



Unit 1

Understanding the value of Succession Planning

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Demonstrate an understanding of the value of succession planning for successful businesses.
- ✓ Demonstrate expertise with the key elements of a succession plan

Unit 1

Understanding the value of Succession Planning

Successful succession planning means that if someone leaves an organization, the right person is in place to take their place. Succession plans were first used by family owned companies as a way to ensure that the business stayed in the family; if the business owner was the family patriarch, it was common for the children to be “groomed” to take over the business. That process evolved slightly as businesses began intensive research and preparation to replace CEOs.

Today, succession planning means that businesses provide developmental, support, and search activities to ensure that the organization continues effectively when people who occupy key roles leave or are promoted.

- Succession planning is an aspect of workforce planning that concentrates on key positions within the organization.
- Workforce planning involves all positions within the organization.
- Replacement hiring is a response to a vacancy; succession planning is a proactive process that addresses needs before they exist.

If we hope to compete for talent in today’s workplace, then our organization has to make sure that it appeals to, and can successfully compete for, the best talent available.

Succession planning means that we are working long term, like we do when we invest our retirement savings. This is different than hiring in response to a vacancy.

The Definitions

As you read each of the points below, decide whether they fit what you already know about replacement hiring (write RH on the line) or succession planning (SP). Discuss each point with your group to determine any subtle differences, areas of overlap, or questions that may arise.

Description	SP or RH?
Quick answer to immediate need	
Long-term commitment	
Developing individuals	

Description	SP or RH?
Based on current job descriptions	
Based on new directions and expanded responsibilities to the job description	
Uses input from the incumbent and supervisor	
Uses input from multiple perspectives and resources	
May offer advancement within the organization as a reward or result of seniority	
Considers whether the right person is in the right role and merits advancement	
Addresses developmental needs of an individual to ensure success in current and future roles	
Is integrated with recruiting, training development, and diversity factors	
Must usually be done quickly and is not consistently coordinated with other human resources activities	
Can lead to finding the best person available at the moment	
Focuses on the best candidate for the position	

Defining a Succession Plan

Strong Leaders and a Strong Organization

The following two points are not mutually exclusive, even though some people want to argue that they are:

- An organization can be great because of great leadership
- An organization can be great because it is a great organization

If you look closely at a successful organization (and hopefully yours is one of them!), they can be led by great leaders, and they can develop great leaders. The ability to determine where leadership stops and the organization takes over can be a very fine line, and a chicken-and-egg type of argument.

A great leader does not make a great organization by operating independently of their team. Successful, enduring, and leading organizations are not led by one individual. They are led by people who have the talent and expertise to move the organization ahead. There may be one individual who is responsible for making a final decision on a difficult issue, but the day-to-day management is shared between leaders and critical staff at many levels.

The important factor is that success stems from having both strong leaders and a strong organization. Which one comes first or is the greatest contributor is not as important as having both, and in that way, you can put the chicken-and-egg questions to rest.

The great leader theory is not right in the sense that it makes it sound like the great leader can operate independent of the organization, and that is not the case. Great leaders are people who have the courage and tenacity to make tough decisions, and they do so in consideration of the goals of the organization and the lives of the people who either work with it or are impacted by it. Succession planning allows leaders to work most effectively by creating a system for developing leaders and critical staff that can ensure the business runs smoothly and profitably.

Test your Knowledge

What type of plans do you commonly encounter at work?

What is one common element to those different plans?

