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A blurred, high-contrast background image of a person in a suit standing in an office. The person is positioned in the center, facing slightly to the right. The office has large windows in the background, showing an urban landscape. The overall color palette is blue and teal.

**Bloomberg**  
**BNA**

# Workforce Strategies

## **Succession Planning: Designing Plans to Identify And Develop Future Leaders**

September 2015  
Volume 33, Number 9

**Bloomberg BNA**  
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## **Introduction**

Succession planning is a process for identifying and developing employees and candidates with the potential to fill leadership positions in an organization.

Succession planning aligns current talent development with future leadership needs. It aims to identify and develop high potentials so that when a vacancy occurs in a key position, the organization has a ready pool of candidates, according to “Succession Planning and management: An Annotated Bibliography.”

This issue of *Workforce Strategies* will show how employers can design a succession plan that offers the identification and development of leaders and helps human resources objectively and accurately assess future performance to fill the leadership pipeline.

## **PLAN DESIGN AND SUPPORT**

A succession plan may borrow from talent management practices related to recruitment, selection and retention that are already in place. An effective succession plan receives visible support from the CEO and top management, is owned by line management and supported by HR, is simple and tailored to unique organizational needs, and is flexible and aligned with the strategic business plan.

Evolving from a thorough human resources review process, based upon well-developed competencies and objective assessments of candidates, plans should include developmental job assignments, emphasize accountability and follow-up, incorporate employee input, and be integrated with other human resources systems.

Vivian Rank, an HR disciplines panelist for the Society for Human Resources Management, has 15 years of talent management experience at Fortune 100 companies. Rank told Bloomberg BNA that the best way to get support from the CEO and top management is to align the succession plan with company strategy.

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A succession plan aligned with business goals is a natural outcome of the talent review process.

“It’s not about who is going to fill whose chair in two to three years, it is about the talent and the skill that the organization needs to move the strategy across the finish line,” Rank said. “I think as HR partners we make the mistake of focusing more on the process, who the talent is and where they want to go. It’s not about who they are and where they want to go. It’s about what do we need to accomplish our strategy. That’s something that the CEO and senior leaders are going to relate to,” she said.

Rank said that a succession plan aligned with business goals is a natural outcome of the talent review process. “It is the heart of the HR process and is fully aligned with organizational goals,” she said.

“The best ally is the Chief Human Resource Officer (CHRO) because they interface on a daily basis with the CEO and they have to be the one to really sell it to the CEO and the leadership team. If they don’t buy into it, it’s an uphill battle,” she said.

Rank said the nine-box grid (*see table on page 7*), a commonly used tool to aid in a discussion of employee strengths and development needs, is the biggest input into talent review and succession planning. “The first input into that differentiation of talent is how they performed last year, which is the performance review,” she said.

To develop a well-designed succession plan, the performance review rating has to be “very accurate,” Rank said. “That is a huge input into talent review and if facilitated right, that will produce the list of names for a succession plan,” she said.

<p>May be an individual who has recently been promoted and hasn't had the opportunity to demonstrate higher performance. Focus on coaching and a solid development plan. In an individual that has been in this role for some time, there may be a serious issue (derailer).</p> <p><b>Potential:</b> The ability to assume increasingly broad or complex accountabilities as business needs change during the next 12-18 months.</p>	<p>A valuable asset for the future. There is still room for maximizing performance in current role; potential may not be fully realized yet. Focus on increasing performance contribution to high, after which greater challenge and/or broader scope are likely.</p> <p><b>Develop</b></p>	<p>Has mastered current role and is ready (and anticipating) a new challenge. Next steps are to provide greater scale and/or scope or a new assignment, which will stretch them in a significant way or will provide new or missing skills. Retention is critical. These are future leaders of the company.</p> <p><b>Stretch</b></p>
	<p>Shows some potential but performance is considered low. Focus on reasons for low performance and actions to improve it. If there isn't an improvement, potential should be reassessed and a performance improvement plan put in place.</p> <p><b>Observe</b></p>	<p>Has potential for increased accountabilities and is meeting current performance expectations. Development focus: Increase performance contribution to "high" will further assessment of potential growth.</p> <p><b>Develop</b></p>
	<p>Not meeting performance expectations and demonstrates limited potential. Focus should be on significant performance improvement or finding a more suitable role (internal or external).</p> <p><b>Observe/exit</b></p>	<p>Is exceeding performance expectations and is a good candidate for growth and development. Employee development should focus on specific gaps – i.e. what is needed to broaden or move to the next level of responsibility.</p> <p><b>Stretch/develop</b></p>
		<p>A strong performer but unlikely to move to a higher-level role. Engagement will be important for continued motivation and retention. May be of real value for developing others. Professional, business or content experts may fall into this box.</p> <p><b>Develop</b></p>

