

# Ensuring Leadership Readiness: The Impact of Effective Workforce & Succession Planning

## *Leveraging Web-Based Human Capital Management Systems to Plan for the Future and Manage the Talent Pool Today*

### **The Leadership Imperative**

Whether you are responsible for Human Resources (HR) at a corporation or staffing a government agency or non-profit, you are faced with the imminent need to identify, assess and develop talent to ensure continuity of leadership at all levels in an organization. Current statistics reveal a frightening picture – in the years to come, the U.S workforce will be in crisis:

- Five million workers are expected to retire in coming years within the U.S. alone
- One in every five senior executives in the Fortune 500 are eligible for retirement
- 87% of all senior executives and 78% of middle managers in the Federal government are currently eligible for retirement
- One million college professors and one million teachers are eligible for retirement

This pending global “aging” crisis has heightened the importance placed on corporate leadership and leadership development.

Succession planning plays a critical role in long-term organizational sustainability and success. As managers are faced with the prospect of losing experienced workers, sometimes in masses, innovative and out-of-the-box approaches to succession issues must be identified and deployed.

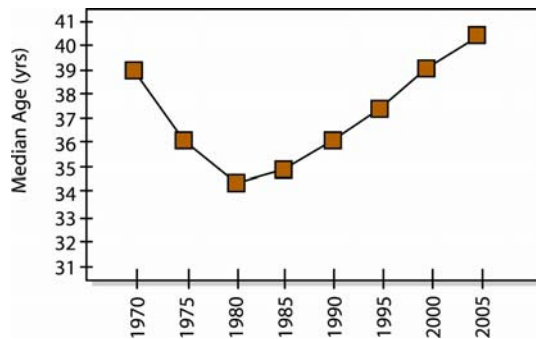
William J. Rothwell, Ph.D., SPHR is Professor of Human Resource Development at The Pennsylvania State University, and a world-renowned industry expert on succession planning. In the words of Dr. Rothwell;

***“Organisations are now facing the quiet crisis of succession.”***

## Getting Serious About Succession Planning

Often the focus of reports on the aging talent pool is on the impact on Social Security. However, the impact on the existing job market and the crisis of succession in the Fortune 500 and in all levels of government in the U.S. is often ignored. Created by changing demographics, this quiet crisis has recently prompted decision-makers to focus attention on succession planning.

Demographers have long been aware that the U.S. workforce is aging as a result of population change. Today, almost twice as many job openings become available from people retiring than from economic expansion because the U.S. labor force is simply growing older. The average age of the U.S. workforce has been increasing for some time.



## What Is Succession Planning?

Succession planning, sometimes called succession management to emphasize the active and continuous nature of this effort, is a process for preparing people to meet an organization's needs for talent over a period of time. It is an important exercise that decision-makers must embrace and manage.

### Misconceptions about Succession Planning

A common misconception about succession planning is to confuse it with replacement planning. Replacement planning offers a back-up disaster plan to deal with such contingencies as a plane crash when the CEO or other key persons are aboard. The U.S. lost 172 vice presidents in the September 11, 2001 tragedy. Replacement planning is a good starting point for succession planning, since it is not difficult to convince skeptical decision-makers that the need exists for such a risk management plan. However, replacement planning usually examines only the most senior executive positions and does not account for the natural evolution of an organization's workforce.

In contrast, comprehensive succession planning is a way to integrate planning for talent with organizational strategic planning. Having the necessary intellectual capital to compete is a given in today's fast-paced world.

A second misconception about succession planning is to regard succession planning as a way of guaranteeing promotions. Instead, when managed

properly, succession planning is simply a way of preparing people for advancement--either vertically (up the chain of command) or horizontally (along a technical career ladder of increasing breadth and depth of knowledge).

In a successful succession plan, a talent pool is established so that more people are eligible for promotion at each level, and the organization has a strong bench strength of talent at all levels and for all positions.

Talent pooling is essential in some economic sectors, such as government or higher education, since Civil Service laws or tradition may prohibit the naming of successors in advance of a competitive job search.

### **Establishing & Operating Systematic Succession Planning**

Dr. Rothwell's book, *Effective Succession Planning: Ensuring Leadership Continuity and Building Talent From Within*, delves into best practices for laying the foundation for a systematic succession planning and management program.

