Achieve a Robust Succession Management Process over Time

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Companies that consistently achieve strategic objectives year after year understand the crucial role succession management plays in business execution. The unexpected loss of key talent or the failure to fill critical roles in a timely manner can quickly derail strategic plans. Combine such situations with a growing skills shortage, aging workforce, and global competition for high performers, and it becomes obvious why companies are investing more and more resources in succession management. Succession management has moved beyond a once-a-year, board-driven, C-suite exercise to become a key part of business operations for critical jobs throughout the organization.

Anyone who has built a large-scale succession management process will tell you that you'll need at least three years to get the process fully under way. You can have some elements running in fewer than six months. But it takes a fair bit of time to build the infrastructure and orchestrate the organizational change needed to support a full-scale succession management process that spans talent identification, high-potential employee evaluation, career development, staffing, and workforce planning. Given the multi-year requirement of this task, some obvious questions to ask include the following: "Where should we start? What elements need to be put in place immediately, and what elements are more effectively built out over time?" This paper provides guidance on how to answer these questions and to transition from a basic process in year 1 to a fully robust succession management process by years 3 and 4.

Problems caused by an insufficient succession management process

Before you start any initiative that will take at least three years to complete, you might ask this reasonable question: "Why establish a succession management process at all?" Succession management can prevent problems such as the following:

- **Failure to manage critical roles:** In every company, certain jobs disproportionately impact overall company performance. These include senior leadership roles, such as the CEO and CFO. But they may also include key technical and operational roles, such as merchandise buyers in retail organizations, software architects in technology companies, or nurse managers in hospitals. Failure to identify and actively manage the flow of talent through these roles can have devastating consequences on overall company performance.

- **Vacancies in key positions:** Lengthy vacancies in key leadership or technical roles can quickly derail organizational performance. Senior leadership vacancies create confusion among customers and employees, and these vacancies may generate organizational politics and infighting as people try to fill the "power vacuum." Extended vacancies in critical operational positions can significantly impact profitability, quality, and service. For example, one retail organization found the costs of having a store manager position vacant far exceeded the costs associated with intentionally overstaffing store manager roles to create an internal talent bench that massively reduced the time needed to backfill these positions.

- **Substandard performance in key roles:** The longer a key role is vacant, the greater the pressure to fill the position with whomever is qualified regardless of their level of readiness. Not only does this approach diminish organizational performance, it can increase turnover when employees quit or are asked to leave roles they never should have been given in the first place.

- **Unplanned turnover:** The goal of succession management is not to prevent turnover, but to manage it. All employees will leave at some point. Effective succession management ensures turnover occurs in an orderly fashion that does not disrupt company performance. If managed effectively, turnover becomes an opportunity to increase organizational capabilities by moving high-potential talent into the key roles. But this opportunity is beneficial only if the company has a succession management process that proactively anticipates and manages turnover events.

- **Preventable loss of key talent:** High-potential employees are inherently retention risks. The characteristics that make them high-potential employees, such as a strong performance track record and a high need for achievement, also make them attractive to other companies and constantly focused on finding the next opportunity to advance their careers. The best way to keep high-potential talent is to implement succession management methods that let them know they are valued and that show them better career opportunities in your company than those they may see elsewhere.

- **Chronic skill shortages:** Much has been written about the growing shortage of skilled labor across the globe. Companies that fail to acknowledge and address this shortage will soon find that they no longer have the skilled talent needed to perform even basic operational tasks. Succession management plays an important role in forecasting and proactively taking action to address future skill shortages before they occur.

Each of these problems or risks could significantly cripple organizational performance. Taken together, they could (and have) led to the demise of entire companies. The positive news is that a succession management process, when effectively developed and administered, can turn these issues from risks into opportunities. Table 1 lists these problems and includes questions you can use to assess the level of risk your company currently faces in terms of succession management. Succession management provides a means to ensure you have the talent needed to achieve your company's business goals. When done exceptionally well, succession management provides an offensive tool that enables you to steal and keep high-potential talent away from your competitors.

