Maurice Fisher, the owner of a huge energy conglomerate, in the Academy award winning movie Inception, dies after prolonged illness. The heir apparent, Maurice’s son, Robert Fisher inherits the business empire and is unwillingly forced in to the family business. Saito, industry mogul and Fisher’s competitor, along with his team of dream stealers succeeds, in bringing the subconscious disinterest in Robert to realization; he eventually decides to disintegrate his mammoth empire to follow his heart. Though a Hollywood movie plot, yet the fall of the Fisher empire can prove to be a meaningful case study for most organizations.

The strained father-son relationship, Maurice’s distrust in his successor’s potential and absence of a succession plan was sufficient to jeopardize the survival of the company after its owner’s death. The case is not typical to family- run businesses. Organizations all across the globe have no escape from such situations where the cherished visionaries in the form of CEOs, Board members and leaders may meet their fate through death, disease or personal interests that may overpower the need of the hour. Such companies not only lag behind, they may also end in a state of limbo for a very long time.

At the ground zero
“Sudden exit of leaders in organizations is a reality of life beyond predictions,” says Dr Arvind Agrawal, President and Chief Executive Corporate Development & HR, RPG Enterprises. But exits may not always be as dramatic as a death or a terminal illness. “A senior leader can resign suddenly, leaving no time for the management to find a replacement”
remarks Pradipta K. Mohapatra, Chairman and Co-Founder, Coaching Foundation India. Such a situation, especially at a senior level, can create havoc of sorts. But does that always have to be perceived as a havoc? “Such threats certainly do not neatly parcel to suit the system a company has arranged. But, sometimes, such an instance proves to be the best learning period.” opines Sanjay Raina, Executive Vice President-HR, UB Group.

In 2004, James R. Cantalupo, the then Chairman and CEO, of McDonalds’ suddenly died of a heart attack. Within 24 hours, Charles H. Bell was declared as his successor. However, the next six months saw Bell struggling with his job, due to health reasons. He resigned when he was diagnosed with cancer. The Board continued to brave the situation and within no time, James A. Skinner became the CEO. Anticipation and preparation for the unforeseen is something many organizations can emulate from McDonalds’ strategic succession planning.

But mostly, it is not just the sudden departures at the top of the pyramid of hierarchy, which halts the business continuity. Sudden vacancies at critical positions affect sales figures, productivity, market relations, and customer interactions, can be equally devastating.

One of Forbes CEO network surveys affirms that most organizations are not prepared for such exigencies. 2011-2012 HR service Delivery and Technology Research Report by Towers Watson reveals that only one-third of the responding organizations have an articulated succession plan, while 57 per cent are actively working towards developing one. Going by the statistics, the probability only becomes higher for coming across the inevitable.

Dr Agrawal recalls how a CEO of one of the companies in the mammoth RPG group, with an employee headcount of around 60,000, left to join the competitor. "He had to be relieved immediately considering confidentiality issues. A board member took over whilst an incumbent was prepared. "In a recent instance, one of the senior leaders left abruptly. We had two aspiring candidates for the position from another site. One of the candidates was designated the role at the vacant position while the other was made responsible for handling the site where he was already working," shares P K Panda, Group President-HR & Chairman Office, Adani Group.

It is the smart organizations that are always prepared for exigencies. In IBM, for instance, succession planning is a revered practice. Recently, Ginni Rometty succeeded Samuel Palmisano in a smooth CEO succession. Sukanya Choudhury, Business and Technical Leadership Lead, IBM India hardly remembers any instance where the departure of a senior leader created turbulence, except one. "When IBM labs were still at a nascent stage, one of our senior heads passed away. Most of the potential replacements were absorbed in different units. So, it took us around six months to find a suitable candidate for his position", she recounts.

Mounting difficulties
So what should be the ideal course of action for organizations facing emergency exits? As per Towers Watson’s Talent Management and Rewards survey, approximately 74
How indispensable are succession plans?
In case of exigencies, it is essential that the management spends time deliberating on strategies. However, in the current scenario where organizations are chasing double digit growth mandates in India, this is non-negotiable.

What are the challenges in implementing a succession plan?
- A myopic vision
- A 'no apparent crisis right now' attitude of people who drive the focus on succession
during emergencies.

A COO of an FMCG company confesses - ‘Why do we need a succession plan for me. I have been around for only a year and I am not going anywhere for the next three years.

How can one evaluate the success of an emergency succession plan?
In such cases of emergency, one needs to refer back and evaluate previous situations where a similar emergency situation was handled. For an ex-ante evaluation, one should look into the critical role and key talent identification process.

