The Ins and Outs of Succession Planning

A PEOPLEFLUENT WHITE PAPER
You have a choice: raise the bar on your succession planning or watch your top talent—and a host of competitive benefits—fly out the door.

If you think that’s just another feeble business platitude, think again. It’s the opinion of 71% of 1,098 senior and midlevel management professionals who participated in a recent American Management Association study. Sadly, though, just 14% of these individuals believe their companies are well prepared to deal with the sudden loss of key senior managers.

Succession planning is more important than ever to employers.

Dig a little deeper and the reason for this disconnect becomes clear: only 42% say their companies conduct some type of succession planning, while nearly one-quarter (23%) say their companies do no succession planning at all.

And even where companies do conduct succession planning, three major problems plague the quality of these efforts, according to respondents to a 2012 study by the Institute for Executive Development:

1. Lack of a coherent strategy for executive development.
2. Lack of a formal process for developing successor candidates.
3. And a lack of candidates ready to assume the company’s top roles.
As the research shows, too many organizations are simply going through the motions of succession planning or, worse yet, doing nothing at all. And make no mistake—they’re paying a heavy price for it. These companies are losing out on a host of benefits that succession planning provides, including:

**Better business planning**—Succession planning is about putting the right people in the right roles at the right times. When organizations know they have the right people in the queue for key positions, they can proactively plan for the future of the business far more effectively.

**Better compensation planning**—As individuals grow within an organization, their compensation must grow accordingly. Succession planning gives employers the ability to put compensation targets in place that can be used to motivate employees and to help ensure they earn on a par with their peers throughout with the marketplace.

**Improved retention & lower turnover**—Sound succession planning helps to ensure that employees know they’re being groomed for a particular position, which gives them a strong sense of having a clearly defined future within the company. This is a strong retention tool and keeps people from leaving their companies for greener pastures. The resulting cost savings can be substantial but it takes a long-term investment.

**Improved employee engagement**—Obviously, showing employees a defined future and an upward career trajectory are powerful boosters of employee engagement. And, as a recent Gallup Employee Engagement analysis showed, companies with highly engaged employees experience financial growth rates nearly four times higher than those of companies with lower engagement.

**More accurate recruiting**—Sound succession planning also helps improve recruiting: when employers have a clear understanding of their organizations’ gaps in skills and leadership qualities, they can sharpen their focus on recruiting for specific future roles (even those not yet defined by succession plans), shortening the recruiting process and increasing sourcing accuracy.
Succession Isn’t a Standalone Process

Effective succession planning isn’t done in a bubble. It should be an integrated component of your total approach to talent management—which, in turn, should be integrated with your overall business strategy. Integration ensures that your talent management activities are aligned to your business goals and objectives, that your employees are given the opportunities they need to develop their leadership skills, and that the organization itself will have the leaders it needs for the future.

Once again, unfortunately, the research shows that employers are struggling to integrate all of these crucial pieces. Earlier this year, the Harvard Business Review reported that it had surveyed more than 1,000 corporate directors around the world. Among North American employers, only 12% of the respondents said their companies are effective at assessing talent; just 16% said their companies are effective at developing talent; and only 19% said their companies are effective at aligning talent strategy with business strategy. In addition, respondents worldwide agreed that their single greatest strategic challenge is talent management.

“Many companies today have some understanding of the talent they have and where their skills and leadership gaps are but they don’t have the internal development processes in place or even the external recruiting plans they need,” says Mike Williams, Vice President of Human Resources at Trinity Industries, Inc. “Also, succession planning investments don’t fit well within annual budgets. They work better with long-range planning cycles, such as three to five-year plans. But progressive companies that continually plan ahead invest in their long-term succession strategy, which has to have buy-in from the top-down. It takes a lot of discipline and takes a lot of investment but the return is the greatest for the organizations that have a complete succession strategy.”
Succession Isn’t a Standalone Process

Tim Jones, Vice President of HR, Talent and Organizational Effectiveness at ConAgra says, “While it’s fairly easy to pull together a short list of successors at any leadership level and to create a development plan for those individuals, executing that development plan is always tough. This is why senior leadership has to be committed to the development plan as well as the time investment, which isn’t easy to do when running the day-to-day operations of the organization. This what makes peer-enforced accountability so critical.”

In addition, Jones notes, it takes significant budgetary investment to have a quality succession strategy. “You have to cover the costs of leadership assessments, executive coaching, mentoring programs and other initiatives. That said, companies get much more bang for their buck when they commit to long-term succession and development investments that solidify leadership continuity.”

For many of us, we need to start the ball rolling on integrating succession planning into our total approach to talent management. We can accomplish this by tying it to current talent initiatives such as:

**Learning**—Once we understand where our skills and leadership deficits are, we can implement the right learning and development programs. Sound succession planning includes these learning programs to ensure future leaders are prepared to fill critical roles. Too many times companies experience “brain drain” without a plan to “fill up.” Linking succession with learning processes also benefits employees. Learning opportunities provide a sense of growth and accomplishment, helping employees broaden their skill sets and their contributions to the organization.

**Compensation**—Tying succession to compensation ensures that we map out an orderly payment progression for individuals as they advance toward the roles we’ve targeted for them. It also helps ensure that we pay our top talent
appropriately when they actually reach their target positions. And it helps employees clearly see—and be motivated by—the steady salary progress they’re making. Compensation can be perceived as “random” when it’s not tied closely to succession.

