



**Ten Key Steps to Effective Succession Planning**  
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There are two forces at work today that are driving organizations to consider some form of succession planning as a component of an overall talent management strategy. Namely, these forces are: the aging of the workforce; and a shortfall in the skills possessed by those available for recruitment. Both are projected to become more pressing.

But what is succession planning and how will it address these human resource issues? What are the best practices being applied by successful companies today? How does succession planning differ from replacement planning? When do leaders know that their organization needs a succession planning and management program? What are talent pools, and how are they used? What ten key steps are tied to effective succession planning? What common mistakes are made in establishing succession planning, and how can they be avoided? This white paper answers these questions. By doing so, it provides a starting point to help decision-makers and HR practitioners alike contemplate the ins and outs of a practical succession planning program.

## What Is Succession Planning, and Why Is It Needed?

Succession planning, sometimes called succession management to emphasize the active and continuous nature of the effort, is a process for preparing people to meet an organization's needs for talent over time. As I defined it in my book *Effective succession planning* (2005, p. 10), succession planning "is perhaps best understood as any effort designed to ensure the continued effective performance of an organization, division, department, or work group by making provision for the development, replacement, and strategic application of key people over time." Geared to developing the internal bench strength of an organization, succession planning is usually part of a larger *talent management program* that is intended to attract the best through recruitment, keep the best through effective retention practices, and develop the best people through well-targeted talent development efforts.

Why is succession planning needed? There are many answers to that question. One of the most important is the aging workforce. Demographers have long been aware that the U.S. workforce is aging, a result of population change. According to labor economist Douglas Braddock, "over the 1998-2008 period, more job openings are expected to result from replacement needs (34.7 million) than from employment growth in the economy (20.3 million)" [Occupational employment projections to 2008 (1999, p.75)]

### **What are the practical consequences of this massive shift in the average age of the workforce? Consider:**

- One in five of all senior executives in the *Fortune* 500 is eligible for retirement now.
- About 50% of the entire U.S. government workforce is eligible to retire now.
- 55% of today's registered nurses can be expected to retire between 2011 and 2020

Equally threatening is the current difficulty in finding qualified hires. A January 2006 study by Manpower [Talent Shortage Survey (p.2)], finds that 44% of employers are experiencing difficulty today finding employees with the right skills – in particular, there are shortages filling the following roles:

1. Sales Representatives
2. Engineers
3. Nurses
4. Technicians
5. Accountants
6. Administrative Assistants & PA's
7. Drivers
8. Call Center Operators
9. Machinists
10. Management/Executive

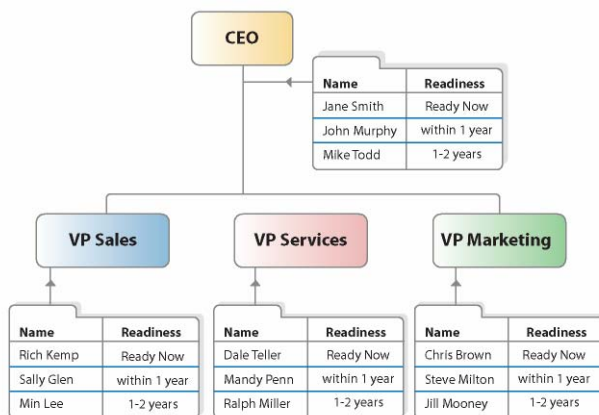
## How Does Succession Planning Differ from Replacement Planning?

Ask a CEO to define succession planning. There is a good chance that, if you do that, you will find that the average CEO confuses replacement planning and succession planning. But they are not the same.

*Replacement planning* assumes that the organization chart will remain unchanged over time. It usually identifies “backups” for top-level positions, as they are identified on the organization chart, and stops there. A typical “replacement chart” will list about 3 people as “backups” for each top-level position and will usually indicate how ready each person is to assume the role of the current job incumbent. (See Exhibit 1)

*Succession planning*, in contrast, focuses on developing people rather than merely naming them as replacements. Its goal is to build deep bench strength throughout the organization so that, whenever a vacancy occurs, the organization has many qualified candidates internally that may be considered for advancement.

In most cases, organizational leaders recognize that it is wiser to focus beyond replacement planning to succession planning to build the long-term sustainability and viability of the organization.



