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Much like the search for the elusive Holy Grail, the search for high performance at individual, team and organisational levels is rarely successful. *Jan Hopkins* asks why - and unearths some tips to get you and your company to the chequered flag first

Letters to the editor

Do you have a burning HR or people management issue you would like to share with others? If so, *Human Capital* would like to hear from you. Send through your comments to editor@hcmag.com. Alternatively, express your thoughts on the readers' forums at www.hcmag.com

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Nothing is guaranteed in life except death and taxes. To that one might add 'change'. The business world is no exception. Yet while succession planning is the ultimate risk management tool in HR's armoury, few organisations invest time in doing it well. Author *Leigh Riley* provides some tips



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Most listed companies appreciate the importance of arranging a corporate succession plan and tend to be well prepared for most circumstances that could affect the upper 2% of executives. This is considered one of the most basic of management strategies, but considering modern workforce trends and with the GFC making the 'unexpected' increasingly more expected, the modern succession plan needs to broaden its focus and consider a few new issues if it is to be effective.

The recent sudden death of Queensland businessman, Ken Talbot, along with the entire board of Sundance Resources in a plane crash whilst on a mining exploration trip to the Congo, reminds us of why there is the need for formal succession planning. While the Talbot Group chairman, Don Nissen is a likely candidate to fill Talbot's shoes, no succession plan exists, and the decision will ultimately be made by Talbot's grieving wife; a tough call by anyone's standard. Until that decision is made, the sizeable privately owned Talbot Empire, which has estimated worth of \$965m, remains in limbo, along with the fate of several other Australian companies with which Talbot was associated.

If we compare this with the ease at which top performing David Jones CEO Mark McInnes was succeeded by Paul Zahra when McInnes fell from grace recently, we can see succession planning operating smoothly at the top level of an organisation, as it does in most well-prepared organisations. The David Jones board did not hesitate at choosing insider Zahra in favour of sourcing an outsider to replace the departing talent. While David Jones did not envisage that there would be a need to exit the young CEO for some time, they were fully prepared with a deliberate succession strategy. There are never any guarantees, and Zahra still must be proven as the right choice for the top job,

but the point is that he's been groomed for more than 12 years to fulfil the task and with the replacement swiftly in place on a Friday it was business as usual for David Jones come Monday.

Failing to adequately prepare for the sudden gaps in the sub-executive levels of an organisation usually means heavy pressure on the HR department or external HR consultants to fill them as quickly as possible. This can be an expensive exercise, particularly when the business can be held to ransom by candidates because it is desperate to fill the gap quickly, and can also impact on efficiency while the position is vacant and as the new person goes through a period of adjustment.



Who's up next?

This situation can be avoided with a little forward planning and by creating a culture where the future direction of the organisation is openly discussed and also negotiated on an individual level. Some organisations take one or two steps towards a corporate succession plan – they have annual performance reviews and perhaps throw in a question or two about where the employee hopes to be in two years time, but that's the extent of it and usually little is done with this information. When looking at workplace succession planning, the most common breakdowns:

Poor employee communication. Employees do not usually converse with their managers about their career aspirations, and therefore their managers frequently lack understanding of employee goals. This is a hurdle for management who must work at structuring and aligning staff development plans to organisational needs. Mismatched expectations are costly to individuals and to the organisation.

Lack of structure to identify potential breakdown. Businesses frequently have no structure in place to identify staff that potentially represent a flight risk and don't identify the consequences of key staff members leaving the organisation.

Training breakdown. Frequently managers have not trained or prepared other employees to take over critical roles in the organisation. If a person in a key role suddenly walks out or is forced to leave, there can be a gap in performance for some time, affecting profitability and market confidence. Recovery time can be extensive from such an occurrence.

Management secrecy. Past management styles have kept the details of the succession plan for their organisation secret, however this is no longer thought to be relevant or appropriate. Effective communication by management of the opportunities available and providing opportunities for employees to express their desire to be considered as candidates

for these roles can have a positive effect on employee retention and motivate their willingness to develop.

