Taking Care of Your Company’s Future: 3 Best Practices for Succession Planning
I. Introduction

More successful businesses are embracing succession planning to deepen their employee bench strength and ensure top talent at every level of the company.

Once viewed as a boardroom activity among executives to fill top leadership positions, succession planning has evolved into a powerful tool focused on proactive — and ongoing — assessment, promotion, and retention of key performers throughout the business. And the benefits are huge: higher performance, improved morale, and a boost to the bottom line.

While company-wide succession planning and ongoing talent reviews are key to developing employees and maximizing the workforce, it’s not uncommon for businesses to struggle with its role in the corporate culture, and more important, implementation. This eGuide addresses these issues and provides a roadmap to make succession planning strategy successful. You’ll learn:

- Why is succession planning such a hot topic today?
- What succession planning can do for your business
- Self-assessment: what to ask when starting the succession planning process
- 3 best practices for succession planning
Part 1:

Succession Planning: Everyone’s Talking About It — Why Now?

In the past, succession planning was something companies did to plan for the worst-case scenario: replacing senior leadership due to retirement or career change. This dialogue ensured the executive team was taken care of, but ignored key contributors in lower ranks across the enterprises that were also critical to the business.

While succession planning continues to play an important role in managing talent depth at the executive level, times have changed. Industrialized countries are facing the challenge of a rapidly aging workforce. By the year 2020, 64 million people, or 40% of the US workforce will be poised for retirement. The resulting talent gap will directly impact the future sustainability of every enterprise. Given this reality, it’s never been more important to develop and retain talent at every level of the company. And that starts with a redefined perspective for assessing, grooming, and placing the right talent throughout the company.

And companies are waking up to the fact that there are costs and pain associated with not having a succession planning strategy in place. Think about the stress of scrambling to find replacements when a key contributor walks. Or the financial impact of hiring — in terms of time and lost productivity when people are pulled away from their “real job” to interview candidates. Many companies end up reactively going external (using headhunters) to replace a key contributor, which is clearly an expensive undertaking when fees can range from 20-40% of the placed employees annual salary.

Finally, the recent emergence of ongoing talent reviews for employees at all levels of a company has helped reshape corporate thinking. Much like performance reviews, this process gives companies a qualitative snapshot into the bench strength and readiness of individual employees to step up to leadership roles. And since today’s workforce is more transient than ever, it’s critical to assess employees — from both a talent and performance perspective — and openly provide career development opportunities to ensure the right people stay.

CDW
6,300 Employees

The Situation
CDW recently faced a unique challenge. The company had a large majority of ready-candidates for promotion, however the internal succession and talent management program lacked the necessary process to encourage growth and establish strong leadership development for future coworkers.

The Solution
To avoid the financial and practical burden of a full-blown talent search, CDW implemented an internal succession management program using performance and talent management software. CDW developed individual employee talent profiles with competencies, certifications, mobility, interests, career history and goals. From there, the company built a detailed organizational depth chart that identified potential successors for every key position in the company.

Number of people 35-44 will decline by 10%
Number of people 45-54 will increase by 21%
Number of people 55-64 will increase by 52%
Part 2:
What Succession Planning Can Do for Your Business

Simply put, succession planning has the power to transform how companies manage the future of their talent — from top to bottom — in order to positively impact bottom-line results. Done well, it drives an ongoing, proactive dialogue between managers and senior executives that identifies and tracks individuals’ talents in key positions. Companies can then put key contributors on a growth path where they can be most valuable to the company. Key benefits include:

Building Bench Strength

By helping companies identify potential skills and talent gaps, companies can proactively train and groom talent across all key positions in the organization. For example, a contributor with deep corporate “smarts” and knowledge of your business-critical processes is always difficult to replace. A departure in this situation can create a serious business continuity issue — especially when you can’t just hire someone with that same intimate knowledge through an outside party. Succession planning provides proactive identification of “go-to” employees that can then be further groomed for the job without losing the knowledge base your company depends on.

Better Career Development

Succession planning facilitates genuine development of employees — for both their own benefit and that of the organization. After identifying a talented employee, it’s understandable that a smart company will help train and support that individual in a way that moves their career forward. And there is a reciprocal aspect to this effort: open development compels employees to go the extra mile and stick around longer with the understanding that they have a future in the organization.

Effective Succession Planning can help ensure your company:

- Maintains leadership in key positions
- Ensures business continuity
- Retains and develop intellectual capital
- Encourages individual development
**Time Savings**

We’ve all seen the scramble that happens when an employee unexpectedly leaves. The time and stress involved with interviewing, hiring, and ramping up a new employee is a flat-out burden to any company. Effective succession planning translates to a definitive plan — and reassurance — that your organization can dramatically reduce the effort to replace a key contributor by literally having the right replacement strategically engaged and ready to step in.

