

# Finding Success at Succession

David Berke

In recent years, succession planning—which aims to ensure continuity in key leadership and management functions—has become increasingly important for organizations. There are many reasons for this, but perhaps the most obvious is demographics. The oldest of the baby boomers are getting close to retirement, and the group following the boomers, Generation X, is not large enough to replace them.

Demographics, however, are not the only reason why organizations and their leaders should pay attention to succession.

Turnover at the CEO level has grown substantially. According to *strategy+business* magazine, CEO turnover at major corporations increased by 53 percent between 1995 and 2001. And when a CEO leaves, it is not unusual to see change occur at the next levels of the organization.

Mergers and downsizing in the 1990s stripped out middle-manager positions—traditionally the place where future executives were identified and developed skills, company knowledge, and contacts. And finally, the emphasis on growth in the 1990s may have led companies to focus on hiring from the outside rather than on developing people they already employed to ensure a sufficient pool of candidates.

There is no one best succession planning approach; too much depends

on the specifics of a company, its culture, and its business situation. Let's examine two common approaches to succession planning and the lessons that can be drawn from each.

## FOLLOW THE LEADER

A common response to the need for succession planning is to find a successful program and copy it. The system that Jack Welch used at General Electric is very popular—and with good reason. But copying it is a poor idea unless your company has a corporate culture, resources, and support systems that are very similar to GE's, not to mention a CEO who is willing to dedicate the time and attention to succession planning that Welch apparently did.

A succession planning system must be built to fit the organization in which it will operate. It should reflect corporate elements that are highly specific to the organization, such as strategy and culture.

Different strategies require managers and executives to have different skill sets. One thing is clear, however: to devise an effective succession planning system, leaders must know where the company is going—or at the very least its likely direction as described in the strategic plan—and what types of resources it has. The greater the uncertainty in the environment, the greater the argument for developing a diverse talent pool, one that can meet both anticipated and unanticipated needs.

As for culture, although it has many elements, there are three that are the most important for succession planning:

- The extent to which the CEO is willing to own the outcomes of the succession planning process
- The organizational philosophy of development and the extent to which development is supported with resources, both of money and people
- The viability of the performance management system, which can provide useful data for managing development and movement

Other questions that must be answered within the context of the organization concern the goals of the desired system and the status of systems to support implementation. In the end it is better to identify a few key goals and successfully implement them than to attempt to adopt some other company's approach in toto.

## STICK WITH TRADITION

Many companies already have succession planning systems. It is likely that the core of most of these systems is a process of identifying potential or probable replacements for specific positions. This is called *replacement planning*.

It's certainly important to have an idea of who may be ready and able to move into a position if it becomes vacant—particularly at senior levels or in functions that have strategic significance. However, building a succession plan around the identification of potential replacements has critical limitations—especially if this is the sole or primary activity a company engages in while preparing for succession.

A replacement planning approach typically has the following steps:

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- The top executive assigns the human resource department to ask executives and line managers to identify high-potential people who could replace them in perhaps three to five years.

- HR meets with line managers and executives to discuss their selections and to gather data so that appropriate documentation, such as succession charts, can be completed.

- HR prepares one or more books of information on possible replacements.

- HR subsequently meets annually or at some other regular interval with managers from various levels of the organization to update succession charts and discuss the replacement candidates who have been identified, how they are doing, how close to being ready they are, and so on. Performance appraisal data may be referenced. All this information is kept up to date in a database.

- Material is prepared for a review meeting with top management. Talking points related to potential candidates are identified.

This may seem like a solid approach, and it is in fact a solid *administrative* approach to producing reports for a high-visibility meeting. Whether it serves the goal of ensuring continuity is another question, however.

Here's why: this system is built around preparing for an event rather than focusing on an ongoing process. This means that unless extreme care is taken, the system is more likely to drive preparation of reports than preparation of people for succession. And if the process is to be ongoing, review meetings need to be held more often.

Because this approach focuses on replacement of an incumbent in a current position, it assumes, first, that those naming replacements will be able to predict who can best meet the organization's future business needs. It also assumes that the organization's current structure and strategy will continue indefinitely.

Taking the second point first, this may have been a safe assumption in more stable times, but it certainly isn't now. As for the first assumption, it is entirely possible to name likely replacements at the lower levels of specific organizational functions, but this approach falters at higher organizational levels, particularly the corporate level. Additionally, this approach can raise questions about the role of diversity—in skills and abilities as well as race and gender—in the company's succession planning process.

The manager of the possible successor simply has a responsibility to report on how or whether someone is developing. If the manager knows what to pay attention to and does so, the discussions between HR and the manager can be helpful and informative for the HR person who is gathering the information. The discussions can be even more useful for the CEO to hear if he or she is taking an active role in the succession planning process.

Finally, in what is essentially an administrative process, HR can become the process owner—and it often does by default. Administrative processes are often perceived as busywork; facilitating development is not something that most executives or line managers want to do or know how to do. It takes them away from what they and their organizations see as their primary job.

Nevertheless, both research and experience suggest that a succession planning process will not produce the desired results unless the CEO and executive team visibly and actively engage in the process and take responsibility for its outcomes. If a company's top team follows the steps described earlier, the CEO is likely to become aware of only a small subset of the people who should rightfully be considered as having high potential for key executive positions, even if the CEO is actively engaged in the annual review meeting.

## TAKE IT FROM HERE

What should a company do about succession planning? Here are some general recommendations:

- Make sure the succession planning process fits the organization.

There's nothing wrong with studying successful efforts and identifying specific elements that could be adapted and implemented. The danger comes when an entire approach is mandated without weighing what will and will not work in a particular company culture.

- Ensure that roles are clear. HR should act as the facilitator of the succession planning process; the CEO and executive team should own the outcomes. In part this means that the CEO must accept that he or she cannot delegate this role without jeopardizing the success of the process.

- Make development a key element of the process. Focus on developing talent pools instead of just identifying and reporting on possible replacements. Talent pools should contain the diversity necessary to meet unexpected business challenges. If resources are available, broaden the development process.

- Continue to gather and maintain relevant data, but consciously examine and decide what data are relevant and develop systems to provide that data.

- Finally, realize that implementing a succession planning process with development at its core can be a significant change for the entire organization, including HR. It will require time, good planning, regular follow-up, and ongoing support from the top. ✍

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