Why are COOs considered ideal successors to outgoing CEOs?
COOs are ideally positioned to reinforce the strategy and provide a sense of continuity. 'Au contraire, the Board may consider the sudden exit as an opportunity to bring in a different leadership style. At that level, the choice of successor is driven by focus rather by designation.'

According to Mohapatra, some of the plausible ways to face such situations are:
- Companies can find a suitable incumbent from internal resources to take charge temporarily. Bringing back old war horses can also be a possibility.
- Leaders with relatively less experience can be designated roles where there is more of learning and less of responsibilities.
- Organizations can look for talent externally. However, this is best avoided because the process involves a minimum of six months.
- Choudhury has firm faith in the robust succession planning followed by IBM, which makes the management resilient. She believes that the 'benches' save them the trouble of going on a talent hunt each time such key positions are vacated. At Ericsson India, two potential successors are identified for every role. Shares Girish Johar, Vice President-HR & Organization, 'I don't think at any point of time, we are without a replacement,' Raina, who has worked with several MNCs, also agrees that short listing of potential successors is a good strategy. "I believe when vast opportunities and meritocratic cultures are complemented by a robust process for managing talent, leadership development becomes a success. This philosophy has been the cornerstone towards our preparedness at UB group for filling critical senior position during emergencies," he adds.

A succession plan helps in identifying the talent pool and preparing individuals for achievement. At the organizational level, it ensures growth and continuity, and helps in corporate planning.

Role of HR
It goes without saying that in global organizations, the role of Board members is paramount in succession planning of critical positions. Yet, as Rebecca Luhm Wolfe points out in her book, “Systematic Succession Planning”, any business continuity plan should be aligned with the HR objectives of an organization. She emphasizes on how the HR department is involved in corporate strategies, practices followed for developing and training key employees.

A new study by Bersin & Associates shows leadership development and succession planning are top concerns among HR professionals, given today's economic and demographic changes, yet most companies are yet to address them adequately. The role of HR is heightened in eventualities.

Apart from finding the ideal resources, HR teams also help to bridge gaps between the management and employees. "Unfortunately, during a crisis HR teams should engage with stakeholders in straight talks," opines Raina. Dr Agrawal also highlights how the onus of eliminating any miscommunication in times of turbulence comes on the HR. "Mass communication doesn't work in such cases. You cannot take chances and let rumors take over. You need to check the employee sentiment and identify smaller teams to organize one to one interaction," he says.
**COVER STORY**

**Case study**

A few years ago, GlaxoSmithKline openly challenged three of its potential candidates to contest for the position of CEO. The chief executive, Jean-Pierre Garnier, evaluated the three over a span of one year. He sought appraisals for the candidates from fourteen executives who had worked with them earlier, all aspects of their performances, personalities, cognitive abilities were collated in the analysis. Finally, Andrew Witty, too young to become a CEO, at the age of forty-three was appointed as the rightful successor. The other two were offered shares in the company as a retention booster, but they chose to quit. This exhaustive succession plan, which was implemented at the wake of Garnier’s retirement, proved to be successful in its own way.

**Building blocks to succession**

**IBM:** Practices such as Accelerate Executive Leaders (AccEL) for new executives, and Global Enablement Teams (GET) provide exposure, develop cultural adaptation and mentors the workforce.

**GE:** Session C is a formal multi-level review of organizational performance, and leadership assessment to ensure optimal organizational alignment.

**P&G:** The BOF program ‘Build Our Future’ targets middle management and prepares them for bigger responsibilities.

**HUL:** ‘Alchemy’, a mentoring program for mid-level managers, helps them overcome the stumbling blocks in their career.

**TATA GROUP:** Host of leadership development and training programs help build a rich talent pool, which include classroom courses in Tata Assessment Centers.

**When business continuity skipped a heartbeat**

**PIETRO FERRERO:** The co-CEO of Ferrero Spa died last year in a bike accident. Though, his brother Giovanni took over as the CEO, his death is still considered a huge loss.

**Ranjan Das:** CEO & MD, SAP Indian Subcontinent, died suddenly one morning of 2009, from a heart attack. He had taken SAP India’s business to great heights during his seven years in the company.

**TODD BACHMAN:** Bachman’s Floral Homes and Gardens, a family owned business, with as many as sixteen retail chains across the US lost its CEO in 2008, he was stabbed to death in Beijing.

**RAGHU PILLAI:** CEO and board member of Future Group, died last year of cardiac arrest.
Setting the example

APPLE: Steve Jobs had long planned to graciously pass the baton to Tim Cook. Cook was his deputy since 2004, the time when Jobs was diagnosed with pancreatic cancer. Though the shareholders were wary about Jobs’ succession, the Board never revealed their twelve year old strategy. The succession was definitely much smoother as compared to the buzz surrounding it. Jobs didn’t die leaving Apple in a crisis.