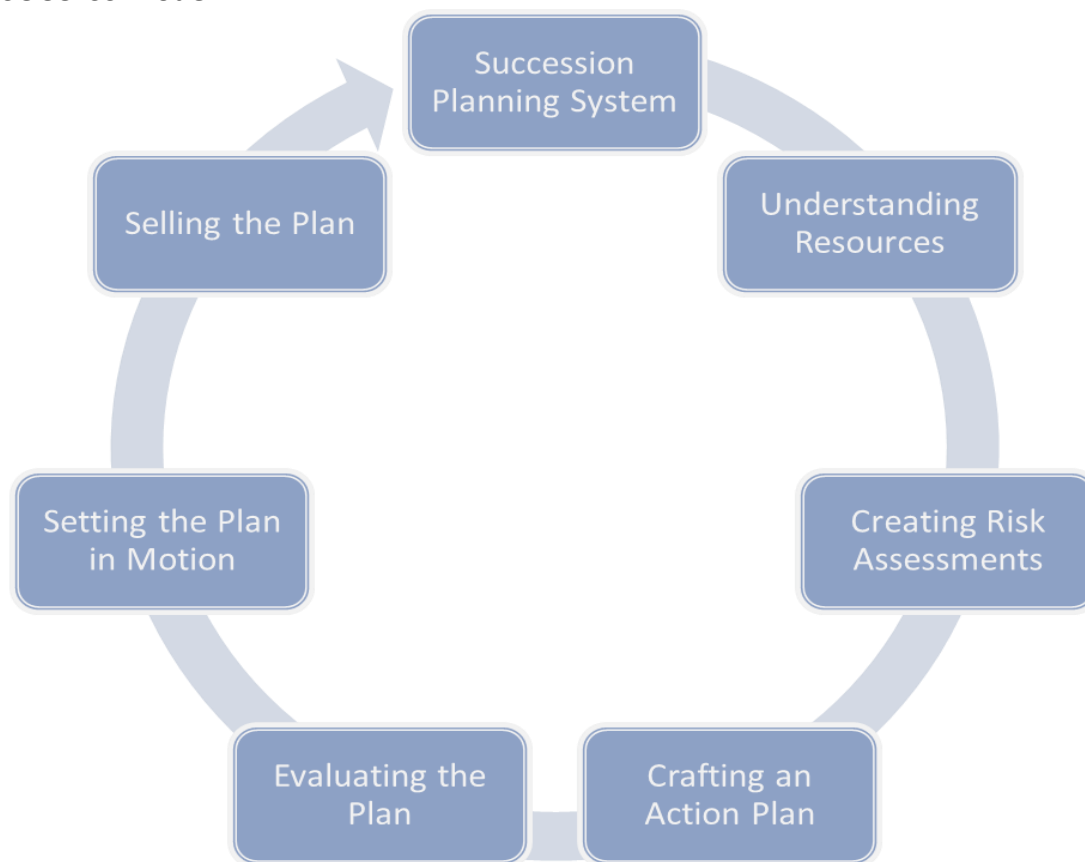
Components of the Plan

A succession plan is one element of a finely executed business operation. Succession plans, like other important projects, must have the following attributes:

- A mission statement, supported by defined vision and values
- A dedicated team for planning, design, implementation and follow-up (although the same people need not be involved at each stage)

In different resources, you will see succession planning defined and described in different ways. Ultimately, each book puts their own spin on the methods, and your job is to determine which method is the best suited to your own organization. Here we present a model for succession planning. You will see elements of this plan in other models, sometimes called different things. As we already mentioned, your job today is to develop a deep understanding of how to develop and maintain a succession plan that works for your organization. We support those endeavors by championing your SUCCESS.

SUCCESS Model



Your SUCCESS results from:

- Succession planning system: Designing a system, determining resources, and setting up progression pathways.
- Understanding your resources: Identify key positions, analyze the environment, and establish individualized engagement plans.
- Creating risk assessments.
- Crafting an action plan.
- Evaluating the plan.
- Setting the plan in motion.
- Selling the plan and creating reinforcement by celebrating success and continually reminding the board and members of the succession team of its value.

Setting the Scope

Succession planning relates to a system that you design. This includes determining the resources that you need and setting up what we will call progression chains.

The first step includes the system itself, and this involves three main components.

