

SUCCESSION PLANNING – ANOTHER LOOK

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EXECUTIVE SUMMARY

Succession planning is an intense process, and there are a number of ways it can get off-track. There needs to be a willingness and capacity by the business leaders to be fully accountable and engaged in the entire process. Simply completing a slate of bench candidates without the assessment, coaching and tailored development actions for these candidates does not move an organization forward. It is unrealistic and inefficient to have succession plans for a large percentage of organizations and positions. The process should be targeted and prioritized. Otherwise, the process is overwhelming and simply not actionable.

In this article, there is a practical and realistic view of what succession planning is – the goals, benefits and pitfalls. Why it often doesn't work, and what you should consider before you get started are discussed. Some of the terms you may have heard such as "critical" positions, performance vs. potential, and assessments are clarified. There is a perspective on what "development" really means. Finally, the sensitivity and risks regarding the confidentiality and communication surrounding the process are explained.



SUCCESSION PLANNING – ANOTHER LOOK

Imagine this:

John, Senior Director of Marketing, just spent three months getting his succession plans together. He spent time with all of the managers and executives in his Business Unit (BU) to identify their bench candidates or areas with gaps in talent. John feels

that it was really useful to stop and reflect about his organization and people performance **this past year**. It was a lot of work, and he's really glad that he's finished...

It's six months later. John is really shaken. He just left a meeting with Richard, his CEO, to inform him that Sue, one of John's executives, just submitted her resignation for a fabulous opportunity with another organization. Sue said that she's always wanted to work in another area. **John had been quite clear that she was a key player, and he really wanted her to stay in his BU**, and he was somewhat blind-sided by Sue's departure. She's always been a fantastic leader and exceptional employee.

Not to worry – because of his hard work six months earlier, John has a succession plan for Sue with several strong bench candidates. **He digs out his list**, dusts it off or tries to figure out which electronic folder it's in. Hmmm... Those candidates aren't really "ready," because nobody had time to decide which professional development activities would address specific experience gaps... **John calls Talent Acquisition to start the hiring process...** This is going to be a little tricky because John already had brief conversations with the bench candidates about their possibility of moving into Sue's position at some point.

With Sue leaving, John learned the hard way that it's important to develop bench candidates quickly. Good thing he has Gerry, an excellent HR Business Partner. **He sends Gerry a quick email asking him to get started working with his bench candidates to create individual development plans. Surely, there are some good training courses available to develop them.**

The highlighted text gives you a hint about what NOT to do. Moving on...

Most of us have experienced or attempted to implement succession planning as part of our talent management strategy. One would venture to guess that there's been some disappointment, or at the very least, confusion about how succession planning can contribute to the success of the organization. This article describes the goal and strategic intent of succession planning, the benefits, the potential pitfalls, "a better way," how to best measure the impact, sensitivity around communication and when not to implement succession planning at all.

What is the goal of succession planning?

Succession planning is an ongoing process used to assess, identify and develop the key talent and organizational capabilities that drive an organization's structure, growth and, ultimately, its success.

What are the benefits of succession planning?

Succession Planning can

- Promote competitive advantage through the focus on organizational and individual capabilities required in your envisioned state.
- Reduce the risks to your organization by having the right people in the right role at the right time.
- Allow you to respond to a rapid-paced, changing marketplace by increasing organizational agility and readiness.
- Improve employee engagement and retention through intense focus on talent and customized development plans.
- Help you strategize about the upcoming shortage of talent.

So why do some succession planning efforts fail?

As in the case with John, organizations don't have the entire infrastructure necessary to support

succession planning. Read on about the hallmarks of a stronger process to decide if you have the willingness, determination and capacity to make succession planning work for you.

A BETTER WAY

As was the case with John, there is often a misconception that succession planning is simply identifying bench candidates for key positions – fill in the boxes on the succession planning form with the names of potential internal candidates, and then you're done. This is certainly an important part of the process; however, in the best succession planning programs, this occurs in the middle of the process.

How is this linked to my business objectives?

Ideally, succession planning should be launched or actually included in the business planning process and focused on the specific organization drivers and roles that propel growth, support the future vision for the organization and make the company successful. For example, are you planning to grow a new product area significantly? Is there an acquisition in the works that may require leadership from current staff? And who's going to replace them? Does the current market suggest a structure that would be more efficient and nimble? All of these scenarios suggest significant organizational changes, potentially new organization capabilities and considerable talent movement.

What's next?

