



Current Trends in Succession Planning and Management

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In 1980, the CEO of GE, Reginald Jones, made one of the most important decisions in Corporate History. He named Jack Welch as his successor, despite his being considered "too young, too impatient, and too reckless." By thoughtfully considering his successor, Reginald Jones set the stage for one of the most successful leadership positions in Corporate America.

Recent corporate restructuring and demographic trends have reinforced the importance of succession planning. Regulators have added a sense of urgency through the Sarbanes Oxley Act and the SEC is playing a much stronger role in corporate accountability. These landscape-changing events are placing more pressure on Board Members to get involved in important leadership decisions and are causing CEOs to mandate the implementation of succession planning programs.

Unfortunately, organizations that have not employed succession planning processes in the past may find it difficult **to both quickly and effectively** implement programs, especially if they are not using technology to facilitate the process. No one best approach that will meet the needs of every organization currently exists. As a result, human resource executives must take some risks and apply the lessons learned from the experience of others to their own unique environment.

What is Succession Planning?

Succession Planning and Management, or SPM, can be defined as a purposeful and systematic effort made by an organization to ensure leadership continuity, retain and develop knowledge and intellectual capital for the future, and encourage individual employee growth and development. Most human resources executives would agree that SPM is a critical business process. At a broad level, SPM is one mechanism by which an organization executes its strategic business plans. We know that the continued success and survival of organizations depends on having the right talent in the right places at the right times. In addition, SPM has a significant impact on an organization's culture. As an organization identifies and develops future leaders through SPM, it is also shaping the culture of the organization (Schein, 1997).

Changes and Trends Impacting SPM

Despite the importance of SPM and the amount of resources devoted to these efforts, succession planning has long been criticized. These processes continue to come under scrutiny for a variety of reasons, including: lack of top management involvement and support, discontinuity with other business processes, time and resource requirements, and a heavy emphasis on planning with little accountability for action.

Massive change and organizational trends have caused traditional SPM approaches to become obsolete (Karaveli & Hall, 2003). Some of these important trends include:

- Shifting demographics that will result in a shortfall in the number of next generation organization leaders, as well as an increase in attrition in executive level positions.
- Economic conditions that have resulted in massive downsizing and increasingly flat and dynamic organizational structures.
- Reduced loyalty among employees while organizations are trying to build involved and engaging work environments.
- Recognition on the part of senior executives of the importance of values, competencies, intellectual capital, and knowledge management.

As a result, many organizations that engage in SPM have transitioned from traditional approaches that seek to identify and prepare leaders for specific future positions **to** processes that seek to identify and develop pools of talented individuals who can assume a variety of unknown future positions. Typically, these more agile processes are built around a core set of leadership competencies that drive assessment, development, and selection decisions.

Emerging Best Practices

Organizations have attempted to adapt their SPM processes in response to the trends listed above, as well as many others. As a result, best practices are beginning to emerge (Barrett & Beeson, 2002; Karaveli & Hall, 2003; Rothwell, 2001) that can guide human resource leaders in designing and executing effective SPM programs.

1. **Top management participation.** Nothing sends a stronger message about the importance of SPM and leadership than executive involvement and support. When top managers devote time and energy to succession planning and the development of leaders, they set expectations for organizational management and are exposed to the resource requirements of effective SPM.
2. **Rigorous and comprehensive assessment.** Human resources executives have done an excellent job of convincing executives of the value of assessment in predicting future success. Effective SPM requires a consistent, rigorous assessment program that incorporates feedback from multiple sources (360-degree feedback,) includes the evaluation of learning agility, and provides candid feedback to individuals on competencies that have been identified as critical to success.
3. **Identification of future talent requirements.** Just as SPM-savvy organizations have developed sophisticated talent assessment programs, they have also implemented robust systems for determining and documenting the competency requirements of critical positions. The use of comprehensive assessment and the identification of future talent requirements **facilitates the detection of critical talent gaps**. As the need for talent changes, the focus needs to be on



determining future competency requirements for roles and positions that do not currently exist.

4. **Structured and individualized developmental programs.** We know that leaders develop through experience (Lombardo & Eichinger, 2000; McCall, 1998). Research exists that provides guidance and direction on the most effective ways to develop executive talent. The hard part is actually effectively executing, tracking, and evaluating these practices and methods. Best practice organizations provide ***individualized, experience-based development opportunities for high potentials***. They provide for the needs of individuals while they are in development assignments through mentoring, transitional coaching, and feedback, while holding them accountable for performance. Lastly, they ensure that individuals receive on-going feedback through performance measures and 360-degree feedback.
5. **Creation of talent databases.** Organizations have struggled to efficiently collect critical talent data, keep the data current, and utilize the data for decision making. The development of an organizational talent database that is facilitated by technology and ***incorporates data on performance, competencies, demographics, education, experience, and career interests*** allows SPM-savvy organizations to make succession decisions based upon a complete and relevant set of data.
6. **Open Communication.** Traditionally, succession planning was considered to be a secretive process whereby individuals, even those identified as high potential, were not informed of their status. When handled appropriately, open communication concerning SPM has been shown to have many benefits. Organizationally, the public nature of open succession planning helps to ***ensure a rigorous process and increase the visibility and respect for leadership development***. Individually, leaders are far more likely to realize their potential if they are involved in and take ownership of their development.

Summary

Succession planning does not have to be a complicated, time-consuming endeavor. Understanding the key principles of an effective SPM initiative and working with experienced consultants who have a proven track record ensures that this critical initiative meets all of the organization's objectives. When organizations apply the best practices described above, great things can happen. However, it's important to embark on this initiative with a thorough understanding of the process, how to communicate the purpose of the initiative and how to track all of the information that is most relevant for your particular organization.



References

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