

# What is succession planning and who needs it?

*By Linda Henman*

In the past, leaders used the terms *replacement planning* and *succession planning* synonymously, but the two differ. Convincing decision makers to have a disaster replacement plan in the event that key individuals die or depart unexpectedly is not too difficult; persuading them to prepare people for advancement years ahead of their actual promotions presents more challenges. Therefore, replacement planning is a start, but only a start.

Replacement planning harkens back to the 1960s, when managers at General Electric identified four backup candidates for their positions. GE has progressed past this approach, but many organizations have not. Three fundamental problems limit an organization that chooses this path. First, most small companies don't have one, much less four, possible replacements for key positions. Second, attempting to designate a replacement for a job that may change, in an organization that may change, is fraught with problems. Third, focusing on replacement encourages decision makers to concentrate on immediate needs, not long-term requirements. Succession planning balances the short and long-term needs and promotes the simultaneous analysis of each.

*Talent inventory* advocates propose another approach for fueling the leadership pipeline. They recommend gathering a group of talented individuals to serve as backup to those departing key positions. While solid in fundamentals, this method has problems too. Equating *potential* with *performance* can be risky because not all high-potential individuals actually end up performing. Only by placing these people in ever-evolving leadership roles can you accurately observe how they perform. Successful succession planning requires a balanced evaluation of talent, potential, experience, and performance. A course of action for identifying talent throughout the organization, it involves the selection of talented employees to replace key managers who will leave the company because of personal preference, retirement, reassignment, or termination. Here is my own definition of succession planning:

*Succession planning is a deliberate, systematic effort to guarantee leadership continuity, a process for ensuring a suitable supply of candidates for current and future key jobs so that the careers of individuals can be managed to optimize both the organization's needs and the individual's aspirations.*

Done well, succession planning maintains a balance between implementing business strategy and the achievement of organizational goals with keeping the disruptions that often accompany personnel changes to a minimum. In contrast to an automatic promotion system within the chain of command, succession planning prepares people for present and future work responsibilities so that high-potential individuals are preparing for promotion at all levels. A powerful way to maximize human capital both now and in the future, it creates an ongoing, continuous plan to focus attention on talent.

A variety of reasons can lead senior leaders to establish a succession planning program in their organizations: To support the company strategy, identify replacement needs, increase the

talent pool, provide increased opportunities for high potentials, and improve retention. But how do you really know if your current processes sufficiently address your succession planning issues? Ask yourself the following:

- Do managers complain that no one is ready when vacancies open up?
- Are expenses for external searches increasing?
- Will you compromise your strategy because you don't have the talent to support it?
- Are possible successors for key positions leaving because they perceive no room for advancement?

A “yes” answer to any one of these questions implies that your company has not adequately established or communicated its plans for the future of its people, both for replacing people in key roles and for developing high potentials for advancement.

Why should that matter? First, your company will have trouble holding on to the talent you have if those in key positions perceive that they have no hope of advancement. Also, the perception that no one is ready to fill vacancies fuels the insecurities of both employees and other stakeholders. Keeping talent in your organization depends on you having a deep pool of skilled candidates who have been part of a well-defined leadership initiative, stars who have been given every opportunity to realize their full potential.

Second, when organizations lack the culture or discipline to grow their own talent, they have no choice but to look to outsiders; however, companies are usually better off with internal contenders. One has only to look at the National Football League for examples of why companies gamble when they hire outsiders.

Harvard Business School professor Dr. Groysberg and his team of researchers studied trades of star NFL wide receivers and punters to determine what kinds of performance are portable, and what kinds are not. Not surprisingly, they determined that the more the new hire depends on teamwork, the longer he will take to acclimate to the new environment. The performance of wide receivers, who are governed by complex interactions among teammates, declined initially and did not stabilize for a year. Conversely, punters, who engage in the comparatively individualistic act of kicking a football, showed no significant differences in their performance when they changed teams. When considering outside talent, decision makers do well, therefore, to ask themselves how transferable the skills will be and how long people will need in order to produce in your organization as well as their résumés indicate they did in their last jobs.

## Conclusion

In the long run, companies fare better when they grow their own talent. In organizations that stretch their abilities and expand the knowledge of their high potentials over a period of time, when replacement becomes necessary, decision makers can select from internal candidates that they have spent time observing, evaluating, and developing.

A word of caution: When companies do *not* have a well-defined succession plan, the reliance on internal candidates can backfire. Known quantities may sail through the promotion process when board directors and senior leaders fail to engage in the rigorous and sometimes arduous task of evaluation. Instead of engaging in due-diligence, decision makers can allow social and emotional ties to particular individuals to guide their choices. Outside candidates should always be an option, but they should not be your only option.

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