TATA GROUP: Forty-three year old Cyrus Pallonji Mistry will succeed Ratan Tata as the CEO of Tata Sons, and his take over commence in December 2012. Mistry’s succession was planned well in advance, three years to be precise. However, it wouldn’t have happened without Ratan Tata’s visionary HR practices (introducing separate HR groups in mid 90s and building a talent pipeline aiming the young, since five years).

INFOSYS: In 2011, Narayan Murthy stepped down as Infosys Chairman to make way for K.V Kamath. Around the same time, Co-founder S.D. Shibulal was named CEO and Managing Director. Both gentlemen are game players who will take the software giant to newer heights.

RISING ‘SON’: Wipro and Bharti brought aboard the sons of their CEO’s almost at the same time. Both Rishad Premji and Shravan Bharti have worked with global organizations earlier, yet they choose to come back home. While Rishad is the Chief Strategy officer at Wipro, Shravan is an employee in the Dutch arm of Bharti. These experiences are stepping stones for bigger roles in future.

MICROSOFT: It is not easy to let go of power but great leaders do it differently. Bill Gates had planned to delegate his duties since he was forty-five. Ray Ozzie took over from Bill Gates in 2000 and quit in 2010. The current CEO at Microsoft is Steve Ballmer.

Challenges of unplanned succession...

A prominent study by Corporate Leadership Council Research indicates how succession-planning initiatives fall short of their intent. Complete utilization of the bench strength is one such obstacle many companies face. Organizations banking on the ‘bench strength’ often tend to encourage the imitation of current leadership style which shall become otiose after five to ten years. Mohapatra, Chairman, CFI, says, “In case of temporary hold ups, there would be a lack of urgency and decision-making. Moreover, there would be many aspirants for a critical position. So, the ones who are not selected may choose to move on. In such cases, the ones who
could not make it should be motivated by unconventional rewarding methods."

Often, owners find themselves irreplaceable as they tend to resist change and avoid acknowledging it. ITC’s Head Y.C. Deveshwar extended his retirement term by additional five years. In another similar case, American media mogul, Sumner Redstone, continued as the CEO of Viacom till the age of eighty-four, because he was unable to find a suitable successor.

Some HR teams struggle to get the management and board approval. One of the reasons is that they don’t work on understanding the standpoint of the board and fail to structure their plan accordingly. Succession planning is an ongoing process and will not work if it doesn’t penetrate deeper within the organization.

Other common fallacies in succession planning include lack of focus on internal talent, and time and money to capture external resources.

**Banking on internal talent**

Industry leaders agree that building an internal talent pool is often the best way out. Internal recruitment saves time, while external candidates bring their own baggage” believes Panda. “Internal talent is a better choice in most cases, since they are well versed with the nuances of the business” adds Raina.

A report by Mercer, which took inputs from Australia’s top listed companies, has brought forth interesting revelations about internal recruitments. It states that companies end up paying as much as 23 per cent higher salaries to the external CEOs hired than the internal incumbents. Another CEO succession research conducted by the Hay Group shows adverse effects of external hiring on compensation costs, work culture and employment terms.

**Grooming for future roles**

Professional development programs are an inherent part of succession planning. The grooming process should be designed keeping in mind what the future role may demand. Global organizations such as Ericsson build talent pools at both local and global levels, while Indian family-run businesses such as the Adani Group believe in providing exposure to its employees and adopt tools such as the nine-grade matrix, assessment centers and 360 degrees to evaluate. Interestingly, RPG adopts an innovative approach of job rotations for all senior leaders, which allows exposure of different industries.

The grooming process is arduous and needs patience. It took fifteen years for Chanda Kochhar, who was part of the core team at ICICI bank in 1993, to become the CEO. On the other hand, B. G. Srinivas and Ashok Vemuri were inducted on the Infosys board, after five years of requisite training. Grooming sure saves an organization from embarrassment and incurring losses due to high turnovers, poor decision-making, effete management, and regressive work culture.

**Success of succession plans**

Over the years, the measures adopted for succession planning have evolved greatly. Such measures prove to be useful both in the times of planned and unplanned successions. Rohit Thakur, Director, Head Human Resources, GE Energy, India firmly opines, "Absence of a robust and well-defined people planning process could directly impact the success and credibility of the organization, its business targets, employee morale, and missed opportunities. The organization and its leadership team should plan well around succession, in any eventuality, including emergencies."

Whether an organization has gained mastery in dealing with sudden exits or is experimenting with a business continuity plan for the first time, the evaluation should not be ignored. The processes, success and failure from the outset to outcome should be prudently documented so that either the plan can be improved in future, or a more fruitful version can be worked out.