

SUCCESSION PLANNING: SIX TOP HR STRATEGIES



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Introduction

- Your CEO is nearing retirement age and has given an indication that retirement will be imminent.
- You have a key role in your organization, which, if left suddenly vacant, would create a significant gap resulting in potential lost productivity, errors or missed opportunities.
- A tragic accident results in the unexpected death of a C-suite executive.
- A senior level employee in a critical position is poached away by a competitor.

HR is in a position to minimize the unexpected nature of these successions and minimize the time, cost and angst of filling key roles when they become vacant. Each of these situations—and many potential others—lead to the urgent need to replace a key individual within your organization. Unexpected succession situations happen in any industry and every company.

Succession planning is the process through which an employer first identifies and then develops internal staff with the potential to fill key leadership and other critical roles should they become open in the future. It is a way for an employer to better ensure leadership continuity and it is an important form of proactive, contingency planning.

Through succession planning, organizations build broad, internal talent pools to help feed the overall pipeline of available staff. These efforts can, and should, take place in large, multi-billion dollar, global companies; smaller for-profit organizations; not-for-profit organizations and family-owned businesses.

Regardless of the type or size of the organization, succession planning is an important undertaking and one where HR can play a key strategic role.



Workforce Planning and Succession Planning

Succession planning is a part of workforce planning—*strategic* workforce planning. The strategic workforce planning (SWP) process involves:

- Analyzing the organization’s strategic business objectives for both short-term and long-term timeframes. The further you can look ahead to determine what issues might affect the organizations, the more proactive you are able to be.
- Segmenting the workforce into groups.
- Examining external factors affecting the organization now, or likely to impact it in the future (environmental scanning).
- Engaging in scenario planning by examining certain variables to help create workplace forecasts. For instance: “If our sales grow by 10 percent, what areas of the organization will be affected?; which positions will need to be filled to ensure the ability to meet customer demand?”
- Reaching HR-management consensus about the best demographic make up for the right future workplace.
- Identifying supply and demand gaps to determine under- or oversupply.
- Creating and implementing plans to identify appropriate actions for addressing areas of under- or oversupply.
- Monitoring action plans to determine what is working and what may need to be adjusted.





Workplace planning involves calculating the number of human resources an employer needs to meet its long- and short-term strategic plans:

- Planning horizons of less than 12 months will result in a headcount forecast for different roles, locations and departments. This is referred to as *operational workforce planning* (OWP). OWPs generate a 6- to 12-month hiring plan by calculating supply and demand and developing plans to close any forecasted headcount gaps. It is the most commonly used form of workforce planning.
- Longer-term planning horizons (e.g. two or more years into the future) will require *strategic workforce planning* (SWP) and this, as we will see, is where succession planning will most come into play.

Since human resources are often the greatest cost for an organization—particularly service-oriented organizations—ensuring that the right people are in the right place, and at the right time and cost, is essential.

It's important to note that HR does not engage in these planning activities alone. Senior leaders, executives and other designated personnel must be involved to ensure a successful process and outcome.

WORKFORCE PLANNING TERMS YOU NEED TO KNOW

SUPPLY. The available workforce. Supply can refer to internal supply (the employer's own workforce) or external supply (other potential workers in the labor market).

DEMAND. The workforce needed. Demand may refer to headcount or to the skills and capabilities represented in the employer's workforce.

GAP. The difference between supply and demand. Generally, the gap is the shortfall employers need to close by hiring, training or using other talent acquisition and management methods. A gap, however, is not always a shortfall. Sometimes employers have too many human resources or the represented skill set is overly sophisticated for the employer's needs. HR is responsible for identifying and remedying both oversupply gaps and shortfalls.

FORECASTING. A quantitative, or numbers-based, method for predicting an employer's future workforce needs. Forecasting is typically based on historical data and trends. HR will generally produce different forecasts based on workplace variables (e.g., "if the employer grows at 10 percent, forecast A is applicable, but if business is slower, forecast B will apply"). Effective forecasting can deliver accurate supply and demand numbers in the short- to medium-term, i.e., up to 12 months. However, longer-term workforce planning strategies should be developed using scenario planning.

SEGMENTATION. Dividing the workforce into different groups for workforce analysis and planning. Work roles or work functions are normally the basis for segmentation. It is important to segment the workforce because different roles and functions may have different supply and demand challenges.

SCENARIO PLANNING. A qualitative method for developing longer-term workforce planning strategies. Scenario planning is widely used in strategic workforce planning. In scenario planning, HR does not use hard numbers. Instead, HR designs a future workforce by using known facts to build flexible scenarios.

ENVIRONMENT SCANNING. Environment scans are commonly used in conjunction with strategic workforce planning and involve examining and researching internal and external issues affecting the workforce. Environment scans are normally categorized into internal/external supply/demand. For example, internal supply means examining trends and issues within the employer's workforce. External demand means examining external factors that may alter the employer's workforce needs.

ACTION PLANNING. Strategy and implementation activities developed to close supply and demand gaps.

LABOR MARKET. The internal labor market refers to the employer's entire workforce. The external labor market refers to individuals in the global market who are potential employees. Practically speaking, however, when employers examine a specific workforce segment, the external labor market usually refers to a specific geographic area.



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How Succession Planning Fits In

Succession planning is related to workforce planning, but it goes beyond the more operational elements of workforce planning, allowing the organization to think far more strategically about current and future potential implications.