Creating a successful succession plan for all levels of an organisation is about taking **advantage** of the current situation. Consider the following:

- » Assess employees for the personal competencies that are required for success at each organisational level, and then map these to the existing corporate objectives, ie, where is the organisation now in terms of personnel skills requirements.
- » Define how personnel competencies will be measured by listing the attributes of every role at every level, with a plan to enhance the experience and development of each person involved.
- » Visioning of the corporate future is essential to identify the organisation's forward strategic objectives. These must be identified in a way that enables all participants to clearly understand the part they must play in achieving the corporate vision.
- » Articulate at every level the guidelines and parameters required to determine the personnel competencies that are required of every role to deliver at the next level in alignment with the corporate vision.
- » Narrow the gaps between where personnel are now, with a plan to up skill towards where they must be in future to achieve the corporate forward planning vision.
- » Test and measure the outcomes to evaluate corporate effectiveness. All the procedures in the world are only as good as the actual resulting outcomes that the processes are meant to achieve. So many corporate good intentions lose momentum when there are no formal measures in place.
- » Align the objectives of staff to the organisation's objectives. Lack of purposeful alignment is a common problem that fragments the productivity



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and efficacy of an organisation. Clarity about the organisation's objectives can enable personnel to align their purpose or choose an alternative path a lot sooner, saving company time and money.

- Gauge the 'return on effort' (ROE) to the organisation. To measure this, the organisation will need to determine the cost involved with delays in recruiting and full induction of employees, as well as the impact of discontinuity. These costs should be compared with the cost and time taken to fill a vacancy from within the organisation due to an effective corporate succession plan being in place. The difference is the ROE, an effective quantifiable measure of the value of implementing the corporate succession plan.
- Engage management at all levels from the Board down. Each must understand the key role they will play in implementation. In most cases:
 - The Board's purpose is to conceptualise and instigate the corporate succession plan and to oversee that it is operational.

Looking after the rest

While preparation at the top 2% of organisations is essential, today it's also important to consider the other 98%. Why? There are four main reasons:

1. On average, half of organisational operating costs are now budgeted to meet human capital expenses. If the largest part of the corporate budget is spent on a combination of remuneration, training and systems to maintain the development of that human capital, it makes sense to formulate strategies to retain the talent.
2. The worldwide trend of ageing business leaders and the workforce in general means organisations need to start thinking about who will step up to fill the shoes of outgoing employees and how this process will be streamlined.
3. In the current marketplace, employee mobility is so high that there is a clear need to ensure continuity of services with minimal disruption and swift integration.
4. The GFC has expanded the pool of middle managers within Australian organisations – in theory, this equates to more talent from which to choose to fill higher roles, but only when managed effectively.

- The managing director is responsible for actioning the corporate succession plan of the organisation. As the helmsman of the corporate ship, the managing director is responsible for directing the ship according to the charted course and can influence greatly the strategies undertaken to ensure the corporate objective and vision is achieved.
- Senior managers act in the capacity of second in charge to enforce the orders and to guard implementation of the corporate vision. Senior managers are personally responsible for establishing the talent development objectives and measuring accountabilities of the personnel to those parameters.
- HR managers must act as the navigators to ensure the objectives are on course and aligned with corporate objectives. HR provide legal guidelines and advice, and set the parameters of the course to overcome impediments and challenges.
- Divisional managers are responsible for identifying, engaging, grooming and maintaining talent for each department.
- Personnel are accountable to understand their own personal agenda and to determine whether it is aligned with the organisational vision. They must be proactive in developing their skills in a manner that will improve their purpose within the organisation.

It's also important to note that management maintenance of accurate data with details about employee skills and talent enables corporations to conduct talent mining activities to source people from within. This can be a significant time and cost saving exercise involving less risk with minimal disruption, as the cultural fit is already evident and employee strengths, weaknesses, style and personality have already been tried and tested.

Developing your corporate succession plan is a positive strategic action that you can take right now to overcome the disruptive, costly and time-consuming issues that we're seeing in the modern workplace. Planning will allow you to develop your personnel to competently meet the changing needs of your organisation over time, and empower your organisation to recover from loss of human capital at an escalated rate, ensuring that corporate performance can be maintained for optimal outcomes. **HC**

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About the author:
Leigh Riley is the author of the first book of Australian case studies on succession planning, *Your Business Succession*, which provides strategic, tactical, practical and educational support for business owners. More information and free book chapters are available at www.YourBusinessSuccession.com. Coming soon: *Your Corporate Succession*