



# Unit 8

## 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 8

### 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?**

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**What is one common element to those different plans?**

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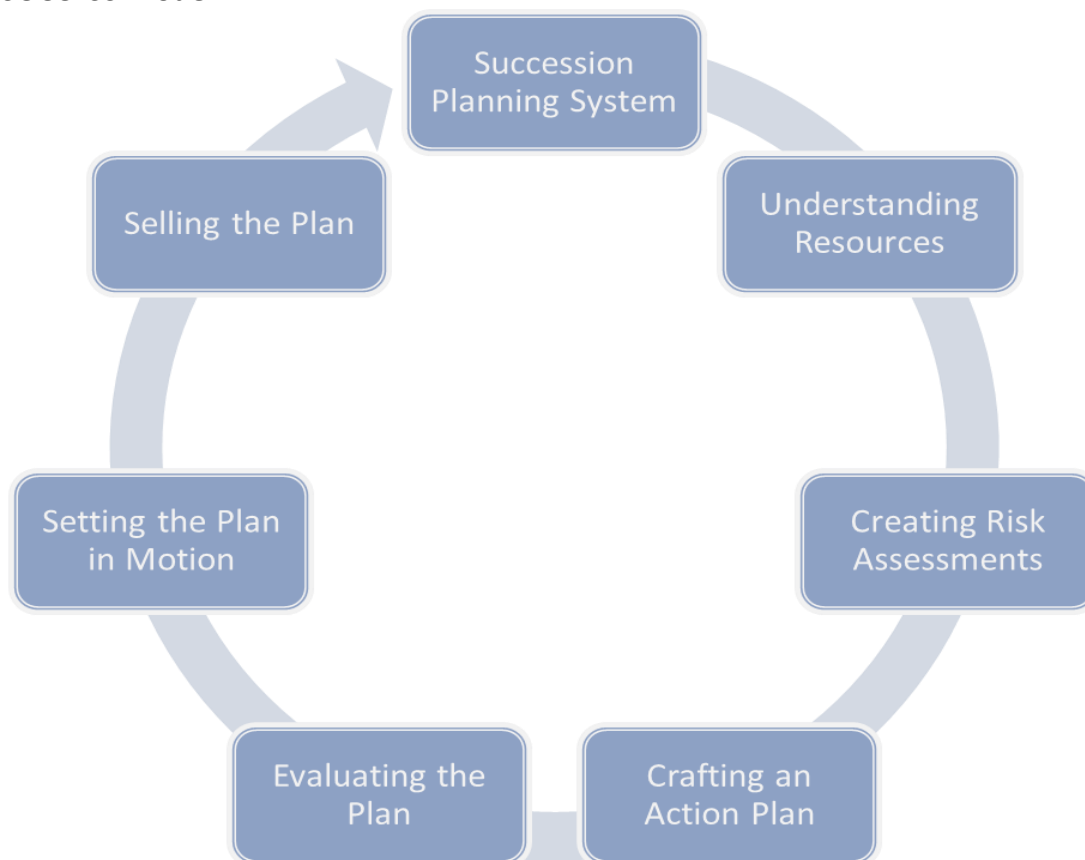
## Components of the Plan

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.