Table 1. Assess Your Risk for Succession Management Problems

Risk factor	Assess your current risk level The following questions provide insight into the level of risk each factor poses for your organization. If you cannot even provide a reasonably accurate answer to a question, then your risk is likely to be particularly high for that factor.
Failure to manage critical roles	• What are the critical roles in your organization? What is the financial impact of filling these roles with average compared to high-performing employees? • What is the average turnover per year for these roles?
Vacancies in key positions	• How much time is required to fill a vacancy in each critical role? What is the cost per hire to fill these roles? • How many internal succession candidates are identified for each critical role in your company? How many of these candidates are ready now?
Substandard performance in key roles	• What methods are used to measure the performance of employees in critical roles? How do you ensure acceptable levels of performance? • What methods are in place to support a smooth transition into these roles? How do you prepare employees to assume these roles?
Unplanned turnover	• What are the projections for turnover across all of your critical roles? How many people will you need to hire into these roles in the future? • What is the current retention risk of employees in critical roles? How do you assess employee engagement in these roles?
Preventable loss of key talent	• Who are the high-potential employees in your organization? How are they being developed? • What actions are you taking to build a sense of commitment and engagement among your high-potential employees?
Chronic skill shortages	• What skills will be critical for future organizational performance? • What are the projected gaps between the skills found in your current workforce and the skills you will need three, five, or ten years into the future?

Elements of a fully functioning succession management process

Given the significant risks that are related to a failure to address succession management, you might ask the question: "What is required to build a robust succession management process in my company?" At least seven components must be built out to create a fully robust succession management process. Each component is briefly described in the sections that follow. See the Appendix for a more extensive description of what these components look like at basic and advanced levels.

1. Succession Framework

Create a well-defined calendar of events and series of actions associated with succession management, such as nominating high-potential candidates, conducting talent reviews, and assigning development actions to identified successors for different roles. At the simplest level, this framework may be once-a-year talent reviews. At advanced levels, the framework becomes a dynamic process for integrating talent management into ongoing business operations and strategic planning activities.

2. Critical roles

Determine which jobs will be included in the formal succession management process, and define what succession methods are needed for different jobs. The simplest methods rely solely on the organizational chart or managers' opinions to decide which jobs are critical. At advanced levels, leadership opinion is combined with complex analysis of workforce and labor market data to prioritize critical roles across the company.

3. Candidate Identification

Define the criteria and decision-making process for identifying and nominating employees to include in the succession talent pool. At the basic level, this activity often consists of manager nominations and employee self-identification. At advanced levels, companies may utilize statistically validated measures of potential combined with multipart assessment centers.

4. Talent Reviews

Build a framework and resources to support talent review meetings where leaders convene to discuss succession needs and talent resources. At the most basic levels, such meetings usually involve a nine-box exercise or some other method to systematically compare candidates based on performance, potential, and readiness. At advanced levels, these meetings use interactive technology to support dynamic conversations that integrate discussions of business strategy and operations with targeted dialogue around the key talent necessary to support business needs.

5. Development Programs

Create career development and training programs to help employees realize their full potential and assume positions that require greater responsibility. The most basic levels may involve simply setting specific development objectives for high-potential employees based on the results of talent reviews. At advanced levels, companies may incorporate extensive development programs spanning multiple years that incorporate job rotations, 360 survey reviews, mentoring, and a range of other training and development courses and resources.

An important strategic choice related to development programs is whether to intentionally build differentiated engagement programs that actively target high-potential employees as a distinct population within the organization. These programs may assess potential early in the employees' careers, even upon entry into the organization, and then actively guide career development to engage and retain high-potential employees over years or decades. Differentiating high-value talent and addressing their unique needs and risks can span from simply communicating to these employees that they are valued to providing special compensation and deep development investments that can include supporting their interests outside the organization.