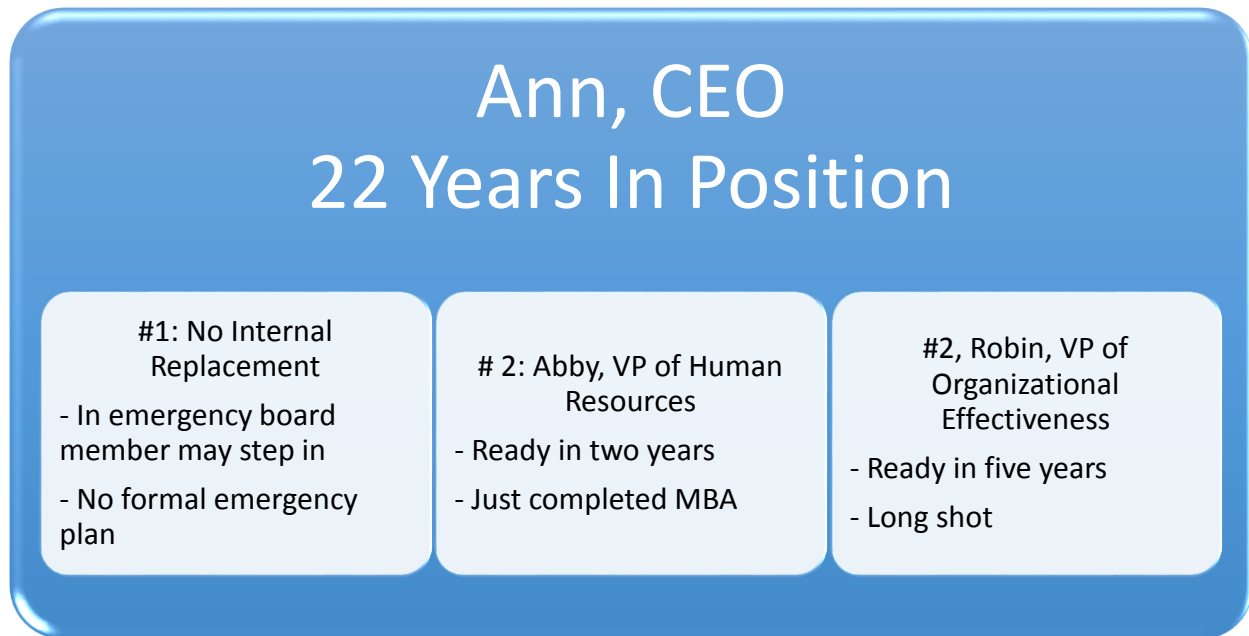
- Identify the critical people for your succession plan
- Develop progression procedures
- Incorporate top-level support and buy-in

The critical people for your succession plan are those whose absence directly interferes with business operations. In a small, family-run organization, this could be just two people (namely mom and dad), and in a medium-sized organization, this could just be four people (for example, the CEO, COO, HR Director, and CFO). As things get larger, the numbers will increase. Beyond those first people that you identify, you must delve down at least two layers to reach all of the people involved in your succession plan.

Note: In businesses that experience high levels of turnover because of contracts, burnout, or retirements, you will need to work through three layers.

Case Study One

Here is an example of succession planning for a CEO named Ann, using a Succession Plan Chart that delves down three levels. Note that the people under Ann in this chart may not report directly to her, but these are the staff that have been identified as best able to step into her shoes.



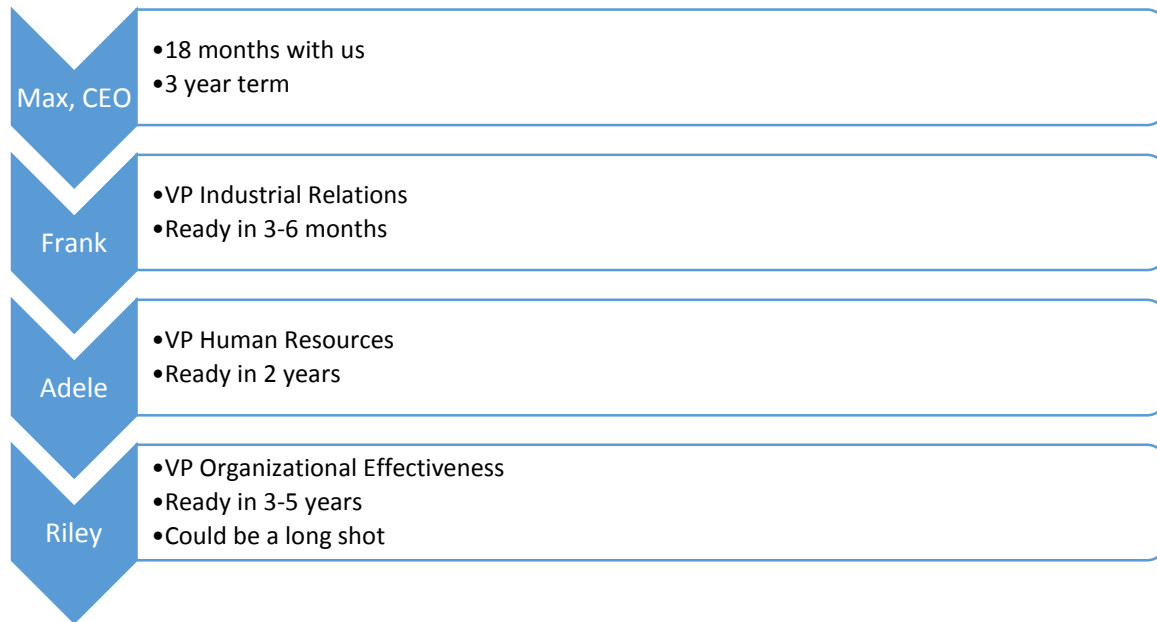
Each chart needs to do the following:

