

SUCESSION PLANNING.

Checklist 229

» INTRODUCTION

In the past succession planning was carried out in a relatively stable environment. Internal candidates were reviewed by the HR director or the chief executive, who then made recommendations to the board, which were invariably accepted. The evolution of a more dynamic business environment, with increasing skill shortages and flatter organisational structures has led to a need for more flexible succession planning processes. The tenure of the average CEO has been declining for a number of years, adding pressure to find suitable replacements more rapidly. In the United Kingdom the default retirement age was abolished in 2011 and there is a growing trend for working beyond normal retirement age, providing additional challenges for succession planning. There is some evidence that succession planning as it is commonly practised is often unsuccessful and may be widely mismanaged. Research by PricewaterhouseCoopers found that although many organisations pick at least two possible successors for each key position, in practice only 40 percent of these roles are filled by those identified for promotion.

The relationship between succession planning and talent management has not always been clear, but succession planning is increasingly being linked with talent management strategies, so it may be helpful to read our Management Checklist on Talent Management in conjunction with this checklist (see Additional Resources below). In practice a number of different approaches are used for succession planning. Organisations have different cultures and strategies and each will need to decide on the best way to manage succession when employees move on or retire.

» DEFINITION

Succession planning is preparation for the replacement of key post holders, in advance of resignation, long term absence or retirement. It involves identifying and evaluating potential replacements and preparing them for the role through development activities. Succession planning is more specific in its focus than talent management and tends to concentrate on key positions within senior management, including the chief executive officer and board members. However, succession planning processes can also be used for other key roles within an organisation. These may include relatively junior posts, especially in small and medium sized businesses or where specialist skills are involved. Effective succession planning will identify whether or not there are suitable internal candidates at an early stage and make appropriate arrangements to address this, which could involve looking outside the organisation.

» ACTION CHECKLIST

1. **Align succession planning with wider talent management initiatives and business needs**

To facilitate this, a close working relationship should be established between senior management and the HR department. Succession planning should be led and coordinated by the HR director with the involvement of the chief executive – it is a collective, rather than an individual, responsibility. The process involves:

- › anticipating the loss of key personnel
- › evaluating the effectiveness of current key personnel
- › highlighting the strengths and weaknesses of the available talent pool
- › developing talent in preparation for greater responsibility
- › keeping succession plans up to date
- › monitoring performance trends and the expectations of individuals.

2. Consider the scope of the succession planning process

Here it is important to identify:

- › the posts for which successors need to be identified
- › the groups of individuals to be considered
- › the job routes which individuals need to follow in preparation for appointment to a senior role
- › the managers who will contribute to the planning process.
- › the scope for internal and externally-organised development opportunities
- › the budgetary implications of the succession planning process.

3. Produce person and post plans

Person plans look at the range of jobs which might be suitable for a particular person. Both short-term jobs and longer-term potential should be indicated, together with specific development plans and requirements.

Meanwhile, a post plan typically records the:

- › type of job
- › its level
- › function
- › geographic and organisational location
- › key characteristics required, including any that are mandatory or highly desirable, e.g. professional qualifications or language skills
- › position status – expected date of changeover
- › short-term successors
- › long-term successors.

Create and maintain a database to hold this information and use a consistent approach to coding job features. This will facilitate effective candidate searching and the identification of any obvious training needs for the leading candidates.

Keep in mind that, succession planning involves developing and identifying job groups from which successors can be chosen for a number of roles. In this way the skills required for a particular job group can be developed and a talent pool established.

4. Integrate succession plans with existing competency frameworks

The use of management competency frameworks in assessing skills required for a senior role can be very helpful, but additional methods of assessing leadership skills such as diagnostic tests and assessment centres can also be used.

5. Ask senior managers to contribute to succession planning:

Heads of functions and divisions can contribute to the process by:

- › identifying short-term successors for posts which have been unexpectedly vacated
- › considering potential successors within their own areas who also might be long-term successors

- › offering their thoughts on the quality of candidates available
- › considering alternative candidates or runners-up for the post or posts
- › commenting on the suitability of candidates for alternative posts
- › communicating apparent skills gaps and proposing how they might be closed
- › commenting on their ability to recruit externally
- › looking at the effect of business changes on demand for talent.

Be aware that some departmental leaders may be unwilling to release good people or even try to hide them because of the contribution they are making in their current role. Central oversight of succession planning must endeavour to ensure that such people are appropriately redeployed for the greater good of the organisation.

