

# Succession Planning - An Evolution Into Talent Management

By Ren Nardoni

For organizations faced with more demanding leadership requirements in a changing, more competitive business environment, the installation and use of a process for succession planning may be the most important human capital investment they can make. This process, which more than ever requires a computerized succession planning information system, can provide benefits that go well beyond the traditional reason for succession planning, which has always been “to assure the continuity of leadership at the top.” Although the basic process of succession planning has not changed dramatically, the technical and business requirements have evolved. And, of course, many reasons for having a formal, data-rich approach to succession planning ***still*** include:

- Reorganizations, mergers, and management “flattening” efforts that have disrupted existing success planning “ladders,” often eliminating jobs that were traditional stepping stones to the top, The continuing migration of jobs off-shore and the compression of workforces in industries such as automotive are still major issues.
- Changing organizations moving into new lines of business, new global markets, or new technology, which demands new types of managers with different qualifications, competencies and talents,
- Any organization that believes in career development for all or most managers and professionals — the 90 to 95 percent of managers who “feed” succession planning’s candidate files — requiring an approach that motivates employees to succeed and helps the organization prepare future business leaders, and
- The potential "talent gap" in the upcoming years as vast numbers o capable managers and executives retire. In addition, employees no longer have the belief that their company will always be there for them and are making career decisions based on their own vested self-interest rather than the company's.

However, in the intervening years many economic and technology issues have occurred that are impacting the entire process:

- Just as the technology bubble burst was receding from our memories, the housing/credit crisis of 2007 reared its ugly head.
- Corporate executives reaped incredible compensation for those decisions that led to the housing/credit crisis.
- CEOs for major corporations subsequently lost their jobs. The very succession planning processes that elevated these CEOs to their position are now being called into question. Financial organizations that evaluate companies, more

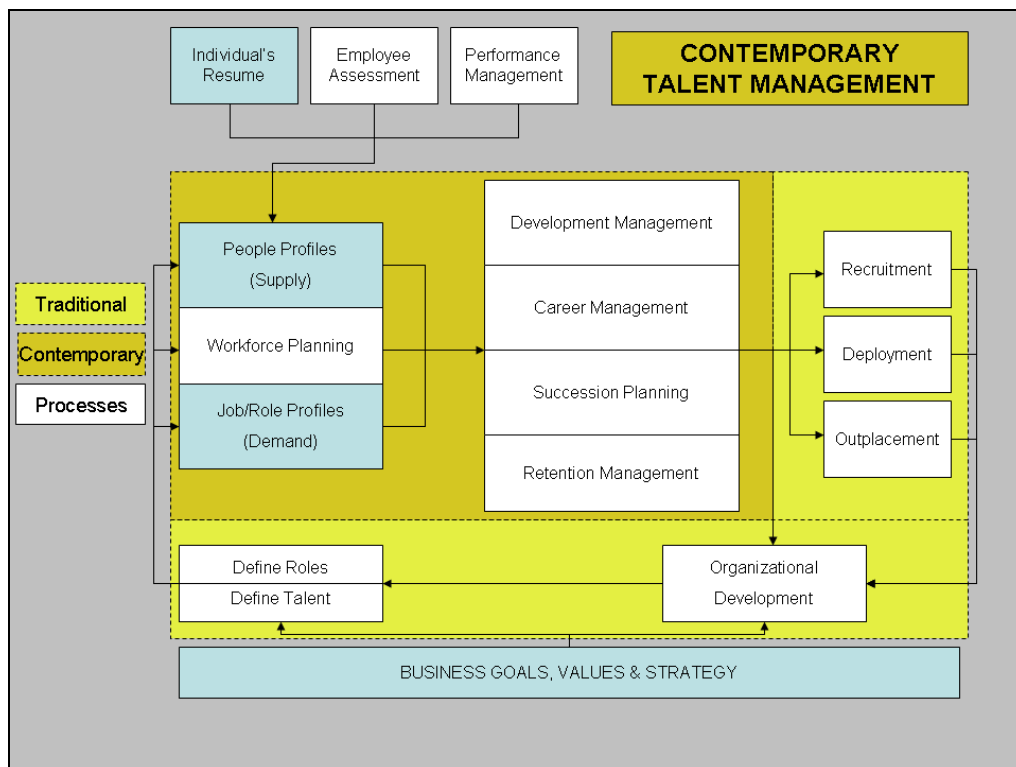
than ever, give increasing importance to the succession plans of the organization has an indication of stability and the ability to continue growth.