- Identify a critical position in the organization (Ann, the CEO)
- Delve down three levels below the critical position (no one, then Abby, and finally Robin)

Looking at this example, what two areas of potential difficulty do you see?

Case Study Two

Here is another example.



Considering these two examples, Ann's successor is a problem, but Max's is not. What steps would assist in resolving some of the issues around Ann's successor?

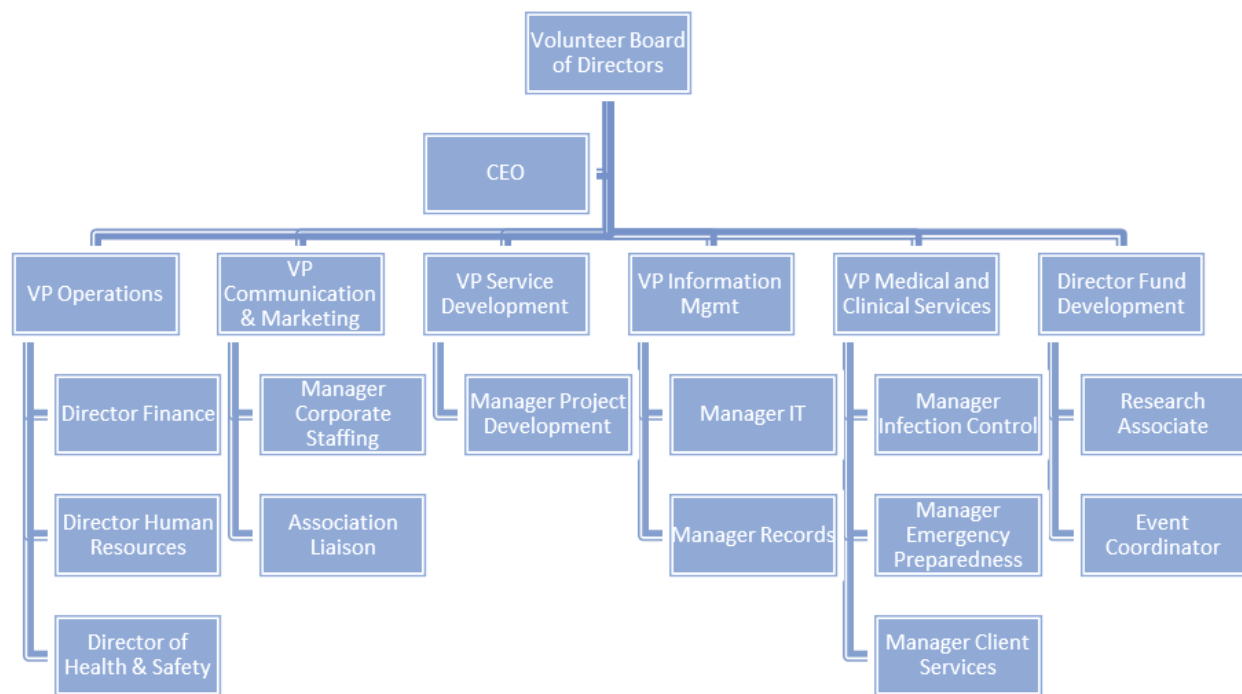
Pre-Assignment Review

Task

Using the information that you gathered as part of your pre-assignment, circle the four most critical people in your organization based on what you know about your organization and succession planning.

Sample Organizational Chart

If you were not able to gather an organizational chart, you can use this sample.



Identifying Resources and Analyzing Risks

Identifying Resources

Now you have looked at the resources within your organization, and identified who the critical employees are, you might also be thinking about the fluidity of the current marketplace.

It is tough to explore succession planning without acknowledging that the employment marketplace moves in cycles. Depending on things like the economy, retirement waves, and mobility of the workforce, we could set ourselves up for difficulty. For example, we may groom an individual for a senior position, and then they leave the organization and apply their talents (and our hard-earned training money) to another company.

