

FUNDAMENTALS

Effective Succession Planning

How to design and implement a successful succession plan.

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COMPANIES value succession planning to varying degrees. Some organizations have had a structured succession process in place for 50 years or more, while in other companies, the executive leadership believes that a formal process is not necessary.

Even so, the profusion of articles, books, and conferences on the subject clearly indicates a heightened interest in succession planning. In a recent survey conducted by Novations Group, 60 percent of respondents reported using some type of formal succession plan. However, despite all the interest, most organizations still have trouble giving a clear description of effective succession planning.

The term “succession planning” refers to a systematic process of developing individuals to fill an organization’s key roles. When a productive succession plan exists, the organization will have a sufficient number of qualified individuals to fill key positions. Individuals on the plan are typically identified in terms of their readiness to fill specified roles within a given time period. Succession planning should not be confused with replacement planning, which provides for temporary placement in key positions when an unexpected vacancy occurs.

Succession planning is more about developing candidates for success than identifying those who are coincidentally prepared. Furthermore, growing talent within organizations yields leaders who, through their historical knowledge and experience in the organization, have earned the trust of the organization and are more likely to be accepted as knowledgeable, capable leaders.

Robust development should involve

Characteristics of Success

STAGE 1 contributing dependently	STAGE 2 contributing independently	STAGE 3 contributing through others	STAGE 4 contributing strategically
<ul style="list-style-type: none"> • Willingly accepts supervision • Demonstrates success on a portion of a larger project or task • Masters basic and routine tasks • Shows “directed” creativity and initiative • Performs well under time and budget pressure • Learns how “we” do things 	<ul style="list-style-type: none"> • Assumes responsibility for definable projects • Relies less on supervision; works independently and produces significant results • Increases in technical expertise and ability • Develops credibility and a reputation • Builds a strong internal network of relationships 	<ul style="list-style-type: none"> • Increases in technical breadth • Develops broad business perspective • Stimulates others through ideas and knowledge • Functions as coach, mentor, or idea leader in developing others • Represents the organization effectively to clients and external groups • Builds a strong internal and external network 	<ul style="list-style-type: none"> • Provides direction to the organization • Defines or drives critical business opportunities and needs • Exercises power responsibly • Obtains essential resources • Sponsors promising individuals to prepare them for leadership roles • Represents the organization on critical strategic issues

Source: Novations

planned experiences integrated with critical work objectives or assignments, regular dialogue with appropriate management or coaches, and clear mandates for implementation. Too often, individual development planning at the senior levels is abstract or absent. It is often assumed that senior leaders just develop or learn independently with little support and coaching.

Set of criteria

Several factors have caused organizations around the globe to take a fresh look at their practices, including changing demographics, cost-cutting efforts, a lack of prepared successors, and violations of trust between the C suite and external board members to identify qualified replacements.

Given these aforementioned conditions and the importance of the outcomes of the succession plan, it is

critical for organizations to have a well-defined process in place. The plan must adhere to the organization’s definition of critical leadership capability. Succession plan criteria should include examples of previous success in critical operational experiences as well as a consistent demonstration of specific, relevant, and observable behaviors that are deemed necessary for organizational success.

Additionally, succession plans must guide individual development for those on the plan. Individuals responsible for succession planning should have well-defined roles and responsibilities. Just as important, the plan and its effectiveness should be reviewed regularly.

Strong succession planning must assess whether the individual demonstrates the organization’s core competencies, and whether she consistent-

ly behaves in accordance with stated values and principles.

One question that might arise is how current performance should influence the line of succession. First, any performance data used must recognize the sustained contribution of the individual. One incident of success or failure is not an adequate defense for placement on or removal from the plan. Second, performance criteria should be as objective as possible and include multiple viewpoints and a variety of data, such as assessments, performance reviews, and observations.

It is highly recommended that performance be given equal or greater weight than the less objective criteria of “potential,” which many organizations rely upon. Past behavior is an excellent predictor of future performance, and this is especially true in leadership roles. Seventy-seven percent of Novations’s survey respondents indicated that assessments of potential are used to place individuals on the succession plan.

Consistent assessment

In order to assess individuals’ current skills, values, and principles, most organizations identified core or leadership competencies. If these competencies are not carefully identified and described, the success of the succession planning process can be jeopardized.

Success in an individual’s career occurs when individual behaviors match organizational expectations. While specific competencies may vary from role to role, there should be a consistent set of criteria on which to base selection, development, and leadership assessment.

At the individual level, a potential or readiness assessment may consist of one or more of several familiar tools, including 360-degree development feedback surveys that are based on an organization’s set of leadership competencies, interviews and assessments conducted by an industrial psychologist, and assessment centers where individuals perform structured exercises and are given individual feedback on their performance by trained observers.

The goal of each of these methods is to gauge a person’s readiness to take on additional leadership responsibility through observation or a comparison of the individual to a psychological profile of successful leaders. Such assessments can provide additional data for decision making regarding the individual’s development. Assessments must be carried out by highly trained individuals. Also, consideration should be given to the design to ensure that the assessments are valid—that they indeed measure the behaviors that are needed by leaders in the organization.

Forty percent of the Novations survey respondents indicated that every employee in the organization has a development plan, regardless of their inclusion on the succession plan. Almost one-third of respondents noted that those on the succession plan have professional development plans that are regularly reviewed for actions and progress.

In the survey, only 1 percent of respondents indicated that the board of directors is accountable for leading the succession planning process, while 50 percent noted that the senior human resources executive is accountable. Fifteen percent reported that the president or CEO is responsible for leading the process.

Board members have a responsibility to the stakeholders who elect them to assure that there is a pipeline of qualified, diverse candidates to replace key management team members. Board members need to be exposed to the leading candidates so they can develop a personal point of view. Annual reviews of candidates for C suite replacements are also necessary for board members to fulfill their responsibilities regarding succession planning.

Plan ownership

The CEO or COO must own the succession planning process and results. His role is to ensure that the process considers all employees and utilizes the aforementioned succession criteria instead of relying upon personal relationships between nominators and candidates.

The human resources department should be responsible for the design of

the succession planning process and for policing the legitimacy of its implementation. It should serve as the agent and conscience of the board and CEO. HR staff must also ensure that there is a pipeline of diverse individuals who will complement leadership team competencies and capabilities. HR should structure forums for executives to review candidates’ job performance and behaviors. A senior HR executive should also address any apparent favoritism or exclusion and return the focus to stage-appropriate behaviors.

Employees should shoulder responsibility in the process. They own their development and are accountable to use the fully disclosed competencies and staged behaviors to set development goals. Employees should know that they must demonstrate appropriate behaviors in order to progress on the succession plan or continue contributing to meet organizational expectations.

A regular evaluation of the succession plan and process should include a thorough review of the people in the plan, their demographics development progress, current performance, and recent assignments. Surprisingly, 70 percent of the Novations survey respondents do not measure effectiveness of their succession planning process.

The results of the plan should be measured using key metrics, such as the number of people on the succession plan placed in key positions over the past period, the strength of leadership movement onto and attrition from the plan, and changes in the “ready now” status—especially for women and minorities.

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