The Importance of Succession Planning and Best Practices

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Questions to consider…

• What percentage of your employees will retire in the next 5 years? 10 years?
• What percentage of your employees are looking for other employment?
• What are you doing about it?
Today’s Topics

- What is Succession Planning?
- Why is Succession Planning Important?
- Trends Impacting Marketplace
- Best Practices in Succession Planning
- HR’s Role in Planning
- Keys to Success
What is Succession Planning?

A systematic approach to ensuring leadership continuity within an organization by recruiting and/or encouraging individual employee growth and development.

It’s not about having people...it’s about having the right people, in the right place, at the right time.
Common Myths About Succession Planning

- External candidates are more qualified, exciting and promising
- The successor has to be ready now
- Succession planning is a single-person event
- Succession planning is a single-occurrence instead of planned process
- “We have a great internal candidate, we don’t need to look external”
Why the Interest in Succession Planning and Retention?

• Number of people retiring is higher than number of people entering workforce
• Increased costs of external searches
• Loss of organizational memory, “tribal knowledge”
• Tight labor market = shortage of top talent; complexities at executive level
• Retention of existing talent
• Future of work – different needs for generations of employees
• Decreased employee loyalty leads to increased turnover
Leadership vacancies – 72% of companies predict leadership vacancies in the next 5 years*

Shifting workforce demographics – baby boomers are transitioning out of workforce, knowledge loss/gap
  - Shortfall in number of future leaders
  - Increase in attrition in executive level positions

Continued “rightsizing”, downsizing, reorganizations

44% of workers aged 45-59 say they will retire before 65

10% of workers aged 50-59 planning to leave full time jobs, will move into part time roles within 2 years of retirement

*Corporate Leadership Council research (reported by The Gallup Organization)
Executives believe their 2 biggest challenges through 2020*:

1. Attracting the best people to the organization – strong recruitment strategies required (HR)

2. Retaining and rewarding the best people – hot issue regarding rewards, engagement, development, involvement, etc. (HR)

*SHRM Global Survey
Benefits of Establishing a Succession Plan

• Provides framework to align leadership with strategic needs of the organization; development for executive/management staff

• Provides ongoing job analysis and opportunity for executive staff to adjust role based on changing business conditions and strategic initiatives

• Strengthens relationship and information flow between the board (if there is one) and senior management team through regular contact that is part of the board’s review of candidates

• Helps prepare for unexpected vacancies
BEST PRACTICE
Succession Plan Best Practices

1. Identification of Key Talent
2. Assessment of Key Positions
3. Generation of Development Plans
4. Development Monitoring and Review
5. Assessment of Key Talent

BYU Human Resource Development
Succession Plan Best Practices – Step 1

Assessment of Key Positions

• What are your critical positions?
• What positions need to have a succession plan?
• How deep in the organization does the assessment need to penetrate? Top level? Mid level? All employees?
• What are the skills, education and experiences needed to qualify for each key position? KSAs?
• What behavioral competencies will be required for each position?
• Plan for future roles, not just existing roles
• Develop desired Leadership Competencies
Succession Plan Best Practices – Step 2

Identification of Key Talent

• Who is on your radar?
• Who is a retention risk?
• Who has leadership potential?
• Who are your critical employees?
  – Typically at the top 2 levels of the organization and high potential employees one level below
• Identified by management’s assessment of performance and potential for advancement
  – Performance evaluations - critical
  – 360 Evaluations
  – Personality Assessments
  – Mentoring/Coaching
Succession Plan Best Practices – Step 3

Assessment of Key Talent

• For each person on the radar, what are the primary development needs in order to be ready for the next level?
• Conduct Gap Analysis – what skills are needed vs. what skills are existing in your talent pool?
• Assess everyone in your organization for potential
• Who is ready for promotional opportunities within 36 months? 72 months?
• Share analysis with employees to identify steps to increase readiness
• Help employees identify their career goals and aspirations
Succession Plan Best Practices – Step 4

- Create a Road Map to Key Positions with supporting structured Development Plans
- Create a targeted Career Path to get employees “position ready”
- Development Toolbox to provide Job Enrichment:
  - Special Projects or Programs
  - Committee or Task Force Assignments
  - Job rotation
  - Working with Mentor or Job Coach
  - 360 Feedback
  - Seminars, Conferences, Continuing Education
  - Cross Training
  - Exposure – internal and external
  - Problem resolution opportunities
An annual or semi-annual status check with Board/Commissioners/Senior Management:
- Ensure Success plan still aligns with strategic goals and vision
- Reporting and tracking to evaluate progress
- Update development plan for individuals as needed
- Ensure Accountability to performance
- Measure success to plan
- Provide opportunity for on-going feedback
- Status check with candidates to confirm engagement
HR’s Role – Change Champion

Talent  
Culture  
Leadership
HR’s Role – Change Champion

• HR’s role in succession planning is to find people who fit culture – internal or external - and help develop skills to lead the organization

• HR must develop a succession plan that links talent with strategic goals of management or Board

• Assess everyone in an organization with an eye toward who is ready to take on key leadership roles today, in 3 years, 5 years

• Make sure people have enough exposure to know where they want to be in the future and what they need to get there
Time Frame?

When a succession plan is needed...

it’s too late to start one.
Involvement by Executive Management and Board/Commissioners is Critical for Development and Support of Succession Plan
Understand this is a planned and structured process – not a one time occurrence
Does not have to be complicated – minimize paperwork, minimize bureaucracy
Succession Plan should include:
- Clearly defined specific goals
- Plans to align and support organizational mission, values and strategic initiatives
- Identification of future talent requirements
- Logistics of how successors are chose, elected, replaced
- Roles of CEO, GM, Board, Executive Management, HR, etc.
- Honest assessment of internal strengths and identification of external needs – clear path
- Investment in Plan. Investment in People.
It hurts me to realize how desperately you need a reality check.
Take Away...

- Start planning – discuss with Executive Management
- Know your vulnerable spots
- Ensure strong job descriptions
- Ensure strong performance management
- Ensure compensation structure is competitive to attract and retain appropriate talent
- Ensure rewards, recognition, and engagement are in place to retain key talent
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