What about loyalty? What about gratitude?

Well, don't count on gratitude, but there is good news. Although loyalty is not a major attribute of people entering the workforce today, mobility might not actually hurt you as much as you think. The process of developing leaders is a calculated risk that you take to ensure the success of your business. Although newer workers entering the workforce will exhibit high levels of mobility (changing jobs and even professions many times), they are also expected to revisit previous employers. So if, for example, you hire me in an entry-level position when I have just finished

school, and I work with you for three years, it is true that I may move somewhere else. However, if I change jobs every two to five years and there are only half a dozen organizations that exist within my industry, the chances are good that at some time in my future, I will return to your organization.

Where are your other resources located? Where do the people that you want to attract actually spend their time?

Working with recruiting specialists as a part of your succession planning can open you up to resources that you were unaware of even five years ago. If prospective employees are not knocking on your door or flooding your inbox with resumes, they may be out experiencing their community and life. Explore where the up-and-coming leaders that you want to attract actually spend their time, and go meet them on comfortable ground. Do not expect that they will see your recruiting ad and want to come work for you. Do not anticipate that the best candidates will come to your job fair. It just doesn't work that way anymore. They may see your ad, they may have heard of you, but they also are checking you out very closely. What kind of an environmental reputation do you have? How much money do you invest in employee development? What kind of benefits do you offer? (If you don't offer benefits, they may openly ask you, "What are you thinking?")

Don't be offended by changes in the way people are approaching work; this is simply the reality of how people are addressing their own values for balance, community, or meaning. Attract people with long-term vision that reflects their own values, not just the values of the organization, and you may find that in the long term you have attracted the people that enrich your organization, and that you can stop hiring to simply respond to an immediate need.

We cannot treat employees as commodities; they will not stand for it. Knowing that the strengths of the people who work for your organization are what can make or break you, you might as well put in the extra effort and find the people that you want.

Developing External Successors

So far we have really focused on developing our internal people as the most appropriate successors. In some positions, however, that will not always be possible. A small resource pool or highly specialized jobs are just two reasons that we may have to look outward for successors.

Developing relationships externally to your organization can be an important way to attract interest in your organization. Meeting potential candidates through a business network and by attending or sponsoring functions for college students and graduates are just a few ways that you can look at finding external candidates. Developing methods to suit your organization could also involve commitments in sponsoring scholarships, participating in competitions, or setting up internships.

Risk Assessment

People can become frozen solid when they think of risk assessments, and so our recommendation is to keep the process as simple and non-threatening as possible. Succession planning is rife with risks. People come and go from organizations. Whether we create ironclad non-competition agreements or confidentiality agreements, or we don't, we can still have our viability threatened.

The Risk Analysis here is a leader's very honest attempt to address the risks of continuing with a particular plan. The leader's role is to complete the analysis honestly and with feedback from the individual as well as the leader's observations. In our experience, managers need training and mentoring to complete these tools properly, and so that they become a tool that is meaningfully used. When managers and their direct reports complete tools such as this, they must concentrate on being honest and objective.

Risk Analysis for (insert name) _____

Date _____

Category	Factors	Current Risk (Yes/No)	Change expected by Employee (EE) before next reporting period? (Yes/No)	Warning Signs
Pay & Benefits	Our compensation differs from competition by >10%?			Employee exceeding learning curve of colleagues (sign of impending departure)
	Are we offering fewer benefits than competitors?			
Current Position	EE not satisfied with position title			Peers and colleagues leave positions or advance
	EE not satisfied with position			
Balance	Work hours not consistent with life needs			Changes in personal/family factors

	Location not consistent with life needs			
Supervision	Is EE receiving enough mentoring?			Superior's feedback often negative or critical
	Is boss supportive of work habits and results?			
Team	Friend in the workplace?			Does not attend or appear to enjoy outside events
	Team or friend including EE in activities?			
Development	Not learning anything new			No learning opportunities since last reporting period (or not in past year)
	Not receiving developmental opportunities			

When you read through this form initially, do not be intimidated. This is a good time for you to answer these questions in terms of your own fit with the organization. Are you someone who seems to be settling in to lead, or are you on your way out?

Further Reading:

- ✓ *Atwood, Christee. Succession Planning Basics. ASTD, 2007.*
- ✓ *Bennis, Warren. On Becoming A Leader (Fourth Edition). Perseus Publishing, 2009.*