It’s called succession planning: the process for identifying and developing the people within an organization, with the potential to fill key business and leadership positions in the future. When implemented incisively, succession planning should be a natural progression. Henry David Thoreau spoke on his observations of the succession of trees to Middlesex cattle gazers in 1860. Moses passed his staff to Joshua when he could no longer continue into the Promised Land. The President of the United States knows exactly who is next in line should he be unable to execute his office. It’s a simple, prudent, practical process; yet recent studies and interviews with business executives and directors show that only 46 percent of them have a formal succession plan in place. What’s more, only 25 percent of them said they had an adequate pool of viable candidates for a CEO position. Why is that?

3 REASONS FOR RELUCTANCE
1. Enterprises Don’t Connect Skills and Experience
Organizations often do not make the connection between the skills and experiences required to run the company, and the individual candidates who are best suited to eventually assume senior executive positions. Thirty-nine percent of companies do not have an internal candidate who they deem prepared to immediately assume the CEO position, and only 54 percent are actively grooming someone for the role.

2. There is No Plan Already in Place
Companies do not have an actionable process in place to select senior executives, and while many believe they have an effective succession plan in place, only 25 percent report having an adequate pool of successor candidates ready for leadership positions. On top of that, roles in the succession-planning process are not well defined, and companies agree that succession planning involves the combined efforts of the board of directors, the senior management team, and support staff—such as the human resources department—but they do not structure an evaluation process that formally assigns roles to each of these groups, which requires their participation.

3. Companies Misunderstand the Purpose of Succession Planning
Many companies think planning for succession is simply to “reduce risk” rather than to “find the best successors” and generate shareholder value benefits through the identification of strong, appropriate leadership. Succession plans are frequently not connected with coaching and internal talent development programs, so they are treated as distinct activities rather than one continuous program to gradually develop leadership skills in
the organization, which also improves employee productivity.

It seems that organizations misunderstand the true nature of succession planning—or do not realize the full benefits of putting an ongoing procedure in place, and are therefore reluctant to implement one. Maybe the reason is the amount of development it takes to implement a succession plan seems daunting, and not worth the investment of time and resources.

Whatever the hesitation, succession planning is the investment of not only dollars and time, but of effort in high-potential identification, developmental activities, and executive assessment as well. If a company already has an effective strategic workforce strategy in place, implementing a succession plan should be a cake walk.

5-POINT STRATEGIC WORKFORCE SCHEME

Despite such disparaging numbers when it comes to companies with an adequate succession plan, one study found a whopping 92 percent of companies have some level of workforce planning; however, only 21 percent have put thought into a strategic, long-term approach to closing the supply-and-demand of talent gap. If distinguished employees are going to be crucial to a succession program, then it is axiomatic that a good workforce plan is in place. Even if a company already has a workforce plan in progress, it’s a good idea to objectively review the system, and find ways in which it may be improved.

1. Have a Set, Clear View of the Business Strategy

Ultimately, the workforce exists to implement that business strategy, so if it is unclear, the workforce cannot possibly work at its fullest capacity. Elements of a business strategy that should be looked at are areas that should grow, areas that should be more profitable, and areas that should be abandoned. What these changes will do to the current and future state of the business, and how far and fast the changes can be implemented, should also be considered.

2. Take into Account Labor Market Factors

By identifying current labor trends, businesses can project and understand how long it will take to fill a certain role. These factors include macroeconomic forecasts, demographic trends,
regulatory changes, and the particular talent movement within the singular industry.

3. **Identify and Anticipate Future Talent Demands**
   Once a company has translated a business strategy into operational requirements, designing the jobs and organizing them accordingly should follow. The most important things to remember are focusing only on the essentials, and designating the critical roles and employee segments necessary to accomplish every aspect of the workforce strategy.

4. **Identify Any Talent Gaps and Form a Strategy to Close Them**
   There are typically four options to consider when filling these gaps:
   - Develop existing internal talent
   - Transfer talent that may not fit in one role into another that they might be more qualified to perform
   - Move talent out of the company altogether
   - Recruit outside talent, or obtain temporary outside labor

5. **Implement the Plan**
   Once implemented, workforce planning should be an ongoing process concurrent with succession planning. It needs to be backed by the top-level executives in the company, and taken in manageable stages. Also, tracking progress as the program continues helps ensure improvement is being made, and that the course will be kept.

Clearly, there can be no succession without effective workforce planning.

3 CRITICAL STEPS IN SUCCESSION PLANNING
Succession planning is like a flight of stairs. It’s a set route with stages in place to elevate a person to a higher level. In succession planning, there are essentially three steps.

