

# HR Update

Second Quarter 2010

News and information for better people results

## Navigating a Successful Transition

Former CEO of General Electric, Jack Welch, summed it up well when he said, “A good succession plan is good for productivity.” An effective succession planning process can bring stability to the organization that allows people to focus, develop and ultimately move the business forward. While succession planning is often identified with the CEO role only, the focus should extend to top leadership roles throughout the organization. While senior level roles are unquestionably critical to overall company performance, the capabilities and performance of those that could be leading in the future needs to be a priority also.

Whether the role is the CEO, group manager, or line supervisor, it is critical that considerable thought goes into the selection and development of a capable successor. If at all possible, the process needs to be proactive rather than dictated by retirement or unexpected changes. As outside advisors, all too often we have seen the organization thrown in a predicament of making a quick decision out of desperation. A recent study conducted by the Institute for Corporate Productivity found only 36 percent of organizations felt prepared to fill immediate needs regarding their leadership positions. It might be because they didn’t anticipate someone leaving or

assumed the successor was prepared, but either way the organization paid a price for being unprepared.

It is important to remember that trained leaders don’t just happen. Grooming a competent successor is a deliberate activity which requires patience and attention. It demands the input of senior management and in some cases, the Board. If you don’t initiate the plan, circumstances or someone else will ultimately decide the details of the succession. The sooner you begin planning, the more time you have to identify potential leaders, assess and train them, and build the framework for development.

There are some keys to success and we would suggest the following:

- **Document Desired Competencies.** Rather than assuming all stakeholders understand what qualities are essential, document what qualities would be evident in a high-performer. Management needs to shift the mindset from the current state and pinpoint the responsibilities, skills and competencies that will be needed by the successor group. Those competencies could include:

### Business Competencies

	Senior-Level	Mid-Level
Judgment	Displays discernment and keen judgment	Displays appropriate judgment with group
Strategic Focus	Thinks strategically for organization	Supports and refines strategic plans
Customer Understanding	Senses changing customer needs	Exceeds customer needs
Performance Mindset	Achieves superior overall results	Maintains competitiveness
Business Acumen	Shows knack for anticipating business trends	Employs business knowledge

### Personal Competencies

	Senior-Level	Mid-Level
Trustworthiness	Demonstrates integrity in dealings	Maintains ethical atmosphere
Reliability	Sticks to deadlines and promises	Follows through on company promises and assurances
Personal Growth	Sets example through personal change	Seeks to understand personal strengths and shortcomings
Poise	Exhibits calmness in periods of crisis	Leads group when issues surface
Innovation	Steers creative initiatives	Expands and develops initiatives

### People Competencies

	Senior-Level	Mid-Level
Empowerment	Builds culture of shared decision-making	Inspires staff to share insights
Change Leadership	Foresees areas of needed change	Embraces change
Talent Enhancement	Becomes personally involved in developing talent across the business	Identifies and encourages employee growth
Employee Motivation	Unleashes top performance and removes inhibitors	Establishes motivational environment

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## Making Sense of Salary Survey Data

While 2009 was a tumultuous year for human resources and compensation professionals, 2010 and 2011 present new challenges as organizations sift through external market data in order to properly position compensation levels and maximize the return on human capital investments. Benchmark data, published in salary surveys, helps create the foundation which most employers use to establish salary budgets, range structures, bonus opportunities and pay trending information. Ensuring competitive positioning helps organizations attract and retain talent, develop a competitive edge, and manage the bottom line. These activities, in the current environment, increase the criticality of organization strategy influencing the methods applied to determine appropriate benchmark data and effectively utilizing the information to facilitate those strategies. The key question is “as signs of economic recovery continue, how should this data be evaluated, and interpreted so the numbers may provide meaningful guidance to leadership?”

There has never been a more important time to ensure that the organizational strategy adequately reflects reasonable market opportunities. In the current environment, many organizations are testing new organizational strategies which may have significant impact on compensation strategies. Are you focusing on new or specific markets? Are you exploring possible mergers/acquisitions? Do any of these activities require realignment between compensation strategies and business objectives and answer the question “what are we trying to accomplish?” Is the goal of your market analysis to update the current pay structure with competitive market data? Or is your organization evaluating the data to correctly position a compensation package for strategic hires needed to accomplish strategic objectives (which may require hiring above competitive pay levels to attract top talent)? In either case, if the organization’s current strategy is to pay competitively at the fiftieth percentile of the market, identifying the appropriate competitive market is the challenge at hand.

