

# How to ensure strong leadership for the future\*

# Table of contents

## Situation p. 2

Combined with a lack of succession planning, the exodus of senior executives from major financial institutions has shaken analysts' confidence in those organizations' ability to execute strategies and deliver shareholder value. Focusing on short-term results, executives failed to anticipate and invest in their future talent needs. Now, key positions remain open while organizations vie for top talent to fill them.

## Our perspective p. 6

Succession is more than just identifying “backfills” for leadership positions. Instead, it takes an integrated succession management approach that focuses on building a deep leadership pipeline at multiple levels in the organization. For your organization to have the bench strength to fill leadership and other pivotal roles, it must define a transparent road map for development. Senior leaders must play a key role in the formal development and mentorship of talent.

## Implications p. 10

Future business success rests, in part, on how well organizations and their leaders plan today for the workforce of tomorrow. Organizations that have what it takes to respond quickly when opportunities or challenges arise are in a better position to win in the world of tomorrow. People are a huge driver of business success. When it comes to succession planning, complacency is not an option.

# Situation

Focused on short-term results, companies have failed to anticipate and invest in future talent needs.

In addition to the flight of senior executives that financial organizations are now witnessing, it is projected that 30,000 managers and leaders at US-based financial organizations—26 percent of managers and 43 percent of executives—will be eligible for retirement within five years.<sup>1</sup> This anticipated “baby-boomer drain” raises a big red flag, propelling succession planning to the front lines in the quest for future success. Organizations are investing more in workforce labor costs to generate each dollar of revenue (29.8 cents in 2006 versus 29.3 cents in 2005.)<sup>2</sup> To be truly effective, succession planning should reach beyond the senior management level to span multiple talent levels firmwide.

### **The case of the disappearing talent**

“Where did all the talent go?” That’s the question financial institutions are asking themselves as they realize there aren’t enough successors swimming in their talent pool. Obviously, their high-potential talent did not just suddenly walk out the door and disappear in a puff. Rather, executives neglected to look ahead to anticipate, plan for, and develop their workforce of the future. As a result, many companies now find themselves in a bind, with empty seats and no one to fill them. They must be quick off the mark to develop talent capabilities and build a pipeline of high-potentials who will be at the ready to fill current and future vacancies. But companies face many challenges in getting to that point.

1 PricewaterhouseCoopers/Saratoga, *2007/2008 US Human Capital Effectiveness Report* (2007).  
2 Ibid.

## A tougher playing field that continues to shift

As experienced leaders, managers, and professionals continue to leave a company, their knowledge will be lost, creating a void to be filled. Adding to the problem, this hole in the talent pool comes at the very time when the playing field is growing more global and dynamic. This translates to tougher competition in the marketplace, making the search for high-potential people more difficult and future success more elusive. Further, the urgency to accelerate the time to competence compounds the challenge of building a strong leadership pipeline.

On average, organizations have 1.5 succession-planning candidates per key role — but is that enough?<sup>3</sup>

<sup>3</sup> Ibid.

# Strategies to address the escalating demands of a changing workforce

Generational shifts are changing expectations in the workplace. There is more demand for autonomy, and for a work environment that encourages creativity and innovation. The flight of top talent from financial services organizations to hedge funds evidences both the impact of changing workforce expectations and the erosion of the value proposition for financial institutions in the talent marketplace. Indeed, the problem is not isolated to financial services. As organizations across industry sectors compete for top talent, the best talent is gravitating to those organizations that encourage, reinforce, and reward innovation.

Financial services companies are struggling to determine the best way to build a strong bench that spans the organization, ensuring that the right talent is on tap—not just to fill executive roles but to fill all pivotal roles firmwide.

To address the increasing demands of a changing workforce, organizations must develop and execute a comprehensive succession strategy and plan. Companies have an opportunity to implement a sound process that enables the identification, development, and retention of capable people and their mobility into pivotal roles.

**Our perspective**  
Succession takes an integrated approach that focuses on building a deep leadership pipeline at multiple levels.

To ensure that your organization has the right talent on tap when and where it is needed, you must find a way to translate your company's future business vision and strategies into a clear set of success factors, or leadership competencies. Great care must be given to the consideration and development of these success factors; they will become both the foundation for succession management and the criteria for assessing, planning, and evaluating talent going forward. It is important to define a transparent road map for continuous development and to ensure that senior leaders play a key role—not just in the formal development, but also in the mentorship of high-potential talent.