Succession planning considers some of the situations we presented in the beginning of this ebook. The big “oh no’s” that can take any organization by surprise *if* the organization hasn’t taken the time to consider these terrible “what if” situations. For instance, in 2014, the co-owner of the Philadelphia Inquirer was among six people killed in a Massachusetts plane crash. In July 2015, David Roth, the general director of the Kentucky Opera, died in a car accident.



Tragic accidents like these are not the only situations that can result in the sudden absence of a chief executive. Both Martha Stewart and Bernard Madoff are high-profile examples of chief executives derailed by criminal actions.

While there may be a tendency for organizations and their senior leaders to think: “This won’t happen here,” the truth is that these types of situations are both common and are possible to anticipate and mitigate through planning. The news is full of such reports indicating that companies, indeed, are subject to the impacts of unexpected losses. These losses must be planned for to ensure a smooth transition and minimize the potential negative affect on the organization and those it serves.

Studies, however, suggest that many organizations don’t have succession plans in place.

Forty-six percent of respondents to the Stanford Graduate School of Business’ (SGSB) [2014 Report on Senior Executive Succession Planning and Talent Development](#) answered “no” to the question: “Is your company grooming a specific executive to succeed the current CEO?” This is particularly concerning when looking at the average length of time it would typically take for the board to name a permanent successor according to respondents—88.8 days. While this example is tied to replacement, it also can be a part of an organization’s scenario-based planning for specific positions or departments.

Of course, the CEO is not the only key role that is potentially at risk of sudden succession. About 33 percent of the report's respondents disagreed that "there is an adequate pool of ready successor candidates for key C-suite positions (the same percentage disagreed when it came to the CEO position).

However, there are some areas that suggest a stronger view:

- **82 percent** either strongly agree or agree that "the CEO and executive team are actively involved in succession planning and talent reviews."
- **77 percent** either strongly agree or agree that "there are clearly defined competencies for key executive positions."



Only 50 percent of respondents, though, strongly agree or agree that "our organization has a clear and compelling executive development strategy."

Clearly, there is an opportunity for HR leaders to insert themselves into this process. The 2008-2009 financial crisis provided ample examples of organizations that were affected by CEO departures, without identified, and prepared, replacements. In response, the SEC has articulated that a critical board function is to provide for succession planning to avoid organizations being adversely affected by top leadership vacancies.

For the CEO position, this requires boards to:

- Develop criteria for the CEO position
- Identify and develop internal CEO candidates
- Begin non-emergency CEO succession planning at least three years before an expected transition
- Report to shareholders annually on progress

These steps are equally important for non-publicly held organizations, not-for-profits and family-owned businesses. Effective succession planning requires a significant investment of time, attention and dollars. The CEO role is a good starting place for those organizations that have not yet begun the process of formalized and detailed succession planning.

The approach each organization takes will be driven by its unique needs. All, however, face the same essential responsibility. Following are the 6 top strategies for effective succession planning.

Six Top Strategies for Effective Succession Planning

When it comes to succession planning, there are a number of strategies that HR leaders can advocate for and/or help implement. Following are what we believe are the “6 Top Strategies for Effective Succession Planning.”

1. PLANNING EFFECTIVELY

Many organizations do not take the time to plan or, if they do, their plan is not strategic enough to minimize the risk of turnover in key positions. In fact, [Stanford Graduate School's report](#) indicates that not only do many companies fail to identify a potential talent pool to succeed current senior leaders, but they also often fail to have a process in place to select these executives.



A well-positioned HR department can lead the organization through potential business pitfalls by engaging in effective succession planning. The goal is straightforward: developing succession plans that are designed with an eye toward the future and identifying the best talent to take the helm both in key leadership positions as well as in other positions throughout the organization.

A more detailed portion of the plan involves the interplay with talent management and other processes to produce a talent pool within the organization that will fill voids and achieve business success.

Of course, HR leaders can't do this planning in a vacuum. That leads to our next strategy.

2. GETTING ESSENTIAL BUY-IN FROM THE C-SUITE

Some believe that succession planning is limited to the C-suite. Other organizations expand the process. Opinions differ. Whatever the approach, it is important that HR champions and facilitates the process – the CEO should dictate the approach. Above all, HR should plan to assess the readiness of the organization for succession planning, beginning with the CEO.

Buy-in from the C-suite, all the way up to the CEO, is a must for effective succession planning. It can also be a challenge, however. CEOs may be loath to engage in discussions about their demise—whether due to death or displacement. They may fear, and wish to avoid, a loss of power and may even sabotage—either directly or indirectly—the replacement process.

HR professionals must be willing to initiate what may very well be difficult conversations, for a variety of reasons. Even in situations where the succession planning involves non-CEO positions, there may be barriers to moving forward often based on an unrealistic sense of “this will never happen here.” But, as we’ve seen, it will—and has. While some believe succession planning is limited to the C-suite, other organizations expand the process and engage managers in assessing leadership readiness of supervisors and other key personnel. Organizations may assume that HR will champion and facilitate the process, but the approach should be the CEO’s decision.

Our [Model Succession Plan Form](#) is designed to help HR professionals document a proposed succession planning process for senior management, the CEO and, often, for board approval. It should be drafted with an eye toward helping leaders better understand the potential payback from implementing a comprehensive succession planning process. The draft also will serve as useful input to the decision of whether to implement a succession plan (a “go-no go” decision).

