

Succession Planning: How Deep is Your Talent Pool?

*If you want one year of prosperity, grow grain.
If you want ten years of prosperity, grow trees.
If you want one hundred years of prosperity, grow people.
Chinese Proverb*

By

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Mergers, acquisitions, downsizing, and growth all require an unprecedented need for information about key executives and a framework for assessing the competencies required to lead people during extraordinary times. Much of the impetus for the current succession planning movement came with the aftermath of September 11, 2001, when 172 corporate vice presidents lost their lives in the terrorist destruction of the World Trade Center. Many of the companies that were affected that day learned a hard lesson about the importance of accurately evaluating strategic leaders for promotion *before* the company needs them to take over, but millions of other companies are learning the lessons more gradually: failure to plan succession is a recipe for failure.

Organizations need a systematic, comprehensive course of action that takes the guesswork out of determining the future of the company, a process that provides objective, indispensable data to help make succession decisions and avoid costly mistakes. Assessing bench strength to determine which leaders are ready now for promotion and identifying each individual's strengths and weaknesses before making promotion decisions will help the company map out a clear succession plan and devise a timeline so individuals can develop the skills and gain the experience to move forward in the organization. Understanding the succession planning process is the first step. Capitalizing on the future and present benefits will build confidence among stakeholders that you are promoting the most qualified candidates is the next.

Today's wave of retiring boomers is a quiet crisis. This "quiet crisis," however, is sounding its alarm, and smart companies are responding by creating disciplined approaches to managing their futures. When circumstances usher in change, organizations should be ready with a carefully tended pool of candidates and a clear plan for current and future needs

of the organization. As Winston Churchill advised, “Let our advance worrying become advance thinking and planning.”

What Is It and Who Needs It?

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. It is a course of action for identifying talent throughout the organization and involves the selection of talented employees to replace senior managers who will leave the company because of personal preference, retirement, reassignment, or termination. Done well, succession planning maintains a view for implementing business strategy and achievement of organizational goals while minimizing the disruptions that often accompany personnel changes. It is the preparation for present and future work responsibilities that should *not* be an automatic promotion system within the chain of command. Rather, it is a powerful way to maximize human capital both now and in the future because it creates an ongoing, continuous plan to focus attention on talent.

Do managers complain that no one is ready when vacancies open up? Are expenses for external searches increasing? 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 developing high potentials for advancement.

Replacement planning is not the same as succession planning. Replacement management can be a good first step, however. It’s not too difficult to convince decision makers to have a disaster plan in the event that key individuals die unexpectedly. However, having replacements doesn’t go far enough and usually only addresses replacement at the top of the organization. It does nothing to prepare people for advancement. Conversely, succession planning is a way to establish a leadership pipeline so that high potential individuals are preparing for promotion at all levels of the organization and that the company has built bench strength for all key positions. It is a way to meet the organization’s needs for talent over a long period of time, starting with the sometimes daunting plan to advance someone to the number one position, the Chief Executive Officer.

About 40% of new CEO's fail in their first 18 months. This staggering number, coupled with the reality that a significant number of CEOs are nearing retirement age, implies an unprecedented need to plan the future of companies. Clearly, whether they are being forced out because of failure or whether they are retiring, CEOs are leaving organizations, and too many companies have not developed a well thought out plan for replacing them with internal candidates.

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 a part of a well-defined leadership initiative, stars who have been given every opportunity to realize their full potential.

Second, the company is usually better served with internal contenders. Therefore, companies are better off growing their own talent than looking for it elsewhere. When replacement becomes necessary, decision makers can select from internal candidates that they have spent observing, evaluating, and developing, if those candidates received assignments that stretched their abilities and expanded their knowledge over a period of time,

Getting Started

When is the right time to start succession planning? Now! If you start five or even ten years before the estimated departure of the CEO and other key leaders, it may be too late. Unforeseen circumstances can interfere with your best laid plans, and the company will be faced not with the quiet crisis of succession but with a screaming one. Whatever your current situation, here's how you can start a strategic plan for success:

- Clarify expectations about the strategic plan. What do the current CEO and Board of Directors expect from each level of the organization?
- Establish competencies for each key position. What are the skills, experience, knowledge, and personality characteristics required for exemplary performance? The ability to think strategically, analyze issues, get results, provide leadership, foster teamwork, build relationships, develop people, and behave ethically are all crucial. The absence of any one is usually fatal for an officer of the company.

- Collect applicable data on existing employees and discover where the gaps are. One of the advantages to starting the succession planning process early is that there will be time to assimilate these kinds of data. If there is an emergency push to fill a vacated position, this advantage is lost. Therefore, gather information about each person's education, work history, performance reviews, aspirations, competency levels, problem solving abilities, learning potential, strengths, developmental imperatives, and leadership before you need to make a succession decision.
- Once you have all the available information, separate skills and abilities that can be developed from those that cannot. Coaching techniques, delegation skills, communication abilities, and performance management skills can all be developed or honed, provided the individual is willing to commit to the work of changing. Learning potential, decision making capabilities, problem solving skills, critical thinking, abstract thinking, creativity, and strategic planning are all difficult to develop once a person has reached adulthood.
- Analyze the readiness of internal candidates to identify the gaps that are present now and the ones that are likely to surface in the future. Bring people onboard when you realize you can't prepare any internal candidates soon enough. It may cost in the short run, but in the long run, having someone ready for key positions can pay huge dividends.
- Train and develop high potential candidates.

Conclusion

Successful succession management can lower employee turnover, improve morale, fuel the leadership pipeline, and place the most qualified candidates in key position. Clearly, succession planning is critical, and efforts to put it in place should begin immediately, but it can't happen overnight. It will require considerable attention to design, commitment of top managers, the credibility of the planning staff, and resource allocation. However, with CEO buy in and a well planned approach, you can begin to aggregate the data that will start the process. Leadership continuity and excellence are paramount responsibilities of the CEO and the board of directors, and nothing should stand in their way. It is truly no accident that the root of the word "succession" is "success."