

Requirements for implementing a succession management system

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There's not much information around on how to put effective succession management into practice. Which makes the following step-by-step guide all the more valuable...



AS THE CURRENT generation of executives moves closer to retirement – many will arrive there in about five years – interest in succession processes has increased greatly. Doing succession well is important. An ineffective succession system can result in leaving a critical position vacant for too long or promoting someone who is ill-prepared or wrong for the job. Each of these eventualities can cause real problems, financial and otherwise. Succession management has gained currency in recent years as a strategy for addressing this situation.

Research with companies such as Dell, Whirlpool and Johnson & Johnson has led to what could be called a ‘best practice’ succession management process.¹ The systematic nature of succession management and its focus on capability development make it highly appealing. Unfortunately, most authors do not explore implementation issues. Instead, they commonly say that there is no one, single best approach and that each company should design a succession process that fits its needs and culture. While good advice, it is inadequate for those tasked with designing and implementing a succession process and/or recommending one to a company’s executive group. The purpose of this paper is to explore some of the primary requirements associated with implementation.

First, it is important to define succession management along with the approaches that have preceded it, and which are still widely used.

SUCCESSION MANAGEMENT, SUCCESSION PLANNING AND REPLACEMENT PLANNING

The fundamental purpose of succession management is to ensure that appropriate and ready candidates will be available when a need arises. The primary focus of succession management is proactive development and management of talent pipelines or pools. These support the organisation’s strategy, and range from critical positions at top levels of leadership and management through to vital, hard-to-replace technical positions. This ensures a diverse and ready pool of candidates.

Succession planning has a similar purpose but usually is focused on preparing for succession at the top two or three organisational levels. With replacement planning, the primary focus is identification of immediate and long-term successors,

often with minimal regard for actual readiness. Thus, both replacement and succession planning may be of help in meeting needs at the very top of an organisation, with the latter being of most help. But with either, problems can be created at lower levels if there are unanticipated vacancies as people are promoted or leave.

To start a succession effort , focus where the need – and therefore support – is greatest.

BEST PRACTICES MODEL

Although there is some variation among recommended models, most include the following:

1. active and visible support from the CEO and executive staff which flows down to line management
2. linkage of the succession effort with the organisation’s strategy. This provides a context and direction for the plan and associated activities
3. a focus on development – mainly through action learning and cross-organisational assignments. Development is differentiated, with top talent receiving significantly more development than others
4. creation of talent pools or a leadership pipeline that may include all management levels and perhaps critical non-management positions
5. regular talent review meetings followed by feedback to those in the succession plan/pipeline
6. open communication with those in the succession plan about their status and prospects. This enables those in the plan to share goals, experiences and other information that might not otherwise be known by decision-makers
7. streamlined, simple process with minimal paperwork
8. accountability for follow-up.

For someone considering design and implementation of a succession management system, the above

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characteristics lead to some very practical questions regarding: **roles** – what those who support the succession effort should do

systems and processes – the internal processes for gathering data and making and implementing decisions

resources – how time, people and money should be allocated to ensure that people utilise the systems effectively and carry out their roles.

Theoretically, these three elements are subordinate to the goals of the succession system, which, in turn,

support the organisation's strategy. In practice, each affects the others. For example, goals will sometimes change if key leaders are unwilling to participate fully or if there are insufficient resources. A full succession management system takes several years to implement. The following discussion of these three elements is intended as an aide in thinking through the key steps.

ROLES

CEO and Line Management

All the current research on succession and talent management indicates that the CEO must set and lead the agenda for an organisation's succession system, or, more broadly, the talent management agenda. There are at least two reasons:

- The board of directors will be interested in succession and associated processes, at least at the senior levels of the organisation – Disney and Citibank are two recent examples
- Only the CEO can represent the talent management needs of the entire organisation and hold subordinate levels of management accountable for implementation.

Human Resources (HR) cannot do this effectively because it is a support function; it does not have sufficient authority. Members of the senior leadership team often are inappropriate because their interests can be parochial, resulting in behaviour such as hiding talent or blocking cross-business/cross-functional assignments.

CEOs of best practice companies report that they spend up to 30 per cent of their time on talent management-related issues (Jack Welch at GE being a well-known example).

They understand that this is part of their job and that they, along with all the organisation's managers, are ultimately accountable for strengthening the organisation's talent pool.

The CEO should work with the senior team to determine operating principles related to areas such as: diversity; differentiation of talent; cross functional movement of people for development; at what level to treat high potentials as a corporate resource instead of a functional resource; whether to adopt a 'make or buy orientation' (ie, whether to develop internally or recruit from the outside); and the role of line management in the development of people.