- The widespread availability of web-based applications has minimized the onerous data collection tasks needed to support succession planning and talent management systems.
- The development of better decision-support tools to help facilitate succession planning processes.

## *A New Model for Talent Management*

A new model for managing the overall "talent management" of a company is now an integrated approach rather than a separate, unconnected succession process only dealing with a small, executive population within a company. Succession planning has now become one of the many integrated components of a large scale initiative to ensure that all aspects of human capital are being managed within an organization.

These "new" reasons for succession planning often require consideration of a computerized system to handle extensive data and automate procedures, but first the "process" involved in succession planning needs to be defined by the organization within the context of talent management.



**Figure 1**

Figure 1 illustrates the new model of talent management. Seen in the figure are the major components of strategic staffing of which succession planning is a special case. In order to understand how succession planning should work as a process, we need to examine the impact and connection of the other processes.

Employee data drives all of these processes. Core human resource information systems (HRIS) typically provide critical employee data. However, in spite of the enormous sums spent on these enterprise-wide applications, in many cases only core demographic data is available from the HRIS. Many organizations have a separate talent management software system, linked via nightly imports of data, to support this process.

Data necessary to underpin much of the talent management process comes directly from the employee or from their manager. For example, it is important in a succession planning system to know the employee's mobility, that is, would they move (and where, e.g., locally, internationally) for another position and under what circumstances (e.g., for a promotion or a lateral assignment). Additional data such as career or position interests might also be required. Normally, this information is only available directly from the employee. Therefore, the requirement for employee and manager self-service is paramount to support such an integrated process and system. Once an employee understands the need and use for such information, employee self-service allows them to keep this information up-to-date rather than requiring HR to enter the data.

It is necessary to determine exactly the extent of viable data within the organization's HRIS. Although the "capability" for extensive data is there within the HRIS, in reality, in most organizations you will find very limited population of that data. In addition, data may be old or incomplete. Therefore, a decision is necessary as to which data will be sourced from the HRIS and which data will be kept up-to-date using the self-service component of the talent management system. One easy way to determine this is to produce an employee resume from the current HRIS. Typical resumes contain data such as education, external work history, language skills, etc. If there is a method for employees to keep this information up-to-date in the HRIS, that data should be fed nightly into the talent management system. However, in most cases, for use in a succession planning process, a manager would be very unlikely to use a resume as generated from a HRIS. In most cases, the resume is too detailed and not in the more generalized form used. For example, the resume under Internal Work History might contain an extensive list of jobs, positions and responsibilities held by the manager. However, for a resume used for succession planning purposes, the Internal Work History section tends to only list "significant" work experiences edited by the manager. So in a talent management system, it would be important for the manager to be able to create their own "resume" specifically focusing on position for which they are interested. Although HRIS work history may be imported, the manager would have the option to tailor their resume in the talent management system.

This situation always tends to bring up the question about data flowing ***back*** to the HRIS. Most organizations strive for a single data source and hope to eliminate duplicate data in downstream systems. The question, however, is if you push data back to the HRIS (which is always technically possible) then who will use it. Experience has shown that once such talent management systems have been implemented, there really is no necessity to load the data back into the HRIS. From a reporting standpoint, the users who need this information already have it available for access and reporting in the talent

management system. And since all the other necessary data required from the HRIS is refreshed nightly, users of the talent management system would have no need to utilize the HRIS for reporting purposes (other than data not shared such as compensation, benefits, etc.)

## *Other Components of Talent Management*

Also included in the talent management model are the strategic components of workforce planning -- the assessing of current supplies of qualified employees and comparing that supply to the project demand for employees at some future time. The workforce planning component finally links the overall business strategy of a company with the implied demand for human capital resources. The output of the workforce planning process will drive the number and type of resources required.

In turn, the HR organization then can determine the necessary competencies for the upcoming demand and create the necessary internal development planning programs to be used on existing employees. These new competency models can be used in the employee assessment process (360<sup>0</sup> assessment) to determine how well the existing workforce demonstrates a proficiency in those competencies. At the same time, HR can define roles and positions in terms of the new competencies and what the required level needed in any new or revised positions. Once employee assessments and position profiles are available, competency gap analysis will indicate those employee competencies requiring development. Organizations may find that the competencies required to support the growth and strategic plan of the company may not be available internally. This then is the link to the need for external recruitment to acquire the necessary skills for upcoming position openings.