Before investing in and then undertaking succession planning, key decision-makers must have the facts and understand the business case for such an endeavor; our Model provides a template to document these important factors.



3) IDENTIFYING HIGH PERFORMERS, HIGH POTENTIALS

There's no doubt that the most outgoing and engaged employees within your organization are likely to be top-of-mind when considering succession candidates. And, many of those employees may be valid choices for grooming.

However, business needs should play a role in the process. How many high performers or high potentials must be identified? Consider roles first, then competencies, so that the most capable end up in critical positions.

In an organization's quest to identify talent, there may be a group of high potential employees who are inadvertently overlooked—the introverts in your organization.

Introverts are those who may take a back seat within an organization. Since they generally take longer to process information inputs, they may not be as quick to speak up in meetings or groups and, consequently, may give the appearance of not having great ideas, or not being innovative or creative. The opposite is often true, but introverts need to be given time to process the inputs around them.

Introverts may also not convey a high sense of energy and, consequently, may appear to not be as interested or engaged in the company's operations or the work of their departments or teams. Again, these perceptions may be inaccurate.

What can HR leaders do to help ensure that the strategic goal of identifying and nurturing the best and brightest of the organization is met? Important steps include:

- Understand, assess and be willing to use personality and career assessment tools as part of talent management processes. It's important, too, to use these instruments properly, ensuring data is interpreted well and that all departments understand the value of this type of undertaking.
- Be aware of the tendency to overlook introverts. Adequately assess both a candidate's performance and potential. As with many things, realizing that a problem exists can be an important first step in overcoming the problem.



- Use existing documents such as performance management reports, performance ratings, recruitment practices and other talent management data to help identify candidates for potential leadership positions.
- When developing pools of high potentials or potential successors, think broadly. Executive teams will often sit around a table and develop a list of those they feel should be groomed for new opportunities. These lists may be comprised of the extroverts who are well known because of their outgoing nature, involvement and high energy. In addition to identifying high potentials in this manner, consider doing “open calls” for employees through workplace surveys or career development processes, allowing all to indicate whether they may be interested in such things as leadership development training, etc. You may uncover exceptional talent in this manner.
- Be sure to differentiate between current top performers and those with leadership potential. Often, top performers are well placed and may lack the management skills necessary to advance in an organization. With this in mind, your organization has a better chance to developing a qualified talent pool that can positively impact the organization and its key business objectives.

As HR leaders help develop succession plans and companion practices, it might be wise to keep four factors in mind when identifying high performers and high potentials. The factors are described in the June 2014 Harvard Business Review article “21st Century Talent Spotting.”

- **Determination.** The drive to excel by building trust and confidence, resulting in the ability to influence internal and external stakeholders.
- **Curiosity.** Learning capability and the ability to master new expertise and skills.
- **Engagement.** The capability to move beyond comfort zones to accept challenging assignments and to make adjustments based on traditional feedback and “reading” situations.
- **Insight.** The ability to recognize new possibilities for the organization.

4) ASSESSING EMPLOYEE TALENT AND CASTING A WIDE NET

Casting a wide net is important because not every high performer or high potential employee is a shoe-in for succession. For a variety of reasons, those identified can drop off the rolls each year. HR leaders need to be aware of this and ensure processes are in place to maintain a dynamic and constantly evolving succession plan that results in a qualified pool of candidates.

As we saw with introverts, there is another type of employee who may fall off the radar when it comes to identifying candidates for succession or leadership development—the solid soldiers who don't stand out in any meaningful way. They do their job, their performance is good, but there may be potential that exists that leaders fail to identify. These employees may leave the organization for other opportunities precisely because they feel overlooked.

To help ensure that the succession plan reflects an accurate assessment of the organization's talent, organizations should consider asking these “solid soldiers” whether they would be interested in a different role or developing different competencies.

The bottom line is to ensure that your policies and practices cast a wide net to be as inclusive as possible of employees who may represent great sources of talent for your organization. Talent gaps should be acknowledged and taken into account when planning for the organization's future.



Another key consideration here is to be alert to the potential for any unconscious biases in selection choices based on preconceived ideas of potential employee talent—for example, overlooking employees who have not been with the organization very long, who may be nearing retirement age or whose appearance may be different in some way.

An essential strategy for casting a wide net is to continually focus your succession planning on the future. Without a strong view of the future of your business, it's difficult to determine what type of leaders should be developed from within.

Identifying high performers and high potentials while casting a wide net will give organizations a solid foundation for successful succession planning, but HR leaders also need to anticipate the unexpected, which brings us to our #5 top strategy.

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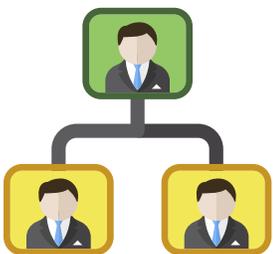
5) M&A – POOLING THE TALENT

Any time two or more organizations come together there is resulting duplication of roles from the top down. Healthcare is a hotbed of merger and acquisition (M&A) activity. Healthcare Finance is maintaining a running list of 2015 mergers and acquisitions in the healthcare arena and indicates that “analysts mostly agree that this year will be full of healthcare acquisitions as health systems, information technology companies, software firms, medical practices and service providers seek to find out whether bigger is indeed better in the post-Affordable Care Act world.” So far, they’ve identified 56 mergers around the country—and the list continues to grow.

