inside the company will better inform and be an essential element in the board's discussions of the company's key strategies and key risks. The board should expect the people aspects to be a very visible dimension of these discussions.
- The board should ensure the organization has the talent to fulfill its strategy. If not, what is the plan?
- The human resources executive should ensure the organization has the processes and procedures to identify and develop talent, including executive talent. The HR executive should be engaged in every strategy discussion to ensure the talent issue is discussed.
- The right corporate culture must exist for effective talent development to occur within the company, and that comes from the top. The board must assess that the right culture exists, and do something about it if it doesn't.
- Most companies' "Nine Box" is an exercise in form over substance. Ask management to share statistics for when an ACTUAL position opens up and in how many cases the "Ready Now" candidate actually fills the spot. If it is the case that this doesn't happen often, this is an indication of a talent management program that isn't truly owned by leadership and possibly an indicator of "turf" having too much influence on the process.
- Look for "popcorn stands". GE has small businesses that they refer to as "popcorn stands". These are the businesses where they put young managers to allow them to learn to lead and to fail safely. Most companies aren't the size of GE and don't have these small companies just laying around, so you have to find your own version. Maybe a company-wide project. Maybe a smaller negotiation working with a multi-disciplinary team. Maybe a "CEO for a day" experience. Maybe a cost-cutting initiative. Anything that will allow you to put a young star in a new situation and allow them to learn, and fail in a way that doesn't derail their career but gives them new skills for the next level.

Long-term Talent Development Planning:

- It is key to know the current talent needs, but also the talent needs 3-5 years out.
- First look at the organization's strategy and business climate. What skills sets and experiences will the organization need to execute on the strategy?
- Discuss the current CEO's plans. What is their time horizon?
- Assess the organization's existing talent. What is the CEO's plan for developing existing talent and hiring subordinates for possible succession?
- Identify executive search firms in advance.
- Utilize external advisors, e.g. an executive search firm, to help identify what skills and experiences are needed. Discuss recent placements in the industry.
- Develop a job description for the desired candidate. Don't forget cultural fit!
- Assess the current internal talent against these skills sets and experiences; use the time to provide development and experiences to fill the gap.
- Develop talent profiles for each of the executives.
- Develop a plan for potential succession candidates to interact with the board.
- Identify the search committee.
- Seriously review your plan every year. The board or its committee should ask itself if the strategy changed. Did the business climate change? Has the current CEO changed?

CEO Succession Planning

- A best practice in an effective CEO succession planning process is to ask viable candidates to present to the board on various aspects of succession planning within their own teams.
- You need to practice "One-Down" management. Force the CEO to get you good, meaningful exposure to succession candidates. Also, if they are senior, make sure that you see them in multiple settings: socially without spouses, socially with spouses, in the board room presenting, in the plant leading, at an employee event. As many touchpoints, under as many different circumstances as possible.
- Never forget that CEO succession isn't the CEO's job! It is the primary job of the board and they should actively and forcefully be in/stay in control of it. The CEO can be a huge aid in this effort of course, but only as an assist to the primary role of the board.
- The board has an active role in the selection of the CEO, but provides guidance and oversight in the development and selection of the organization's other leaders.
- Discussions about CEO succession and talent should be done within the context of the organization's strategy.

Emergency CEO Succession Planning

- The board and its Compensation Committee should not only discuss and plan for the long-term ultimate CEO replacement, but also develop an emergency CEO succession plan for an immediate replacement.
- Many organizations talk about what happens if the CEO departs in an emergency, but very few ever develop a written plan.
- The sudden loss of a CEO is a crisis for all organizations, big and small, but may be more impactful for smaller organizations without a lot of bench strength.
- The role of the board in emergency situations is greater, and the risks are higher.
- Ensure job descriptions are up-to-date for the CEO and all executives. Determine what responsibilities, and authority the interim CEO will have and what responsibilities will be delegated to other executives.
- Define the role of the board in the emergency succession plan, in particular, the chair and/or lead director.
- Utilize the executive talent profiles for all of the executives, to see if a member of the executive team can take the interim CEO role. Identify those individuals, including a board member that may be able to assume the interim CEO role.
- Determine if you need to back-fill for the executive that will be the interim CEO and additional compensation for the interim CEO.
- Develop an internal and external communication plan to various stakeholders, not just an announcement or press release.
- Identify the search committee.
- Interview and identify the executive search firm in advance.
- Utilize the long-term plan to carry out the CEO search.
- Review and update annually.