6. Staffing and Pay Decisions

Define how succession management methods will be used to guide staffing decisions and the investment of development and pay resources. At the basic level, encourage managers to make workforce management decisions that take into account succession management discussions and data. At advanced levels, you might formally reward managers based on their ability to attract, retain, and grow talent. Advanced levels may also incorporate the use of advanced analytics to determine optimal pay and promotion strategies based on comparing past measures of performance and potential against current job success and retention.

7. Succession Resources

Assemble the staffing resources and HR technology needed to support large-scale succession management methods. One person often can support the simplest succession management process, provided this person has access to sufficient succession technology so he or she is not overwhelmed by administrative tasks. An advanced succession management process requires the use of technology that integrates succession with other talent management activities, most noticeably staffing, development, and workforce planning. World-class succession management also requires the development of a succession center of excellence comprising people who focus full time on monitoring and guiding the flow of talent through critical job roles across the organization.

Determine where to focus your succession management resources

The first step in building your succession management process is to define the value you want to achieve from the process in the near term and what you want to achieve later. Succession management creates value for organizations in many different ways. For example, your organization can benefit when you:

- **Clarify workforce needs:** Determine the number and type of employees the organization needs to retain and hire to support its near- and long-term strategic business goals.

- **Create common definitions of performance and potential:** Across the organization, establish consensus around which competencies, skills, and experiences are critical to support the company's business strategies, mission, and culture.

- **Assess your bench strength:** Identify how many employees could potentially fill key roles in the organization and what it will take for them to be ready to perform these roles.

- **Facilitate the retention and development of valuable talent:** Support the career objectives and development growth of key employees to ensure they remain with the company and realize their full performance potential.

- **Optimize the investment of scarce resources:** Increase the accuracy of compensation, development, and staffing decisions to ensure the company is investing the most resources in the employees who provide the greatest value to the organization.

The outcomes from any of these activities can justify the use of succession management. Simply creating a process to take inventory of the number of candidates who could fill key roles is a huge step forward for many companies. For others, the greatest initial value of succession management may come from bringing managers together in talent reviews to develop a shared understanding of what criteria should be used to evaluate employee potential and performance. Yet for others, the most critical need may be taking action to support the career development and retention of critical talent. The reasons for implementing a succession management process are not the same in every company. Determine what specific value you want from your succession management process, so you can prioritize actions when you build different succession management components.

Build out a succession management process over time

All seven components described earlier and listed in Table 2 are critical to support an effective succession management process. But you do not need to fully develop all of these components to achieve significant value from succession management. It is usually far better to slowly build out the components, incrementally adding to each of them over time, rather than investing massive resources to create the "perfect" succession management process in year 1.

For example, if your primary succession goal is to identify candidates for key positions, then focus on critical roles and candidate identification in year 1, but don't worry as much about other components, such as development programs or staffing and pay decisions. On the other hand, if you need to encourage talent retention, then you will want to start with a clear emphasis on candidate identification, development programs, and staffing and pay decisions, but you might not put as much effort into critical roles. Or if the initial goal is to create a common definition of performance, then you might just emphasize talent reviews in year 1 and not invest a lot in the other components that first year.

The main point is that most organizations cannot and probably should not try to build a full-service succession management process in year 1. Focus your resources on those components that provide the greatest near-term value for your organization. At the same time, do not completely ignore the other components. Components that may not be critical in year 1 will often become more critical over time. For example, when a company starts to become really good at talent reviews, managers and employees may ask that more resources be put into candidate identification prior to the reviews and into development programs to support follow-up actions after the reviews. Getting better at one component of succession management creates pressure and encouragement within the company to invest in the other components—one of the advantages of succession management. An incremental approach allows you to steadily build up the elements that go into creating a world-class succession management process.