**Exhibit 1: A Sample Replacement Chart**

## When Do You Know That Your Organization Needs a Succession Planning and Management Program?

Several common symptoms, if they appear in an organization, may indicate the need for a more systematic approach to succession planning. Among them:

- The organization has conducted a *retention risk analysis*, a process of estimating the projected departure dates for each individual in the workforce or work group, for reasons of retirement or otherwise.
- The organization has no way to respond quickly to sudden, surprise losses of key talent. If a key person is suddenly lost due to death, disability or resignation, it may take a long time to find a suitable replacement.
- The time it takes to fill positions—what is called the *time-to-fill metric*—is unknown or is perceived by managers to be too long.
- Managers at one or many levels complain that they have trouble finding people ready for promotion or else have trouble finding people who are willing to accept promotions as vacancies occur.
- Workers complain that promotion decisions are made unfairly or capriciously.
- Women, minorities, and other groups protected by law are not adequately represented at various levels and in various functions throughout the organization.
- *Critical turnover*—that is, the percentage of high potential workers leaving—is higher than the number of fully successful (average) workers leaving.

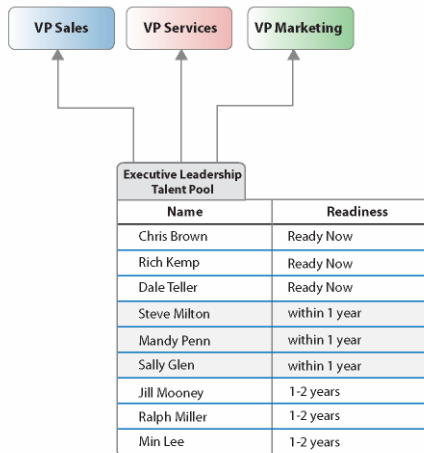
## What Are Talent Pools, and How Are They Used?

A *talent pool* is a group of people being prepared for more challenging responsibilities. Individuals to be placed in talent pools may be surfaced by various means. One approach is to ask managers to assess and nominate people. Another approach is to apply objective assessment methods—such as multi-rater full-circle assessments to identify individuals who are likely to be worthwhile to develop for future responsibility.

Talent pools dramatize the difference between replacement planning and succession planning. In replacement planning, individuals are usually identified as “backups” for specific positions.

But replacement planning encourages promotions only in “silos” of specialization. In contrast, succession planning encourages managers at all levels to regard talent in any part of the organization as a possible successor for positions immediately above them. Hence, talent pools may be identified underneath each “level” on the organization chart but are not tied to specific positions at the next higher levels. (*See Exhibit 2*)

In many cases, talent pools are filled from the bottom up. High potential candidates being prepared for possible promotion are placed in talent pools. Of course, no promises are made to people who enter pools that they will actually receive promotions. Instead, the organization commits to help individuals prepare themselves to qualify for higher levels of responsibilities. But it is up to individuals to continue to perform well in their current jobs while also preparing themselves to meet the new challenges at higher levels of responsibility. Successfully implemented, when a vacancy occurs, the organization will have a pool of internal candidates ready to meet the challenge.



**Exhibit 2: A Sample Talent Pool Chart**

## What Ten Key Steps Are Tied to Effective Succession Planning?

Think of implementing systematic succession planning as making a long-term organizational change. Succession planning requires more of a commitment to a longer-term, strategic view of how to meet talent needs than short-term, and sometimes panic-driven, efforts to fill vacancies as they occur. It can be established and operated using ten key steps that have been field-tested in many organizations, industries, and economic sectors. (See Exhibit 3.)

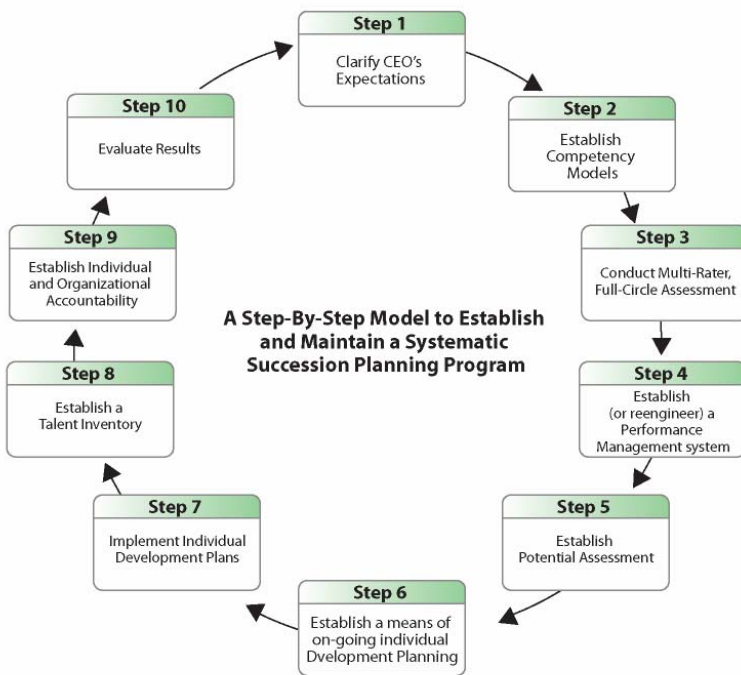
**Step One:** A first step for any systematic succession effort is to clarify the senior leaders' expectations and preferences for a succession program. After Sarbanes-Oxley, corporate Boards have become more active in succession planning. A fundamental mistake, and a formula for disaster, is to dump the responsibility for the succession effort on the Human Resources department.