Let’s consider what happens when two healthcare organizations come together. The resulting organization now has two CIOs, two CFOs, two CHROs—and so on down the line.

Clearly, these high level senior executives are going to see the “writing on the wall.” Someone is going to either have to go, or be displaced to another role. In some cases, it may be possible to split the role. This is particularly true in the IT area where organizations are pointing to the potential need for roles like a CISO (Chief Information Security Officer). In other cases, though, two C-level roles may not make sense; eliminating one of them has a direct, positive, bottom-line impact on the organization.

Organizations and their HR leaders must be nimble in making decisions and communicating quickly enough that the cream of the crop don’t quickly find new roles somewhere else. That presents a dilemma at a time when process and roles are still being sorted out.



While retention is a critical component during periods of uncertainty that come with mergers and acquisitions, it’s imperative that HR leaders move quickly to launch succession planning readiness activities as soon as integration has been achieved. HR leaders can help ensure that the corporate culture and key values, and other factors such as talent management and training and development opportunities are harmonized.

Another key consideration during a merger or acquisition is how the talent management department will assess competencies that may be desirable in filling specific key roles or evolving business objectives. For example, it’s one thing to have the competency to create value for the organization; it’s quite another to have the competency to be a game-changer. As HR leaders seek to understand which competencies will be desirable, they must

MISMANAGED M&A MAY IMPACT FUTURE SUCCESSORS POOL

During a merger or acquisition all organizations involved are at risk of losing the people they really want to keep and, of course, it is the high-potential employees who are most at risk since they are most likely to be highly valued by other organizations.

Maintaining work force stability will obviously be critical for the newly formed organization to succeed. HR should lead the development of compensation, retention incentives and termination agreements, which should be consistent with the final merger or acquisition agreement. The following categories or “buckets” may be helpful when considering succession-related retention issues:



LONG-TERM

"KEEPERS." These are employees the company wishes to retain on a long-term basis. For those

employees, it may be appropriate to pay short-term retention bonuses, payable on or close to the effective date of the merger or acquisition. Those retention bonuses should be paid in addition to the employees' base salaries, bonuses (annual and long-term) and, if appropriate, equity in the new organization. The annual and long-term incentives would be preconditioned on the employees' performance in their post-merger roles. Where appropriate, employment contracts may also be provided.

SHORT-TERM "KEEPERS" CRITICAL TO AN EFFECTIVE TRANSITION. These incentives apply to employees who the

be clear with identified employees about future needs; create development plans that are tailored for individuals; and be creative about the next generation of workers. High potentials and high performers who fit the mold today, may not in future.

Subsequent acquisitions may help to fill certain key roles due to a lack of desirable competencies within the integrated organization.

Regardless of whether the organization is involved in a merger or acquisition, communication is a key factor in ensuring effective succession planning—#6 on our list of strategies.

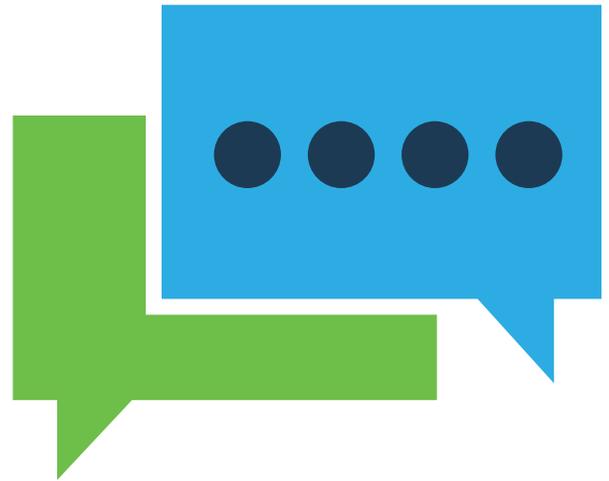
company wishes to retain during the transition period, but who will not have long-term positions within the new company. For those employees, it may be appropriate to pay short-term retention bonuses, payable upon the merger effective date, together with meaningful retention bonuses payable on the employees' designated termination dates. For retention periods exceeding six months, the retention bonuses may be made payable in increments (for example, 25 percent at three months, 25 percent at six months, 50 percent on last day worked).

INDIVIDUALS TO BE TERMINATED. For employees who will be terminated due to the transaction, the company may consider severance payments, payable on the employees' designated termination dates and outplacement career transition support.

6) COMMUNICATING THE PLAN AND ITS VALUE

Effective communication is a key factor in ensuring the success of a planning effort. HR leaders should be diligent in explaining the benefits of a communication strategy, and helping to carry it out with major support from the C-suite.

The basic elements of any communication activities in support of a succession plan include the following: establishing your goals and objectives through research and consultation; defining the message(s); identifying your audiences; crafting tailored messages per audience; assessing your resources and communications budget; and evaluating and monitoring results.



Many employees are inherently interested in opportunities for advancement when they join an organization; being open about these opportunities through strategic communications can be a key factor in employee engagement, retention and longevity.