Consider the following example: Your organization employs 250 Customer Service Representatives (CSRs) and the question is whether to pay \$16/hour versus \$15/hour given the competitive labor market. A \$1/hour difference costs an organization \$520,000 ( $\$1 \times 250 \text{ CSR's} \times 2,080 \text{ hours}$ ). Depending on your strategic objectives, over or under-paying \$1/hour could be the difference between you retaining key talent or saving significant dollars which could be reallocated elsewhere (i.e., top performers). Regardless of economic conditions, the return on investment related to this decision is too critical to ignore competitive market data and its relevance to each unique circumstance.

Methods to determine appropriate benchmark survey data vary depending on industry, industry sub-sector, and geography. Having a solid understanding and awareness of your industry and overlaying the geographic implications is critical to understanding market data. Current trends within a particular industry sector or geography (i.e., reorganizations, layoffs, pay reductions) may have a significant impact on available benchmark data and lessen its value. For example, if skilled employees remaining in the workforce take on additional responsibility due to reduced headcount, these employees may command higher wages not adequately addressed in survey data. In order to effectively utilize survey data, consider the circumstances within the organization, industry, and geography to align with credible data sources.

To read more on this topic, visit [www.rsmmcgladrey.com/hrupdate](http://www.rsmmcgladrey.com/hrupdate).

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### Play Where the Talent Plays - the Power of Social Media

In 2009 we saw exponential growth of social media. According to Nielsen Online, Twitter alone grew 1,382 percent year-over-year in February. So what could social media look like in 2010? Chances are, social media in 2010 will be even more popular, mobile and exclusive.

In Cone's 2009 "Business in Social Media" study, social media was defined as "technology facilitated dialogue among individuals or groups." When over 1,000 social media users were asked what a company's role should be, their answers were somewhat surprising. Users were very receptive to the idea of companies getting involved on social media platforms and interacting with them while there. Out of 85 percent of users who want companies to have a presence in social media, 34 percent want companies to actively interact with them and 51 percent want companies to interact with them as needed or by request. Only 8 percent of companies thought social media should only be passively involved, and only 7 percent thought companies should not be involved at all.

Social networking sites such as Facebook and LinkedIn have become the party lines of this century. They are powerful communication tool for companies and businesses, and if used for marketing, recruiting and corporation communications, they can increase your business profile. When utilizing social media for marketing or recruiting, it is important to remember the three P's.

1. Place your message in a contextually relevant environment
2. Provide something of value to users and their community
3. Participate actively in the community

To read key highlights on the power of social media, visit [www.rsmmcgladrey.com/hrupdate](http://www.rsmmcgladrey.com/hrupdate).

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- **Be Deliberate.** As the company's key leadership needs are defined, take a close look at the gap between existing skills available and potential shortfalls in future talent. The competency matrix should be used as a key tool to pinpoint these differences. The resulting succession plan should then provide a development map for current staff and/or a search need where identified talent shortfalls exist. One best practice is to incorporate feedback tools in the process. This could involve an extensive leadership assessment process but could be more limited, such as a 360° feedback evaluation. The main point would be for prospective leaders to understand their personal strengths and shortcomings and a 360° feedback can be one of the best tools to gather this feedback.
- **Don't Discount Internal Candidates.** Bias can go both ways but often there is a natural inclination to defer to external candidates or maybe predetermine that a current employee does not have the potential. This may be because decision makers have had first-hand experience with the internal candidate's strengths as well as their shortcomings. While this could be an indication of their limitations, it also may be simply a lack of training, mentoring, or opportunity. It is also likely that the internal candidate has been in a lower role so they are not viewed as capable while the outsider has possibly been in a comparable role.
- **Let Them Shine.** Understand that the successor will likely want the freedom of assuming the position early on. Particularly those in a senior-level position want the opportunity to make their mark. This could mean the freedom to make their own decisions at a very early stage. The way to feel most comfortable with this is to have the successor prepared. Many organizations are finding success through a process of formal mentoring so the successor can observe, learn and ask questions from those currently in leadership roles. This allows the successor to get a feel for the leadership role, when the stakes are not nearly as high.

Going forward, the effort required to establish a development program for future leaders will position any organization to develop, retain and position their leadership team for on-going success. To be most effective, a management succession plan must be comprehensive. The continuity of a company is obviously important to all stakeholders, including owners, employees, customers, Board members, and often the community. The most recent years of economic challenges has magnified the importance of good leadership. While a comprehensive succession planning process did not guarantee success, it certainly helped those that had invested in their leaders to stay a step ahead of their competitors.

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## RSM McGladrey

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