Rank added that HR needs a business partner with a 360-degree view of the business that has the tools and the talking points to get business leaders to drive the succession strategy.

She said appropriate candidates for a succession plan must be seen by the talent review process as high potential, have skills that the organization needs to move the business forward, express interest in moving forward with the organization and be attached to a talent development plan.

“If a company has regular talent review meetings and talks through these things, you can pull out a living, working document and are then able to say ‘here is the top talent,’ ” Rank said.

She added that organizations should keep close tabs on potential retirees, flight risks, and high potentials that may need incentives to stay with the company and identify where tailored incentive packages are needed. “All of these things are outcomes of the talent review so it really ties everything together,” Rank said.

## BUILDING A TALENT PIPELINE

William Rothwell, professor of workforce education and development at Pennsylvania State University and president of Rothwell & Associates, an HR consultant firm, told Bloomberg BNA that it's costly to have senior positions vacant and it can take a long time to source an appropriate candidate. Therefore, he said, organizations should design a succession plan that pulls talent from all areas of the organization.

"Designing a succession plan that runs as far down as possible and sourcing external candidates can reduce the time it takes to fill positions," he said. Rothwell added that it's also important that organizations consider the succession "domino effect" that occurs when employees are promoted.

"It's the old saying 'pay me now or pay me later.' We are either going to have people prepared at every level suited to move up or we are going to have to scramble when the time comes to find those people," he said.

Rothwell urged organizations to brace themselves to deal with employees who aren't interested in management positions and may not be interested in being part of a succession plan. He said some companies may have to offer inducements that make taking on the extra work and responsibilities worthwhile for employees.

"It starts with talking to people rather than generalizing that everyone wants the same thing. [Companies] make that mistake on many levels and assume everyone wants a promotion; well that isn't true. We assume everyone wants a pay raise, yet pay raises are often pathetically low and not much of an inducement to accept more responsibility," Rothwell said.

### Competency Modeling

According to Rothwell, organizations must "get clear" on what kind of talent they want in their succession plan, and competency modeling can be a good predictor of success. A core competency model (*see sample model on page 10*) supports the development of critical core competencies that are required by an organization to achieve its defined strategy.

To develop a customized competency-based succession plan, Rothwell said there should be a list of core competencies that are required for key roles in the company.

"When we say senior executive, that is pretty broad. We do expect that senior executives share certain characteristics that set them apart from middle managers or frontline managers, so there is good reason to use competency modeling," he explained.

