

TALENT MANAGEMENT AND SUCCESSION PLANNING

The CEO's and Chairman's role in talent management and succession planning is huge – it should never be just a function of HR, because this is a top-down and bottom-up process that needs to be lead. The chairman has to make sure that the CEO has the right processes in place, that he's building talent and that the company is taking a long-term view regarding people. The board has to understand that continuity matters and that interest in succession should be at every level in the organisation.

“There should be an apprentice at every level even on my board, in my view.”

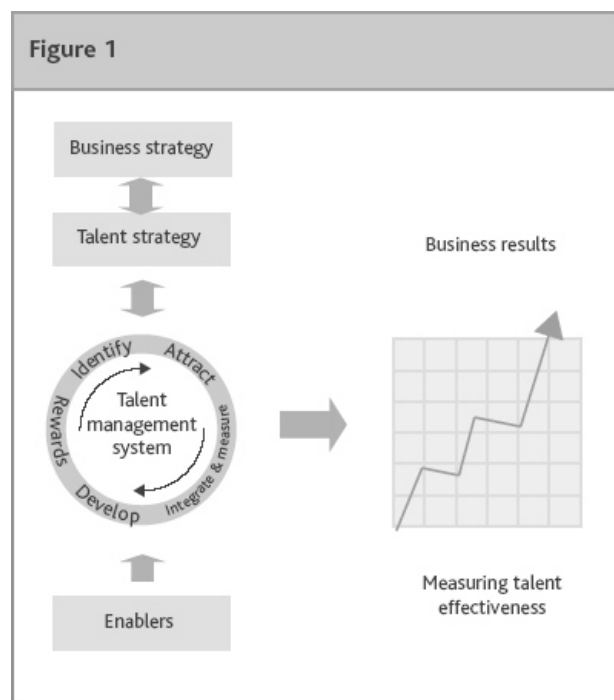
There is a duty on the board to ensure that there is good succession in place internally; making sure there are adequate internal candidates and developing them towards their next position. Attention to succession is probably one of the most critical factors in sustaining competitive edge.

This white paper gives introductory guidance and:

- examines the background to talent management and succession planning
- looks at the main features of modern talent management and succession planning
- considers the role of HR.

Background

All organisations, whether in the private or public sectors, need to be able to find people with the right skills to fill key and top leadership jobs. This process needs to be managed, and traditionally, large blue-chip



companies ran highly-structured, mechanistic, secretive and top-down schemes aimed at identifying internal successors for key posts and planning their career paths to provide the necessary range of experience. These schemes worked reasonably well in a stable environment where structures were fixed and careers were long-term.

But with growing uncertainty, increasing speed of change in the business environment, and flatter structures, succession planning of this sort declined in the 1990s. How could one plan ahead, it was argued, for jobs that might not exist next year? One apparent result was that more and more people came to be appointed to top jobs from outside organisations. A further problem with traditional

succession planning was that it failed to take account of non-managerial roles – a brilliant scientist, for example, who might be crucial to the future of the organisation and who wanted to stay in a research role.

In a climate of growing skills shortages and lack of confidence in the leadership potential of the existing workforce, interest in succession planning has revived. But the new succession planning looks quite different from the old version, with a broader vision and far closer links to wider talent management practices. This white paper looks at the main features of modern succession planning and the role of the HR function in the process.

MAIN FEATURES OF MODERN SUCCESSION PLANNING

Definition

Succession planning can be broadly defined as identifying future potential leaders to fill key positions. Wendy Hirsh¹ defines succession planning as 'a process by which one or more successors are identified for key posts (or groups of similar key posts), and career moves and/or development activities are planned for these successors. Successors may be fairly ready to do the job (short-term successors) or seen as having longer-term potential (long-term successors).'

According to Hirsh, succession planning sits inside a very much wider set of resourcing and development processes called 'succession management', encompassing management resourcing strategy, aggregate analysis of demand/supply (human resource planning and auditing), skills analysis, the job filling process, and management development (including graduate and high-flyer programmes). Now known as talent management.

