



**Head
Light**

Successful Succession Planning

part of our We think... series

The Talent Cloud Platform

Developing Skills. Encouraging Performance. Boosting Recognition.



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A definition of Succession Planning

Succession Planning is essentially the process by which you identify people to fill key positions.

We are being asked, increasingly, by customers to help them look at how they identify, manage and promote key talent within their organisation. Having a joined-up, coherent and strategic approach to managing the flow of talent is likely to be a continuing theme in a period of continued uncertainty and this article looks at a process that is important for ensuring that you have the right people in the right place at the right time.

A broader definition might also include the processes by which you develop and promote these people. Some see succession planning as being focused on leadership and senior positions, whereas others take a more inclusive view and extend the process to a wider range of key roles such as product developers, creative leads, client managers and technical experts. Wendy Hirsh (2000) defines succession planning as:

“a process by which one or more successors are identified for key posts (or groups of similar key posts), and career moves and/or development activities are planned for these successors. Successors may be fairly ready to do the job (short-term successors) or seen as having longer-term potential (long-term successors).”

This definition introduces the concept of readiness, something that we will be looking at later in this *We think...* paper.

The importance of Succession Planning within the Talent Management Strategy

Talent Management has broadly existed in various forms for many years, with organisations using such processes as succession planning and competency frameworks to identify and develop their high potential performers. The term itself was coined in the late 1990s, gaining particular momentum as firms tuned into the fact that having a consistent and focused approach to managing intellectual capital within the organisation would have a positive impact for the business.

In a report by Josh Bersin, the Principal and Founder of Bersin by Deloitte of Deloitte Consulting, (*Predictions for 2013 : Corporate Talent, Leadership and HR—Nexus of Global Forces Drives New Models for Talent*) business leaders are reportedly concerned about bench strength within their organisations with 54% of business leaders cite improvement areas in their leadership pipeline as one of their three critical obstacles to growth and fewer than one-quarter of the organisations studied felt that they have well developed strategies to identify and develop high-potential people. Indeed, this is a less favourable picture than that of the CIPD/DDI Global Leadership Forecast report in 2008-2009 which reported that 58% of UK organisations had a process for identifying high-potential leaders, indicating that succession planning is not as widely practiced as it could be.

So what's the business case?

HayGroup, in their 2007 paper '*The War for Leadership*', identified seven key practices which differentiated the top 20 companies (in terms of quality of their leadership) from their competitors and the rest of the Fortune 500. In actively managing their high potentials the top 20 companies are more likely to:

- Have a formal process in place for identifying individuals who are likely to assume leadership roles in the future.
- Provide career tracks for high potential professionals or individual contributors that are separate from those for high potential leaders.



- Provide formal programs which accelerate the leadership development of high potentials (e.g. stretch assignments and developmental job rotations).
- Look across the whole business (including corporate services such as marketing and HR) when seeking high potential, future leaders.
- Fill middle management positions with internal candidates.
- Find internal candidates for senior positions.
- Promote CEOs from within.

This highlights the role of Succession Planning in both the broader Talent Management strategy, and its contribution to the performance of an organisation.

In reality most organisations find it difficult to execute a talent strategy on an organisational scale, with different elements being developed by different teams or individuals and with parts of the process having different 'owners', or with different divisions or parts of the company operating effective succession planning processes locally, but with limited mobility on a cross-functional, location or divisional scale.

Succession Planning in practice

As a starting point, you may want to look at what succession planning can give your business. Consider the questions below in relation to your organisation.

- Who are your High Potential individuals?
- Where are they in the organisation and how are they being managed?
- Which of your High Potential individuals have an increasing risk of leaving you?
- Which of your Succession Plans are at greatest risk of failing to deliver?
- On which high performers should the organisation be focusing its retention efforts?
- Who, for example, speaks Spanish, wishes to move internationally, has high level commercial skills and experience in the past of working with the community?
- Can you provide succession plans for specific managers or critical posts, or for high-risk individuals that are likely to leave or retire in the next 12-24 months?
- Do you have a list of those who are immediately ready to take on new challenges in specific business areas or roles?
- Are you able to look at potential new team members, matched to deliver a specific programme such as a merger?

As you answered these questions, think about how you accessed this information? Were you able to answer them?

Head Light has developed a *Succession Planning Readiness Tool* to support you as you gather evidence to better understand where you are now and do contact us to request a copy of this.

The importance of career planning: the flip side of Succession Planning

The importance of a structured succession plan is evidenced above. But what does this bring to the individual employee beyond that of being entered into a talent pool?