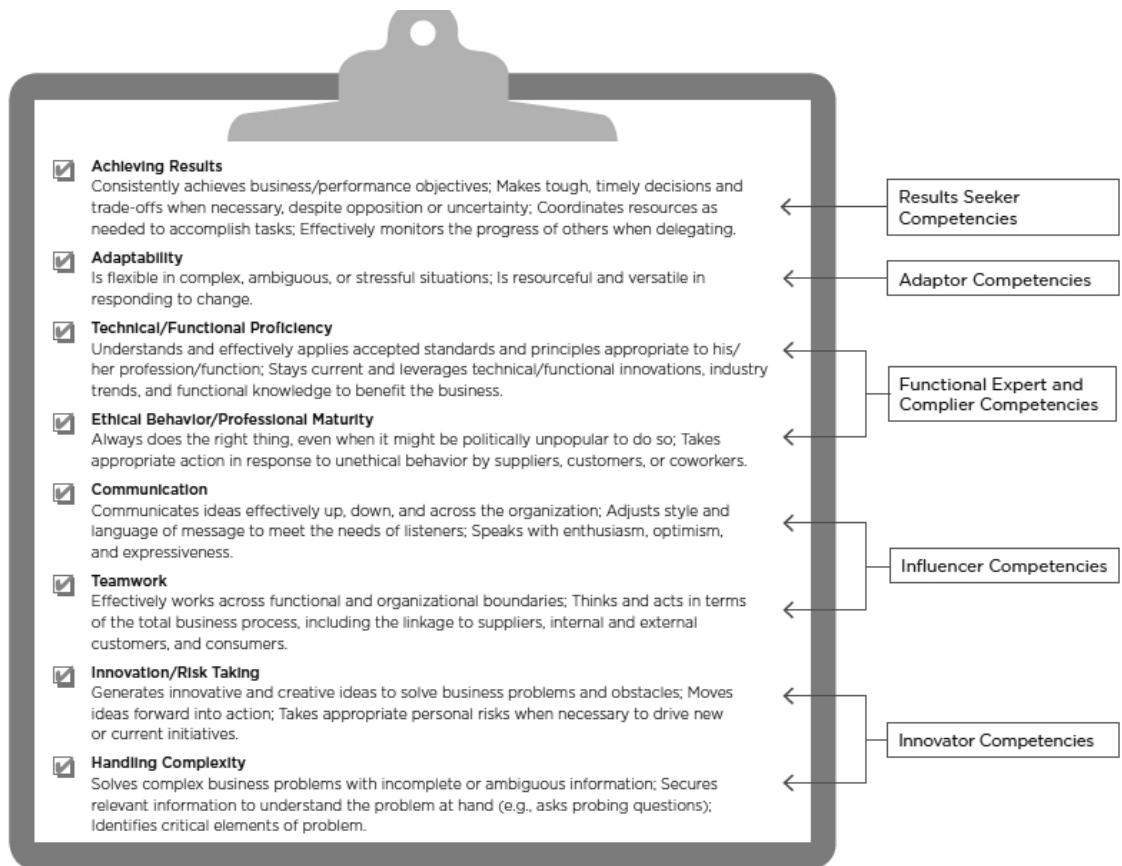
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Organizations must "get clear" on what kind of talent they want in their succession plan, and competency modeling can be a good predictor of success.

“A competency model describes the human being that can do the job well. You can’t build talent if you have a vague understanding of what you are looking for. You have to pin it down and get specific about the characteristics expected from executives and understand how to recognize those characteristics through behaviors and work outputs,” Rothwell said.

He said organizations have to consider a “moving target” and think about the type of employee they will need in five or 10 years—at the end of their “strategic plan horizon.”

“That kind of person might be radically different than the person that is currently in the job, so we have to allow for this. A competency model that uses skills required to do the job today measured against future requirements can assess that second gap, what we call ‘promotion potential,’ ” Rothwell said.



He said most companies have rigorous ways to measure performance but far fewer have a rigorous way to assess promotion potential, and many companies rely on a managers’ opinion alone, he said.

### **Future Leaders.**

Jeff Sanders, who leads the CEO practice at Chicago-based Heidrick & Struggles International, an executive search and leadership consulting firm, told Bloomberg

BNA that often when developing a succession plan, companies don't give enough consideration to the skills they need to lead their company in the future.

"I think that's what we see with CEO succession. I think organizations, broadly from the top all the way down, need to be looking at not only skill sets needed to succeed now, but what are the skills sets needed over the next three to five years," he said.

Sanders said that when companies become too inwardly focused with their succession planning, they narrowly focus on developing skills that have led to success in the past, while other organizations are looking ahead and developing for future skill sets and capabilities.

"I think you see that with succession and talent development at all levels of the organization," Sanders said. "If you focus solely on what you need today, it's insufficient; you do get left behind. I think those companies then have more pressure to look to the external market to bring in the talent that can move them forward, as opposed to other organizations that have the luxury of having developed people that can really help them take that next step," he said.

Sanders added that once talent is identified, there are "levers" required to retain and promote people forward.