Performance management processes often include setting goals (linked to the overall company goals and called cascading goals) for the review period as well as an assessment of competencies. In this model, competencies used in the performance management process should be consistent with the core competencies used throughout the talent management processes. The pool of potential successors for a critical position within the company need to be drawn from employees being developed using the same basic competencies as those required for the critical position. In addition, an important source of information on which to make succession decisions would include the effectiveness of employees on the current and prior jobs. The results of the performance reviews, within an integrated talent management system, can provide that valuable information.

Employees in this model also provide input into their desired career plans (which also can use the competency models for desired positions).

Succession planning draws from the existing employees to fill pools of potential successors. In an integrated process such as talent management, the use of consistent competency models, that also drive employee development and career planning, ensure that employees in those pools are in synch with the requirements of higher level positions that are managed by the succession planning process.

When the succession planning process identifies positions which cannot be filled by

internal candidates because the lack of qualified candidates or because "new" leaders are required, recruitment becomes an integral part of the succession planning process. Recruitment and employment are also used throughout the organization to acquire talents and skills unavailable internally.

In the process of doing succession planning reviews, the process sometimes identifies a mismatch between current employees and the requirements of a position. It also can identify employees who have peaked and have little or no chance to advance to a higher level. In many cases, good, solid employees are absolutely essential at every level (organizations rarely have an organization filled with high potential employees). However, many positions offer developmental experiences essential to developing future leaders. Those positions cannot be held indefinitely as it is critical to move employees through these positions to utilize the developmental opportunities. In these situations, outplacement is often necessary to move people out of the organization.

So, it can be seen that all aspects of the talent management model come into play when considering a succession planning process.

## *Defining the Succession Planning Process*

So let's review then the basic tenets of a basic succession planning process.

The most significant change though has been in the overall concept of how organizations are looking at managing those critical human capital resources.

One classical way to define succession planning is to describe it as "career planning at the top," an extension of the principles and procedures that the company uses to merge the career aspirations of individual managers with organizational goals and management needs. This view is accurate, in one important respect, because both career planning and succession planning are (or should be) "developmentally oriented," focusing on the long-term development of managers for future positions and specific activities — training, education, experience, and so on — that prepare managers.

But, because succession planning typically focuses on the five or 10 percent of key positions in the organization that are considered critical leadership posts, and because these positions often have different requirements than all other management jobs, succession planning usually requires a separate or additional set of "position requirements." The skills and talents required to lead key functions, business units, or the organization as a whole, are not necessarily the same as those needed at intermediate or specialized management levels. For example, the job descriptions of plant supervisors or data processing managers do not usually call for an understanding of global economics or competitive marketing strategies. Thus, a separate system for key leadership positions that is more than a mere "extension" of career planning is usually in order.

However, organizations now know the importance of a common set of competencies that are used as the basis for all employee assessment and development. In that way, there is a unified model of required competencies regardless of the level of the employee. To address this requirement, organizations are using a common set of core competencies but with different "levels" of behavioral descriptors to indicate how the competency differs from level

to level (or even within level). For example, Planning may be an important core competency for an organization. But Planning as done by the Executive VP of Marketing is certainly different than the Planning as done by the Manager of Benefits. Therefore, many organizations now define their competency models broken down by various "levels". Each level would include behavioral descriptions about how the particular competency would be observed. So, for example, the Executive VP of Marketing might be a "Level 1" which means they need the ability to develop long-term strategic plans whereas the Manager of Benefits may be a "Level 4" which means only short-term planning is required. And then other positions may be a "Level 5" which means little or no planning is required for that job. So even though a common set of competencies is used, a means to differentiate is built in when you use a concept like levels.

## *Defining the Process*

But, because succession planning typically focuses on the five or 10 percent of key positions in the organization that are considered critical leadership posts, and because these positions often have different requirements than all other management jobs, succession planning usually requires a separate or additional set of "position requirements." The skills and talents required to lead key functions, business units, or the organization as a whole, are not necessarily the same as those needed at intermediate or specialized management levels. For example, the job descriptions of plant supervisors or data processing managers do not usually call for an understanding of global economics or competitive marketing strategies. Thus, a separate system for key leadership positions that is more than a mere "extension" of career planning is usually in order.