Succession management maturity paths

To illustrate what building out a succession management process over time might look like, Table 2 and the following sections discuss three succession management scenarios and how they could be addressed. These scenarios are intended to help you envision what the implementation of a succession management process might look like in your company. They are not considered best practices, because the best approach will vary considerably depending on what a company wants to achieve from succession management and the resources it has available.

Table 2 . Three Succession Management Scenarios

	Succession framework	Critical roles	Candidate identification	Talent reviews	Development programs	Staffing and pay decisions	Succession resources
Start from nothing with nothing							
Year 1	Basic	Basic	Basic	Standard	Basic	Basic	Standard
Year 2	Basic	Standard	Standard	Standard	Basic	Basic	Standard
Year 3	Standard	Standard	Standard	Standard	Standard	Standard	Advanced
A few standard tools							
Year 1	Basic	Basic	Standard	Standard	Basic	Basic	Basic
Year 2	Standard	Standard	Standard	Standard	Standard	Standard	Standard
Year 3	Advanced	Standard	Standard	Advanced	Standard	Standard	Advanced
Round out the talent function							
Year 1	Basic	Basic	Standard	Standard	Basic	Standard	Standard
Year 2	Standard	Standard	Standard	Standard	Advanced	Advanced	Standard
Year 3	Advanced	Advanced	Standard	Standard	Advanced	Advanced	Advanced

The blue box indicates the area of focus for that year, and the label indicates the maturity level to achieve for the component by the end of the year.

Scenario 1: Start from nothing with nothing

In this scenario, perhaps your company is starting succession management with little or no dedicated succession staff, very limited HR technology, no strong history of succession management, and rudimentary leadership development and staffing functions. Because your company has few existing processes or resources on which to build, it is important to create engagement among line managers early so they will support the future actions required to get a succession management process off the ground.

Year 1. Establish very basic levels of functionality for most of the components except talent reviews. Use the talent review to educate managers on the importance of succession management. If done right, talent review conversations can get managers to realize the value of succession management and will create a pull for more focus in this area. Talent reviews will also lay the groundwork needed for managers to effectively distinguish high performers from high potentials. Also be sure to invest enough in succession management resources to build technology, so the succession management process can be performed easily and efficiently without creating a lot of administrative burden on managers or HR.

Year 2. Build out methods for defining critical roles and identifying talent. Use the talent reviews conducted in year 1 as sources of information for what criteria should go into these areas. Leverage the foundation created in year 1 to help managers more effectively identify and develop high-potential employees. Invest in succession management resources to create tools and technology that keep these new methods swift and efficient.

Year 3. Focus on building out a stronger succession framework that creates more formal links between succession, development programs, and staffing and pay decisions. The organization may want to invest in creating differentiated engagement programs that encourage retention and accelerate career development specifically for high-potential employees. Also continue to build out the staff and technology succession resources that will allow you to take succession management to higher levels of maturity.

Scenario 2: A few standard tools

In this second scenario, your company might have some history of succession management at higher levels, but few staff members focus specifically on succession. Your company has a fairly strong HR technology platform but only basic resources to support development programs and staffing and pay decisions. If you create more effective candidate identification and talent review methods that raise managers' awareness about the value of having better methods for staffing positions and of developing high-potential talent, then you can use succession management to help facilitate higher levels of maturity across multiple HR processes.

Year 1. Focus on building out tools and succession resources to support better candidate identification. Use the information provided by these tools to create more productive talent reviews. Highlight the value of building staffing and development processes around the same criteria used for identifying high-potential talent.

Year 2. Invest in technology and resources that support the integration of succession management with staffing and development actions. Create a succession management framework that ties together the activities related to setting business strategies, defining workforce needs to support these strategies, and identifying and developing talent to support these needs.

Year 3. Take talent reviews to the next level so they go beyond simply reviewing succession candidates to actively discussing how to integrate business needs with talent management activities.