1. **Identifying the Critical Positions in Your Company**
   These are people that organizations simply can’t function without. Top management may be obvious, but there’s also middle management and new-hires to consider. If a person has been recently hired into a company,
especially in the current economy, then they are probably crucial to at least one aspect of an operation. What would happen if they left? Are they the only one? Look for opportunities to cross-train in the case that something should happen. This has the added benefit of giving employees visibility into the future of their careers, thus providing security, loyalty, and engagement. The same goes for middle management; some are probably nearing retirement age, and will need to be replaced in the near future. Look at what makes these people special and essential, and find similar attributes in other employees. Knowing the key roles in an organization is the obvious first step toward succession planning.

[There] are people that organizations simply cannot function without. What would happen if they left?

2. Identify and Assess Potential Successors
   This step entails finding the high-potential and high-performing individuals in an organization, and aligning their personality and behavioral traits with the needs of roles that will later have to be filled. Once these top candidates are identified, upper management and leadership throughout the company need to get involved in the process. They can also help identify people whose talents were not as obvious.

   These leaders then must take on a mentoring role, and start developing and grooming the individuals they deem exceptional, so that when the time inevitably comes, they will be able to take the mantle of leadership in a smooth, worry-free transition. This development process needs to be committed to and maintained throughout the entire life of the company.

3. Keep a Database on Hand
   This database should be full of information gained through the initial company-wide succession planning set-up. As new employees come into the organization, their job-fit criteria, competencies, skills, and weaknesses should be recorded and added to the database, including their personality and behavioral traits. That way, when the first wave of transition begins, a sort of Rolodex of potential candidates will be at hand to continue the process. The executives will already know who has
the potential to be promoted, and will be able to match the next generation of leaders into the right job-fit more easily, matching them with the duties and responsibilities that maximize performance, employee morale, and company success. Applicant Tracking Systems enable executives and managers to source, screen, manage, and promote exceptional talent.

With these procedures in place, a successor will be ready to effectively transition into their new leadership role, without any panic, crisis, or public anxiety.

THE APPLE SHOULDN’T FALL FAR FROM THE TREE
The year 2011 saw three highly-publicized succession plans play out: IBM, HP, and Apple—the most memorable being Steve Jobs’ replacement, mostly due to ample news coverage.

IBM
In June of 2011, Virginia M. Rometty succeeded Sam Palmisano as the company’s president and CEO, and its first female top executive. IBM has a practice of retiring its upper management at the age of 60, so it was a long-foreseeable transition. She was an internal candidate, with 30 years of experience with the company, and ran one of IBM’s best organizations. Investors, shareholders, and customers all saw this as a well thought-out, safe transition.

HP
HP had a long series of unplanned CEO changes. From Carly Fiorina (2000-2005) to Robert P. Wayman (2005), to Mark Hurd (2006-2010), to Cathy Lesjak (2010), to Leo Apotheker (2010-2011), to Meg Whitman (2011-present). In each case, the new CEO seemed radically different from the previous, and it appeared that the board was unable to build successors from within. While there
may be good reasons for these transitions, HP does not have a process for internal CEO succession, and the results have wreaked havoc on the company. HP’s stock dropped 32 percent in the following months, seemingly because of uncertain leadership and poor succession planning.

Apple
Of course, the most famous transition in 2011 was that between Steve Jobs and Tim Cook. Jobs was famous for his succession plan, and even had an Apple University in place to develop future leaders. Cook had been groomed for years to take over the position, so it came as no surprise that he was Jobs’ replacement. Cook—who has worked for Apple since 1998—overhauled Apple’s manufacturing processes, and is widely credited for building the Apple supply chain. Despite the fact that Apple’s stock dropped 6 percent following Jobs’ death, the succession transition was fairly smooth, and Apple regained its value quickly in the subsequent years.

The moral of these stories is: a succession plan all but guarantees the success of a business. IBM went smoothly because the preceding CEO stepped aside for the upcoming Rometty as expected, and Jobs’ death—while less expected—had stakeholders concerned, but his well-planned succession program proved that he left the company in the right hands. HP, however, had no real succession program in place, and jumped between six CEO’s from 1999 to 2011—all of whom were outsiders—and the company clearly paid a penalty for their negligence of succession.

NECESSARY FOR ALL BUSINESS SIZES
While some business models and management styles aren’t for everyone, succession planning is. When most people think of succession planning, their mind goes to images of big corporations with lots of stakeholders—and for good reason. However, succession planning is as important to small and mid-size businesses as it is to enterprises. Both small and mid-sized businesses need to follow the same succession protocol as larger corporations. Regardless of size, succession planning needs to be a top priority for any business that wants to continue for generations to come.
CONCLUSION
Succession planning improves employee commitment and engagement, accelerates career development, and is not only cost effective, but in many instances profitable. Companies that want to succeed need to identify those already in the company that can fill leadership vacancies, and invest in their development and grooming until the time comes to take on an upper management role.

Profiles solutions like the ProfileXT®, CheckPoint 360™, and Profiles Sales CheckPoint™ can help you identify those top performers who will make the best transition into leadership roles when the time comes.

One thing is for sure; a successful organization must have a succession program in place if it plans to endure in the long-term.