On the other hand, employers may be concerned that if they are *too* transparent they may either unwittingly overplay their hand, resulting in the loss of employees who don't feel they're under consideration, or overstate the opportunities resulting in disappointment among key employees who may not be tapped as part of the succession plan. With effective communications, organizations can carefully manage these situations.

Each employer will approach these decisions based on their unique position in the market, their corporate culture and philosophy, and practical considerations taking into account both risk and reward.

For example, some organizations may want to identify high potential employees to increase the odds of retention; others may be concerned that by doing so they may inadvertently send a message to those not on the list that they are not highly valued. They may, therefore, either “retire in place” or seek employment elsewhere. This example will be an important consideration as succession planning messages are crafted and tailored for specific audiences in your organization.

Communicating the plan will help organizations answer questions such as: “How can we create an effective strategic succession planning process that values the employees while ensuring a strong pipeline of potential successors?”

As part of the communication plan, HR leaders and other key sponsors could consider the following strategy-based tactics:

- An interactive cascade, which allows for two-way communication, thereby avoiding impersonal, mass communications
- Town-hall meetings that can be conducted virtually in real time, allowing key spokespersons the opportunity to connect emotionally and signal the extent of their commitment to employees’ growth and development
- An emphasis on generating material that is directly tied to desired results of your succession plan



Remember, to be strategic, any communication plan must be aligned to help achieve business objectives and desired outcomes. Communicators, with HR leaders as partners, should think about what the organization is trying to achieve and then use communication tactics to help get there.

Following are our recommended steps to create and implement an effective succession plan.

Steps for Developing an Effective Succession Plan

Before we dive into [the steps of effective succession planning](#), let's address a foundational question: Are you ready for succession planning? Not all organizations are. Moving forward with a solid succession plan will put your organization on a better path to achieving strategic goals.

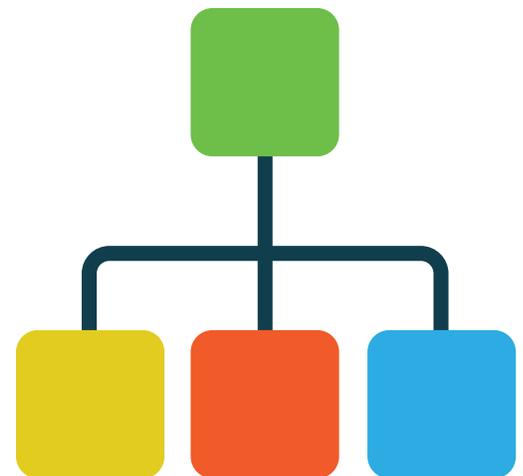
Our [Succession Planning Assessment and Readiness Survey](#) can be used both by organizations that are still in the consideration phase of developing a succession plan and those that have a plan in place but who want to ensure that they haven't embarked on this process prematurely. Assessing readiness is also a great way to generate discussion and seek input from key audiences—the Board of Directors, C-level executives, functional department heads, line managers and even frontline employees.

But, let's assume you're ready and you've determined that the top 6 strategies will serve you well. What steps should you take to ensure the best results?

STEP 1:

Partner with the CEO and C-Suite

As stated earlier, our #2 top strategy is getting C-suite buy-in for succession plan. By implementing Step 1, you'll ensure that the C-suite is at the table with senior HR leaders. Regardless of how senior and talented they may be, HR leaders cannot successfully implement a succession planning program without the support of the C-suite. Determine the C-suite's roll in processes and communications, and ensure their availability to support efforts and make succession planning successful.



STEP 2:

Determine the Goals for the Process

Once you've confirmed buy-in and commitment to creating a strategic succession plan, the next step is to establish clear goals. You need to ask and answer some key questions including:

- Why are we doing this?
- How will both the company and our employees benefit?
- How will we know if we have been successful?



Addressing these key questions up front will help guarantee the success of your succession plan and your communication effort. An organization's answers will be essential in developing a communication plan.

Succession planning can serve to:

- Demonstrate senior management's commitment to investing in a planning and development process
- Ensure key staff have ample advancement and promotional opportunities
- Enable senior management (and the Board of Directors, if appropriate) to get to know its key people in greater depth
- Ensure leadership and management continuity
- Provide validated candidates ready to assume an open position, and result in more timely fills
- Help develop a more diverse pool of internal candidates
- Establish a culture and talent brand focused on development and internal mobility
- Help retain top performers
- Reduce time to fill open positions
- Reduce overall talent acquisition costs

Related benefits for employers can be significant and may include the following, which can serve as a good starting point for the creation of goals, objectives and metrics to measure impact:

- An enhanced reputation in the talent marketplace
- Greater commitment to and engagement in the organization by top performers
- Reduced turnover
- Decreased expenses

Employees also stand to benefit from an effective succession planning process. From an employee standpoint, your commitment to developing and implementing a succession plan will:

- Make your organization a more attractive employment option
- Provide a culture where employees know they will have the opportunity to grow and develop
- Provide greater visibility to senior leadership
- Offer ample opportunity to move up in the organization (along with commensurate compensation growth)

Measuring the success of your program should directly tie back to your goals and objectives and should be focused on outcomes. Some likely metrics include:

- Overall turnover rates
- Retention of key talent (who have been validated as succession candidates)
- Percent of open positions filled from within by succession candidates versus percent filled from outside
- Time taken to fill open positions
- Overall recruiting costs

For example, you may set a goal to fill at least 80 percent of open positions within the scope of your succession plan from within, or a goal of reducing overall recruiting/talent acquisition costs by 25 percent.