"One is ensuring your people are constantly and appropriately challenged in their roles; two is ensuring that they are appropriately compensated; and the third is to feel like they are making a meaningful contribution to the organization as a whole," he said.

He added that with websites like LinkedIn, identification of talent has become far more widespread, presenting more opportunities for organizations as well as more challenges.

## ASSESSING SUCCESSION

### Quarterly Talent Reviews

Talent reviews should be held quarterly and a specific set of questions should be used, Rank advised.

“If during a talent review someone says ‘I think Susie is SVP (senior vice president) material,’ don’t just stop at a recommendation. Many times HR says ‘OK, thank you’ and writes that name down,” Rank said.

Rather, HR should ask:

- What specific development opportunities does Susie need?
- Do we need to move Susie to another project to give her experience?
- Can she take this project on?

Using real-time projects helps move top talent into the desired roles, Rank said. Follow that by having candidates for succession demonstrate their abilities to senior executives, she advised.

“I’ve had SVPs and EVPs (executive vice presidents) ask, ‘Why don’t I know these people? Why don’t they present in front of me?’ In the next staff meeting bring Susie and make sure she presents,” she said.

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Quarterly talent reviews  
keep managers and  
HR accountable and make it  
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succession plan.

Rank said quarterly talent reviews keep managers and HR accountable and make it easier to follow up on development goals linked to a succession plan. “You don’t review the nine box every quarter but you follow up on development projects. If Susie should have been involved in a project for developmental reasons, did that happen? Why or why not? What can you do to help make sure that happens?”

“So the heart of the whole thing is not just these annual succession planning meetings where we put names in boxes on paper, it is a continual follow-up all year long to make sure these things happen,” she said.

### Time-Based Succession Planning Is Over

Rank said what’s more important than the time high-potential employees spend in a position is what they have accomplished and what kind of business goals they were given. “That will tell you more than any assessment or measure of time if the person has potential,” she said.

Often it’s HR that relies on time in a job as a qualifying criterion, Rank said. “I would hear this a lot more from HR partners than from the business—‘well they haven’t really been in the business that long.’ ”

She said although setting strategic goals may take a lot of work from management, “without good business goals it’s impossible to measure performance.”

“The business goals people are given each year are critical. I’m talking about three to five goals that are above and beyond [the] type [of] goals that will set a high potential tapped for the succession plan apart,” she said.

### **Business Goals and Developmental Goals**

Rank said understanding the difference between developmental goals and business goals helps nurture talent. “I think we used to rely a lot on all sorts of different assessments, which I think are helpful development tools. But I believe real-life performance and accomplishing strategic business goals are the way of the future,” she said.

“I see this, even at very high levels, development goals misinterpreted as business goals. Working on an MBA is not a business goal, that’s a development goal. My key message is that business goals go on the performance review, development goals go on a development plan,” Rank said.

She said defining business goals separate from developmental goals brings clarity to the talent review conversation. “What did they accomplish last year? What are they currently driving? Did they meet expectations? Did they hit it out of the park? Why did they succeed? What other projects can we give them? What else can they take on? That’s the kind of talent review conversation for a succession plan that drives business results,” Rank explained.

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Nurturing talent for a succession plan requires more strategic planning and understanding the difference between developmental goals and business goals.

### **Input From Incumbents**

Rank said she doesn’t think it’s a good practice to let incumbents pick their successors. “I think a lot of times HR will go to the incumbent and say, ‘who do you think should be your successor?’ ”

She said incumbents often only look at candidates who have similar work styles, only look at their own team, and don’t tend to look at outside talent.

“It’s like their own child, their legacy,” Rank said. “They’ve developed these people, have worked with these people, know these people and they want to see them do well and move ahead. Sometimes that’s not good for the strategy. So when you are facilitating these talent review meetings you have to be above all of that and make clear how we get the goals across so the business can grow and thrive.”

## GLOBAL SUCCESSION PLANNING

Global succession plans should remain flexible in order to respond to changing circumstances and conditions in global markets. Identifying candidates for a global succession plan also requires greater clarity around the difference between high performers and high potentials.

