

Succession planning is an organization's strategic approach to filling critical positions that might otherwise be left vacant due to turnover or retirement. This involves transitioning high-potential employees into new positions through planned leadership development processes and events. Over the past ten years, succession planning has become a major initiative in many organizations. Research suggestsⁱ that approximately 70 percent of all companies—and 90 percent of the Top 20 companies (including GE, Home Depot, Dell, and Microsoft)—have implemented succession planning and talent management initiatives.

Why is succession planning on the rise? There are two major reasons. First, organizations understand that it is becoming increasingly difficult to attract and retain talented employees. Second, the graying of the American workforce is changing the way organizations plan for the future. Between 2004 and 2014, the number of workers age 55-64 will increase by over 40 percent, and the number of workers age 65 and older will increase by almost 74 percent.ⁱⁱ Retirements among aging baby boomers will significantly reduce not only the size of the labor force, but also the number of employees with critical organizational knowledge and skill. Succession plans help organizations anticipate and prevent this void.

Succession planning produces clear financial benefits. In a surveyⁱⁱⁱ of nearly 7,000 managers at 56 large and midsize organizations, managers rated the effectiveness of talent management practices, including succession planning. Results indicated that organizations with the highest-rated succession plans paid higher returns to shareholders than the industry mean, by an average of 22 percentage points. Furthermore, organizations with strong succession planning processes were more likely to have reduced turnover and better measures of reputation and financial success. Conversely, the consequences of failing to implement a succession plan include increased costs associated with recruitment, interviewing, rushed decisions, loss of key knowledge and skill sets, and developmental costs related to employee ramp up.

Best Practices

As more companies have begun to implement succession plans, their successes and failures can provide insight on best practices.

Senior Management Involvement

All succession planning best practice studies^{iv} show that enthusiastic support from top management is critical. Senior management must take an active role in designing and implementing their organization's succession plan. Succession planning processes are most likely to engage senior management if they:

- Demonstrate an understanding of the ROI and risk reduction;
- Deliver significant results without being too time consuming;
- Reflect the culture of the organization.

To endorse succession planning, senior managers must be able to clearly see the return on investment. Additionally, the process must not require large amounts of time, but still be substantive enough to produce good results. One way to accomplish this is to involve senior leaders in determining what positions are both critical to the organization and have the highest retention risk. Managers quickly appreciate the ROI implications when considering the possible loss of incumbents in key positions. Focusing on key positions and the high performing, high potential talent associated with those positions can produce significant results in a short period of time. Additionally, the right technology can make the process shorter, simpler, and more flexible. It can also provide data that senior teams can use to plan, make decisions, and track results.

Competency Based Assessment

An effective competency based model forms the foundation for successful succession planning.^v Assessing employees' competencies (skills and behaviors) allows organizations to consistently and objectively identify key talent. Assessments should accurately measure performance, but also potential, since an employee's potential significantly impacts his/her ability to succeed when promoted. Competency based 360 feedback assessment instruments are considered best practice^{vi} for this phase of a succession process. The results of these assessments should be kept confidential^{vii} and separate from the company's performance appraisal process.^{viii}

Individualized Development Plans with a Focus on Developmental Events

It is important to have tailored development plans for employees who are identified as high performing/high potential.^{ix} An individual's development plan

should include a wide range of activities that develop “next level” skills, including temporary assignments, mentoring, coaching, projects, and other action learning assignments. (Participants should be held accountable for their performance on these activities.) The best developmental activities involve challenging experiences, require new and different skills, and are provided in a supportive environment with meaningful feedback. Research^x shows that managers are generally very poor at coaching and developing their people. Technology^{xi} can be used to help managers choose the appropriate developmental events, track activities, and provide consistent feedback on employees’ progress.

Creation of a Talent Database

Effective succession planning also requires^{xii} that an organization have information on its talent pool, and that that information is accessible to those who need it. A good talent database includes data on employees’ performance and potential on core leadership skills and behaviors, as well as demographic information including education, experience, and career interest.

The right technology can facilitate collection and analysis of this data. Best practice is moving away from traditional approaches that identify and prepare leaders for specific positions (typically only the top positions), and moving toward processes that identify and develop talented individuals who can assume a variety of known or unknown positions in the future. The focus has also expanded beyond just the top positions to include key positions both deeper through and broader across the organization.