Position requirements are one of the three main components that define a succession planning process — and may require extensive data applicable only to "key positions" in the organization. In larger organizations where 50 to several hundred key positions are covered by succession planning, detailed job descriptions and text that spells out the requirements of leadership positions are often best handled by computerized position files in a succession planning system.

The second component of succession planning is the "people data" requirements. Also, these are usually more extensive than career planning for the obvious reason that positions at the top of the organization are more critical to business success and more should be known about managers in line to succeed to these positions. For example, a career planning system might incorporate data from performance appraisals that simply rate a manager's performance on a one to five scale. Data on potential company leaders should be more extensive and detailed, explaining the reasons for the rating and providing an overall context for the appraisal. Leadership positions may also suggest the need for expanded biographical information — such as a candidate's service in community or fundraising organizations — that is not necessarily relevant in other HR systems.

The more extensive data requirements of succession planning systems and the fact that it covers individual people at the higher levels of the organization, provide yet another reason for creating a separate process and, when warranted, a separate system to support the process. That reason is security, specifically personnel data privacy. Much of the "expanded" data on individuals in a succession planning system is information others in the organization have no real "need to know," such as personal biographical information or details of a performance appraisal. And, the fact that this system is one covering the organization's most

influential leaders, lends itself to politically expedient privacy procedures and access limits. However, with the extensive security within today's talent management systems, the succession planning process can be effectively "hidden" from other users not needing access.

The third main component defining succession planning is development activities, which link people and their qualifications with the requirements of key positions. Like position requirements and qualifications in a succession planning system, developmental activities also are likely to include different, and sometimes unique, types of information and activities that usually go beyond activities carried in a career planning system. For example, a career plan targeted on domestic marketing positions may not need to include education or experience in dealing with foreign governments or offshore production: A potential CEO or international marketing V.P. would need this experience or knowledge. Within an integrated talent management system, the inclusion of a development activity "library" is extremely helpful for employees and managers in recommending specific activities necessary to improve development of a particular competency.

### *Impacts of Downsizing*

Reductions in force at management levels throughout the organization, sometimes called the "flattening" of hierarchical structures, has typically had all or most of the following consequences:

- Management positions at the headquarters level, traditionally "stepping stones" to the top, have been eliminated, often through reorganizations and decentralized staff functions to the field or outlying business units.
- Middle management positions across the organization have been permanently restricted out of existence. Some became redundant after a merger or acquisition, some have been replaced by decision-support technology, and others simply fell to the need to reduce the costs of doing business. Whatever the rationale, however, the management positions are "gone," reducing the management opportunities available to all employees.
- Individual job security has eroded with downsizing, outsourcing, decentralization, and other ways of "doing more with less" in the management ranks (including the introduction of technology, though this does not always have the desired effect on headcount). Today's managers and professionals no longer expect to have lifetime careers with their current employers, changing the fabric of traditional career planning.
- The traditional "ties that bind" employees to employers — compensation and benefits — are further weakened as not only are there fewer management positions, but those that remain pay less in total compensation. Companies will continue to seek ways of controlling benefits and "total compensations" costs — through participatory health insurance plans, limits on pensions, the use of temporaries, part-timers, and contract employees who don't receive benefits and other measures.

All of these and other cost-cutting trends of the last decade or so are continuing today, and these trends have helped contribute to the employment environment known as "the new social contract" between white-collar management employees and the companies they work for. On the employers' side, the new environment means less needs to be spent on "care and feeding" issues in human resource management; for employees, the results are often a predictable decline in company loyalty, commitment, and a willingness to put the goals of the organization ahead of their own personal and

career interests. With a few exceptions, the “organization man” of the 1950s has been replaced by men and women trying to balance their work lives with family concerns, and people who expect less from their employers in terms of careers, security and fringe benefits.

The dilemma this poses for organizations with a growing need for experienced, dedicated, increasingly specialized managers and professionals is obvious. Companies can no longer take for granted that the quality managers they need at the top will emerge from a vast reservoir of aspiring managers in the lower ranks. The “quality” managers that once emerged because of the “quantity” of managers competing for top jobs are no longer assured.