Dr. Rothwell states, "Think of the process of establishing systematic succession planning as making a long-term culture change. It can be a major shift in an organization where decision-makers have been accustomed to filling one vacancy at a time. Succession planning requires commitment to a longer-term, strategic view of talent needs. It can be established and operated using a step-by-step model that has been field-tested in many organizations, industries, and economic sectors."

Dr. Rothwell recommends the following steps for establishing and operating a successful Succession Planning and Management Program:

#### **Step One: CEO Commitment**

Clarify the CEO's expectations and preferences for a succession program, establishing a plan that they support and that matches their needs and values. The CEO is the real customer of the effort, and they must support the effort and preferably be willing to take a hands-on role.

#### **Step Two: Define Competency Models**

Establish competency models by hierarchical level or by department. A competency model is a narrative description of the knowledge, skills, attitudes, and other abilities that lead to exemplary performance. Competency models provide a blueprint for what talent to build at present and in the future.

#### **Step Three: 360 Assessment**

Conduct individualized multi-rater, full-circle assessments. This is sometimes called 360-degree assessment. The idea is to assess an individual against the competencies required for success in an organization. The result of a 360 multi-rater assessment is usually an indicator of gaps between what competencies an individual currently possesses and what he or she should possess to be successful.

#### **Step Four: Performance Management System**

Establish (or reengineer) an organizational performance management system that continuously assesses individuals against the competencies linked to exemplary performance in the organization's unique corporate culture.

#### **Step Five: Potential Assessment**

Establish a means by which to assess individuals for advancement. Unlike performance management, which can be oriented to past or present, potential assessment focuses on the future. Some means must exist to examine the talent available for future possibilities and advancement. Potential assessment provides the means to do just that.

#### **Step Six: Gap Analysis**

Establish a means of regular, ongoing individual development planning. Once it is clear what present and future gaps exist for individuals, individual workers and their supervisors should devise a plan to narrow those gaps and thereby prepare for the future.

#### **Step Seven: Individual Development Plans**

Implement individual development plans by establishing in-house leadership and management development programs, by developing online competency menus that provide specific developmental suggestions for individuals, by providing executive coaching, or by providing action learning opportunities.

#### **Step Eight: Competency Inventory**

Establish a competency inventory. Increasingly, decision-makers will find that they must have the means to source talent on short notice. To that end, they must have information about the talent inventory of the organization readily available so that individuals can be marshaled on short notice to fight fires, seize opportunities, and act faster than competitors can do.

#### **Step Nine: Individual & Organizational Accountability**

Establish individual and organizational accountability for the systematic succession planning effort. Individuals and their supervisors should be held accountable for cultivating talent over time and closing developmental gaps. Otherwise, individual development plans will not be realized.

#### **Step Ten: Evaluate Results**

Evaluate the results of the systematic succession planning effort. One way to evaluate is to track expenses on external searches, because spending on such searches should decline if succession planning programs are being used successfully. Another evaluation technique is to assess executive opinions periodically on how well their talent needs are met through the program and to modify the program based on the feedback received.

### **Why HR Practitioners Should Care About Succession Planning**

HR practitioners play a critically important role in succession planning. Most succession plans require individuals to develop themselves to bring their competencies into alignment with those required for future success of the organization. HR practitioners should be willing to apply a range of

approaches to human performance improvement as they counsel individuals on how to align their goals with those of the organization. In addition, HR practitioners are also responsible for counseling senior executives on how to help coach individuals.

Many HR practitioners take an active, hands-on role in helping to build individual competence through such means as planned leadership development programs, mentoring programs, executive coaching, and other specific interventions designed to help individuals bring their competencies into alignment with what they will need in the future. In doing so, HR practitioners play a critical role in helping the organization position itself for the future as experienced leaders retire or otherwise leave the organization.

### The Strategic HCM Opportunity

Human Capital Management (HCM) technology plays a strategic role in achieving a systematic succession planning and management program. HCM is the term used to describe the business processes and technology that aligns people management initiatives with business outcomes.

Web-based HCM technology includes fully integrated performance management, cascading goals, compensation management, 360 multi-source feedback, competencies, learning management, benefits administration, grievance tracking, survey management, succession planning, and talent management.