Scenario 3: Round out the talent function

Perhaps your company recently added staff specifically dedicated to building out succession management methods across the organization. You have solid HR technology, effective development programs, and a strong staffing function. Your company has practiced succession management in the past, but only at a very basic level limited to senior executives and their direct reports. In this scenario, you will leverage the synergies created by tying succession to development and staffing activities so employees and managers perceive HR as an integrated function rather than a collection of disparate processes. This approach sets the stage for the implementation of leading-edge workforce planning and analytics methods combined with aggressive talent development activities in year 3.

Year 1. Focus on consolidating staff and technology to support wider use of succession management. Leverage information from development and staffing programs to build stronger methods for identifying candidates based on key competencies and skills. Use this information to support more effective talent reviews.

Year 2. Focus on creating a stronger succession framework that more fully integrates defining critical roles, identifying candidates, talent reviews, and talent development and staffing.

Year 3. Leverage the data and methods used for succession to support the use of workforce planning and analytics to guide business decisions. The benefit of having a more effective, fully integrated succession management process justifies an increased investment in succession resources that will allow the company to conduct more frequent, operationally focused talent reviews.

Top reminders for building succession management

The preceding three scenarios illustrate the myriad of ways a company can build out a succession management process. The following sections highlight the main points to remember.

Let your Requirements Determine your Approach

There is no one best way to build a succession management process. What approach is best depends on your company's business needs, available resources, and existing processes.

Invest Every Year

Although you do not need to fully invest in all seven succession components in year 1, it is important to make some investment in each component every year. These incremental investments will ensure you do not build a process that ends up missing key components. To use an analogy, building a succession management process is somewhat akin to building a large house over multiple years. You might focus on building out the kitchen before you work on the garage. But it is important to know how the kitchen will ultimately connect to the garage, since it may affect where you put the refrigerator so it will be easy to take groceries out of the car.

For each component, it is also very important to use technology that supports integration over time. To continue the house analogy, the role of electrical wiring in a house is similar to the role of HR technology in succession management. You may not hook up everything in every room right away, but you want to frame the house with the right set of wiring so when the time comes to build out the master bedroom suite, you do not need to install a new electrical system.

Add Components as you Master Initial Components

The better you get at any one aspect of succession, the more value you will realize and the more pressure you will get from the organization to address the other aspects. This effect is most noticeable when comparing talent reviews to candidate identification and development resources. If managers know they will need to discuss their teams in a rigorous talent review, they will welcome guidance so they can more effectively identify and assess candidates in advance of the reviews. Similarly, employees will be much more favorably disposed toward talent reviews if they know the outcome is not just about talent evaluation but also about talent development. Other examples can be drawn by comparing any of the seven components in Appendix 1.

Take the first steps toward better succession management

The best way to create a world-class succession management process is to take the following actions:

- Prioritize the most immediate and valuable benefits the company can receive from better succession management.

- Use this prioritization to determine which components of succession management will provide the greatest short-term value.

- Implement actions to build out those components, taking into account the eventual need to build out other components over time.

If you carefully define and effectively execute these first steps in year 1, then the remaining steps in subsequent years will become easier, faster, and much more obvious.