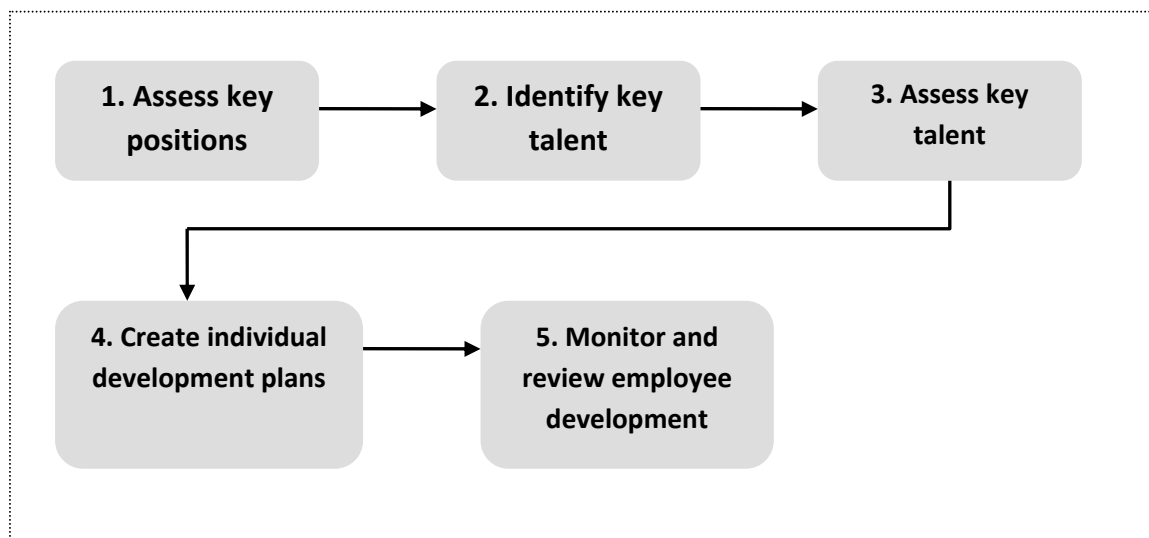
Uncomplicated and Doable

The best succession planning processes are ones that are simple and efficient enough to get done. A major trend in organizations is to create a talent management system for the entire establishment. These are often designed to begin with a performance management system and then expand to include talent management and succession planning. Such systems require that all positions and all employees be assessed before succession planning can begin. This approach, which often takes 1 to 3 years, wastes valuable time. Strategies that instead focus on crucial positions and key talent, and later move toward full-blown performance management are more cost-effective and make more sense for many organizations. The technology would need to be robust enough to allow the organization to begin with a select group of employees and later expand the talent database to the entire organization over time. The technology

should also have the capacity to include performance evaluations and talent information. Once everyone is included in the system, full blown talent searches are possible on a variety of criteria.

A Best Practices Model for Succession Planning

Based on the best practices reviewed above, a model that allows an organization to begin succession planning with a focus on first working with key positions and key talent is outlined below.



1. Assess key positions. The first step involves identifying positions that are “mission critical” to the organization. It is essential to develop internal employees who will be able to step into these roles to sustain and improve the organization. Once the positions are identified, you should determine and document the necessary skills, abilities, and experiences that define success. To keep the process simple and efficient, limit the number of people identifying key positions and keep the method for selection structured and quantifiable.
2. Identify key talent. This is the most subjective part of the process. The information gathered in the first step can help to serve as a guide. A small, select group of people should identify key talent and provide feedback on a limited number of leadership competencies that align with high performance and potential. Limiting the number of people

involved—and the number of competencies assessed—during this phase keeps the process focused and less time-consuming for senior management.

3. Assess key talent. Evaluating potential and performance accurately is where most organizations struggle. However, without this step it becomes extremely difficult to strategically develop and improve your talent pool. In this phase, you should increase both the number of competencies used to assess key talent and the number of participants providing feedback. This ensures that there is sufficient information upon which to base important decisions.

Best practice suggests that, in this phase, organizations should use a system and procedure that keeps the 360 degree process confidential and that allows them to separate competency based development activities from the performance review process.

4. Create individual development plans. There is no one-size-fits-all approach for developing talent; best practice suggests that organizations create individual, customized development plans for each candidate. Development plans should include the right competencies, action steps and measurements. The action steps and experiences in an individual's plan should help them develop skills and experience that will prepare them to perform well at the next level. Examples include rotational assignments, developmental/challenging projects, technical skill training, leadership training, reading, coaching, and mentoring.

To simplify the process, organizations should select a technology that helps managers and participants choose appropriate developmental activities and write development plans. Sample templates for all performance and potential competencies, as well as developmental events, make writing the development plan simple and effective. Developmental activities should be broken down into measurable action steps. Email messages sent on appropriate due dates can help hold managers and participants accountable for measuring and tracking progress.

5. Monitor and review employee development. As with any strategic company-wide initiative, comprehensive evaluation is critical. Your talent base should be reviewed regularly, new candidates should be involved in

a constant bench building process, and your succession plan should be adjusted and realigned as needed.

Conclusion

Through targeted development, succession planning deepens the talent pool so that leadership is equipped with the necessary skills and experiences to meet and exceed not only the current but also future business needs. The entire process creates a long-term placement strategy that reflects an organization's key values while fostering innovation. If done properly, it will improve the morale and retention of your key talent. By following these best practices, your succession plan will facilitate the selection process for critical positions by providing senior leadership accurate information about your talent and ensuring long-term risk reduction and sustainability.

ⁱ Hewitt Associates, "How companies grow great leaders" (2005)

ⁱⁱ U.S. Department of Labor, "Report of the Taskforce on the aging of the American workforce" (2008)

ⁱⁱⁱ McKinsey & Company survey (2001)

^{iv} Gradiadio Business Report, "Succession planning grooms firms for success" (2002)

^v Hewitt Associates, "How companies grow great leaders" (2005)

^{vi} Gradiadio Business Report, "Succession planning grooms firms for success" (2002)

^{vii} Lombardo and Eichinger, (2003)

^{viii} Tornow et al., (1998)

^{ix} Richardson, (1992); McCall et al., (1988)

^x Normative data from Lombardo and Eichinger, (2002)

^{xi} Gradiadio Business Report, "Succession planning grooms firms for success" (2002)

^{xii} Caruso, et al., "Current trends in succession planning & management" (2002)