In addition to the metrics above, you might also measure changes in levels of employee satisfaction, morale and engagement with the organization. The goals you establish, and monitor over time, will give you a good indication of the effectiveness of your efforts.

STEP 3:

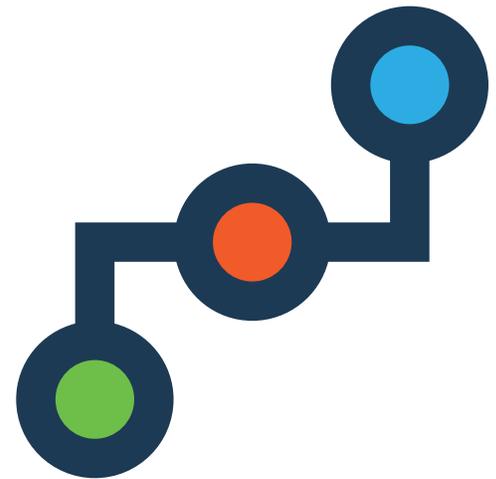
Determine the Scope of the Process

Determining which organizational level(s) to cover is a decision that will be unique to each employer and should typically be determined in partnership with the Board of Directors. The bare minimum scope of an employer's succession plan is the CEO (i.e., the senior-most leadership position with overall responsibility for the organization's direction and performance). Succession at this level would be the sole responsibility of the Board (or, in a family-owned business, the primary shareholders).

In addition, depending on the organization's structure, the following could fall within the process' scope:

- Other C-level leaders (e.g., COO, CFO)
- Heads of various functional departments (e.g., Tax, Marketing, Sales and HR)
- Heads of various domestic and/or international operating divisions
- Middle management positions critical for an organization's success (e.g., Donor Relations in a non-profit, Sales Manager in a sales-driven organization, Plant Manager in a manufacturing-focused employer)
- High potential individuals not yet ready to move into one of the "in scope" positions, but with significant long-term potential (for example, Sales Executive, Buyer and Accountant)

There may even be instances where line-level employees represent such value to the organization—and great risk if they should leave—that succession is considered for these individuals as well.



STEP 4:

Determine Roles and Responsibilities for the Process

Roles and responsibilities for the design, implementation, tracking and reporting of a succession planning process will vary by level and functional responsibility. Here are some common areas of involvement and the role that each group often plays in the process:

Board of Directors

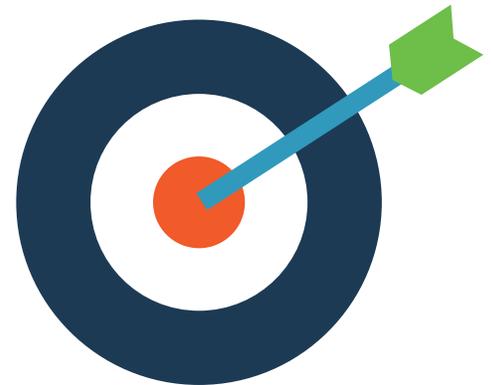
Boards can and should play an important role in succession planning. First and foremost, CEO succession is its responsibility. Beyond that, Boards (in conjunction with the CEO), can be supportive of the overall succession and development effort, while holding the employer's senior leadership accountable for its effective implementation.

CEO and Others in the C-Suite

The CEO should ultimately “own” the succession planning process, as part of the responsibility to structure and staff the organization for growth and success. Depending upon structure, the COO (and other C-level leaders - the C-suite) will also play an important role. However, the CEO:

- Sets the expectations for the organization
- Helps create and then leads a culture that supports succession and staff development
- Holds those responsible for the processes' effectiveness accountable

In some organizations, growing, developing and then successfully placing succession candidates into open positions is incorporated into the annual reviews of leaders and managers.



Human Resources

With respect to succession planning, HR's role is to support the direction established by the Board of Directors and C-suite. This includes:

- Designing all relevant materials, instructions and workflows
- Educating those needing to provide input to the succession plan
- Administering the process (including asserting quality control over the input)
- Organizing and facilitating meetings between the CEO and those leaders responsible for completing a succession plan for their respective departments/functional areas
- Summarizing all information to ensure that succession candidate data is readily available
- Tracking open positions to ensure that validated succession candidates are considered
- Compiling data and statistics to track results against agreed-upon goals
- Supporting the CEO's reporting to and discussion(s) with the Board of Directors

Department Heads/Division Heads/Other Key Leaders

Using the materials provided by HR, other key leaders, such as department or division heads, are responsible for completing a succession plan for their respective area(s) of responsibility across the in-scope levels and job categories. Each plan should then be reviewed and discussed with the CEO in a meeting organized and facilitated by HR.

