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CORPORATE RESEARCH FORUM

EFFECTIVE SUCCESSION MANAGEMENT

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EXECUTIVE SUMMARY

- ▶ Succession management is a core business process and is essential to execute strategy and sustain performance over the longer-term. Ultimately, it is the responsibility of the CEO, supported by the Executive Team and HR, to ensure there is adequate talent to run the business effectively in the future and replace key contributors while maintaining business results. In this regard, succession is far more than just an HR process.
- ▶ Part of the role of the CEO and executive team is to ensure that the organisational culture supports the development of successors and allows them to flourish. If a developmental culture does not exist, efforts to design and run an effective succession management process are unlikely to be successful.
- ▶ While the central purpose of succession management is to support the business strategy, it can deliver that purpose in multiple ways. On the one hand, succession management is a process focused on continuity, which can trace its roots to leadership theories from the 1840s, evolving through 'executive continuity' in the 1970s and 'replacement planning' practices of the 1980s, through to the 'succession management' practices of the early 2000s which are still in practice in many organisations today. In this regard it is focused on risk mitigation and conservation of knowledge, skills, and relationships. On the other hand, succession management can be seen as a dynamic process of change, focused on identifying the organisational capabilities required for future success and implementing plans to develop those capabilities. A key challenge for HR is to design succession management processes that are fit for purpose in a context of continuous change,

and that balance these different aspects of succession. From the future talent point of view, this means asking: “do we want more of the same or something different?” and designing succession management processes to deliver against the unique needs of that business.

In practice, many organisations struggle to manage succession well. Common pitfalls include focusing on ‘box ticking’ rather than really challenging the organisation’s thinking about what capabilities will be needed for future business success, planning for the roles that exist today rather than identifying critical roles that will emerge, and placing too much emphasis on identifying successors at the expense of implementing actions to develop and prepare them for future roles. Too often, we hear that succession plans are disregarded when leadership appointments are made, or that people identified as ‘ready in 2-3 years’ never get any closer to being ready for the identified next move.

We identify some common characteristics of effective succession management practices as well as some emerging trends. Effective succession management is ...

- **Aligned to business strategy and supported by culture.** It begins with the future priorities of the business and works backwards to define the talent actions required to achieve the business’ long-term objectives. It recognises that future leadership roles will look different to today’s and that the capabilities that drive future success will differ from what drives performance today. Succession management needs to make explicit the connection between business strategy, the organisational capabilities required to execute the strategy, and the identification and development of successors. In practice this may require extending the planning horizon for succession further into the future. Organisations can use enablers such as strategic workforce planning and strategic talent mapping to identify critical roles that deliver outside value and focus investment on them.
- **An integrated talent management process.** The most effective approaches are designed so all elements of the succession management system work consistently together and integrate effectively with the wider talent management system. This starts with a clear and articulated talent and succession philosophy and strategy with buy-in from senior management. It requires consistent criteria to be developed for assessing people and a common language for discussing talent. It requires careful consideration of which talent pools to develop as well as planning individual roles. It also means aligning internal resourcing and external recruitment so future talent can accumulate the job experiences needed to grow and external talent can be identified to plug gaps. It is also a developmental process that integrates learning, so people are adequately prepared to step into the role when the time comes.

- **Thoughtfully transparent.** Organisations must decide how much to tell people about the process of selection and what it means for individuals. Thoughtful transparency is posited as a framework of judgements, where the benefits of transparency are weighed against any potential drawbacks relative to the business’ circumstances. Our recommendation is to be as transparent as possible, as it encourages frank dialogue, sets clear expectations, and benefits inclusivity. It may be necessary to invest in training line managers to improve their ability to handle sensitive career conversations.
- **Evidence-based.** Although the availability and use of data has greatly increased in recent years, the quality of data around succession remains largely poor and managers are often ill equipped to get the best from it. Identifying and strengthening areas that benefit from data use, such as assessment and talent reviews, can support leaders to make more accurate evaluations and better decisions. Evaluation of the effectiveness of succession processes and their outcomes is often overlooked or underserved. It’s important to identify the metrics that best measure results against targets, not just track the progress or completeness of the process, and to be willing to test and improve processes between cycles.
- **Participative and employee-centred.** This emerging trend is based on the principle that people are authorities on themselves – their circumstances, their ambitions, their skills – and are best placed to direct their own careers. Being employee-centred means putting the tools and resources into employees’ hands to manage their progression, and promoting opportunities transparently within the business.
- Participative succession management can also help build organisation agility, as it can support the development of a more responsive and adaptable workforce.

Future challenges for succession management include improving the use of technology to support the identification and assessment of talent and to support talent mobility. Businesses need to continue to focus on building responsiveness, adaptability, and future focus into their succession plans.