**Cost Savings**

There are two primary ways that succession planning delivers measurable cost savings. The first — and most obvious — is in avoiding the significant out-of-pocket expense incurred by using a third-party placement agency or headhunter. The second way is more subtle, and often unrecognized: the cost of reactively focusing on hiring and ramping-up a new employee. When a key contributor leaves, it can often take 6 – 9 months to bring a replacement up to speed — clearly, a huge hit to productivity at many levels of the company. While some corporations might dismiss this as a cost of doing business, they’d certainly think differently if they could get a real-time report reflecting real money lost due to employees desperately trying to fill a position instead of working toward their revenue-generating responsibilities.

“**WE SAVED OVER $150K BY IMPLEMENTING A SUCCESSION PLAN FOCUSED ON INTERNAL EMPLOYEE PLACEMENT, RATHER THAN SOURCING CANDIDATES FROM EXTERNAL PLACEMENT AGENCIES.**”
Part 3:
Building a Foundation for Effective Succession Planning

Many companies see the value of building a succession planning strategy but simply don’t know where to start. The first step is to assess what you’re doing now to take care of your future talent. These questions can help you gain insight into potential areas of liability in your current process, and solidify the importance of investing in succession planning:

- What is the average age of your employees? What percentage of your employee base is retiring within the next five years?
- What is your current process for identifying employees with a high potential to take on leadership roles?
- How do you identify internal talent that may be ready to step into key roles today?
- How do you ensure that you are training the right individuals for the leadership roles and measuring them accordingly?
- What if a key contributor or member of the executive team gave a two week notice today?

With these key insights, the next steps are designing and implementing a succession strategy and process that’s tailored to your company’s talent quotient.

Snapshot of Success

Arrow

11,700 Employees

The Situation
Realizing the company lacked an effective succession planning process, Arrow’s CEO started calling “talent retreats” in which 130 of the top VPs in the company met for two days to discuss talent at all levels.

The Solution
As a result of these discussions, Arrow moved to implement company-wide succession planning and talent management software to evaluate bench strength in every department. This allowed the management and the executive team to easily create succession plans, move people from region to region to better suit their strengths and goals, and fill talent gaps.
Part 4:

Effective Best Practices for Succession Planning

HR professionals and human capital experts agree that effective succession planning relies on three best practices, regardless of your industry: 1) Defining a process, 2) Continuous review, and, 3) Leveraging technology.

1. Define The Process

There are several key elements to designing a process that is both comprehensive and tailored to your company.

The first step is the assessment of key positions. What are the roles in the company that are critical to your business? This is a thorough survey of key positions across the company — from a top software programmer to a manufacturing supervisor to a line of business manager to a vice president of sales. Once you've assessed key positions, then the next step is to thoroughly assess the key talent in the organization. In the past, this was thought to be only in the first one or two levels of the company, but it clearly needs to extend to every level.

Once these first two steps are completed, then you can begin to generate development plans for grooming individuals and deepening your bench strength in all the critical areas of the business. The focus is on the high potential employees and how to develop and retain them. It also allows you to identify low performers as well.

Finally, creating a consistent, ongoing monitoring and review process is crucial to solid succession planning. Keep in mind that any well-designed succession plan requires ongoing review and scrutiny from HR, as well as senior-level executives and other key leaders.

The following chart illustrates the key elements for effective succession planning:
2. Continuous Review

Once the process of assessing and identifying employees at all levels of the company has taken place, managers should have a good idea of the depth and scope of available talent. The next most critical step is discipline. While succession planning can effectively guide identification, development and retention, if ongoing evaluation and measurement isn’t adhered to, the process breaks down.

One way to reinforce a consistent succession planning process is to tie a talent review process to happen at the same time as performance reviews. This allows you to piggy-back on an already-defined event and adds important insight: simultaneous measurement of current performance against a talent assessment, which helps validate decisions and planning for those employees you feel will be of most value to the organization. In fact, you’re not tapping the value of the performance review process if one of the key outcomes is not taking action to address gaps surfaced during the review to develop the skills employees need to succeed in their current or future roles.

3. Leveraging Technology

The reality is designing, implementing, and executing an effective succession planning process can be time consuming and challenging to manage. A paper-based system is not viable because there are simply too many variables to be assessed. Just collecting and analyzing data on its own to drive assessments for every employee is alone a massive undertaking. Once information is collected, keeping it current, centralized and easily accessible to managers with the right permissions is very difficult when documents are kept in binders or file drawers throughout the organization.

Fortunately, there are innovative performance and talent management technology solutions available that dramatically facilitate the entire succession planning process. And, applying technology allows managers to have intuitive and easy to understand views of their team — including readiness and risks of someone leaving — as well as greater access to successor candidate pools through flexible search tools. But this comprehensive view of a company’s talent pool and bench strength is only possible using today’s powerful technology designed especially for succession planning.
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