With the structures, language and resources in place for succession planning, you are able to promote the benefits of 'career planning' to each individual within the organisation.

These benefits can be seen as:

- The career pathway options within your organisation can be viewed easily by everyone;
- Different career routes can be planned, and modified by the individual who is trying out ideas;
- The organisation's commitment to long-term employee retention and development is demonstrated;
- Each individual can identify themselves for potential roles or highlight their willingness to relocate;
- Each person is able to assess their own knowledge, skills and experience gaps for the roles they want to pursue.

Software such as Head Light's Talent Successor and Talent Navigator can help with this.

Getting succession planning wrong

The CIPD's survey - *'The war on talent? Talent management under threat in uncertain times'*- found that talent management (and therefore, succession planning) has become more important since the economic downturn. In periods where costs are tightly controlled and every business activity is scrutinised for added value, it is crucial to understand where talent lies within an organisation and how individuals can be developed in order to meet business critical issues, in both the short- and long-term.

The risks

The strategic gains associated with succession planning are outlined in the previous section, but what are the risks of not doing it?

- Operational risk due to loss of key staff, knowledge, skills and experience.
- Loss of competitive advantage as critical staff leave and are not replaced quickly.
- Increased cost of recruiting to fill a position with external candidates; the cost of replacing an individual role can be many times his or her annual salary.
- Increased cost of 'on-boarding' new recruits in the form of induction, systems and process training, probation periods and settling people into a new culture and environment;
- Lower levels of engagement within the organisation due to a lack of perceived promotional opportunities, clear development plans and career paths.

Approaches to succession planning

Fluid or prescriptive?

Many organisations do succession planning on a fluid and informal basis.

As one client told us:

“Succession planning has to be flexible; even if there was a formal plan in place, strategies change and structures often change with it. The important thing is to ensure a continuous pool of talent available to fill roles. In our environment there would be a number of people primed to take up positions within an area but there is no reliance on one individual to mentor and grow a specific successor for their post. No-one is indispensable. We create pools of talent and use them when an appropriate opportunity emerges.”

Where roles are more clearly defined, more stable and less prone to radical change, it is perhaps possible to create a more formalised process with key talent being tracked through the organisation, career paths defined and individuals earmarked for specific roles.

However, the risks of being overly prescriptive are also worth considering, and include:

- Creating a process which is unwieldy and difficult to adapt as the business and roles shift and change;
- Failing to monitor the effectiveness of the succession planning process by not having data to demonstrate that it provides a return on investment or that it does deliver the intended successors ‘on time’;
- Causing disengagement among those who are not part of a talent pool, or who are not part of any succession planning process;
- Creating a source of ‘knowledge is power’ that could be open to abuse; those who have access and ownership of the succession data would need to ensure that there is clear agreement and acceptance of the appropriate and legal uses of the data collected and stored with regards to individuals;
- Losing those staff who are in talent pools, or who are earmarked as high potential, to competitors who can offer them similar target positions in a shorter timeframe, or with a bigger salary;
- Creating high expectations among the talent pools which may not be matched with actual opportunities;
- Not engaging employees in their own career the by failing to include their views and aspirations.

Clearly, the need to have a flexible system for capturing data, track the flow of talent and to provide evidence for the predictive validity of the assessment criteria used to identify ‘successors’ becomes critically important. As does the need to constantly review and monitor the efficacy of the process with key stakeholders and the need to ensure there are alternative programmes and opportunities for development and promotion among the rest of the population. Managing expectations, careful communication and ensuring an inclusive approach to talent management are all things that need to sit alongside succession planning efforts.

The main activities

In large organisations, (or even medium-sized ones), it would not be practical to line up a successor for each and every position. So most organisations need to determine which positions are ‘critical’.

Determining the critical positions

For most organisations, having a successor identified and developed for each and every role would be beyond their reach, and not a productive use of HR resources. It is probably the role of all managers to be readying their second-in-command, but, as an HR or OD practitioner, it is important to focus your efforts on talent planning for those roles which are most critical to the company’s immediate performance and future success.

But how do you identify these roles? We suggest looking at seven areas.

1. Review and align with business strategy

This should be your first port of call. Gather together any strategy documents, reports and presentations. What are the key elements for the delivery of the strategy in the next 2-5 years? Do any departments, teams or roles come to the fore when you consider what the company is prioritising in the near future? This may identify skills or role gaps which the organisation needs to fill and then subsequently create succession plans for, but looking at the strategic priorities is a good way to identify critical positions, skills and functions. You will need buy-in from the business and its managers, so being able to demonstrate relevance to the organisation’s strategy can prevent your work here being seen as a ‘pet HR’ project.