High performers are highly valued and critical employees. They are key contributors who consistently demonstrate high performance, continue to grow within their profession and may be capable of lateral moves or broader roles within their function. In contrast, high potentials are high performers who have “the potential, ability and aspiration for successive leadership positions, typically two levels or more.”

Andrew I. Glincher, CEO and managing partner at Nixon Peabody LLP, a Global 100 law firm based in Boston, told Bloomberg BNA that because global leaders take on additional challenges given different customs, cultures and language barriers, formal leadership training, including meetings, mentoring and coaching, is essential. However, Glincher emphasized that “there is no substitute for on-the-job experience.”

“While formal mentoring and one-on-one coaching is important, the best experience is gained from being in the position and taking on challenges as they come. You need to be flexible with new leaders—they need more attention and time to develop—and you have to provide them with the opportunity to take on new challenges,” he said.

Glincher said succession planning is a major challenge for companies throughout the world and developing new leaders is the responsibility of everyone in a leadership position.

“You do not need a title to be a leader. Make leadership investments with a focus on someone’s potential rather than what they’ve already accomplished. [Focus] on bringing up the next generation of leaders who can provide a wide range of perspectives for clients,” Glincher said.

Neil S. Orkin, president of Global Training Systems, a global management consulting firm specializing in cross-cultural business challenges and multicultural sales, offered these six steps to designing a global succession plan.

- *Talent management systems.* Organizations need systems that note international work experience and foreign language skills of employees. The learning and development team should be able to make ad hoc queries with the TMS to get employee profile information.

- *Selection.* Interview employees to verify their interest in a foreign assignment. The employee may not feel that the assignment is a good fit for his or her

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current professional or personal situation. It is far better to have this information before the employee is chosen than to risk a failed assignment, which can be extremely costly for both the individual and the organization.

- *Mentoring.* Providing the global professional with a mentor is critical to the success of the assignment. The mentor, ideally someone at a higher level in the organization who has completed a successful international assignment, can guide the global employee on how to navigate his or her assignment and also let the employee know what is happening back at the home office.
- *Keep in touch.* Install a computer or fax machine in an expatriate's home so he or she can receive daily messages from the home office. This helps keep the employee informed and feeling part of the team. Some firms have created special newsletters for expatriates to help them stay current with organization news and information. Regularly scheduled trips back to the home office will also keep the employee briefed on important company news and allow time to meet with his or her mentor.
- *Repatriation.* The organization needs to sit down with repatriates and help them map out a personal action plan, noting the challenges the employee feels he or she may face. Another challenge is deciding how the knowledge and information that repatriates have gained can best be shared with colleagues.
- *Retention.* It is not uncommon for repatriates to leave the organization after an overseas assignment. Losing a key global professional can be very costly. Having a clear career path for repatriates is critical, as is allowing them to serve as mentors and providing a forum for them to share the knowledge they have gained with future expatriates.

## CASE STUDIES

### **Case Study 1: California Public Employees' Retirement System**

The California Public Employees' Retirement System (CalPERS), the agency that manages pension and health benefits for California public employees and retirees, uses a self-nomination process to identify candidates for their succession plan. Candidates identified from the self-nomination process are at the division chief (equivalent) and above.

Executive staff then meets with their reports to discuss interest in various executive roles. Leaders interested in participating in the succession planning process discuss their interest with their manager and inform human resources division management.

Human resources is responsible for all administrative components of the executive succession planning process. These include organization and logistics for assessment sessions, distribution and collection of electronic forms with managers, tracking and reporting for the succession candidate group and leadership development plan progress.

#### **Build Candidate Profile.**

The candidate profile is at the center of the succession planning process at CalPERS and must be developed for every succession candidate. The profile is a “snapshot” of each candidate that provides a common way to understand his or her background.

The information will be part of the discussion between the candidate and his/her manager and includes:

- Job & Performance
- Experience (CalPERS and external)
- Education
- Professional Credentials
- Relevant Development History

Once the profile is completed, the candidate's manager meets with the candidate to discuss his/her completed profile. In this meeting, the manager explains that:

- Executive level talent pools will be used for leader development and succession planning purposes.
- The candidate profile, as well as other tools such as competency assessments, 360° survey ratings, and development planning will assist management in understanding employee preferences and capabilities for the future.

