

SUCCESSION PLANNING

We have been engaged in a number of discussions with Chair and Chief Executives particularly of late in regard to succession planning as part of their competitive strategies.

The conversations have raised concerns about the orthodox methodology and the varied degrees of success in Executive and Non-Executive Director appointments.

I thought it would be worth sharing our thinking below and look forward to a follow up conversation with you.

A review of reports into the succession planning practices of ASX100 companies reveals some interesting and disturbing themes:

The Facts

- CEO tenure in Australia is amongst the lowest in the business world at 4.2 years on average.
- Approximately 51% of the replacement CEOs are hired externally.
- More than 40% of internally promoted and externally appointed senior executives fail to meet expectations in the first 18 months. The risk is even higher for those coming in from the outside.
- The pool of diversity candidates is limited in executive and Non-Executive Board appointments. In terms of gender approximately 105 women occupy 144 roles on ASX 100 Boards.
- There is growing scrutiny by the press and external stakeholders toward the Board and CEO on lengthy recruitment processes and loss of shareholder value caused by disruption in leadership and business continuity.

Our Observations

- The impact of failed appointments is not being fully accounted. The cost of re hiring and re developing is only part of the equation. There is the loss of leadership, lower productivity, reduced morale, creation of uncertainty and devaluing of corporate brand.
- In many companies succession planning has been internally focussed with minimal if any external succession planning or candidate cultivation.

Conclusion

- Companies are not optimising the human capital market, and therefore potentially restricting their performance levels.
- Companies rely on a reactive hiring methodology even with the advent of improved technology. Internal hiring teams are rarely appropriate for senior appointments.

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- Companies reactively move to executive search to benchmark internal and external talent. The quality of the shortlist is often dependent on the prohibitive time frame of the search.
- The traditional executive search model is deficient in that it is transactional, reactive and the outcomes achieved are less than optimal.

New Thinking

- A new approach to Succession Planning is required, a model based on true partnership, where succession planning is proactive and includes internal and external talent, and both candidate and client are able to make a more informed decision.
- Blenheim Partners is a premier international Executive Search & Board Advisory consulting firm. Our succession planning model is focused at the most critical top end executive positions in the company.

Our Approach

- The most critical/high risk roles are agreed from the outset with the Board/CEO/Senior Executive and HR.
- We conduct an executive search and market intelligence exercise for the key roles by order of importance.
- We present the external candidate shortlist which complements the internal succession plan list. The process provides for more thinking and identification of a more diverse set of candidates.
- We cultivate the relationship with the external candidates and introduce the client to the candidates. We manage the pool of candidates for up to 24 months before recommencing a new search.

The Logic

- Our process will significantly fast-track the recruitment of candidates into the most critical roles in your company when required and where you are at risk if they remain vacant for an extended period of time that would occur with a traditional reactive search.
- We will reduce the recruitment risk of poor candidate selection, as through our process you will "get to know" these candidates during our cultivation process far more than you would normally in formal interview processes.
- We also provide you the capability of being proactive by informing you if circumstances change with the external candidates. This allows you to acquire talent ahead of your competitors.
- When a full search is required we will include our cultivated talent in the search process or indeed the pre-work completed by us could be fast-tracked for you.
- We will be able to engage the very best talent and represent you appropriately having built a deep understanding of the organisation's leadership and culture.
- We provide independent Assessment and On Boarding for all our searches to accelerate candidate productivity.

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Intelligence

- The competitor and sector intelligence reports as found on our website “our publications” illustrate our emphasis on primary research and include infrastructure, mining and mining services and currently completing telecommunications.
- We provide on an ongoing basis in-depth non-public information and insight on organisation structures, company performance, individual influence, company strategies, and key executive movements in your sector and on your competitors/customers.

Implementation & Partnership

- The external succession planning works because we only partner with one company per sector. This ensures there are no conflicts of interest and our clients have complete market coverage and access to the very best talent.
- To commence the relationship Blenheim Partners will invest the time up front and conduct the searches and build the succession capability.
- Our fees are highly competitive and are offset against the full searches. If a cultivated candidate is successful and appointed the external succession planning fee will be deducted from the full search fee.
- We believe in transparency and accountability in all aspects of our work.

Our Aim

- To provide our clients with the very best individuals in the market, locally and internationally, through a dedicated forward thinking and commercially focused search partnership.

Our executive search and succession planning model have been developed to support the high performance/critical roles. It is an advanced methodology and is unique to the market.

Detailed intensive external succession planning and thorough knowledge of the external talent market is arguably comprehensive and of commercial benefit.

Our philosophy is to provide a service which is innovative and unmatched.