2. Survey the market

What are the market conditions currently like? Are there any professions, skills or specialisms which are in short supply at the moment? Which positions are you currently finding it hard to fill due to a lack of available external talent? Which positions are difficult to fill generally – either externally or internally? Examining the current supply of talent to your industry – and even from outside it – is a useful way of highlighting those roles which create a recruitment nightmare if they became vacant.

3. Take the pulse of Learning & Development

What training and development gaps are more frequently addressed than others? Are these critical or base skills? If they are critical skills, where do they feature in an organisation and does that imply a critical role? See if you can find a Consolidated Development Goals Analytic that shows the most commonly developed areas (it should also show you where in the organisation these gaps reside).

4. Examine your organisation chart and structure

They’re not always up-to-date, and they may not always make sense, but if you have a workable organisation chart you can take a closer look at it. Are there posts at which multiple reporting lines converge? What dependencies are there on the roles shown? Are there lots of dotted lines which might indicate subject-matter expertise, professional leadership or critical project management? Cover a role up and ask yourself what the impact on performance and strategy delivery would be if this role was left vacant for more than a couple of weeks. When considering this impact, try to identify different levels of ‘criticality’ as it will help you agree terminology and gain buy-in from the organisation.

5. Look beyond your leaders

It’s not all about reporting lines. The nature of the roles which will be most critical will be largely informed by the strategy, but ask yourself broader questions such as:

“Where are the important touch points within the organisations for our customers?”

“Who is responsible for managing and representing our brand to the market?”

“Who is crucial to our product development activities?”

“Who within our corporate functions are the key enablers of performance, helping the business to deliver against the strategy?”

Don't overlook roles in CSM, customer-facing environments, sales, marketing, R&D and central services.

6. It's good to talk!

Consulting with the departments or business units in your organisation is likely to be an equally accurate and informative source of intelligence. Ask business heads who they see as being essential to performance. Get them to identify key roles and flight risk profiles.

7. Skill combinations. A clue?

Once you believe you have identified critical roles, take a look at the skills typically deployed in those skills and look for common combinations across these critical roles. Then see if you can find other roles or even people that have the same combination. Do any of their roles also belong on the Critical list? Use skill databases and search tools to find these hidden gems.

Identifying the successors

Once these issues have been agreed and the critical roles identified, the next logical step is to develop the means by which you identify 'successors'. This might involve:

- Analysing the target roles to determine the requisite knowledge, skills, behaviours, experience and competencies necessary for success in the role.
- Determining the early markers of potential for success in these roles – what could individuals reasonably show at earlier stages within their career that would indicate potential for the target position? Increasingly, we are seeing a focus on 'learning agility' (see our blog on this subject) as being a characteristic that high potentials tend to possess.
- Developing an assessment process aimed at determining who currently demonstrates the 'potential criteria'.
- People who see themselves in the role – or where their manager believes that a future role is achievable and right for the individual.
- After identifying these people (and those that did not meet the criteria have been carefully managed), the 'successors' are often allocated to a talent pool.

Creating the talent pool

Entry into a talent pool is often accompanied by a structured development process. The progress of these individuals then needs to be tracked – as we said above, it becomes clear that an effective HR metrics system needs to be in place in order to manage, administer and evaluate the effectiveness of succession planning activities.

Targeting when a position is available

If we look at the Performance/Potential grid, many organisations use a variation of the 9-Box Grid for tracking talent and making decisions about who to promote when a target position becomes available. A common approach is to have 'Talent Review Boards', where senior managers and key stakeholders get together to review the performance of their talent pools and plot individuals on the grid with regards to their current performance, level of potential and readiness for promotion.

Figure 1 shows an example of how the 9-Box Grid might be used in succession planning.