### Fully Integrated Human Capital Management



Succession Planning is a critical component of HCM leveraging information collected from other HCM components to help managers automatically identify, prepare, and track candidates for promotion.

A Succession Planning solution that simply allows an organization to identify and track successors to select positions does not take advantage of the full capabilities of the organization.

### **Solution Requirements**

Integrating succession planning with an HCM system helps an organization more rapidly identify those employees with high-potential for success, and identify which of those individuals have the skills appropriate for a given position.

As key positions become available, gap analysis management identifies employees who are candidates for promotion, and evaluates their potential for successful placement. A web-based HCM system also automatically highlights areas where a potential candidate may need development and project a timeline for readiness. Information and documents are automatically routed to those reviewing and tracking succession plans.

Skills and competencies contained within position profiles are compared against the skills within an employee's talent profile. Performance and 360 feedback reviews help to identify which skills an employee needs to develop to grow into a given position. Reporting capabilities use the results from the reviews to identify top performing employees and to find employees with competencies relevant to a particular position. This helps an organization to identify potential successors automatically and avoid nepotism, favoritism, or incumbent cloning.

Development planning integrates with succession planning, which enables managers to create specific development plans and groom employees for appropriate positions. Development actions, identified as strategic for growing an employee, connect to the learning management system to automate development.

Succession plans and compensation tie together, enabling the executive team to perform a cost analysis of salary and benefits for a given successor. Bonus plans may also encourage executives to meet measurable talent objectives.

For online succession planning to be effective, it also needs to have robust reporting to quickly identify potential successors, readiness rates, perform risk analysis, and run EEO reports to identify diversity needs within the hierarchy.

### **Additional Benefits of Integrated Succession Planning and HCM:**

- Discovers talent deep within the organization and not just at the top.
- Models future jobs, skill needs, or organizational restructuring.
- Evaluates staff readiness, and establishes training and preparation plans.
- Supports both job replacement charts and succession pools.
- Maintains online employee resumes for updates by the employee and manager as additional tasks are completed, goals are met or skills are achieved.

- Encourages mentoring and provides authorized individuals with tools to work with succession candidates.
- Analyzes impact of movement and recommends the best placement combinations to maximize incumbent skill sets.
- Provides objectivity for evaluation of high-potential employees and avoids biased or indefensible estimations of potential.
- Identifies talent based on performance, competency profiles and professional networks instead of simplistic skills checklists or job progression ladders.
- Links department records so that key planning data does not get lost when employees are promoted or transferred between business units.
- Monitors how well development activities are aligned with the needs of your business.
- Aligns succession plans with employee career paths and development plans, and reconciles the aspirations of key people with the opportunities available.
- Provides tools for a comprehensive talent management program and process.

## **Conclusion**

America faces a quiet crisis of succession, and the time to begin implementing for the future is now. As the U.S. workforce ages, increased attention must be placed on establishing and maintaining effective succession planning programs. HR practitioners at corporations, government agencies, and non-profits have an important role to play in that effort. A systematic and long-term plan is needed to ensure continuity of leadership at all levels in an organization, and a succession plan integrated with overall HCM will also provide the foundation for organizations to align individual performance with organizational goals.

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**Authored By**

Christopher Faust  
VP Global Strategy, Softscape

William J. Rothwell, Ph.D., SPHR  
Penn State University

*William J. Rothwell, Ph.D., SPHR is Professor of Human Resource Development on the University Park campus of The Pennsylvania State University. He is also an active consultant specializing in succession planning and management and issues related to it and has been a keynoter at several annual succession management conferences and lead researcher of a study that examined best-practice succession management programs in 17 multinational companies.*

*Among his recent publications are "Effective Succession Planning, 2nd edition" (Amacom, 2000), "The Competency Toolkit" (HRD Press, 2000), "What CEOs Expect From Corporate Training" (Amacom 2003), "The Workforce Learner" (Amacom 2002), "Building In-House Leadership and Management Development Programs" (Quorum, 1999), and "The Action Learning Guidebook" (Wiley/Jossey-Bass Pfeiffer, 1999). Many of Dr. Rothwell's books, including, "Effective Succession Planning, 2nd edition", can be purchased online at Amazon.com*