Along with the senior team, the CEO should be actively involved in key activities such as talent review

discussions, assuring there is accountability for development assignments that come from the talent reviews, and for subsequent progress reports that roll up from lower management levels. Additional related activities include:

- leading policy direction discussions with senior staff
- linking current and future business needs/challenges with internal capability to meet those challenges
- discussing potential and actual talent gaps and determining next steps
- reviewing critical jobs
- discussing high potentials then reviewing and providing input to their development plans
- engaging in talent review discussions and providing performance-related input as appropriate
- coaching and developing others

Only the CEO can represent the entire organisation's talent management needs and hold management accountable for implementation.

While activities dealing with policy and strategy are probably most appropriate for executive levels, managers at all

levels should be expected to engage in most of the others, scaling the specifics to their organisational level. In some cases, managers will be unfamiliar with what to do and/or how to do it. They may require coaching or other developmental activities, delivery of which may be facilitated by HR or other parts of the organisation.

Throughout, the CEO must set the standards and enforce them through words and actions. If the CEO's message and actions are inconsistent and if, for example, he or she protects colleagues who are under-performing, this will be a signal that others can do the same. As a result, an effective succession management

system can quickly become one where the focus is on administrative details instead of readiness.

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Human Resources

Human Resources' primary role is to establish and support effective succession management processes that lead to desired results. Processes should be simple, direct and aimed at building bench strength. That is what gives decision-makers the best choices when a vacancy occurs.

To do this, HR must apply its expertise in assessment, development and selection, and combine that with expert organisational and industry knowledge. HR should have solid data about key organisational leaders and it should also provide expert

support to assist line management in assessing people. (This may mean using external experts.) HR also should have the appropriate information technology for storing and utilising the data it gathers. HR should establish and control processes for internal searches and candidate slating; it should push to establish standards for how key vacancies are treated and how talent is assessed.

HR does not make selection decisions, but that does not mean that HR cannot advocate a long-term view and high standards. What HR should not do is become a political broker. If that happens, HR's ability to carry out its responsibilities in this and others areas can be compromised.

HR should resist the temptation to create elaborate administrative procedures. These do little to build organisation support for succession. They also focus attention and effort in the wrong place – should be readiness. Having a list of likely replacements is not the same as having actual ready replacements.

SYSTEMS AND PROCESSES

One or more organisational systems and processes support each of the best practices. All of them, including those detailed below, are interdependent and require people who know how to utilise them. (Although there is not space to address the topic in this paper, the ability to implement many of these systems and processes depends on a supportive organisational culture as well as the other factors described below.)

Those systems and processes include: a competency model, a performance management system, a development system, a talent review process, an HR information system, and an executive level policy and review process.

A competency model. This describes primary knowledge, skills and abilities needed to meet leadership and operational goals. These often are highly detailed in terms of desired behavior and outcomes in each competency area and, sometimes, by organisational level. Once established, competencies can be used for various purposes, including: the performance management system for expectation setting; the talent review process; and development and, therefore, selection.

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A performance management system consists of setting expectations and providing performance feedback in relation to those expectations.

A performance management system. At base, this consists of setting expectations and providing timely feedback on performance in relation to those expectations. Often this becomes the basis for coaching and other developmental activities. The organisation's reward system sometimes is linked to this feedback loop. In theory, a performance appraisal should be an effective means of formalising performance

management. In practice, it rarely is. Nevertheless, many organisations use performance appraisals for this purpose.

Any of the best practices that

involve the following should depend, in part, on a performance management system (though, too often, they do not):

- a development assignment
- collection of data regarding how well the individual performed and how well he or she developed identified knowledge and skills
- feedback to the individual on their performance
- decisions at a higher organisational level about next steps

A development system. Development sometimes involves workshops and other more formal events. Most often, however, development occurs on the job through coaching and various developmental assignments, such as participation on action learning teams or job rotation. Those identified as having the

greatest potential are more likely to attend off-site workshops and similar activities.

A developmental assignment is most effective when the person being

developed understands what is to be learned and why; in other words, there should be an explicit link to performance management and appropriate competencies. Action learning works best when learning goals are clear and when the action-learning team is addressing a project that is meaningful to the organisation and/or senior management. To support such assignments effectively, most managers will require personal development to build their own skills in performance management and coaching. An organisational culture that expects and supports application of performance management and coaching skills also is helpful.

To effectively allocate assignments, it is important to know which ones provide what kind of development, at least in general terms. Some companies use

particular jobs for development because they know the experience gained in the assignment is critical for future growth. This information is best developed over time by talking with people about the challenges faced in a particular assignment, rather than by just using job descriptions and theorising. Often, HR gathers this information.

A talent review process. This builds on the performance management system, the organisation's competency model

and information about development opportunities and assignments. These meetings serve to regularly measure the progress of those in the system. It is important to know whether the right people are being developed at the right pace for the right jobs. It also is important to know if there are enough people in the system to avoid stretching the pool too thin. Usually, high potentials are reviewed once a year. If there are large numbers of people in the plan, multiple meetings may be needed.

At higher organisational levels, broader issues related to overall bench strength and potential talent gaps also may be discussed, as future development assignments are determined. Usually, high potentials above a certain organisation level are considered a

corporate resource or 'corporate property'. Typically, the CEO and his/her executive staff will at least have input into

final decisions about cross-functional/organisational development assignments for this group. These decisions should be made in the context of the significant business challenges the organisation is expected to face in two to five years.