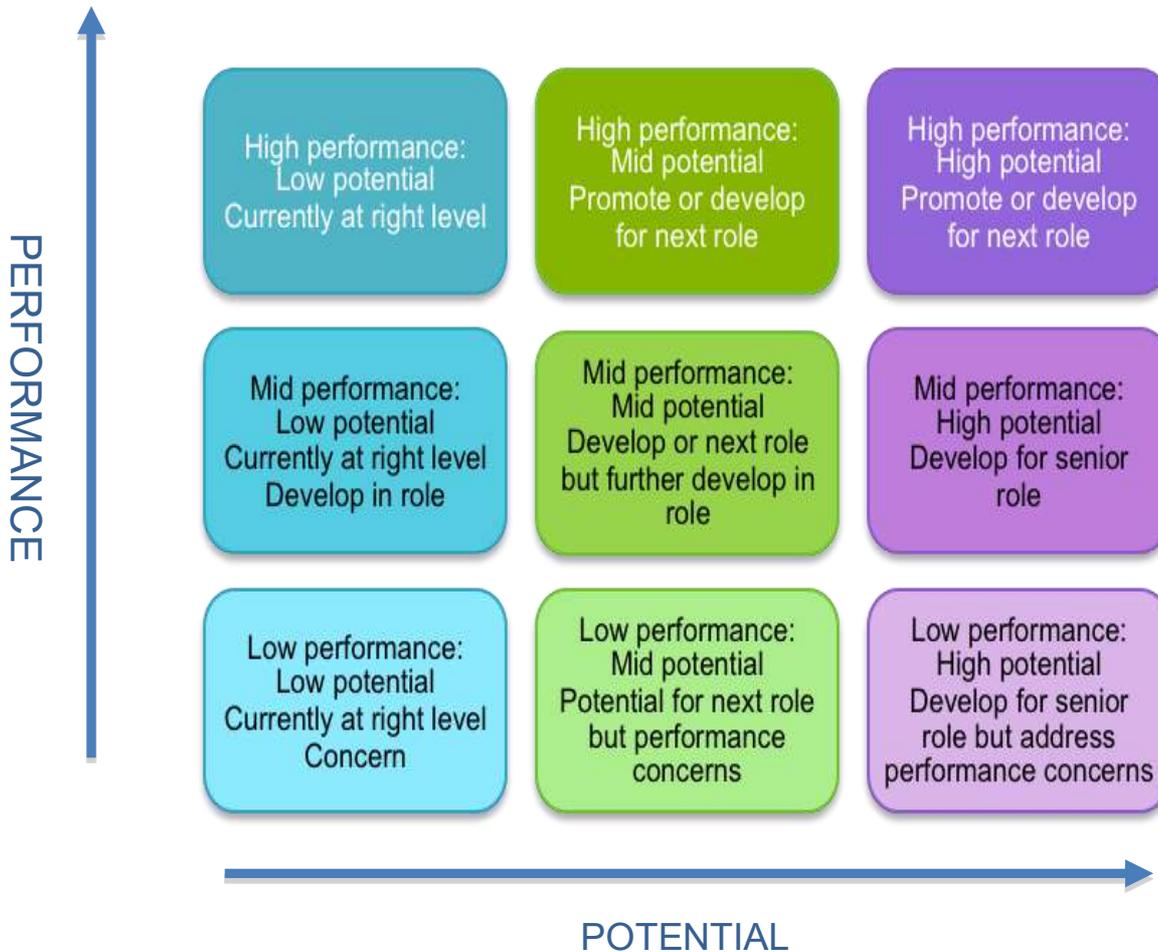


Figure 1: Example of a 9-Box Grid

Often, there is a further assessment stage at the point of promotion, which is usually focused more on the broader range competencies that are important within the role, rather than on the early indicators of potential. The objective here is to determine who, within the talent pool, has demonstrated that they have developed in the specified areas and who shows the closest match to the requirements of the role.

The process for developing a succession plan might therefore look like the following:



Figure 2: Developing Succession Plans

The roles of Learning & Development, performance management and 360 review in succession planning

As we have said, having the means by which talent can be ‘spotted’ and assessed as having potential for another role is clearly critical to effective succession planning. 360 and performance management could obviously play a key ‘gateway’ role here. The challenge is to ensure that your current systems are capable of measuring those things that would identify future potential, rather than just focusing on performance against deliverables in the individual’s current role.

Once key roles and positions have been identified and talent pools created, it is then important to ensure that the ‘successors’ develop the skills, knowledge, competencies and experiences that are critical to success in the target position. This is usually achieved by exposing them to the right opportunities, lateral moves, mentoring, knowledge-sharing, peer-learning, formal training, professional qualifications or a period of study and coaching. This reinforces the importance of effective job evaluation (you need to know what those critical skills, knowledge, competencies etc. actually are) and the need to ensure that you have a range of developmental offerings in place. Cost effectiveness should, as always, be a key consideration and making use of informal learning opportunities can be a way of increasing this. For instance, many organisations pay scant attention to how knowledge is shared, transferred and stored within the organisation, although these things may happen organically. However, knowledge is power and unless people are incentivised to share knowledge and ensure that the organisation is not exposed to the loss of key people (and therefore critical information and knowledge), organisations risk not being able to fill those key roles with someone who has the requisite knowledge, even if there are clear succession planning processes and talent pools in place.

