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What are Some Effective and Innovative Approaches to Succession Planning?

Abstract

[Excerpt] As baby boomers are leaving the workforce and competition for top talent reaches an all time high, succession planning is increasingly important for companies if they want to maintain organizational resilience. However, 57% of organizations do not plan for succession. Of the organizations that do implement a succession plan, there are three top mistakes that are often made: they fail to formally implement a systematic and formalized succession plan, they fail to plan below the CEO role, or they fail to develop transition strategies for the future. These mistakes can prove to be costly to a company; if key leaders leave and there is a delay in replacement - or worse, no replacement - morale drops, productivity suffers, and turnover increases. Therefore, companies need to build a succession plan that addresses these potential mistakes before any damage can affect an organization.

Keywords

human resources, HR, succession planning, innovation, baby boomers, traditionalists, generation X, millennials, technology, HRIS, rotational programs, talent portals, individualized training development plans, training development

Comments

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EXECUTIVE SUMMARY

RESEARCH QUESTION

What are some effective and innovative approaches to succession planning?

INTRODUCTION

As baby boomers are leaving the workforce and competition for top talent reaches an all time high, succession planning is increasingly important for companies if they want to maintain organizational resilience. However, 57% of organizations do not plan for succession.¹ Of the organizations that do implement a succession plan, there are three top mistakes that are often made: they fail to formally implement a systematic and formalized succession plan, they fail to plan below the CEO role, or they fail to develop transition strategies for the future.² These mistakes can prove to be costly to a company; if key leaders leave and there is a delay in replacement - or worse, no replacement - morale drops, productivity suffers, and turnover increases. Therefore, companies need to build a succession plan that addresses these potential mistakes before any damage can affect an organization.

EFFECTIVE STRATEGIES

Companies should first concentrate on these specific strategies when they develop a succession plan to ensure that it will be effective:

Create and implement a systematic and formalized succession plan. Although most leaders believe succession planning is important for the stability of a company's performance, they do not implement a formalized succession plan. By having a formalized plan in place, companies can mitigate the risk of a sudden departure or leave of absence for a business critical role. It takes time to develop a new skill or make any improvements. Companies should also be aware of how they market their succession plan. The employees who are determined "high potentials" will respond more positively to training and development if they don't feel like they are simply a replacement to the current employee.³

Plan successors below the C-level roles. Succession plans need to be catered not only to C-level positions but also other roles that are considered critical risks to a business's function and future. The key approach is to identify these positions based on each firm's business model. Roles identified as business critical within a company should then be broken down into "success profiles."⁴ These profiles include one page outlines of key competencies and skills needed for the job separate of the job description. Management needs this type of profile as a guide to pick candidates well-suited for succession beyond just the C-level roles.

Develop transition strategies for the future. Firms, often, focus on training more technical requirements of the job and often ignore potential skills and traits this job will require in the future. Successor training and development should include visionary and strategic elements useful in the future. Companies should build transparency with candidates to address potential onboarding concerns, facilitate honest discussions, and create regular, systematic performance reviews after training. To build a successful training program, companies need to understand the demographics of the developing individual.⁵ Different training strategies should be offered for four different categories of demographics. *Traditionalists* are adaptive and

loyal to the organization. Firms should offer them more classroom based training and the ability to participate as trainers and mentors. *Baby boomers* are idealist and self-fulfilling, so firms should provide meaningful works and an environments of involvement and participation. *Generation Xers* are more reactive and prefer autonomy, so firms should prevent micromanaging and allow flexibility. *Millennials* are civic and not as loyal to the organization, so firms should offer more interactive learning and trainings. The best way to prepare for transitions from one leader to another is through the proper training and development of successors.

INNOVATIVE APPROACHES

Companies should only attempt to implement innovative strategies once they have guaranteed their current succession plan is as effective as it can be after taking into account the strategies mentioned above. Only then can companies look to some of the innovative tools to make their current strategy for succession planning more time and cost efficient.

Technology. Technology is constantly changing and it can be challenging for companies to determine appropriate ways to use it to their advantage. One technology trend that is growing in popularity is the use of HRIS and talent portals in succession planning. DeVry Group and cFactor Works created a Talent Review Process (TRP) online tool that made it possible for management to easily view employee profiles that included data pulled from other parts of HRIS.⁶ This tool also included a 9-box matrix that allowed for drag and drop capabilities to move talent around depending on their skills. DeVry Group was able to identify 250 key employees in the past year and began to develop programs that will prepare these individuals for more critical roles. The TRP tool made it easier for employee data for succession planning to move from manual to automated, thus streamlining the process of identifying talent for critical and C-level positions.

Rotational programs. One of the growing trends for top companies includes the creation of rotational programs for employees to gain better insight and skills in other areas of a business. Before Tim Cook was appointed CEO of Apple, Cook rotated through different operational roles in areas like manufacturing, distribution, sales, and supply chain management.⁷ Many other companies are starting leadership rotational programs for entry level employees in order pick out those who are predicted to be high potential candidates for more critical roles.

CONCLUSION

Companies should keep in mind that succession planning highly depends on whether they source their candidates internally or externally. Talent portals and individualized training development plans might be less applicable if a company externally hires a successor. Although having prior experience in a different company or industry might offer a fresh perspective, companies who hire leaders from within enjoy a 70-80% success rate.⁸ Since managers can start to train their employees early on, there is more flexibility for filling skill gaps internally. As companies build a formal succession plan using the mentioned strategies, they can develop certain programs that are prepared for an internal or external hire. In doing so, companies can be reassured that they have top talent lined up for business critical roles and decreased chances of vacancy, readiness, or transition risks (see Appendix A).

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ADDITIONAL READINGS

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APPENDIX

Figure A:



(<https://www.willistowerswatson.com/en/insights/2017/01/succeeding-by-being-succession-ready>)