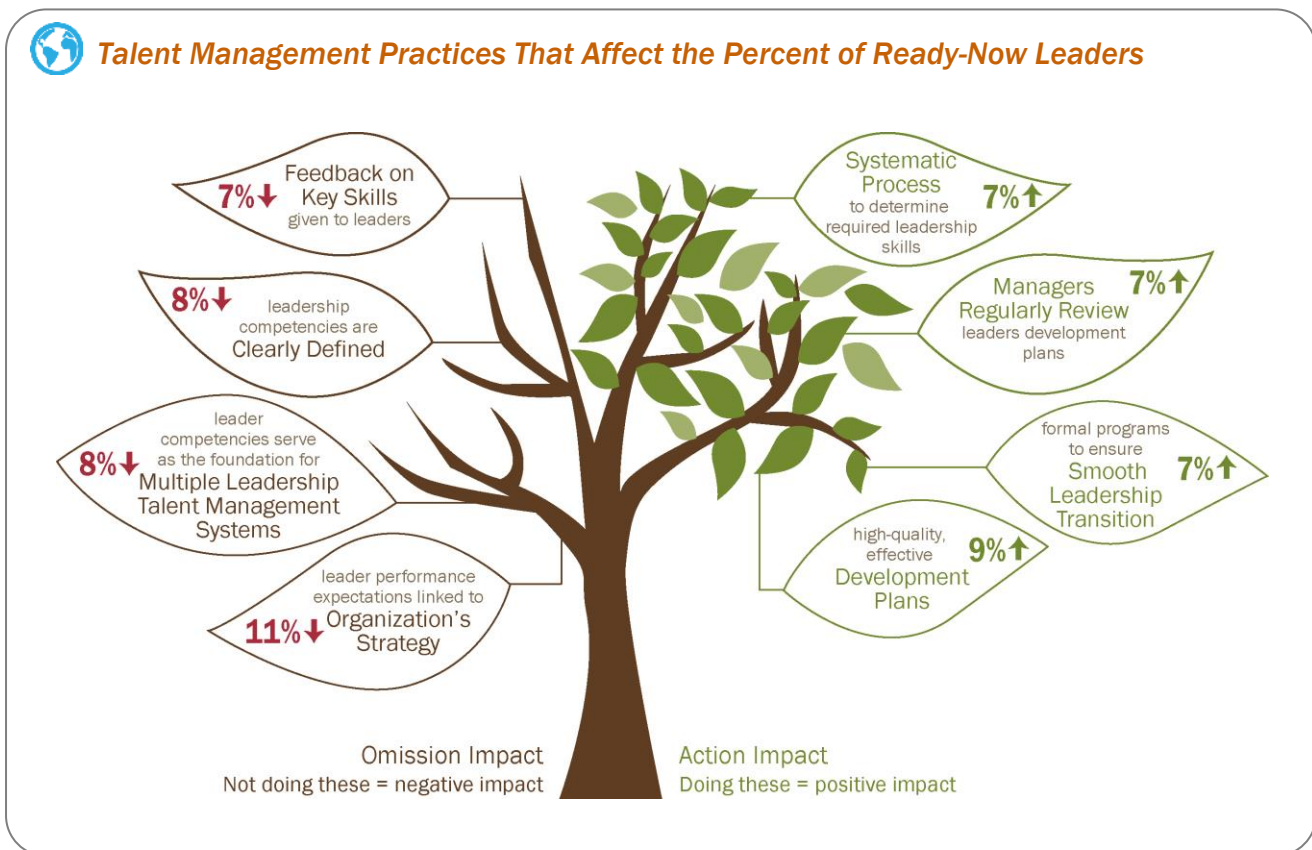



# Pipeline or Pipe Dream?

## Avoiding the Nightmare Scenario



 Indicates results that are based on the global sample.

# How Talent Management Practices Reduce Succession Risk

Growing your own leaders pays off richly. Organizations that fill a larger percentage of their positions internally have significantly higher leadership strength and financial performance (more than three times higher) than organizations that don't. Yet, the ability to actually do this varies widely; in other words, it's much easier said than done. For the average company, it's not even a coin flip despite the higher stakes. In the Australian and New Zealand sample, less than half (42 percent) of critical positions could be filled immediately by internal candidates, on average.

If a full, capable bench is your organization's goal, what are the best ways to increase your odds? We found that two types of talent management practices were closely linked—but in different ways—to the key metric of percent of critical positions that can be filled immediately by internal candidates. These practices are shown in the illustration on the previous page. On the left side of the tree are the practices that affected this metric through omission; that is, organizations that took these steps were still only average in their ability to fill critical positions, but those that failed to do them fell far behind their peers. The percentages in the leaves show how much the metric changes when these practices are not done. Notice that there are a few common characteristics among them. They deal with defining and providing feedback on competency skill targets for leaders, broadly using these competencies, and aligning leadership performance expectations with organizational strategy.

The practices on the right side of the tree affected organizations' ability to fill critical positions through action. Companies that failed to take these steps were only average, but those that took them boosted their bench strength noticeably compared to others (indicated by the percentages in the leaves). These practices deal with forward-facing systems and processes and a future orientation for both individuals and organizations: determining leader skills linked to success, ensuring that leader development plans are high-quality and regularly reviewed, and facilitating smooth transitions among leadership roles.

## Now What



1. First, focus on reducing the threats of omission on the readiness of your bench. Institute, reinforce, and systematize the talent management practices on the left side of the tree.
2. Next, once these are firmly in place and functioning effectively, differentiate your organization by aggressively pursuing the actions on the right side of the tree. These future-oriented practices have a clear association with a stronger bench.
3. Revisit these practices often to make sure they are being adhered to consistently. In particular, focus on these three practices that are not often done well but which have a large payoff: putting programs in place to ensure smooth transitions from one leadership level to the next (only 21 percent of organizations do this well), building high-quality development plans for leaders (33 percent), and ensuring regular reviews of these development plans (55 percent).

### Percent of Organizations Instituting Effective Practices

Leaders' performance expectations are linked to the organization's strategy.	82%
Competencies required for success in key leadership positions are clearly defined.	64%
Leadership competencies serve as the foundation for multiple leadership talent management systems.	61%
Leaders regularly review their development plan with their managers.	55%
Leaders practice and receive feedback on key skills with their managers.	51%
A systematic process to identify the quantity and quality of leadership required to drive future business success.	37%
High-quality, effective development plans for leaders.	33%
Formal programs to ensure smooth leadership transitions at all levels.	21%