- The profile provides helpful information to support the readiness assessment process. Job preferences indicated in the profile will determine the talent pool(s) the candidate is placed into, but do not guarantee a future promotion.

### Review Readiness

The candidate's manager will then review the candidate's profile and self-assessment and evaluate the readiness of the candidate to fill key positions now or in the future.

Readiness is assessed by using CalPERS' executive leadership competencies. Assessing candidates on these competencies helps establish a baseline and determine the candidate's readiness to assume new responsibility.

The manager then determines the candidate's readiness level and indicates which one of the three categories in the following table best describes the candidate's readiness in each competency area and overall.

Expert	Skilled	Basic
Ready for promotion now	Ready for promotion after further development (1-2yrs)	Requires further development (3-5yrs)

Managers should be prepared to discuss their observations of the candidate's strengths, areas for improvement and development priorities for executive competencies.

### Executive Assessment Session.

The executive assessment session is a structured meeting to evaluate the promotional readiness, strengths, and developmental needs and priorities for succession candidates.

During the session, the executive panel shares perspectives and provides input to the candidates' managers. The panel typically consists of three-four executives who work directly with the candidates being reviewed. Panel discussions are highly confidential.

The following objectives are critical to an effective assessment session:

- understanding the strengths, gaps and developmental priorities for those candidates identified as future successors;
- obtaining insight from other executives about the potential and readiness of candidates to assume new roles, regardless of current branch, division, unit or role; and
- discussing developmental opportunities that exist for high-potential talent across CalPERS.

### Complete Leader Development Plan

When the executive assessment session is complete, candidate managers discuss developmental planning with each of their candidates.

The goal of development planning is to understand candidate strengths and gaps, and then to set readiness goals and a plan of action that will prepare the candidate to successfully assume new roles.

Candidate managers discuss current goals and identify new goals based on feedback from assessment session. They then:

- Review business requirement information from both CalPERS overall and the candidate's branch, division or unit: strategy documents, performance objectives, anticipated organizational changes, required competencies or roles.
- Review information from self- and readiness assessment, performance evaluations, 360° survey ratings, the executive assessment session and the candidate profile.
- Identify themes in the information, particularly strengths and gaps in capabilities. Identify organizational needs and opportunities that might be particularly important or interesting to the candidate. These could be areas that are of emerging importance to CalPERS that are necessary for career progress, or that are “holes” in the candidate’s experience.
- Provide the candidate with some examples of what might constitute a good developmental goal, given the candidate’s current skill set and the priorities of CalPERS.
- Identify career goals that describe the candidate’s desired career trajectory over the next three or more years. This should include duties and responsibilities, job level or key experiences (e.g., project assignment), as well as desired results and outcomes to achieve each.

CalPERS succession plan monitors candidates’ progress with leader development plans on an ongoing basis, frequently reporting specific target dates/milestones. Progress updates on candidate leader development plans are completed, at a minimum, annually and reviewed by a human resources executive succession planning team to ensure plan objectives are met at each stage.

## Case Study 2: Nationwide Insurance

Nationwide Insurance's philosophy is that an organization should be regularly identifying emerging talent at every level. Kathy Smith, associate vice president of executive development & succession at Nationwide, said that technology allows the organization to quickly and easily get insights about its talent pool.

Approximately 90 percent of Nationwide associates have created an online profile, called My Career, that includes their career and education backgrounds, goals and interests, along with development areas of focus for input into a system the company designed. "The ability to get that level of detail about nearly 30,000 associates into a system and marry it with manager insights is key to maximizing our understanding of our associates," she said.

Increasingly high adoption rates by associates of the technological tool allow Nationwide to quickly identify high-potential associates and better support and track their movement throughout the organization. This technology allows associates to voice their career interests. It gives the company the technological capability to track, identify and ultimately tap into the pipeline of high-potential performers at a very early stage in order to match them with the right career opportunities.

