The Business Case for Succession Planning

University of Florida
Executive Education
Succession Planning

A continuous process of identification, assessment, and development of talented individuals as they move through the organization.
Why Succession Planning?

• The Benefits of Succession Planning
  – Minimizes transition problems and protects the organization against disruption and/or loss of momentum in the event of the loss of key employees.
  – Aligns talent management systems and initiatives with the goals of achieving organizational resilience and leadership renewal.
Why Succession Planning?

• The Benefits of Succession Planning
  – Prevents premature promotion by providing an objective process for assessing and developing readiness to assume additional responsibilities.
  – Increases employee engagement, retention, and satisfaction
Why Now?

- Succession planning will be essential in managing the “brain drain” that is expected to occur as baby boomers retire.
  - Beginning last year, America’s 78 million baby boomers – those born between 1946 and 1964 - started turning sixty years old. This generation comprises over 40% of today’s workforce.
  - Organizations know it is coming, but most are not adequately prepared. The result will be a shortage of qualified workers in key positions.
Why Now?

• Succession planning provides an advantage in the “war for talent”.
  – Companies who cannot offer prospective employees a plan for their development and advancement will be at a competitive disadvantage when the economy picks up and the labor market tightens.
Business Week Research

• 74% agree that the U.S. economy will experience a shortage of skilled employees over the next decade as baby boomers retire yet fewer than 37% indicated that their organization has formal practices in place to groom successors and/or institutionalize important knowledge from employees that leave or retire.
Question

• Does your organization have specific plans in place to institutionalize its knowledge before the organization’s baby boomers retire? To what extent?

• If you answered “yes”, what specific initiatives do those plans entail?
The Process

1. Identification of key positions and their responsibilities
2. Development of competency models/critical success factors
3. Identification/assessment of succession pool
4. Identification of competency gaps and ways to close the gaps
5. Creation of plans to optimize and target development of succession pool
Discovering Leadership Gaps

If you have not taken the time to assess your succession needs, analyzing your organization chart is a good place to begin.
Color coding

Color coding is often used to provide a visual way to assess which key positions have retirement-related urgency.

- CEO
- President
- VP Controller
- VP Marketing Director
- VP Human Resources Director
- Vice President District Manager
- Vice President District Manager
- Advertising Manager
- Training Director
Relative Importance

- **First Priorities** – Positions that are both high urgency and high importance.
- **Second Priorities** – Positions that are either high importance or high urgency, but not necessarily both.
- **Third Priorities** – Positions that are low urgency and low in relative importance.
Succession Planning = Bench Strength

• Bench strength
  – The hallmark of high-performing organizations
  – The primary source of organizational resilience (the ability to recover from setbacks or absorb the loss of a key player without losing momentum).

• Bench strength provides the depth of talent needed to ensure that leadership growth keeps pace with organizational growth.
If Bench Strength Is Lacking

1. The organization risks the possibility – or probability – that leadership voids will be created when critical positions become vacant.

2. The organization finds itself continually having to go outside for talent that could have been filled from within if high-potential employees had been properly identified and developed.
### Questions

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<th>Question</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Don’t Know</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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<td>My organization has planned well for succession and won’t suffer leadership voids when people retire.</td>
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<tr>
<td>My organization is well prepared to develop leadership from within and won’t have to continually go outside for talent as leadership vacancies occur.</td>
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The Five Best Practices

Best Practice #1

The organization’s succession plan is part of a comprehensive talent management process that aligns the human side of the organization with its vision, mission, and strategies.
The Five Best Practices

Best Practice #2
The organization’s succession plan is designed around competency models and “critical success factors” for each key leadership position.
Competencies

• Skills, knowledge, talents, and other personal characteristics that are critical to successful job performance
  – **Skills** = How-to factors
  – **Knowledge** = Information (factual/experiential)
  – **Talent** = Innate ability. Recurring patterns of thought, feeling and behavior
Competencies

• Provide criteria to guide the process of selecting successors for targeted positions

• Provide a framework and common terminology for the assessment and development of successors
Competency Models

• Based on success profiles

• Generally grouped into two categories:
  – Technical
  – Managerial
Managerial Competencies

• Managerial Competencies are often grouped into clusters such as:
  – Managing Change
  – Planning and Organizing
  – Interpersonal Skills
  – Results Orientation
  – Leadership
The Five Best Practices

Best Practice #3

The organization’s succession plan maps out and implements a process for objective, disciplined identification, review, and assessment of potential successors for targeted positions.
Assessment Questions

• Based on the models, what competencies are required for success in key positions – both today and in the future?

• What competencies do targeted successors currently possess?

• What are the gaps between existing competencies and those that are needed and how can we close the gaps?
Individual Assessments – Three P’s

Performance
(Past and Present)

Potential
(Competencies – skills, knowledge, talent and drive)

Preparation
(Readiness to take on additional responsibilities)
Three P’s

• **Performance**
  – What strengths and developmental needs are reflected in performance evaluations?

• **Potential**
  – How do the individual’s skills, knowledge, talent, and drive match present and future needs?

• **Preparation**
  – How prepared is the individual? Has he/she groomed potential successors?
Pool Assessment

- What competency gaps exist within the succession pool and what impact do they have on the achievement of organizational goals – now and in the future?

- What steps need to be taken to close the gaps?
The Five Best Practices

Best Practice #4
The succession planning process involves each potential successor in his/her own development through individual development plans that are supported by targeted, high-quality training, and development opportunities.
Individual Development Plans

• Tied to competencies and critical success factors

• Map out individual objectives/activities
  – Education and training needed
  – Experience needed and how it can be obtained (interim positions, job rotations, special assignments, etc.)
  – Personal development (behavior change, etc.)
The Five Best Practices

Best Practice #5
Each individual in the succession pool receives ongoing one-on-one coaching and mentoring to check progress, remove obstacles, and maintain momentum.
Coaching and Mentoring

• Highly individualized

• Objectives and approach will vary depending on individual’s potential and preparation levels
Preparation/Potential Grid

**Preparation**

- **High**
  - High Preparation High Potential (Ready Reserves)
  - Low Preparation High Potential (Works in Progress)
- **Low**
  - High Preparation Low Potential (Stretches)
  - Low Preparation Low Potential (Redirects)

**Potential**

- **High**
  - High Preparation High Potential (Ready Reserves)
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- **Low**
  - High Preparation Low Potential (Stretches)
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Getting Support for Succession Planning

• Of the 5 best practices, which is most challenging for your organization?
• How do you make a “business case” for succession planning in your organization?
• Whose support do you need and how do you plan to get it?
• What obstacles do you face?
• How can obstacles be minimized or eliminated?
Questions?