At the same time, the demands of upper-level managerial and professional positions have escalated. Technical skills unknown to the “generalists” of the past may be required. Business and financial skills have become more complex and new issues in the global economy need to be understood and managed. To identify, nurture, and retain quality managers in today’s environment, more and more organizations are turning to formal succession planning and the data-intensive computer systems that support it.

### *A New Process Helps Underscore New Goals*

Another reason for the development of a succession planning system — with new job requirements and different standards of management excellence — is the powerful effects succession planning can have on changing corporate culture and management strategies. When an organization is “changing direction” for some reason, and has different needs for management skills, new business objectives, and different strategic objectives, a new succession planning system built on these new criteria of leadership helps support and implement change.

For example, a company with a new strategic mission as an organization — say, diversification into new lines of business or expansion into global markets — can introduce a new succession planning system that clearly identifies the new requirements of key positions. Managers are not only “told” that the company now values new skills and knowledge — such as an understanding of a new line of business or international marketing skills — they also see that their future as senior managers depends on the acquisition of new capabilities. And, when the succession planning system is incorporated with developmental activities, as discussed below, managers have both the motivation and the means of preparing themselves for the new requirements of future positions on their career paths.

The development of new managerial job requirements, development activities to help managers acquire new abilities, and other characteristics of a succession planning system can also become a “proactive” strategic undertaking in changing organizations. If long-range strategic plans call for a different type of manager five or 10 years from now, succession planning and its development activities can assure that managers know what will be expected of them in the future. Specific skills such as fluency in a foreign language or the ability to use a computer system can become part of management development today, assuring the future availability of these skills.

New criteria and standards used in succession planning can also support efforts to change an organization’s corporate culture or way of doing business. One major employer, for example, added entrepreneurial skills to its “dimensions of leadership” when it expanded into new markets requiring more aggressive, competitive management behavior. Others in today’s “quality conscious” environment might add job requirements that reflect the importance of product or service quality in leadership positions.



## *Succession Planning as a Driving Force for Development*

When a succession planning approach is “conceptually integrated” with a total talent management programs, the staffing goals “at the top” can permeate the entire organization, and serve as the driving force for all career development and staffing systems.

Conceptual integration means that the terms, skills definitions, values and frame of reference for two or more systems are consistent. The idea of what constitutes relevant work experience, what “quality” means, technical and professional qualifications, performance measurements, and all other fields of information that talent management have in common mean the same thing to all parties — both the managers covered and the management users of the systems.

When succession planning’s concepts, goals and terminology have been accurately formulated — based on the real needs of the business and strategic plans — these concepts can and should be incorporated in talent management systems covering the 90 percent or more of managers who are not yet covered by succession planning, or all in the organization who may at some time in the future be candidates for key positions of leadership.

The advantages of this consistency are more than administrative. The high visibility of succession planning and its position requirements serves to motivate those covered by career planning and development. In large or complex organizations with many business units or dispersed locations, all managers are working toward the same career and organizational objectives — which in an effective career development program are closely aligned. (When individual aspirations don’t “match” organizational goals or needs, the individuals should be looking elsewhere for career fulfillment.)

## *Decision-Support Tools for Quality Selections*

Another reason for installing a formal succession planning process and a mechanized system to support the process, is to provide a framework for more “data-driven” top-level promotions. The system itself will not stop subjective selection practices or unintentional perpetuation of “the old boy network,” but some of the key components of a formal succession planning approach provide a *modus operandi* for avoiding subjectivity in selecting corporate leaders.

The technical advances of web-based talent management systems has given organizations better decision-support tools to complement the tradition subjective approach to selection. For example, web-based tools now allow you to view an entire organization using a performance/potential grid (often called a 9 Box) which shows employees in the various categories of performance and potential. This shows critical information such as clustering of an inordinate number of high performing, high potential employees within an organization. With limited movement, this could indicate employees leaving the organization. On the other hand, it could show an organization with a large number of underperforming, low potential employees which would impact an organization achieving its business goals.

Other tools such as "ripple" reports can show the impact of how one succession selection can impact moves throughout the entire organization even identifying which positions might be vulnerable due to the lack of successors. Web-based systems can also be used to "find" potential candidates for positions who have not already been identified during the talent review process.

Succession planning is, after all, just an extension of talent management — the “top slice” of an approach and system that covers all managers or even all employees — and as such, it can contribute to employees’ morale and sense of the company as both good place to work” today and a place where “effort pays off” in the future.

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