"We are constantly making changes and evolving our use of the tool. Soon, we will be able to use this tool to better understand retention risks through the use of predictive analytics and the potential impact of loss. That insight will allow us to develop proactive, targeted strategies to manage enterprise talent risks," Smith said.

Fast cycle-social collaboration tools are also an integral piece of Nationwide's technological landscape that allows the organization to determine the needs for the talent that exist within its broad, diverse organization.

## Candidate Selection: When Should Organizations Begin Selecting Candidates for Succession Training Programs?

Smith said one year with a company is an adequate amount of time for high-potential talent to effectively participate in a successor development program. However, while tenure is helpful, there are more important criteria than tenure alone, she said.

"At Nationwide, collaboration is a critical skill on which we place a high level of importance. We intentionally select a mix of people with diverse backgrounds, experiences and tenure from across the enterprise for our high-potential programs," she said.

Nationwide's goal is to position participants for long-term success by creating the ability to access cross-enterprise networks where they can gain visibility, interaction and sponsorship from top executives. Members of the C-Suite and other senior leaders support the programs and participate by delivering in-person

presentations and driving discussions to enhance the learning. It is important to select associates who will give the biggest return on that investment of time and commitment of resources, Smith said.

### **Develop Flexible Training While Remaining Aligned With Strategic Business Goals**

When Nationwide identifies associates who are high-potential performers, the responsible officials have an idea of where they expect them to go within the company, Smith said. True to their commitment to provide “On Your Side® service to members,” they remain flexible and adaptable to the ever-changing business environment for existing and new executive positions, she said.

“We built a program to exist in-house because the goal of the program was simple: to reflect the best practices of leadership aligned with Nationwide’s business strategy. Another great benefit of the development program is the ability for participants to develop relationships with peers from across the organization,” Smith said.

According to Smith, Nationwide’s leadership programs are designed around several core elements:

- self awareness through assessments (simulations, personality and 360-degree feedback);
- self reflection;
- executive coaching;
- peer-to-peer learning for post-program continued development;
- learning circles;
- executive exposure and sponsorship;
- networking; and
- leaders teaching leaders.

It is important to have the ability to use technology to see and quantify the impact of our intentional efforts through these programs, Smith said.

### **How Important Are Stretch Assignments in Ensuring That the Right Candidates Are Selected?**

Stretch assignments are important and can be risky, Smith said. Because of this, she said, Nationwide invests significantly through transition support and ongoing sponsor visibility to help ensure success.

“For us, the goal of identifying high-potential performers is so that we can take the time to better understand the individual and know their strengths and identify areas of opportunity where we can really make a difference,” Smith said.

The intent of a stretch assignment is to allow the associate to grow and develop by giving him or her the right skills and capabilities he or she will need for the

long term, she said. The company has found that associates will perform well if they know what they are signing up for and if there is formal transition support and sponsor interaction in place, Smith added.

### **Avoid a ‘Leaky’ Pipeline, Keep Candidates Engaged and Committed**

In order to create a solid pipeline, it is important to understand the career value proposition you offer to associates and select people who are aligned with that, Smith said. Nationwide creates a leadership development opportunity that entails a long-term journey, she said.

“We are a values-based company, and ensuring our associates embody those values is an important part of that journey. Nationwide employs a very thoughtful talent selection process designed to ensure that associates at every level are a good fit within the culture of the company. We are diligent about providing a formal on-boarding process to help associates establish a network that supports collaboration and drive an environment that supports company values,” Smith said.

To develop the future leaders within the leadership pipeline, she said, the organization should be intentional in its efforts to create visibility for associates and foster sponsorship from the most senior leaders. The ability to have consistent interaction with top leaders is a critical component that allows participants to be successful as they move through their careers.

“When our highest performing associates make the decision to leave the company, we are equally as intentional about maintaining relationships with them on their career journey. Nationwide is a relationship-based company, and we value the important relationships we cultivate with our associates,” Smith said.

As a company with a long history and continued strength in its performance, she said, Nationwide is planning long into the future with strong succession capability at the top levels with multiple people at the C-Suite level with broad backgrounds and experiences that span across the enterprise. “Technology is the key that allows us to scale that talent,” Smith said.

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### Case Studies

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