

TRENDLINES

The Employers' Association's monthly whitepaper on essential Business/Human Resources practices

The Employers' Association (TEA) delivers reports for businesses that contain relevant and up-to-date information based on our work with hundreds of employers each month. TEA is known to produce a number of essential benchmark survey reports every year and we also compile data and observations that provide organizations practical perspectives on important business trends.

Successful Succession Planning

What you should know

We have more generations in the workplace today than ever before and Baby Boomers still account for about 25% of employees AND many of them are among top management. Their imminent retirement has become problematic for many companies UNLESS they take the time to plan, prepare and intentionally initiate action designed to minimize the impact when they exit the workforce. We should also recognize that succession occurs continuously throughout the organization – with the opportunity for successful succession happening each time we promote an individual, we add to the workforce, or we enhance someone's skills through training and coaching – not just when the owner retires, or we replace some other high-level executive. Unless (and until) these opportunities to strengthen and build our organizations are taken seriously it will be difficult to gain the confidence of our employees when it comes to identifying and hiring a new executive to lead the organization.

Many of us handle “replacement hiring” with ease as most replacements are a response to a situation presented to us rather than one, we must identify and strategically plan for before it occurs. Most have little experience in “fixing” a seemingly healthy organization by telling someone (or a group of people) that while their skills are necessary and needed, we must plan to replace them (without making them feel insignificant or unwanted). Replacement planning assumes that the organization chart will remain unchanged over time – that individuals leaving a company will be replaced by individuals having equal (or better) talent performing essentially the same tasks as were vacated. It usually identifies “backups” for top-level positions – potentially establishing redundancy so that several people can perform various aspects of each key job. Replacing available roles requires an understanding of how the company operates, how each current job impacts other jobs, and what role each individual plays in fulfilling the organization's mission.

Succession planning, in contrast, focuses on developing people rather than merely naming them as replacements. It involves establishing professional development plans so that individuals are prepared to move up in the organization – whether that might be to the next logical step in their area of competence or to another area that might have need for their particular skills or talents – rather than simply to maintain the status quo. While top level positions are most typically associated with succession planning, many key positions exist within the “inner workings” of any organization that must be identified as essential for its success – positions whose replacements or expansions should be planned and anticipated rather than responded to in a reactive manner if an organization is to remain competitive and sustainable.

What we know

At its core, succession planning includes:

- Identifying which positions need to have a successor(s)
- Identifying people who (with the right development) can successfully move into those roles
- Assessing the “readiness gap” between the employee’s current abilities/experiences and the new position’s needs
- Ensuring the successor(s) are equipped, supported, and not feeling threatened by the opportunity

The succession process must be deliberate and planned, gently balancing an employee’s ego (“Are you trying to replace me”) with the business (“We cannot do what we do without strong leaders”). The process should not make someone feel as though they are being forced out yet should not keep other employees hanging on “just in case” something opens up. It can provide an opportunity to add diversity to a leadership group to help the organization think and behave more inclusively (internally and externally) but should not sacrifice “proven abilities” with “potential abilities” without strong and intentional reasons. The best time to begin planning for succession is when there is not an immediate need as a thoughtful and thorough approach can be used rather than a reactionary and short-sighted response to a crisis.

Succession should begin with a realistic review of the organization’s mission and vision – affirming or modifying what it is and what it wants to become – rather than focusing upon critical needs identified by a few select “key” people that could perpetuate any flaws or weaknesses that may have existed for years. As with any hiring decisions, it can be easy to fill a role to meet the immediate needs. While it may take longer to look for the knowledge, skills, and abilities that will meet the needs on the horizon, it is critical that succession look NOT ONLY to what might be needed now but also towards what will be required in the future...a strategic process that should be future-oriented and developmentally focused. Having worked with many non-profit organizations (identifying whether a Board wishes to “stay the course” or move in a different direction) and family-owned companies (working to establish credibility for “next generation” leaders is a “make or break” concept), we recognize that every succession issue is different but must be looked at from both a short-term transition and a long-term success point of view.

Organizations can spend a lot of time and effort in the “planning” phase. Jobs can be analyzed and personality profiles utilized to identify the best “fit” in terms of aptitude and culture. Skill and experience should be relatively easy to examine so those “objective characteristics” are actually the least important when succession planning is in its initial stages. Creating a structure that considers individual characteristics, however, is wasted unless a potential successor is given the support (physically, mentally, and emotionally) to learn through failure. Expecting someone to “do everything right” often minimizes what is actually done by an individual due to his or her fear of failure. It is critical that candidates are chosen based on their experience (merit), their potential (promise) and their fit (personality tendencies) in order to ensure the success of the successor.