While the Human Resources function or other parts of the organization must participate, the leadership responsibility for succession planning rests with the CEO. If he or she does not favor systematic succession planning, it cannot be successful.

**Step Two:** A second step is to establish competency models by talent pool considering the positions that will be fed by that pool. A *competency model* is a narrative description of the knowledge, skills, attitudes, and other abilities that lead to exemplary performance. Competency models provide blueprints of the talent to build at present and in the future. In short, a competency model describes "what should be" for such hierarchical levels as executives, managers, supervisors, salespersons, technical professionals, or other groups. Alternatively, competency models may be created for specific departments. A recent innovation in some corporations has been to articulate the organization's ethics, values and code of conduct and then rate individuals against that as well as against competencies. Ethics, values and codes of conduct provide a basis by which to assess individuals against a dimension that goes beyond what it takes to get good results on the job

**Step Three:** A third step is to conduct individualized multi-rater, full-circle assessment. The idea is to assess individuals against the competencies required for success in an organization. The results of a multi-rater, full-circle assessment usually indicate gaps between what competencies an individual currently possesses and what he or she should possess to be successful.

**Step Four:** A fourth step is to establish (or reengineer) an organizational performance management system. One fact of life is that individuals are seldom eligible for promotion, advancement, or other developmental opportunities if they are not performing successfully in their current jobs. Individuals must thus be measured, as objectively as possible, against the performance expectations for their current level of responsibility.



**Exhibit 3: A Step-By-Step Model to Establish and Maintain a Systematic Succession Planning Program**

**Step Five:** A fifth step is to assess individual potential for success at higher levels of responsibility. Unlike past or present-oriented performance management, *potential assessment* focuses on the future. Some means must exist to examine the talent available for future possibilities--and advancement. Regular potential assessment provides the means to do just that.

**Step Six:** A sixth step is to establish a means of regular, ongoing individual development planning. Once it is clear what present and future gaps exist for individuals as a result of performance assessment and potential assessment, some means should be established to help them prepare for the future by narrowing those gaps. To that end, individual workers--and their immediate supervisors--devise a plan to help individuals develop themselves and thereby prepare for possible future promotions.

**Step Seven:** A seventh step is to *implement* individual development plans (IDPs). There are various ways by which to do that. One way is to establish in-house leadership and management development programs. A second way is to develop competency menus, in print or online, that provide specific developmental suggestions for individuals. Examples of developmental suggestions might include books to read, classroom courses to attend, online courses in which to participate, on-the-job assignments to seek out, and action learning projects that bring together groups of people to solve practical business problems while simultaneously permitting the means by which to build competence in new areas.

**Step Eight:** An eighth step is to establish a talent inventory. Increasingly, decision-makers must be able to find the organization’s talent on short notice. To that end, they must have information about the pools of talent that the organization is developing and has readily on tap so that teams can be marshaled on short notice to fight fires, seize opportunities, outdraw competitors, and fill vacancies. As part of this step, it may also be useful to create depth and development charts to show how many people fall into different categories. Different HR strategies may be needed to manage individuals in different talent grids. An example of a talent grid appears in Exhibit 4.

		Performance		
		Low	Medium	High
Potential	High	Loose Canon	Star Potensial	Star/Hi Potential
	Medium	Problem Child	Average Performer	Solid Citizen
	Low	Poor Performer	Slow Poke	Cash Cow

**Exhibit 4: A Talent Grid**

**Step Nine:** A ninth step is to establish accountability for the systematic succession planning effort. Individuals—and their bosses—must be held accountable, for cultivating their talents over time and closing developmental gaps. Otherwise, individual development plans will not be realized. Often, financial incentives for talent development can help. For instance, individuals can be given bonuses if they achieve their developmental objectives, and supervisors can be given bonuses if their workers achieve their developmental objectives. Alternatively, periodic meetings may be held in which individuals must report on how well they are implementing their individual development plans, and senior executives may report to the CEO or the Board on how well their employees have been progressing toward realizing their individual development plans.