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Often data on those in the succession plan is arranged in a matrix (see figure 1). Some companies use formulas to fill in the boxes; some are more informal. In the end, assessing potential is at least as much art as science. It is best to use performance-over-time as the measure. To do this, it is important to know what criteria are being applied and to have

people who are skilled enough to use those criteria. The foundation for this lies in the competency model and skilled use of

performance management.

An HR information system. At the highest organisation levels, where overall planning occurs, the outcome of the talent review process is combined with workforce planning data – from the HR information system – and broader organisational and strategic planning. Here, it is important to compare current trends with projected future needs and to examine areas such as turnover, age of the employee population by level, key retention risk areas, potential blockages of positions identified as developmental assignments, and bench strength.

An executive level policy and review process. This is chaired by the CEO and typically includes the executive staff and HR. It deals with succession

management policies such as differentiation, diversity and cross-functional development assignments. The review group also

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ensures that succession management outcomes link to organisational strategies and challenges. If the organisation is moving in a direction that may require additional or new knowledge and skills, activities related to filling the leadership pipeline and development should reflect that.

Figure 1

Potential-performance matrix

	High performance	Medium performance	Low performance
High potential			
Medium potential			

RESOURCES

The resources question is often the first one asked. Much of the preceding is a general discussion about how time, people and money should be allocated in implementing an effective succession system. In this section, we will examine some ways to approach this issue.

There is no doubt that the systems and processes described above require commitment of resources. The best practices companies are very large and successful; presumably they have the necessary resources. However, other companies of equal size and, one assumes, approximately equal resources have not implemented such systems. Thus, it seems reasonable

to suggest that the resource question is partly about available time, people and money, and partly about priorities and orientation to succession and talent management. There is no easy answer to the question of orientation and priority-setting. Research – from the Corporate Leadership Council (2003), and others – shows that investment in effective development leads to better company performance.

That said, let us briefly discuss the two most visible uses of resources.

Development. One of the primary reasons for internal development is upward movement of the company's employees. It is good for morale. It often is more effective for the organisation when a person who understands a company and its processes is promoted. Consequently, a useful perspective related to cost is to compare the cost of development with the cost of turnover, or the cost of bringing in a new, mid-senior level manager from outside the company. The cost of workshops and other similar activities is fairly easy to quantify. The cost of developmental assignments is more difficult. The various benefits, including some work-related output of the project or assignment, must be balanced against some measure of opportunity cost, and somewhat reduced performance, as learning occurs. Development assignments should not be viewed as free – or almost free – just because the participant is doing company-related work.

Executive/management time. The executive/management time issue is about time, of course. But, as mentioned above, it is more a question of priorities and adapting to the change in role. At the top of the organisation, this means taking on a less technical and more strategic role. The CEO must take the lead. For all levels of management, this also is likely to mean having to learn and apply performance management and coaching skills. HR can help managers save time by establishing processes and resources for development assignments and action-learning projects. HR also should have a significant role in assisting executives/managers to adapt and

learn their new role and the skills required to be successful.

SUMMARY AND RECOMMENDATIONS

We have reviewed the roles, systems and processes, and resources needed to implement a full succession

management system. For many companies this is more a long-term goal than a real, near-term possibility. It is best to focus where the

need – and therefore support – is the greatest. Often, a succession effort will begin or become energised because of a need in a critical area, such as preparing to replace many of an organisation's top executives within five years.

Executives and their subordinate managers must learn that succession management requires a shift in how they understand and enact their roles. There is a significantly greater emphasis on performance management, coaching, and the talent review process. Human Resources must also adapt and provide expert coaching, facilitation on key policy issues, appropriate advocacy, and simple workable systems that will support effective succession management.

Often a succession effort will begin at the top three organisation levels. This a good place to begin and to

learn about how to implement a succession system. But it is only the beginning, if the aim is succession management, which focuses on

development of a pipeline that provides ready candidates at all management levels and, in some organisations, critical non-management positions.

Most organisations already have some version of many of the systems and processes described above. These organisations can and should build on what they have, using a unifying structure such as the succession management model described above. Approached incrementally and with this structure in mind, many companies can develop an effective succession system, and an executive and management team that understands its role in managing succession and the company's talent.

Compare the cost of development with the cost of turnover or bringing in a new manager from outside.

Succession management focuses on development of a pipeline that provides ready candidates at all management levels.

ENDNOTES

- Such as: M Leibman, RA Bruer and BR Maki, 1996, 'Succession management: The next generation of succession planning', *Human Resource Planning*, vol 19, issue 3. See also: Corporate Leadership Council, 2003, *Hallmarks of Leadership Success*, Washington DC.

JA Conger and RM Fulmer, 2003, 'Developing your leadership pipeline', *Harvard Business Review*, December.