After deciding on the focus, the leaders need to identify and assess the existing talent in "critical" positions and their potential bench candidates.

What do you mean by "critical" positions?

This is a really important question that is unique to each organization situation. In general, think in terms of the roles that make the company successful and those that could cause risk, i.e., if that position is vacant, even for a short period of time,

it would be harmful to the operation of the organization and for the near-term changes you plan to implement. Another key point – the focus at this point is on positions, not the people in them.

Can we simply assume that “critical” positions are those held by the executive leadership team and their direct reports?

Absolutely not. The top executive in each Business Unit (BU) or Function should work with each of their respective management teams to identify positions (remember – positions, not individuals) at almost all levels in their organization that would create the largest risk if left unfilled even for a short period of time. Identifying “critical” positions as the select few of the most senior positions in the organization would suggest that you could have been more thorough in your review. Additionally, it is demoralizing and disempowering to the broader organization if only the very top leadership roles are viewed as “critical.”

The next step is assessment of your current talent. How do we define “assessment?”

We’re using the term “assessment” very broadly. At a basic level, it can simply be the performance review process. A step up from that would be candidates at the same level evaluated in comparison to each other in BU calibration meetings where both performance and potential are discussed. Even better – this calibration continues in cross-BU meetings so that the best talent for each position is considered and introduced to the executive team and seriously considered as bench candidates before the “slates” are filled.

“Assessment” in some organizations is even more sophisticated starting with internal “Assessment Centers” or one managed by an external vendor. In Assessment Centers, individuals are typically evaluated for movement into a position by a combination of psychological and cognitive instruments, interviews and activities that duplicate an actual role. These Centers provide a way for both the individual and the organization to make decisions about transition into certain roles.

The point is that there should be a lot of thought and dialogue before bench candidates are identified.

From this assessment, the organization will begin to identify the potential successors for each of the highlighted positions.

Our recommendation is to leverage the assessment process that you already have and introduce new elements on the basis of your organization’s readiness and capacity.

You mentioned “performance” and “potential.” Aren’t they essentially the same thing?

No. Performance focuses on past performance for a designated amount of time, usually one year at the very least, typically more. Potential brings other elements into play. For example, in the Corporate Leadership Council’s extensive study of potential, they identified three key characteristics. In short, ability – cognitive, learned and interpersonal, commitment – willingness to go the extra mile, and “aspiration” – wanting a promotion. As with everything else, it’s important that definitions are clear before a process is implemented

I’ve also heard about “readiness.” How is that different from “potential?”

At this point in the process, leaders suggest “readiness” means how soon the internal candidate would be fully able to assume a designated critical position. Timing can be described in terms of “ready now,” ready in 12 months – whatever makes sense in terms of the importance and urgency of transitions.

Should I only look for bench candidates within my BU?

Ideally, individuals from across the organization are considered. Movement of talent from one BU to another can provide a fresh perspective and a career development opportunity.

This sounds like a lot of work. When are we done?

Never. Similar to John's experience, after succession plans are finalized, some organizations feel that they're done. In other words, they identified their successors, and the leaders can continue on with the rest of their business. However, the engine should just be kicking into gear. All incumbents and successors in critical positions should be informed, and development planning should start (or be validated in the case of organizations who do this well).

Unlike John simply calling Gerry, his HR Business Partner, development for incumbents and their successors in critical positions requires intense involvement by the organization leaders. This is not an activity that should be delegated. The leaders should partner with the candidates to develop highly customized and targeted development plans. The best development typically comes through processes such as stretch assignments in the current position, taking on high-profile initiatives, a rotation into a different role and/or BU for a designated amount of time, or an executive coach. This is unlike John's approach to development which was simply to send his bench candidates to classroom training.

Now John's in trouble with one of his top performers who's not in a critical position...

Going back to our story, John had Gerry, his HR Business Partner, begin conversations with incumbents and successors for critical positions. And of course, word got out. Lisa came to meet with John, and she's upset. Lisa is an exceptional employee and wants to know why she's not considered "critical."

Let's face it – even though the succession planning process isn't broadly communicated, people talk, and other individuals are going to get a sense of what's happening once the development planning process starts. How can you maintain transparency for the individuals involved without a negative impact on the rest of the organization?

First of all, the criteria surrounding all elements of the process need to be very clear, and every manager should be able to explain them. For example, how are you defining "critical positions?" What about "performance?" "Potential?"

Secondly, exceptional performers should also have development plans. In fact, everyone in the organization, at some level, should be "developed." For a junior employee, this could simply mean reading an article.