STEP 5:

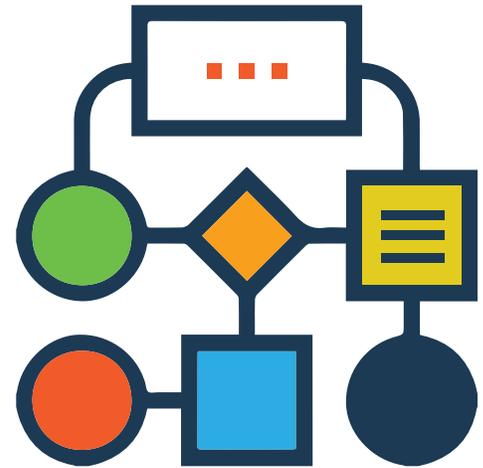
Create all Relevant Documents, Instructions and Workflows

Responsibility for creating all relevant documents, instructions and workflows is usually within HR. While the scope will vary by the size of the organization and the goals established, the following will typically be included in a succession planning process:

- Format to summarize an individual's performance, potential, readiness and vulnerability, as well as a narrative summary about the individual and the development plan put in place
- A section to enable those completing the succession plan to identify any lower level High Potentials
- A detailed workflow that defines roles, responsibilities and timing
- Instructions for completing all needed documents

For a newly created process, HR should touch base with each unit required to complete a succession plan, answer any questions and ensure understanding of what is expected.

HR should also develop formats that can be used to summarize the overall process, including a listing by functional area and/or level of the succession candidate(s). This summary would then be shared with the CEO and should provide useful input to the annual update with the Board of Directors.



STEP 6:

Communicate the Process

An employer should openly communicate with its staff about the existence of the succession planning process, with particular attention to the organizational level(s) within scope. Such communication should emphasize why succession planning is being implemented, with an emphasis on the potential benefits both to the organization and the individual employee (it is important to address WIIFM, or “What’s in It for Me”). While there is a risk in sharing too much information, as it may raise expectations unrealistically, the upside benefits typically outweigh the downside risks.

With HR in the lead, implementation will include sharing of materials, completion of the materials by the responsible leaders, review of the materials by HR (i.e., to provide quality control and feedback to those completing the plan), meetings with the CEO, summary of these meetings prepared by HR and regularly scheduled updates with the CEO and Board of Directors, as appropriate.

Once the plan has been approved and succession candidates selected and validated, it’s important to give these candidates first consideration for open, within-scope positions, whenever possible. While there may be times when it is appropriate to go to the outside, priority must be given to succession candidates whenever possible. This is the best way to ensure that the process will have visible, measurable impact on the organization’s ability to retain key employees.

It is also a good idea to consider periodic updates to the organization, focusing on the successes of the process. For example, if a large number of open positions have been filled with validated succession candidates, the employer might consider sharing that information as a way to reinforce that the process works (and to further reinforce the employer’s commitment to employee growth and development).

An employer’s commitment to this “grow and develop from within” culture can also be an important selling point to potential outside hires and should be shared accordingly.



STEP 7:

Implement the Agreed-Upon Process

Implementation should follow the agreed-to timeline and workflows, with HR in the lead. This would include:

- Sharing of materials
- Completion of the materials by the responsible leaders
- Review of the materials by HR (i.e., to provide quality control and feedback to those completing the plan)
- Meetings with the CEO facilitated by HR
- Summary of these meetings prepared by HR
- Regularly scheduled updates with the CEO and Board of Directors

Once the Plan has been approved and succession candidates validated, these candidates should then be given first consideration as within-scope positions open. While there may be times when it is appropriate to go to the outside, priority should be given to succession candidates. This is the only way that the process will have a visible, measurable impact on the organization and its key employees.

STEP 8:

Monitor the Results of the Process Against the Established Goals

The employer should periodically measure progress against the goals established as part of the initial decision-making (see **Step 2**). Annual measurement is the minimum and an employer might choose greater frequency depending on what it is trying to accomplish.

Actual performance against goals, as well as any survey-related information, should be part of an annual review with the Board of Directors, incorporated into internal communications about the process (see **Step 6**) and used to help establish the employer's external "talent brand" when needing to attract key staff from the outside.

Some Tactical Details

We've taken a fairly high-level approach to the elements of an effective, strategic succession planning process. The steps outlined above will help you ensure that your plan attains the results you need to achieve strategic business objectives. While strategic approach and perspective are important, there are some key tactical details that can help you hit the ground running in terms of identifying roles and individuals who will be engaged in your succession planning process.

A comprehensive succession planning process will effectively integrate a number of existing HR initiatives, including:

- Talent assessment and acquisition
- Performance management
- Training
- Individual development planning
- Mentorship
- Career pathing



In addition, conclusions about an individual's status coming out of the process will provide input for decisions about how to compensate and reward succession candidates. Finally, since not all succession candidates will choose to remain with the employer, a feedback loop through exit interviews becomes essential.

You should plan to conduct a structured, comprehensive succession planning process annually, following your organization's annual performance review cycle. In this way, the latest performance and development needs information will be available as input to the planning process.

In addition, depending on the organization's size, scope, needs and overall structure (including Board involvement), interim quarterly or semi-annual updates are often conducted.