# Ann, CEO 22 Years In Position

## #1: No Internal Replacement

- In emergency board member may step in
- No formal emergency plan

## # 2: Abby, VP of Human Resources

- Ready in two years
- Just completed MBA

## #2, Robin, VP of Organizational Effectiveness

- Ready in five years
- Long shot

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?**

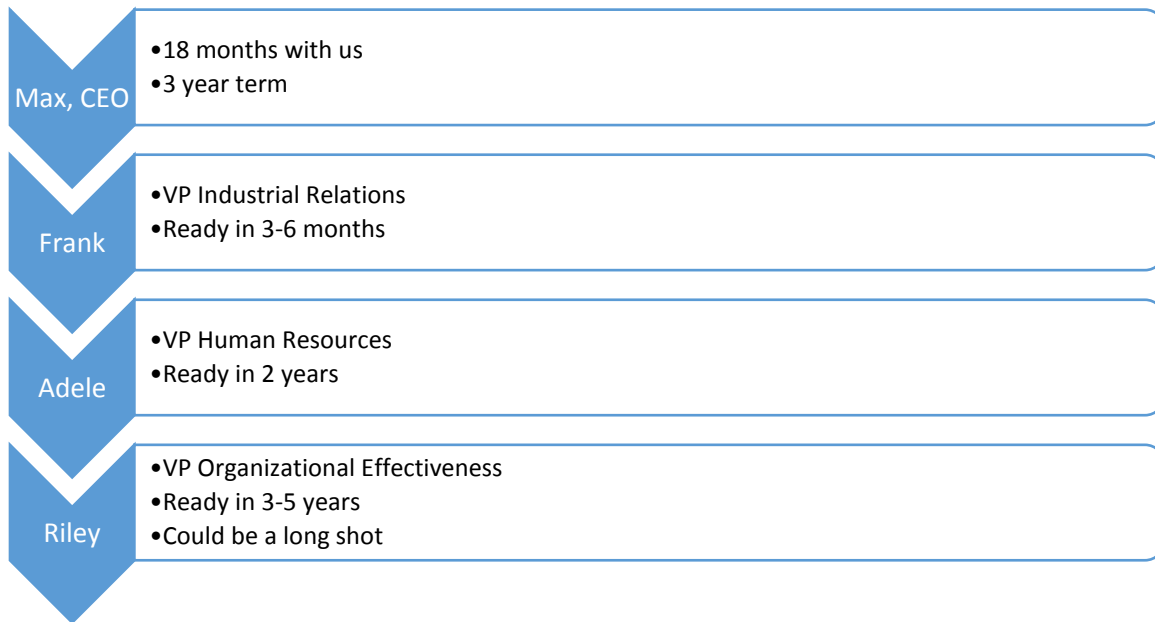
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## Case Study Two

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?

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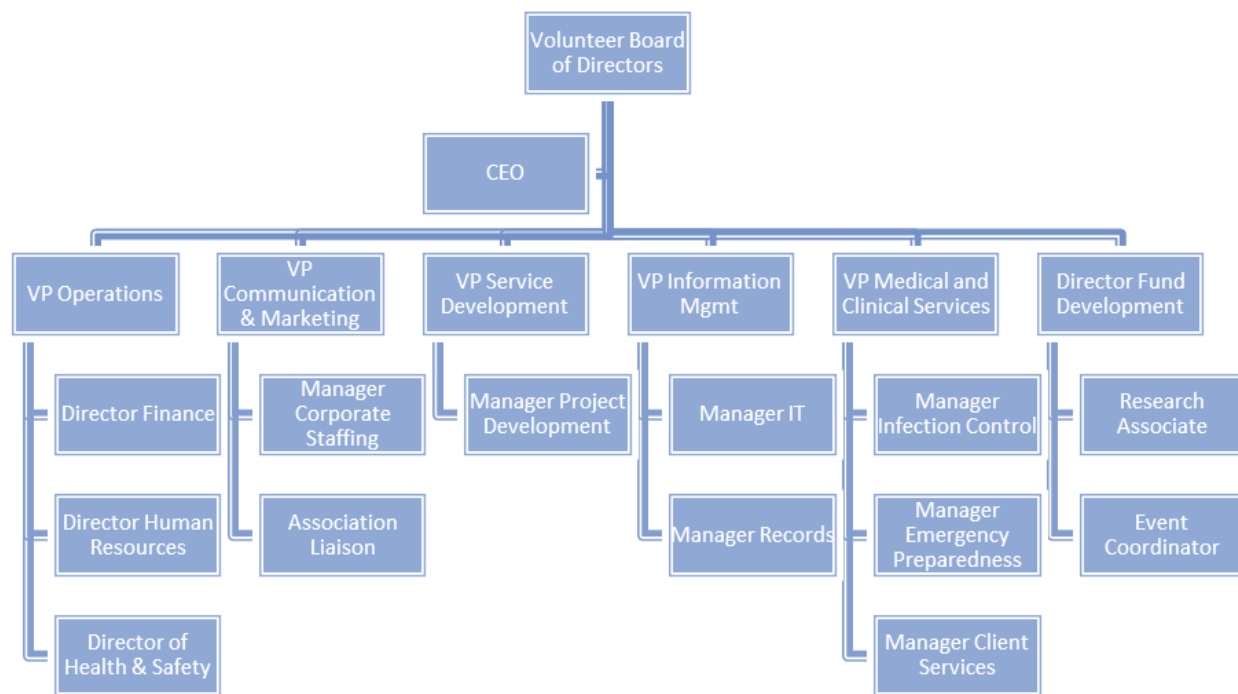
## Pre-Assignment Review