Finally, managers should always be looking for development opportunities, and explicitly communicating them as such, in the day-to-day work of their employees. Ideally, empowered employees are suggesting these opportunities and partnering with their manager to bring them to life. (We'll explore career development in our next article.)

Can it be risky if incumbents know that they are in "critical" positions or that they are potential successors?

Granted, the communication needs to be handled appropriately, but it can have benefits for a number of reasons. For incumbents, it conveys the importance of their role. Hopefully, they are strong performers. If so, it is an opportunity to determine what the incumbent is thinking in terms of his/her career, and how soon you may need to activate the succession plan. Or, they may be perfectly happy continuing in this position, so the challenge is to enhance that work.

If an incumbent in a critical position isn't performing, you need to consult with your HR Business Partner and develop a performance plan. A person in a critical position who is below level creates a high risk for the organization.

For the successors, it gives you a chance to determine their interest in a position and to begin brainstorming about development activities. Most likely, this will be a "stretch" activity as part of the individual's existing role or an on-the-job rotation in another part of the organization.

Obviously, these conversations need to be handled carefully. You don't want to make promises about moves, and you want to be clear that they are one of several potential candidates. Most likely, you're going to want to consult with your HR Business Partner before you have these conversations.

Just to make sure we're covered, why not simply use succession planning for positions in all parts of the organization?

Succession planning, if done well, is extremely resource intensive and requires a tremendous amount of organizational focus and support. Most organizations simply don't have the capacity to conduct succession planning for every part of the organization. You'll get the highest return from prioritizing the parts of the organization and the related positions that need the most attention.

Are there instances when succession planning shouldn't be considered at all?

Of course. As mentioned before, if the organization leaders don't have the willingness or capacity, it's impossible to make this work well.

In high-growth mode, it may make more sense for a company to focus on hiring the right talent, especially if the growth is in an area where a company has a gap in the capabilities required to run that part of the organization.

It is critical that you honestly assess if you truly have the information and processes to support the process. For example, do you already have an embedded and successful performance management process that will give you the information you need to begin to evaluate potential successors? Do you have specific criteria for both performance and potential? Most importantly, do you have the culture and methodology to support customized, robust development assignments? If these basics aren't in place, your succession planning would be difficult to implement in a meaningful way.

How do you measure the success of a succession planning process?

The bottom-line – measure the success of your process by key financial indicators in the organization. This will let you know if you have the right business model and a strong team to support it. For example, was there an increase in productivity and profits? Did you spend less on executive searches? Was there lower turnover among your top performers? Did the BU meet plan?

Succession planning can also be measured by the organization's ability to move quickly in a changing marketplace and back-fill critical roles when key players leave.

Engagement and retention should increase if the development planning process is executed fully.

Leaders can be evaluated by the successful development of their people by measures such as having their people identified as successors or moved into critical positions outside their BU or the number of promotions and the measured impact on the organization as a result of those promotions.

A less robust measure, but perhaps a starting point, is looking at bench-ready candidates and internal moves vs. external hires.

SUMMARY

Succession planning is an intense process, and there are a number of ways it can get off-track. It is closely linked to the business strategy and future goals. If the process is not forward-looking, and simply reflects the current organizational structure and positions, it will not facilitate preparedness for future growth in the marketplace.

There needs to be a willingness *and capacity* by the organization leaders to be fully accountable and engaged in the entire process. Simply completing a slate of bench candidates without the assessment, coaching and tailored development actions for them does not move the organization forward. Instead,

succession planning becomes an administrative process that takes a great deal of time and has limited value.

Organization leaders sometimes expect the HR organization to own the entire process. HR should play a strong facilitation and consulting role, but the organization leaders should be fully accountable and serve as the ultimate decision-makers in assessing and identifying bench candidates and supporting in-business development activities.

It is unrealistic and inefficient to have succession plans for a large percentage of organizations and positions, without thinking about why it needs to be done. The process should be targeted and priori-

tized. Otherwise, the process is overwhelming and simply not actionable.

To truly have the right person in the right role at the right time, organizations should do everything they can to identify talent across the organization. This provides excellent opportunities for the people you want to retain while building bench and ultimately, the business. Unfortunately, business leaders sometimes “hoard” their talent and are unwilling to let their people move.

Succession planning can be a powerful competitive advantage if it is fully embraced, carefully communicated and integrated as part of ongoing professional development and business practices. ■