Scaling the process based on the available resources is always important. Larger organizations may have more resources but they will also have to consider more factors than a smaller organization. Larger organizations may have more key roles that need a pool of potential successors, but the larger pool of internal candidates often means more competition for a relatively few number of positions. Small organizations have less of those roles but there will also be less (internal) people to consider AND more job redundancy (the wearing of “multiple hats” and who does what when change begins to happen) becomes a critical factor. Family-owned businesses may choose a more gradual process where an employee (family member) takes on additional responsibility over time to demonstrate their knowledge, skills, and abilities to others. Many family-owned businesses have discovered that credibility can be gained better OUTSIDE the organization by demonstrating success for someone else than it can be gained INSIDE the organization where a highly qualified family

member will have to fight the perception of entitlement. In the end, a successful successor will be the individual that is truly the most qualified (skills and experience) having the ability to balance “tradition” and “emerging needs” with humility, honesty, and the ability to recognize (and reward) the contributions of others. Additionally, TEA has helped with many “short-term” successions that were designed to provide mentoring or coaching to emerging leaders within an organization – experienced experts who are hired specifically to develop the skill sets, confidence and competencies of employees slated for long-term growth within a company.

What it means

Organizations have defined “life cycles” that must be considered, recognized, and addressed through the succession process. When promoting an individual to a new position or replacing a key executive that has left the organization, we must pay attention to and address the “readiness gap” that may exist between what a successor knows through past experience, what might be possible as demonstrated by an individual’s performance, and what must be done to perform a new job. To ensure success during the succession process an organization must:

- Create an inventory of employees’ existing knowledge, skills, and abilities
- Determine the key competencies (sets of knowledge, skills, and abilities) needed to perform the new role (currently and in the future)
- Identify the developmental experiences needed to bridge any gaps that would keep an employee from successfully performing the job
- Prioritize specific competency deficiencies and engage in formal training or mentoring to resolve them
- Offer job shadowing opportunities (if possible – not always practical for higher-level positions)

Provide stretch assignments to employees within the succession system to increase their ability to originate new processes and take on additional responsibilities

What you can do

Whether it is a formal (documented) plan or an informal (practical/hands-on) approach, organizations must plan for both natural attrition and unexpected turnover within their key management structure. Sustainability (and credibility with employees) does not usually “just happen in spite of what is done rather than because of it” or “magically appear through divine intervention. Successful succession is an intentional process that occurs only after considerable thought and planning have been exercised by a knowledgeable group of individuals having the best interest of both the company AND its employees as primary drivers. When planning for succession, consider the following:

- Conduct a training needs analysis / skills assessment with current employees and identify unmet needs / work requirements to strengthen your internal candidate pool using well-designed and targeted training programs that can produce measurable results or observable change.
- Clarify both ownership and/or senior management expectations for the succession process before planning begins and secure support for the ongoing process (which is more than a short-lived event).
- Establish “competency models” for potential candidates. Competency models focus on those abilities that lead to outstanding *individual* performance – considering both “fit” (culture), “function” (needed skills and abilities), AND potentially most important “aptitude” (personality comparison between job requirements and an individual’s profile). Look at each potential successor in terms of individual abilities, positional needs, and organizational requirements.

- Identify individual motivators and preferences while you target people for their potential future success.
- Review existing performance management systems to ensure they accurately assess individuals in their *current* role (current success will enable future success) so that those promoted can truly add value where they are going rather than simply eliminate trouble from where they came.
- Create and maintain a “master list” of talent (both proven and potential) so that IF changes occur unexpectedly, the organization is ready to act.
- Establish an accountability hierarchy for the succession plan – identifying who is responsible for what and the consequences of negligence.
- Ensure that those stepping away truly do so without “holding on and holding out.” It is tough for even the best plan to be successful if qualified individuals must not only do their new job but also “undo” what a lingering incumbent may still be doing.

A Succession Plan is not a “snapshot in time” but rather an ongoing system that should encourage (and reward) growth as it prepares individuals to assume more responsibilities when needed. Be consistent – as soon as an employer says one thing but does something else, floodgates of suspicion and mistrust will be opened that are often difficult to close. Good employees NEED to respect their employer, feel they are valued and know they can count on their leaders to make decisions that are “right” for both the company and its employees (or other employers will be more than happy to leverage your trained and talented employees for their greater good). TEA can help as you seek to develop and implement a successful succession plan. Give us a call at 616.698.1167 to learn more.