Entering into a talent pool often means embarking on a formal process of development, which take the talent pooler through to promotion into the target role. A typical journey for a talent pooler might be:

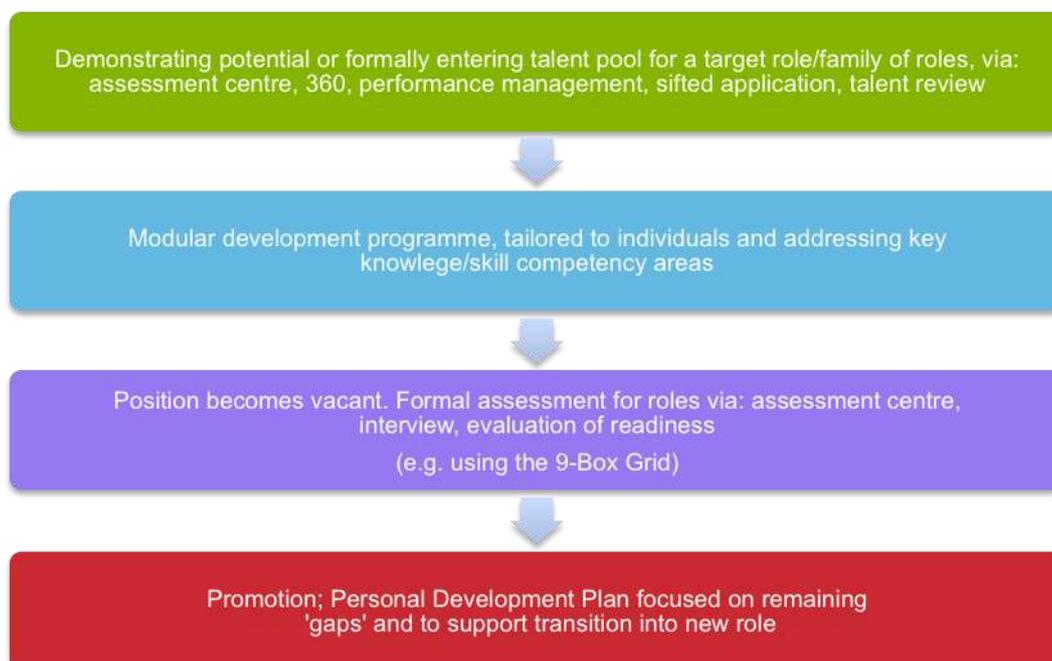


Figure 3: Talent Pool Journey

Next Steps

Succession Planning is a complex process that needs to be flexible, clearly linked to business strategy, aligned with other HR and L&D processes and subject to constant review and monitoring.

However, the benefits of doing it in a focused, systematic way are clear and, when building the business case, it is worth considering how investing in the succession planning process can add value and focus to other areas such as recruitment, individual career development and performance management.

Whether you see Succession Planning as being focused on leadership and senior positions, or whether you take a more inclusive view and extend the process to a wider range of key roles such as product developers, creative leads, client managers and technical experts, it can be difficult to know where to start.

Succession planning tools (such as our Succession Planning Readiness Tool) and software (such as Talent Successor) can help you to get started and to provide you with the capability to create and then interrogate talent pools within your business. This specialist software can help you to plan how best to increase talent mobility within the organisation, to manage interims, to streamline succession planning and mitigate the business risk of your top talent leaving.

Head Light has developed the *Succession Planning Readiness Tool* to help you assess your organisation's current readiness for succession planning and to prioritise your next steps. It is divided into the following sections:

1. Key Role definitions
2. Competence Framework
3. Assessment Strategy
4. Development Planning
5. Action Planning

About Head Light

Head Light is an award-winning talent management and talent retention software and consulting firm that works with clients to define and implement impactful talent management strategies.

Talent Cloud® is our cloud-based portfolio of integrated talent management platform tools designed for those who expect the maximum return from talent management processes. Our training and consulting services uniquely complement our platform that engages employees, managers and senior leaders in the selection, development and progression of people in their businesses.

Companies in the FTSE 350, public sector, large and small, from retailers to high tech innovators have all benefitted from our tools, techniques and expertise. Founded in 2004, we are headquartered in the UK.

Head Light has attained the ISO27001 standard for Information Security. Certificate No 217613.





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