**Step Ten:** A tenth and final step is to evaluate the results of the systematic succession planning effort. Often, the time-to-fill metric is a key measure of success. How long does it take to fill positions with qualified applicants? While not directly a financial measure, the time to fill does translate into financial terms. Productivity is lost, and so are opportunities, when vacancies exist in today’s right sized corporate settings.

## What Common Mistakes Are Made in Establishing Succession Planning, and How Can They Be Avoided?

Many mistakes are commonly made in establishing succession planning programs. They are worth enumerating. It is also worthwhile to describe some ways to avoid these common mistakes.

**Mistake #1: Assuming that Success at One Level Will Guarantee Success at Higher Levels.** An individual's success at one level is no guarantee of success at higher levels of responsibility. The reason is simple: the competencies required for success at each level are different. Hence, it is important to separate thinking about how well someone does his or her current job and how well he or she might do a job at a higher responsibility level.

**Mistake #2: Assuming that Bosses Are Always the Best Judges of Who Is Promotable.** A second mistake is to assume that, for purposes of succession planning, bosses are always the best judges of who is promotable. That is not always true. Bosses are self-interested players in the succession game. They have a stake in what happens to people.

Indeed, some bosses do not want to see their best people promoted for fear of an inability to replace them. Some bosses grade people by their own standards—with the result that some individuals who are quite unlike the boss are not considered for promotion. While the support of a boss is useful in developing individuals, more objective assessments, such as multi-rater assessment are excellent in aiding the manager's assessment.

**Mistake #3: Assuming that Promotions Are Rewards.** Some employees have an entitlement mentality in which they feel that long service with an organization should always be rewarded with promotions. But business decisions must be based on who will do the best job, not who is “owed” a promotion because of greatest seniority. Workers must continually be reminded that doing jobs at each level requires different competencies, and the best way for them to compete is to prepare for future challenges rather than expect promotions for past performance at a different level of responsibility.

**Mistake #4: Trying to Do Too Much Too Fast.** The strong results-orientation of many organizations today emphasizes quick results. Senior leaders expect to see all the components of a comprehensive succession system in place immediately. That is not always realistic. It is advisable to think of implementing systematic succession in a phased way—either from the top down or else starting in specific divisions or locations with greatest need.

**Mistake #5: Giving No Thought to What to Call It.** A fifth mistake is to devote no time to considering what to call the succession program. As any marketer knows, product names do matter. It is not necessary to call a spade a spade. Many organizations choose alternative names—such as “leadership development program,” “human capital management program,” or even “talent program.” **Mistake #6: Assuming that Everyone Wants a Promotion.** A sixth mistake is to assume that everyone wants a promotion. That is not always true today. In many downsized organizations, workers have seen what pressures their bosses have to deal with. Some say “leave me out of that.” Hence, it is unwise to assume that everyone wants a promotion—or even to assume that money will convince everyone. It will not. Check first. Find out what people want to do. For that reason, many organizations launch both a top-down succession planning program and a bottom-up career planning program to galvanize development efforts both among managers and among individuals.

## Conclusion

The world faces a quiet crisis of succession. As the global workforce ages and the skills gap increases, increasing attention will be paid to establishing and maintaining effective succession planning programs. CEOs, managers, human resource practitioners and even individuals have important roles to play in that effort. There is a practical approach to the work that must be done if organizations are to establish and sustain systematic efforts to ensure that the right people will be in the right places and at the right times to do the right things so as to achieve the right results.

## Author's Biosketch

William J. Rothwell, Ph.D., SPHR (see [www.rothwell-associates.com](http://www.rothwell-associates.com)) is Professor of Workplace Learning and Performance in the Workforce Education and Development program 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. Among his best-known publications are *Effective succession planning*, 3rd edition (Amacom, 2005), *Career planning and succession management* (Greenwood, 2005), *The strategic development of talent* (HRD Press, 2003), *The competency toolkit* (HRD Press, 2000), *building in-house leadership and management development programs* (Quorum, 1999), and *The action learning guidebook* (Wiley/Jossey-Bass Pfeiffer, 1999).

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