



Succession Planning

Building Talent Pools for the Future¹

By James W. Larsen and Richard Lynch

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The quality of succession management at Six Continents Hotels was a matter of public debate.

Analysts expressed doubt whether the Hotel Executive Committee (HEC) had what it takes to run a hotel company. In November of 2002, Deutsche Bank comments focused squarely on the hotel business “*We find the extent of relative operating underperformance (in hotels especially) staggering.*” A few weeks later, they shot point blank: “*Whether this management team will actually be given the chance to put words into deeds is another matter.*” Internal skepticism echoed the Analysts sentiments. As one HEC member conceded, the analysts have figured out that “*our plan of 5 years is not working. They don’t believe our story.*”

New CEO Richard North’s immediate job was to change that perception. Formerly, Group Finance Director of the Six Continents Group, he was a numbers guy - responsible for finance, pensions, tax, treasury and corporate finance and (M&A); not the hotelier “The City” preferred. Building a new organization wouldn’t be easy in the midst of post 9/11, the Iraqi War, a hostile take-over bid, a branding change to InterContinental Hotels Groups, and the SARS outbreak in Asia, where many of the company’s flagship properties were located.

North became a student of the business and what would make extraordinary leaders in this business. While some members of his team believed in the ‘great man’ theory of leadership, like the mark Bill Marriott has left on his company, Richard North knew he needed a team of capable leaders to pull off the radical changes required. He also knew that without commitment at the top, the opportunities afforded by being a stand-alone hotel company, would dissipate quickly.

In November of 2002, he decided on a collaborative engagement with Utah based firms 1Point0 and Results-Based Leadership to conduct an “organization review.” Two factors were critical to success. First, North would commit the best and brightest to review design options for the company and second, he and HEC would act with speed and accountability on the Design Teams recommendations.

Getting the best and brightest took a few rounds. Essentially the company had not done much in succession planning or assessment of leadership bench strength for three years. When the heads of HR, Strategy, and Finance requested a list of the company’s high potentials for a two month assignment, the initial list was suspect. The search team pushed back. First, they challenged the senior executive of each function to make sure the selections were truly high potentials. Next, they polled each key executive and did a force-field analysis of reasons the candidate couldn’t take the assignment versus the risk to the company if they didn’t take the challenge. In selecting the final team, diversity was crucial. High potentials would be male and female, they would represent line operations and support functions, and they would have varying tenures at the company.

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Lead, follow or get out of the way

The Design Team, led by Peter Gowers (VP of Strategy), took their assignment and opportunity very seriously. In effect, they had just entered a high potential leadership development program. Not only redesigning the company, they would also be defining key roles for the next generation of leaders. The stakes were high and they had less than two months.

The Design Team would do its part. In less than five weeks the Design Team recommended a set of sweeping changes:

- a new corporate strategy (Integrated Company),
- a clear single business strategy in terms of a Business Focus and Customer Value Proposition,
- a detailed service value chain analysis that sorted work into advantage, strategic support and business necessity buckets,
- an organization structure to focus on building advantage capabilities around brand, relationships with franchisee and owners, hotel guest experience and asset management, while refocusing business necessity work for low cost.

As the recommendations of the Phase I design stage drew near, Gowers and 1Point0 project lead Joe Hanson briefed Richard North regularly on the design and the implications. North proved a fast study and personally met with his senior team to get buy-in. Unanimity would send a strong message but it would have to be backed up by actions.

North addressed the team stating that he was personally amazed at the detail and rigor of the Design Team analyses. The HEC unanimously approved the high level design for the new structure and provided a short list of key questions to answer- mostly around the role of HR and Finance in the model (tension between regional P&L levers and need for global standards).

Set aside your sacred cows and keep it real

In the ensuing month, North announced a “new structure.” In the announcement he also put in place his leadership team; replacing several slots with Design Team members – who were ready to step into more senior roles. Noting that organization was more than structure (or simply moving the org chart boxes at the top) he also outlined the sweeping changes ahead both in terms of what the company needs to do and how it will execute the game plan.

As Phase II (filling in the design details) of the project got underway, the Design Team morphed into Business Alignment Teams (BATs) and involvement swelled to 100 leaders. Leaders were challenged to step up and take on new roles. Design Team members Gowers (now running Global Brand Services) and Patrick Imbardelli (President of Asia Pacific) were key players on the new HEC. Others took on pivotal Phase II roles: Karen Whitworth replaced Gowers as the Project Management lead and later appointed to run Investor Relations. Design Team colleagues Larry Burns, Tom Seddon, and Tanith Dodge took on major roles in completing the process and structure designs while Andrew Simpson, John Bamsey and David Hughes took on new leadership roles.

During a BAT meeting of nearly 100 people at the Crowne Plaza in Atlanta, each of the 8 BATs presented their proposals to build a stronger, leaner hotel company. At the conclusion of the presentations, Richard North was visibly moved. After each of the HEC members spoke one at a time on the quality and integrity of the analyses and recommendations, North addressed the group.

“There are memorable moments in one’s life that stay with you. I remember the day I met my wife and the birth of my daughters ... Today is such a memorable moment in the life of our company.”

North had connected with his top 100 leaders.

Going on record, the commitment of the executive team

North promised that the HEC would clear obstacles, make fast decisions and above all be fair to employees as the company began the tough work of de-layering management, increasing spans of control, eliminating work, consolidating service centers, relocating offices (including North's symbolical and financial decision to move out of the corporate offices on North Audley Street in London's trendy and expensive Mayfair district).

As the details of the redundancy and facilities closure unfolded, North kept his word: treating people fairly in the redundancies process, investing in revitalization programs, giving leaders new roles and responsibilities, holding people accountability, and staying the course.

Succession pools were beginning to fill with talented individuals now aligned and focused on common objectives. Global HR challenges now shifts to delivering well-developed managers ready to take up new business roles throughout the organization.

About the Authors

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