### 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
<b>Pay &amp; Benefits</b>	Our compensation differs from competition by >10%?			Employee exceeding learning curve of colleagues (sign of impending departure)
	Are we offering fewer benefits than competitors?			
<b>Current Position</b>	EE not satisfied with position title			Peers and colleagues leave positions or advance
	EE not satisfied with position			
<b>Balance</b>	Work hours not consistent with life needs			Changes in personal/family factors

	Location not consistent with life needs			
<b>Supervision</b>	Is EE receiving enough mentoring?			Superior's feedback often negative or critical
	Is boss supportive of work habits and results?			
<b>Team</b>	Friend in the workplace?			Does not attend or appear to enjoy outside events
	Team or friend including EE in activities?			
<b>Development</b>	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?

## Elements of a succession plan

### Defining Roles, Responsibilities, and Functions

#### Individualized Engagement Plans

A succession plan can be a partly creative and partly scientific process. The roles of people involved will evolve depending on the strengths of individuals that are present, and those strengths will change as they develop, and as new people enter the organization. The key aspect of succession planning is to have the right people in the right job at the right time, and so it makes sense to apply that approach to the process.

Flexibility will allow the plan to evolve and grow as business needs are identified and change. Succession planning is a process that involves people at critical areas of the organization, so keep in mind that you need to look at those critical roles and the people that are positions two levels beneath them on an organizational chart.

We have discussed the importance of finding and attracting the right people, and part of that is related to the evolution of individualized engagement plans (IEP). Engagement refers to the level of commitment that people have to your organization. Some succession plans refer to these individual plans as development plans or training plans. We like the phrase “engagement plan” because it addresses all aspects of what keeps your people committed to the organization. After all, in succession planning, in order to have the right people in the right positions doing what they can and do well, we have to be involved in their development, but we also need to know what their passions are and what makes them tick.

Engagement plans are a key component in the succession planning process. Each person that you identify ANYWHERE in a succession plan as being either a critical link or a potential leader must have an IEP. The IEP is developed in consultation between the leaders and their staff. Critical elements of an IEP include developmental needs as well as a career plan.

Each critical employee identified in a Succession Plan Chart must be described within an individual profile, which you can create specific for your own organization. It should have the elements that are on the sample page, as well as anything else that makes sense for your organization. Note that the IEP and Career Plan are parts of this profile.

**Succession Plan Profile**

**I. Identification**

.....  
**Name:**

\_\_\_\_\_  
**Current Position:**

\_\_\_\_\_  
**Dated Started in This Position:**

\_\_\_\_\_  
**Time Spent in Current Industry (not just this position):**

\_\_\_\_\_  
**Biography (250 words or less):**

Ask the employee to write this, with your help if needed. Include their educational background; work style; and current lifestyle considerations such as ongoing courses, family or lifestyle status, community, or recreational involvement.