6. Consider the fit between a potential successor and the organisation's culture

Succession planning is about more than capabilities, however impressive the individual's track record may be. Organisational culture, politics and strategy must be considered when appointing successors. A good fit between the individual and organisational culture can help to ensure a smooth transition and enable the organisation to move ahead without being deflected from its aims and objectives. In some cases, however, an outsider with a fresh approach may be needed to revitalise and redirect an organisation for future success

7. Reach a shared view of talent and post requirements

Senior managers responsible for succession, usually the board of directors, should form a succession committee and conduct an overall review, including looking at the current cycle of plans and how they are progressing. This will enable them to amend and confirm development and succession plans. The committee should be especially concerned where there is no obvious field for a senior post falling vacant in 2-3 years' time. It may be necessary to accelerate the development of one or more potential candidates in order to avoid an interregnum that might damage the organisation. If no suitable potential successors are identified at this stage, the task then becomes one of recruitment and development, which may be an urgent matter if risk to the business is to be minimised. It is recommended that appointments are made below the level of the post which needs to be filled, in order to allow time for the board to review the potential successors' work and ensure that they are capable of meeting the requirements of the post which .

The succession planning process should be well disciplined and systematic, but must incorporate a degree of flexibility. With the abolition of a default retirement age, it can no longer be assumed that individuals will all retire at a particular age. Personal circumstances may also change unexpectedly, leading to situations such as the loss of key post holders which will need to be addressed at short notice.

8. Move towards greater transparency and openness

There are risks associated with both open and closed succession processes. For example, a loss of talented staff could occur in an open process if candidates are left on the sidelines, but this can also occur in a closed process as staff may become disillusioned due to a lack of clear information about their future prospects. Generally, however, there are many advantages to be gained through greater openness. A secret process in which there are information leaks, for example tips to favoured individuals, can be especially damaging to trust. An open process allows assumptions to be challenged, leading to more informed decisions. In this environment it is also possible to be clear about how the process fits in with other HR processes. An open approach also fits better within a corporate culture that is working towards greater transparency in other areas. If the individual is aware that they are being considered in a succession planning process, feedback opportunities should be available to these candidates.

9. Managing and planning CEO succession

Traditionally, it is the role of the Chair to consider and manage the process of succession for CEOs. Finding a successor to the Chief Executive Officer (CEO) is a key responsibility of the board of directors. The role the

current CEO plays in managing their own succession will depend on the strategic direction the organisation wishes to take. There can be risks in allowing the CEO to take control and choose a successor in their own image. Strategic alignment and shared values will be fundamental here if the organisation is to avoid culture shock. However, allowing a CEO to choose their own successor can lead to a lack of diversity at the top and create organisations that are unresponsive to a changing environment. The board should regularly refresh the criteria for a CEO successor to ensure that these do not stagnate.

10. Think ahead to the next succession

Succession planning should not cease once the post has been filled. Re-focus on talent management at this stage, working to ensure that the organisation is investing in the recruitment and development of a pool of suitable senior managers for the future. Ensure that people with a range of different talents are 'on the bus', since it is difficult to predict exactly which skills will be most in demand from leaders in the future.

» POTENTIAL PITFALLS

Managers should avoid:

- › giving the CEO take too much control of their own succession
- › ignoring the relationship between succession planning and talent management
- › allowing personal interests and egos infiltrate the succession planning process
- › letting the succession planning process to become too mechanistic
- › failing to acknowledge the financial implications of the planning process
- › failing to consider both internal and external candidates for roles.

» ADDITIONAL RESOURCES

BOOKS

The talent wave: why succession planning fails and what to do about it, David Clutterbuck
London: Kogan Page, 2012

People resourcing and talent planning: HRM in practice, Stephen Pilbeam and Marjorie Corbridge
Harlow: Pearson Education, 2010
This book is also available as an [e-book](#).

Succession planning
IDS HR Studies, no 903
London: Incomes Data Services, 2009

Succession: are you ready? Marshall Goldsmith
Boston Mass.: Harvard Business Press, 2009

Talent strategy management measurement, Carole Tansley and others London: Chartered Institute of Personnel and Development, 2007

Practical succession management: how to future proof your organisation, Andrew Munro
Aldershot: Gower, 2005

This is a selection of books available for loan to members from CMI's library. More information at: www.managers.org.uk/library

JOURNAL ARTICLES

Leading questions, Jane Simms
Director, January 2010 pp 44-48

Solve the succession crisis by growing inside-outside leaders, Joseph L Bower
Harvard Business Review, November 2007 pp 91-96

This is a selection of journal articles available for members to download from CMI's library. More information at www.managers.org.uk/library

RELATED CHECKLISTS

227 Talent Management

INTERNET RESOURCES

Succession planning <http://www.cipd.co.uk/hr-resources/factsheets/succession-planning.aspx>
CIPD factsheet on succession planning.

Workforce Succession Planning Roadmap
<http://www.workforce.com/articles/succession-planning-roadmap>
Article from Workforce magazine.

Succession Planning: how to do it right
<http://www.forbes.com/2009/07/31/succession-planning-right-leadership-governance-ceos.html>
Article by Stephen A Miles, 2009



NATIONAL OCCUPATIONAL STANDARDS FOR MANAGEMENT & LEADERSHIP

This checklist has relevance for the following standards:

- › Unit number: DA2 Recruit, select and retain people
- › Unit number: DA4 Manage the redeployment of people



MORE INFORMATION

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