Coverage

Organisations differ in size, scope and type, so it is difficult to point to any single model of succession planning. However, it is most common for succession planning to cover only the most senior jobs in the organisation, plus short-term and longer-term successors for these posts. The latter group are in effect on a fast-track, and are developed through job moves within various parts of the business. This focus on the most senior posts - perhaps the top two or three levels of management - means that even in large organisations, only a few hundred people at any given time will be subject to the succession planning process. It also makes the process more manageable, because it is much easier to concentrate on a few hundred individuals rather than (say) several thousand. That said, however, many large organisations attempt to operate devolved talent management models in divisions, sites or countries where the same or similar processes are applied to a wider population (see diagram below: 9 Box Matrix).

Balance between individuals and organisations

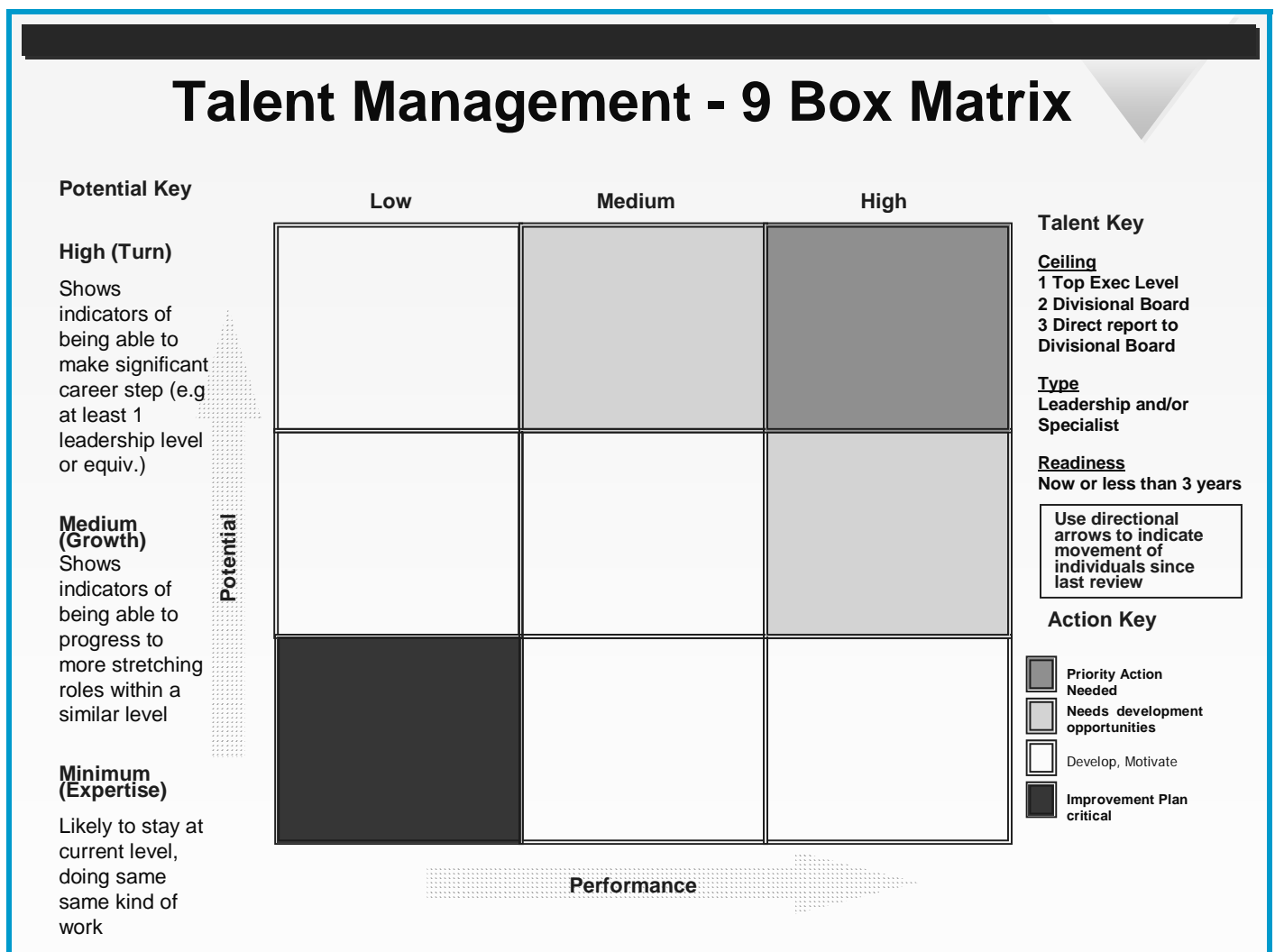
The old succession planning was purely about organisational needs. The modern version takes account of the growing recognition that people - men as well as women - increasingly need to make their own career decisions and to balance career and family responsibilities. So the emphasis is about balancing the aspirations of individuals with those of their employing organisations, as far as possible customising moves to meet the needs of employees, their families and the changing skill requirements of the organisation.