## II. Current Status

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List areas of competency (strengths that apply to the organization and leadership roles as well as other assets)

## III. Individual Engagement Plan

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Development needs for \_\_\_\_\_ role

Insert name of the role as it is currently, such as VP of Operations. Include any aspects that influence the engagement of this particular employee, including a detailed list of all development required to get them ready for their next steps. Examples could include any or all of the following:

- Associations to join (human resources, leadership, industry specific, etc.) as well as meetings, seminars, or workshops to attend
- Courses and/or mentorship in human relations, IT, operations, coaching, leadership, finance, business, performance planning
- Obtaining licensing or certification in any areas
- Having paperwork such as passports or vaccinations up to date and documented
- Image consulting; dress, deportment, and etiquette; manners for executives

## IV. Risk Assessment

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Summarize any points of concern that were raised in the risk assessment table that you completed

## V. Career Management Plan

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This is generated primarily by the employee, and should include benchmarks for one, three, and five years. If the employee has not given a lot of thought to their career plans, it would be a benefit to them for the organization to arrange for some career counseling or coaching. Career development services are no longer used just for job searching or changing employers; they are being used more often by organizations who want to provide those services to their existing staff.

## VI. Action Plan and Follow-Up Dates





background needed to be considered for leadership positions within the organization. To give you an idea of size, this paragraph is approximately 75 words.

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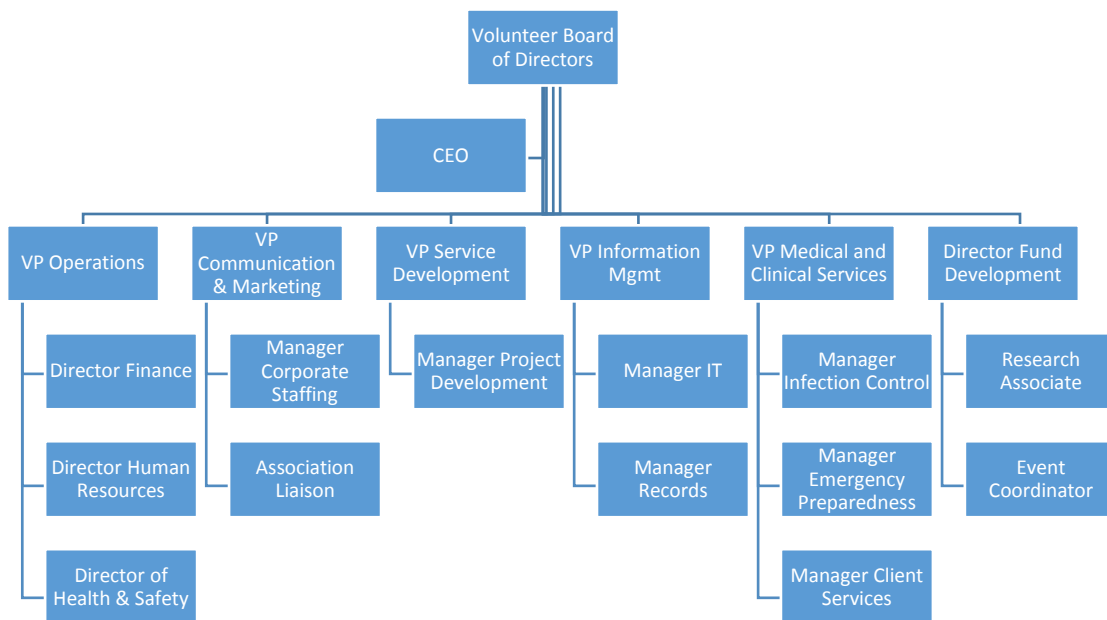
## Gathering Information

There are layers of complexity involved in succession planning. It is very important to know:

- What information you need
- Where to gather the information
- What methods to use

In the previous session you were able to interview each other for information that was needed. There were some gaps, however, and so this section will focus on getting what you need when you need it.

**How many critical positions are in this chart?**



## Test your Knowledge

Are there other critical employees that are missing from that chart?

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How we can look within our own organizations and determine what the critical positions are?

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Jot down the names and positions of critical people in your organization who have not been obvious until just now.

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## Forecasting Needs

### Key Ingredients of a Successful Plan

Succession planning is an important part of a business that is able to grow and thrive in a competitive world. Why?

- We need a work-ready pool of people.
- Our organization must understand that a succession plan impacts long-term sustainability.

If we expect to have the right people in the right jobs at the right time and for the right reasons, we need to have the following key ingredients.