**Recruiting**—When succession is tied to your talent acquisition and recruiting activities, your recruiters can actually track your succession sources to determine their effectiveness. Again, a better understanding of your company’s skills and leadership gaps helps focus recruiting for specific future roles, shortening the process and increasing sourcing accuracy.

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**The Ins and Outs of Succession Planning**

Integrating succession planning with your total talent management approach often requires a shift in mindset as well as processes. You may need to change your own thinking—as well as that of your senior management—on the tools, practices and procedures you use to source, recruit, onboard and manage talent.

Here are a few other mindset shifts you might want to consider as you map out your succession plans. We refer to these as “The Ins and Outs of Succession Planning.”
The Ins and Outs of Succession Planning

OUT: Succession should be limited to a handful of senior management positions.

IN: Succession should be conducted for a much wider range of roles.

While it's tempting to focus succession planning on only the most promising individuals, you risk demotivating and alienating a large portion of your workforce. Plus, as recruiters know, a growing number of positions are becoming as challenging to fill as some top management spots. These include technical roles, big data roles, some single line contributor positions and unique functional roles. Only a careful inventory of your organization’s jobs and leadership needs will help you plan effectively. If you’ve already identified two or three candidates for your company's top positions, engage your functional leaders to do the same for their teams. (And if you haven’t identified a few candidates for your top positions, do so immediately and then move deeper into the organization.)

OUT: Succession is a Human Resources issue.

IN: Succession is a business issue that the entire organization must address.

To coin a phrase, it takes a village (or an enterprise) to develop a strong succession plan. Yes, HR is instrumental in helping to find the right individuals and in helping to develop, educate and nurture them throughout their career paths. But all of this needs to be done in partnership with line managers, functional heads, senior leaders and even the board of directors in the case of chief executives. Surprisingly, this is not the mindset at a significant number of companies. Nearly one quarter (23%) of the respondents to the American Management Association’s study referenced earlier say their companies treat succession primarily as a Human Resources function.
The Ins and Outs of Succession Planning

**OUT:** Succession targets employees who mirror or have the capacity to mirror the attributes and skills of your current leaders.

**IN:** Succession should target individuals who possess the attributes and skills your organization will need in the future.

This one makes all the sense in the world but it’s often easier said than done. For many reasons (some political, some cultural and some practical), employees who mirror current leaders are the ones who get the attention and earn advancement. But if your succession planning is firmly integrated with your company’s business strategy and objectives (as it should be), you’ll be focused on “building” the leaders of the future, not reinventing the leaders of the past.

**OUT:** Top talent will rise through the ranks as far as you’ll take them.

**IN:** Be certain the employees you’re developing for key roles actually want those roles.

This might sound comically elemental but it sometimes gets overlooked. Today’s top talent isn’t necessarily motivated by the same factors, goals and rewards as that of past generations. Fail to understand the career goals of your top talent and you might end up “developing” them for roles they don’t even want.
Invest in the Right Tools

In addition to heeding The Ins and Outs of Succession Planning, it’s also essential that we invest in the right talent management tools—tools that will actually empower our managers and our employees to make the necessary shifts in processes and mindsets.

We wrote about some of these tools in our recent article on HR software adoption. Here are a few of the most powerful tools you can employ:

**Performance review software** that helps managers measure both the quantitative and qualitative aspects of employee performance. This kind of software helps managers rate performance using criteria tied to the specific goals and targets of the organization at large as well as its functional areas and individual departments. This a more objective way to track and rate employee performance—which is critical to your ability to nurture and advance people along their succession paths.

**Data capturing and tracking tools** that enable you to: 1) gather data during your recruiting efforts, 2) gather data during your performance reviews, and 3) track high-performing individuals throughout the course of their careers.

**Tools that enable you to track key positions over time** regardless of the individuals holding these positions. This allows you to gauge the value that positions are delivering and then adjust responsibilities, training, compensation and other aspects to ensure maximum value for the company.

We simply can’t afford to go through the motions of succession planning any longer. We’re losing out on too many competitive benefits, and we’re putting the future of our companies at risk. If we don’t start getting traction now, there’s a good chance we’ll our best people will start heading for the door.
About Peoplefluent

Peoplefluent is the leading provider of talent management solutions designed to support the entire workforce. We provide the mobile enablement, social collaboration, information visualization and the domain expertise required to empower strategic decision-making and true employee engagement. Our talent management software enables organizations to unlock each individual’s potential by removing the boundaries that limit the performance and productivity of your workforce.

With the most comprehensive talent suite in the industry including solutions for talent management, workforce compliance and diversity, contingent workforce management, analytics and workforce planning, Peoplefluent offers a solution to optimize every step of the talent lifecycle. Our solutions have helped over 5,100 organizations in 214 countries and territories successfully achieve their talent aspirations. Today, 80% of the Fortune 100 relies on Peoplefluent solutions as part of their talent management delivery strategy.

For more information, visit peoplefluent.com.

FIND US
Waltham, Massachusetts
300 Fifth Avenue
Waltham, MA 02451 USA
Toll-Free Product Info/Sales: (877) 422-1114
Tel: +1-781-530-2000

Raleigh, North Carolina
434 Fayetteville Street, 9th Floor
Raleigh, NC 27601
USA Toll-Free: (877) 820-4400
Tel: +1-919-645-2800

London, United Kingdom 15 Fetter Lane
London EC4A 1BW
United Kingdom
Tel: +44 (0) 20 7832 3440

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