Succession or failure: Why succession planning is key to long-term success
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GE is well known for its exhaustive and systematic approach to identifying and cultivating its business leaders. Yet it’s not just the CEO and Chairman whose roles are important to the success of the company. Succession planning is an integral part of the business continuity plan throughout GE. And leaders help grow other leaders, and are expected to aid in the cultivation of their own replacements.

Every business at GE is responsible for having succession plans in place for key leadership roles. Our long-term business performance and growth is dependent on our ability to assess the leadership roles and traits required by our strategic business objectives, appraise the available talent—both inside and outside the organization—and develop the right people to fill those vital roles.

Like most organizations, the most valuable asset GE has is its people. Developing, maintaining, and periodically reviewing succession plans help us achieve top performance and long-term competitive advantage.

Introduction

It makes headlines when prominent companies fail to adequately plan for orderly succession of leadership. And in recent years several Fortune 100 companies have found themselves grappling with the pitfalls that leadership vacuums can create, with the turbulent global economy only compounding the impact of those challenges.

Fortunately, at GE rigorous succession planning is famously ingrained into our corporate culture. Documented in the Jim Collins book Built to Last, among others, succession planning at GE is as thorough as it gets. But succession planning is about much more than filling the CEO post. It is about taking
a disciplined approach to identifying the most critical leadership roles across the organization, finding the people who could fill those roles, and preparing them to do so. Succession planning has been key to the long-term competitiveness and growth of GE, with its worldwide workforce of nearly 300,000 employees. And having the right leadership talent in the pipeline is critical to businesses of all sizes.

**Developing the talent pipeline**

Identifying and cultivating the person who will replace you may not be second nature to some people. Yet without a systematic approach to assessing and developing the leadership talent needed across the business, a company can be caught unprepared by anticipated or unanticipated departures. A systematic approach allowed worldwide fast-food restaurant giant McDonald's to smoothly transition through the loss of two CEOs within seven months back in 2004—one to a sudden heart attack and his successor to a cancer diagnosis just weeks later.

Similarly, succession planning is at the heart of GE's business continuity plan. Our continued growth is dependent on our ability to identify, develop—or hire—and have at the ready great talent to guide key business strategies and new initiatives. Succession planning requires a thorough understanding of the critical business needs of the company, now and in the foreseeable future; an evaluation of leadership roles and attributes required to meet those needs; and an honest assessment of the talent—both internally and externally—in order to ensure those vital roles can be filled.

Succession planning goes hand-in-hand with leadership development, a cornerstone of GE’s culture. Our culture drives our longevity, and our leaders drive our culture, inspiring the people around them to be their best. Thus, our commitment to developing leaders throughout our worldwide organization provides the wellspring of talent that feeds our succession plans.

**A comprehensive approach**

The talent management and development that builds our succession pipeline is ongoing, fed by our annual performance assessments recorded in GE’s Employee Management System (EMS). The system captures accomplishments against stated goals and objectives, assessments of strengths and development needs, career aspirations, and development plans. These, in turn, feed GE’s ongoing review of employee performance, development plans, and organizational effectiveness, which helps ensure we have the right people in the right places to achieve the desired growth. Individuals and organizations are reviewed at each level of the company, ensuring the alignment of individual growth with business strategy. Along with our strategic planning and forecasting and budgeting sessions, this review helps build our succession pipeline and augments EMS feedback. It also ensures that our training and development plans, and our organizational structure, continue to evolve to drive growth.

The key steps along that path are:

- **Assessment of key positions**: Leaders take an inventory of the key positions needed to achieve their business goals and assess the competencies and experiences needed for each critical position. Leadership positions are assessed for both their business impact and retention risk, and the most high-risk, high-impact roles are the primary focus of our succession planning. Vital to this assessment is abstracting the key attributes needed in these roles from the incumbents. Many companies make the mistake of mapping successors into their predecessors’ skill sets, missing the opportunity to reenvision the ideal traits for key positions moving forward.

- **Identification of key talent**: Using leadership’s assessment of their performance captured in the EMS, employees are evaluated for their potential for advancement. We identify individuals who could assume senior roles today, within the next 12 months, and over the next one to three years. Such planning for the near term, as well as the mid and long terms, keeps us prepared for unforeseen emergencies.

- **Preparation of key talent**: For each person on the succession radar screen, managers identify primary development needs, focusing on what they require in order to be ready for the next level. A specific development plan is prepared, detailing how we will help those people develop over the next year.

- **Development monitoring and review**: Our EMS system tracks the progress of employees on an individual basis and the ongoing organizational reviews keep the succession pipeline current and full.

**Creating a culture**

At GE, succession planning is not a one-off initiative to fill a particular leadership post, but an ongoing assessment of our talent pipeline and the career paths of our high-potential business leaders. As a result, it is pervasive throughout our organization and is an essential element of our performance-driven culture.

Succession planning is baked into our performance management and leadership development philosophy. Business leaders at GE review EMS reports and other evaluation assets on a regular basis. They know that among their top goals each year is to help their people continue to learn and grow and to move them along their career paths. It’s not enough to produce business results; growth and development of people are equally important targets. GE’s business leaders are also judged on these abilities and accomplishments.
Identifying key leadership positions

And because succession planning is built on the foundation of GE’s performance assessment and management framework, it helps to reinforce the company’s key Growth Values. Performance is judged on adherence to those values, and succession plans are built on those performance assessments. This ensures that GE’s values are well ingrained in its future leaders and new business initiatives.

"It’s not just about identifying your best, smartest people for top jobs today and tomorrow," notes Cathy Frierson, who leads the organization, staffing, and succession planning efforts for GE Capital Americas. "It’s about evaluating those people against the company’s performance values."

Conclusion

In today’s rapidly changing business environment, it’s more critical than ever to have solid leadership bench strength and a rich talent pipeline to drive new initiatives and maintain a competitive edge. We’ve found that systematic, rigorous, and ongoing succession planning has been an essential tool for our organization, and can be of value to companies of all sizes and across all industries and geographies.

At GE, succession planning flows naturally from our comprehensive and integrated talent management. Business leaders are held accountable for the growth of their people. Our succession plans are the result of a continuous assessment of the skills, experience, and expertise needed to meet our most pressing business challenges. This takes an honest and thorough evaluation of our people, as well as leaders who get excited by the idea of spotting and nurturing their best people and cultivating our future leaders.

Succession planning should be proactive, not reactive, and a natural outgrowth of performance management and leadership development. Reviewed and recalibrated regularly, succession plans can help reinforce and perpetuate your core organizational values and ensure the future success of your company.

GE’s Growth Values

At GE, our five Growth Values are the guiding principles of our culture, defining the way we expect to perform as leaders—at all levels of the company.

In the spirit of continuous learning, our Growth Values are designed to equip our leaders to overcome the challenges of today and tomorrow.

Supported by one unifying principle, that every GE employee is expected to act with the utmost integrity at all times, the Growth Values are:

- **External Focus**: Is in tune with customers and the environment, connects with stakeholders, and is educated on global issues
- **Clear Thinker**: Embraces and adapts to uncertainty, connects strategy to purpose in a way that inspires, uses knowledge and instincts decisively, and meets commitments
- **Imagination & Courage**: Generates innovative ideas, takes risks and learns from both success and failure, and challenges bureaucracy
- **Inclusiveness**: Welcomes ideas, listens and is humble, collaborates with respect to individuals and cultures, and drives engagement
- **Expertise**: Has domain expertise, continuously develops self and others, while leveraging technology

We reinforce these Growth Values in many ways throughout the company, but they are, above all, the attributes we expect all our leaders to demonstrate through both their words and deeds.
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