A comprehensive, strategic succession plan should include at least the following for each employee being considered as a succession candidate:

- Last 2 to 3 (at least) performance ratings, including performance against measurable goals and subjective ratings against competencies or culture-specific behavioral qualities critical for the organization's success
- Current rating of *potential* to move up in the organization (e.g., unlimited potential, potential to move up 1 level but likely not beyond, no potential beyond current level)
- Current rating of readiness to move up (e.g., ready now, ready in 12 months, ready in 1-2 years, possibly ready further out, likely not ready in the future)
- Current rating of vulnerability (e.g., high - appears to be actively looking outside, some - not actively looking but could be recruited, low - appears to be committed for the long-term)
- Narrative description of the employee's strengths, development needs and overall business acumen
- Development plan—for those with potential to move into new roles, it is important for the plan to indicate how identified development needs will be addressed to help enhance employees' readiness should opportunities become available



While leaders and managers clearly have roles to play in this identification and documentation process, ultimately, once all discussions have occurred, a summary should be completed (typically by HR, for CEO approval). The summary should show all succession candidates, prioritized by readiness, for targeted job categories in the organization. HR also will take the lead in tracking and reporting on the metrics and goals outlined in the plan, at least annually. As data is gathered and trends surface, appropriate changes and modifications to the process should also be recommended.

Succession planning, as we've seen, is an important strategic function for organizations of all sizes, in all industries. It is an area of business performance where HR leaders have an opportunity to demonstrate their ability to take a strategic look at the organization's current and future talent needs, to work collaboratively with senior level leaders, including in some cases boards of directors, and to visibly demonstrate value to the success of the organization, its leaders, staff and other key stakeholders.

Appendices

Model Succession Plan Form

Author: **Warren N. Rothman**, Blue Prairie Group LLC

When to Use This Form

The Model Succession Plan is designed to help a user (often HR) document a proposed succession planning process for senior management (CEO) and, where relevant, Board of Director approval. It should enable an employer to better understand the potential payback from implementing a comprehensive succession planning process, and serve as useful input to the decision whether to implement a succession plan (a "go-no go" decision). Prior to investing in and then undertaking succession planning, key decision-makers must have the facts and understand the business case for such an endeavor; this Model provides a template to document these important factors.

The model plan is organized into a number of sections, each of which is designed to educate the CEO (and others) about different aspects of the proposed process. The Model as presented provides language that could be generically applied, while sections that would likely need to be tailored to the specific employer are presented in **[brackets]**.

You will find the Model Succession Plan, which can be further tailored to fit your employer's specific needs, at the link below.

<http://www.xperthr.com/policies-and-documents/model-succession-plan-form/16342/>

Succession Planning Assessment and Readiness Survey

Author: **Warren N. Rothman**, Blue Prairie Group LLC

When to Use This Form

The Succession Planning Assessment and Readiness Survey should be used by an employer considering initiating a structured succession planning process. Having input from key stakeholders and parties involved in the process has several potential benefits for the employer, including:

- Provides valuable input to the decision whether to implement a succession plan (the "go-no go" decision)
- Provides both strategic and tactical information which can shape the content and approach
- Gets key stakeholders (such as Board of Directors, C-level executives, functional department heads and line managers) engaged with and committed to the process
- Sets the stage for tracking changes in stakeholder perceptions over time

Roles and Responsibilities

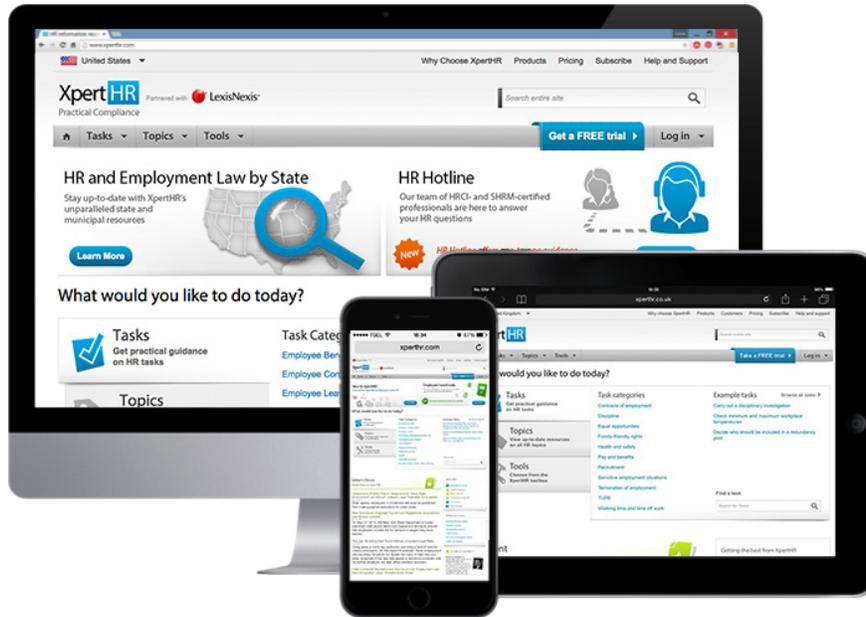
The decision to conduct the readiness survey may be driven by the Board of Directors, although it is more likely to be initiated by the employer's senior management (CEO and other C-level executives, with HR playing a key role in deciding whether to conduct the survey). HR should be responsible for:

- Survey design
- Administration
- Data analysis
- Reporting

Reporting should first be to senior management, following which the Board of Directors should be apprised of the results along with management's recommendation(s) about whether or not to move forward with succession planning. The other stakeholders who completed the survey should then receive a summary of the results and be made aware of the "go-no-go" decision along with timing and scope, if the decision is to move forward.

You will find the Succession Planning Assessment and Readiness Survey Form, which can be tailored to fit your employer's specific needs and culture at the link below.

www.xperthr.com/policies-and-documents/succession-planning-assessment-and-readiness-survey-form/16341



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