Appendix 1. Succession Management Process Components

Component	Basic level	Advanced level
Succession framework	• A succession calendar is established and communicated, showing when key actions take place for candidate identification, talent review, career development, staffing, and reporting. • The process is largely static and does not change dynamically based on business needs. • Succession data is not shared widely across talent processes; succession is mainly a stand-alone exercise.	• A succession calendar is integrated with strategic and financial planning calendars; talent data influences strategic planning and vice versa. • A standard succession calendar is augmented by ad hoc talent reviews addressing immediate business needs. • Succession events are tightly coupled with workforce planning, compensation, staffing, and development activities; data is automatically shared across talent processes.
Critical roles	• Succession primarily focuses on typical critical roles, such as senior leaders. • Critical roles are identified based on leaders' subjective opinions or based on where jobs are located on an organizational chart.	• Succession focuses on key roles across the company where access to high-performing talent has a significant impact on business operations. • Clear metrics and criteria are used to define what roles are critical. • Critical roles are identified using a mixture of leader input and analysis of internal workforce data and external recruiting marketing data.
Candidate identification	• Succession candidates are primarily nominated based on the opinions of their manager or through organizational chart reporting relationships. • Initial evaluations of potential and readiness are based on subjective ratings based on a few simple definitions.	• Analysis of workforce planning and employee profile data is used to recommend candidates and augment manager opinions. • Methods are established to support the movement of candidates across organizational functions and departments to avoid talent silos. • Evaluations of potential and readiness are based on a well-defined mix of objective and subjective assessment data; managers are fully trained on the difference between readiness, potential, and performance.
Talent reviews	• Talent reviews occur only annually. • Talent reviews are facilitated by HR business partners as part of general duties. • Identification criteria is outlined in advance and reinforced in discussions. • Managers arrive at the review with basic employee profile information about current performance, career goals, and potential. • Reviews are largely a systematic review of talent identified on succession plans. • The majority of a review focuses on assessing talent; there is little discussion of talent development actions.	• Talent reviews occur in different forms throughout the year based on business needs. • Talent reviews are facilitated by succession experts working in collaboration with HR business partners. • Managers arrive at the review with extensive information on the potential, performance, and career development of candidates, including data collected through the use of rigorous assessments. • Reviews start with a discussion of key business and talent objectives and then dynamically focus on the candidates most critical to those objectives. • Much of the review is spent talking about how talent is being developed, and not just focusing on talent assessment.

Component	Basic level	Advanced level
Development programs	• Basic career development plans are in place for employees. • Succession candidates are assigned development objectives based on talent reviews. • High-potential employees are formally recognized by the organization and efforts are made to address their unique career interests to encourage retention.	• Data from talent reviews feeds directly into talent development processes. • Extensive leadership universities are created that provide multiple courses and resources to support development. • Job rotation programs are used to provide succession candidates with critical skills and experiences. • Managers are rewarded for attracting, developing, and promoting high-potential talent through their departments and into other areas of the business. • The company provides high-potential talent with assessment centers, 360 development feedback, mentors, and other resources to help them realize their full potential. • Discussing development planning is a major component of talent reviews. • Employees' records of previous development influence decisions about their future potential. • Development support may extend to outside roles, including board activities and nonprofit work. • Differentiated engagement programs are created that identify early the career high-potential candidates and actively address their unique interests across multiple years or decades. • Senior high-potential leaders help mentor and develop the more junior high-potential candidates.
Staffing and pay decisions	• No formal connection exists between succession and staffing and pay processes. • Managers are not held accountable for linking succession assessments to tangible actions related to staffing or pay.	• Data from talent reviews feeds directly into staffing processes. • Managers are held accountable for driving the retention and development of high-potential candidates. • The company actively tracks how many staffing decisions are in alignment with succession recommendations. • Compensation strategies are developed to support the retention of high-potential employees. • Workforce analytics are used to identify optimal staffing strategies and career paths. • Discussing staffing is a major component of talent reviews.
Succession resources	• The succession process is overseen by HR as part of general talent management; no dedicated succession function exists. • Talent reviews are facilitated by HR business partners with limited support from corporate HR. • Succession is viewed mainly as an annual event. • Line managers are not held directly accountable for the retention and promotion of high-potential talent.	• The company has a dedicated succession center of excellence that oversees multiple talent pipelines across the company; an integrated team has experience in talent assessment, development, staffing, and workforce planning. • Succession data is a key feature of business operations meetings; line of business leaders meet monthly or quarterly with succession process experts and/or owners to discuss talent and bench strength. • HR business partners are trained and certified on methods used to support succession in their units. • Operations managers are measured and rewarded based on the retention, development, and promotion of key talent. • Succession COE includes resources skilled in the talent analytics associated with predicting promotion potential and employee retention.

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