



TenStep Supplemental Paper

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Of Successors and Predecessors!

Succession planning is a high priority corporate agenda for most organizations.

Traditionally, succession planning was an optional HR practice largely undertaken by companies to contain their hiring budgets. At that time it was merely a replacement exercise that took place through internal talent adjustment. However, the concept has found greater relevance today than it ever did. With escalating employee turnover rates, plunging employee loyalty, baby boomer dominated workforce and skyrocketing hiring expenses, organizations are increasingly turning to succession planning. A worldwide survey conducted by the Corporate Leadership Council revealed that ninety percent of the 300 companies surveyed had a definite succession management plan in place. However, the survey also brought out the downside. Only six percent of the ninety that acknowledged that their internal talent pool could meet the requirement.

Another issue of concern plaguing succession planning is the fact that organizations have been known to limit the succession planning to senior and middle management. The senior management executives including the CEO are always dodging the issue when addressed personally to them. The reasons are obvious but not justified. CEOs seldom plan for their retirement, leave alone discuss it as they often find that the person being trained is more competent! This may be the lighter side to the succession planning story. On a more serious note, succession planning is central to business success and hence companies that put succession planning on a higher agenda are sure to benefit.

Progressive organizations

Thankfully an increasing number of organizations are joining the camp of succession planning champions. Even better is that corporate stalwarts are leading the rally. Younger companies too have successfully joined the bandwagon. The former, for instance, have excellent leadership development programs to spruce up their internal talent pool. Ever on the look out for potential employees they have identified talent they could train to brush and hone their skills. This being an ongoing process, the organizations never encounter an unforeseen talent crunch. Their initiatives focus largely on reviewing the internal talent pool and devise ways to make it richer. Filling up vacancies is a fall out of these periodic assessments.

One American auto parts and services chain has an impressive succession planning strategy. The auto service provider integrated its HR philosophy, peppering up its initiative with technology. The company implemented a software application to regularize its performance reviews and create a common talent pool that would be accessible to everybody across office locations. This company successfully contained its hiring costs while increasing workforce efficiency. A study by Booz Allen Hamilton justifies high work efficiency through succession planning. The research revealed that internal hires deliver better and faster results than their external counterparts. Though it cannot be



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generalized by and large the observed trend favors internal hires. Hence, the business case for succession planning gets further reinforced.

One health insurance provider also deserves a special mention. With its proactive and pan-functional approach, it has an impressive record of initiatives. This is true especially considering the insurance industry (particularly health insurance) is undergoing a period of uncertainty. A merger further fuelled its refurbishing move. The industry as a whole was under strict surveillance since a number of health insurers were struggling with lawsuits, tough government regulations and apprehensive consumer base. This organization was swift enough to turn the tables since the management understood that effective leadership development was the only way out of the imbroglio. Good leaders meant effective workforce, which further translated to higher productivity. The company thereby justified its stand on the huge time and money it invested in training its internal talent.

One of the most striking features of their succession planning initiative was top management involvement. The health insurer installed a process that was equally applicable to CEOs and supervisors. This gave employees immense confidence and belief in the succession management programs and motivated them to stick to the company while giving in their best. Secondly, the organization aligned its succession plans with the business strategy. There was no disparity between the overall company objectives and the objectives it wished to achieve. In addition, the company supplemented its efforts with an integrated system of web-based networks that required employees to fill-in details like educational background, dream jobs, preferred changes in the present job profile and location preference. This allowed leaders and managers to identify their internal talent on this basis which in turn helped prepare a launch pad for the high-fliers.

This organization also conducted frequent talent calibration sessions to strategize the exit and climb of potential leaders. Leaders prepare a document based on their assessment of their direct reports. They also suggest alternative career paths for their subordinates, which the CEO and his leadership development team finally approve.

Their approach to succession planning is beginning to deliver the desired results.