Broadening experience by lateral moves

Traditionally, people would have gained experience by upward moves, with accompanying increases in status and salary. Nowadays that may not be possible, because organisations are less hierarchical, with fewer management layers. A sideways move into a different job may be all that is available, without any extra cash. Traditional fast-tracking created expectations of upward progression, and if status and money are thought to be motivators, different methods of generating commitment may have to be found.

Roles, not jobs

In the past, people would move up to specific, often specialist, jobs. Now (although some jobs will always require specialists) the main focus is on identifying and developing groups of jobs to enable potential successors to be identified for a variety of roles. So jobs might be clustered by role, function and level so that the generic skills responsible for particular roles can be developed. The aim is to develop pools of talented people, each of whom is adaptable and capable of filling a number of roles. Because succession planning is concerned with developing longer-term successors as well as short-term replacements, each pool will be considerably larger than the range of posts it covers.



Competencies

Many organisations have developed frameworks for technical and generic competencies, which relate to a broad range of desired skills and behaviours. The assessment process attached to generic frameworks (especially for management competencies) can provide a useful starting point for evaluating an individual's potential for a senior role. Thus succession plans need to be integrated with existing competency frameworks. However, there should not be an over-reliance on competencies because they may be too limiting and mechanistic to assess skills such as leadership. Moreover, they relate to the past and present rather than to the future, which is where organisational leaders need to look.

Links with business planning

Those responsible for succession planning need to know as much as possible about the future of the business, how it is likely to change, and how such change might affect the numbers involved and the skills they need to possess. Of course this is not easy, but it does imply a close relationship at a senior level between top managers responsible for shaping the future of the business (including in particular the chief executive) and the HR function, which acts as a facilitator. (There is more on the role of HR below.)

Openness, fairness and diversity

Greater openness and transparency have come with the greater emphasis on the individual and the focus on roles rather than jobs. (In the past it was felt that the motivation of those not on the fast track would be sapped by the knowledge that they were not on it.) Secrecy is being gradually reduced, and advertising of internal jobs is increasing. It is now more widely believed that employees need to understand the succession process, the methods used to judge potential successors, and the kinds of jobs that are considered suitable for each individual.

With openness should go fairness; objective assessments of all available candidates need to be seen to be made, and succession development committees (under a variety of names) exist in many large companies to review key talent and succession plans and to examine how to improve the process. Those covered by the process need to be able to make an input about their own career aspirations, preferences and constraints. They also need feedback about how they are perceived by their employers and the sorts of job moves for which they would be considered.

As a growing number of organisations recognise the business case for diversity, they are increasingly aware of the need to ensure that the talents of women and ethnic minorities are properly developed.

Insiders and outsiders

All organisations need a certain amount of new blood to bring in new ideas and approaches, and fill unanticipated roles. Many seem to rely either too much on outsiders or too much on insiders, suggesting that it is difficult to find the right balance. Some academic commentators suggest that a ratio of around 80:20 between insiders and outsiders is about right. Some also argue that outsiders should not be brought in at board level but somewhere below it, so that people with outside experience can become accustomed to the corporate culture and undergo development before making the next

step up. Others, though, argue that if an objective business case can be made for bringing in outsiders at board level, it should be done (although not over-done), and in particular that a failing business needs to recruit from outside, and needs to be seen to be doing so to satisfy investors. Nevertheless, it is not difficult to make the case that many companies would be better served if they spent as much on developing their own talent through succession planning as they do on recruiting and paying off failed board members.