Since top talent is such a critical asset for the company, it is vital that you devote sufficient time to all decisions related to the development and mobility of your people. A sound succession management process not only identifies those high-potentials who are ready to lead now, but also encompasses plans to accelerate readiness for emerging leaders.

## Key levers for an integrated talent management approach

- **A talent strategy aligned with and embedded in the business strategy.** An organization's succession management process is a core component of the organization's talent strategy, which in turn is aligned and embedded in the business strategy. To achieve a truly integrated approach that covers all the bases and drives future success across the organization, it is critical that the organization align its talent and business strategies.
- **Careful talent assessment.** Having a clear picture of what the talent landscape looks like today—and what it will look like down the road—requires careful talent assessment to identify talent strengths and gaps at multiple levels within the organization. The assessment should inform not only current actions but also future plans, thus enabling the organization to be proactive in creating talent plans to drive future business success.
- **A comprehensive development plan.** Development prepares high-potentials and accelerates their readiness to move into new positions. Therefore, once existing talent capabilities are understood and measured against needs, it's time to outline an overarching development plan designed to build the talent bench at multiple levels across the organization, for all pivotal roles. Your development plan should focus on “keeping the keepers” by providing continual opportunities for valued people to learn.
- **Reward and performance management systems that encourage excellence.** Succession management is imperative if a company is to succeed in developing a deep leadership bench, but no succession plan can deliver results unless it is aligned with reward and performance management systems designed to encourage excellence and keep the best talent.

## **Sound succession management in a nutshell**

An effective and well-integrated succession management plan:

- Ensures continuity of leadership
- Defines successors and plans for the top leadership level
- Builds a deep leadership pipeline at multiple levels
- Provides a development road map and individual plans
- Makes mentorship a core leadership responsibility
- Plans for the transfer of critical knowledge in anticipation of transition

# Implications

Business success rests on planning today for the workforce of tomorrow.

Business success rests, in part, on how well organizations and their leaders plan today for the workforce of tomorrow. Organizations that have what it takes to respond quickly when opportunities arise are in a better position to win in tomorrow's business world. People are a huge driver of business success. When it comes to succession planning, complacency is not an option.

The time to begin building the talent pipeline that will drive an organization's future success is now. Speed is obviously important, but so is getting it right. A comprehensive talent strategy—one that is aligned to the company's business strategy and that encompasses the right action steps at the right time—will result in the strong leadership bench you need to be quick off the mark when opportunities arise.

“Getting it right” means taking the time to touch all the key milestones along the way to the future. And, since the business environment continues to shift under our feet, it also means keeping your eyes on the horizon to be sure you can anticipate rather than just react to any changes, and adapt the succession management process accordingly.

### **Milestones on the road to a strong talent pipeline**

- Alignment of people strategy with business strategy
- Articulation of succession strategy
- Identification of pivotal roles within the organization
- Assessment of current bench for these pivotal roles
- Planning for acquisition and/or development to address gaps
- Design of development program(s)
- Implementation of development programs
- Implementation of succession plan
- Alignment of reward systems
- Integration of succession management with business activities

For further information, please contact:

Dolores Wilverding  
703.762.7276  
[dolores.wilverding@us.pwc.com](mailto:dolores.wilverding@us.pwc.com)



Recycled paper

This publication is printed on Mohawk Options PC. It is a Forest Stewardship Council (FSC) certified stock using 100% post-consumer waste (PCW) fiber and manufactured with renewable, non-polluting, wind-generated electricity.

The information contained in this document is for general guidance on matters of interest only. The application and impact of laws can vary widely based on the specific facts involved. Given the changing nature of laws, rules and regulations, there may be omissions or inaccuracies in information contained in this document. This document is provided with the understanding that the authors and publishers are not herein engaged in rendering legal, accounting, tax, or other professional advice and services. It should not be used as a substitute for consultation with professional accounting, tax, legal or other competent advisers. Before making any decision or taking any action, you should consult a PricewaterhouseCoopers professional.

While we have made every attempt to ensure that the information contained in this document has been obtained from reliable sources, PricewaterhouseCoopers is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this document is provided "as is", with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty of any kind, express or implied, including, but not limited to warranties of performance, merchantability and fitness for a particular purpose. In no event will PricewaterhouseCoopers, its related partnerships or corporations, or the partners, agents or employees thereof be liable to you or anyone else for any decision made or action taken in reliance on the information in this document or for any consequential, special or similar damages, even if advised of the possibility of such damages.

©2008 PricewaterhouseCoopers. All rights reserved. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. "connectedthinking" is a trademark of PricewaterhouseCoopers LLP.