### We must be a part of a learning organization.

Succession planning is about developing leaders. In order to do that, we have to belong to an organization where education is valued and where it is supported from the top, all the way down through each layer.

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**Succession planning does not exist in a vacuum.**

As we mentioned earlier, succession planning is a process. The process has to incorporate the other areas of the organization in order to support the business. If the plan does not support the organization, it will be discarded.

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**Develop reliable data gathering.**

Succession planning has been regarded as many things, including being an HR add-on. Succession planning must be demonstrated scientifically, which is impossible if we see it as a strictly creative process (although there is creativity required). Data gathering means that the organization is looking at benchmarks and actual results to measure and assess progress.

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**Have senior level support.**

The CEO or President must endorse and support the succession planning process. The CEO must be involved and be an active participant. This is not just because she/he is one of those critical employees; when the CEO is highly engaged, the program becomes coherent and embraced.

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**Continually assess your results.**

If you do not assess the quality of performance within the organization, you will not learn the level of success – or failure – that the plan holds. We know that succession planning is a long-term endeavor, and so we must ensure that the right people are in the right jobs without losing our focus on performance. If we place people in positions on a hunch that they had the potential, but those people did not actually have the skill to succeed, the leadership pipeline fails.

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**You do not have to do it all at once.**

One major threat to succession planning is that implementation over a short period of time can overwhelm systems and people. Succession planning is a process; change can seem threatening. When you begin to contemplate a succession plan, you could realistically be creating implementation plans across multiple departments, regions, or countries, and it could involve a huge number of people. Step-by-step implementation will allow you to experience success in one area and demonstrate to other areas how effective the process is, while allowing the important work to take place. Phased implementation also allows time to make adjustments to the program before it is widely distributed.

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**Coaching and Mentoring**

Coaching can be an important aspect of succession planning, especially when we consider that we are preparing people for leadership roles. While training is usually focused and scheduled, coaching can be provided when an opportunity presents itself. Coaching, especially in reference to performance, is not effective at “fixing” a problem like those that are associated with poor performance. It can, however, very effectively be used to prepare future leaders. Coaching and mentoring are different in that mentoring means actually teaching someone a particular skill. If someone is completely new to a subject, mentoring is appropriate. To try to coach someone who has never used a wrench on how to change the oil in their car would not make any sense. That person needs a mentor or teacher. However, for the mechanic who is a valued employee within a shop environment, and who has excellent leadership qualities and the potential to be a critical employee, some coaching can accelerate his evolution into a leadership role.

Good coaches actually take the time and make the effort to learn how to coach. Anyone can call themselves a coach, but some of the key aspects of coaching need to be learned in order to be effectively applied. Coaches lead; they do not teach. A coach approaches something in a way to help someone discover, explore, and ask their own questions (rather than just answer a coach’s questions).

Coaching is available with specialties in certain areas that can really help with succession planning. Executive coaches can help someone who lacks certain skills to develop the skills that will make them successful. For example, when someone is moved into a role before they are completely prepared, they may benefit from job content coaching. In other circumstances, process or image coaching focuses on the impact that the leader projects. Can they carry a conversation, project a

confident and professional image during a business lunch or meeting, deliver bad news to staff, or conduct a meeting?

**Test your Knowledge**

**Have you worked with a coach?**

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**What results did you seek when you started?**

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**Did you successfully reach your goals?**

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**Write down five areas in your professional or private life where you could benefit from working with a coach.**

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## Further Reading:

- ✓ *Atwood, Christee. Succession Planning Basics. ASTD, 2007.*
- ✓ *Bennis, Warren. On Becoming A Leader (Fourth Edition). Perseus Publishing, 2009.*
- ✓ *Clutterbuck, David, and Marshall Goldsmith. The Talent Wave: Why Succession Planning Fails and What to Do About It. Kogan Page, 2012.*
- ✓ *Conley, Terence, Phil Harkins, and Mark Sobol. Linkage Inc.'s Best Practices in Succession Planning. Pfeiffer, 2007.*