Databases

Various software packages exist to enable organisations to link available jobs with potential successors, to scan them to see whether filling vacancies with particular individuals would help to develop them, and to make sure that developmental actions are followed up. Of course the databases need to be continuously updated and to be supplemented by discussions between managers.

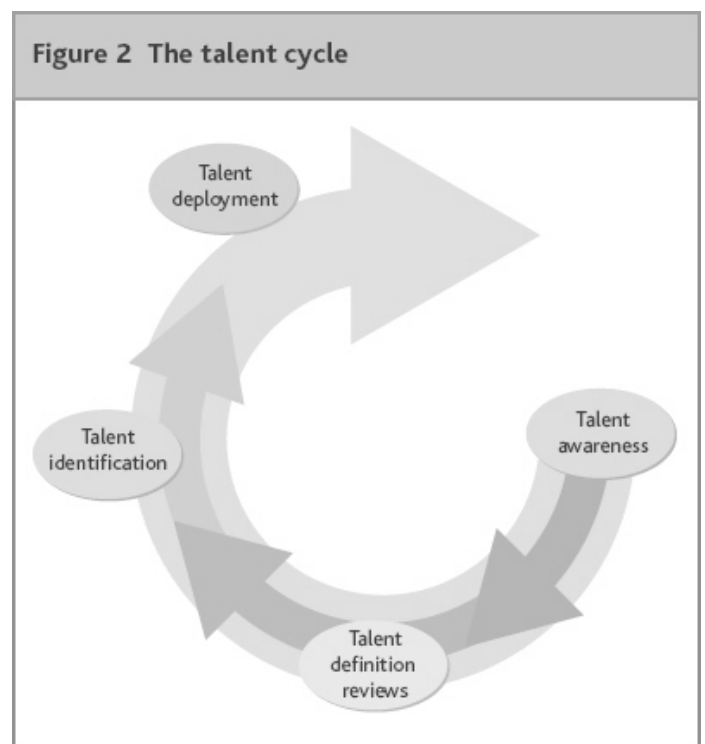
An evolving process

Organisations are not static. They evolve. Similarly, as those involved in succession planning gain experience of its operation, and as structures and requirements change, they will continually amend the system and how it operates. If they do not, the process will become less effective.

THE ROLE OF HR

Succession planning needs to be owned by line managers, and should be actively led by the chief executive who has a key role in ensuring that it is given the importance it deserves by other senior managers; ensuring that there is a healthy pipeline of potential leaders is about nothing less than the future of the organisation. But it is not realistic for CEOs and those around them to have sole responsibility for this; they have neither the time nor the expertise.

The HR function therefore has a critical role in supporting and facilitating the process, not least in compiling all the necessary information on potential candidates. Any career move at senior level is a process of multiple dialogues, in which a senior representative from HR will collect views from senior line managers in an iterative fashion, testing, challenging and amending them as the dialogue goes on, making sure that all possibilities are covered, and maybe putting proposals for decision to a succession development committee. HR departments are of course also heavily involved in giving career advice and information to individuals, and assessing and advising on their development needs. The HR function is also centrally



concerned in the design and management of assessment processes and information support, including the development and maintenance of computerised databases.

Is succession planning worth it?

There is no one model for succession planning and there are no hard-and-fast rules. Every organisation is different and what has been described above has been drawn mainly from the experience of large organisations; however, smaller organisations may be able to take what they want from this factsheet and adapt provision to suit their own needs.

But what is indisputable is that all organisations need leaders with a range of experience. Management training programmes cannot provide that hands-on experience which is crucial in making future leaders (see our factsheet on Management development).

Although it is a complex and time-consuming process which, carried out properly, does not come cheap, succession planning is the only way of managing the delivery of that experience and aligning it with business needs.

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Further reading

Books

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