



Succession Planning

Key Words

Succession planning; history; failings; its potential; long-term organisational success; alternatives; progressive practice

its rise and fall and re-emergence

“ *Planning systems would work fine if it weren't for all those darn people.* ”

Until we are willing to get rid of the people for the sake of the planning, we had better look elsewhere to explain planning's problems.

From Henry Mintzberg's "The Rise and Fall of Strategic Planning"

Overview

Henry Mintzberg's "The Rise and Fall of Strategic Planning" is a masterly account of the story of strategic planning: its emergence within corporate life and its subsequent failings. Whilst strategic choice may be key to sustaining long-term organisational success, for Mintzberg, strategic planning - and its inherent bureaucracy, conservatism and conformity - doesn't help. Indeed, the process acts a major constraint on the kind of intuition, imagination and experimentation that does shape genuine strategic thinking and decision making.

This short article mirrors Mintzberg's analysis, recounting the story of **succession planning**:

- **its rise** within corporate life as a tool to manage risks in the planning of leadership progression and transitions
- its **decline** and why conventional succession planning has largely failed. The succession plan - the organogram that maps out successors against the management structure - has taken up much corporate effort but made little impact
- and its **re-emergence** in recent years to highlight what progressive organisations are doing to rethink talent management practice and make succession a key component of their competitive strategy

“ *The mechanics often begin to overwhelm the thought process.* ”

J Quinn

Strategic Planning: rise and fall

Sustaining organisational success isn't just about survival in the present. It is about preparing for the future: anticipating new market dynamics, exploiting emerging technology, responding to shifting competitor positions, and identifying new customer preferences.

This, the argument goes, needs rigour in mapping out different scenarios, plotting options, and agreeing a game plan to defend, protect or move into profitable strategic place. So far so good. And strategic planning grew as a professional discipline to respond to this need. Armed with a variety of conceptual frameworks, analytical tools and research methodology, strategic planning flourished as organisations looked for a solution to managing uncertainty.

If business decision making is a gamble, then strategic planning it was claimed would improve the odds of betting on the future.

Organisations commit substantial resources to the formulation of strategic plans.

Does it pay?

In his summary of the impact of formal planning processes, Henry Mintzberg concludes: *“Planning is not the one best way..It certainly does not pay in general.”*

Mintzberg isn't suggesting that organisations stop thinking about the future or finding new ways in which to compete. But he is sceptical of the efforts of that small core of professional planners at the centre to mastermind the research, analysis, thinking and prioritisation process. Yes the metrics look robust, the scenarios convincing, and the final documentation looks impressive. But it's strategy by cook-book, detached from the realities of the business kitchen.

Even worse, the procedural and programmed bias of strategic planning favours conservative strategies, driving out the intuition and experimentation from which more imaginative strategies might emerge. And strategic planning, like an out of date filing system, lacks flexibility in responding to the unfamiliar and unexpected.

Does any of this sound like succession planning?

“*Strategic planning is useful for maintaining today's business; the business that already exists.*”

David Hurst

The Rise of Succession Planning

Succession planning is not a new activity. Since the emergence of hierarchy in social organisation millennia ago, much thought has been directed at leadership transitions. Succession - “who gets the big jobs?” - is the stuff of historical drama. The failure to agree who assumes power has been the dynamic of wars, revolutions, political crises, family break ups and business decline.

WAS MOSES THE FIRST SUCCESSION PLANNER?

We’ve tried to track down the first “succession planner” in business history. Maybe Moses was one of the earliest.

Having taken the Hebrew nation from slavery into their long travail through the wilderness, he recognised that he couldn’t lead the people alone: *“I can’t carry all of these people by myself.”* And he put in place a “management structure”, appointing around 70 of the elders from the tribes to provide additional leadership.

Moses went further. He identified his successor. Knowing that he wasn’t going to take the nation into the “promised land”, he needed someone else to lead them into the next phase of their journey: *“Please appoint a new leader for the community. Give them someone who will lead them into battle, so the people will not be like sheep without a shepherd.”*

Joshua was his heir apparent and Moses spent the last few years of his life preparing Joshua for his new leadership role. Joshua, although a successful leader himself, unfortunately, didn’t plan for the next generation. His own leadership legacy was not a positive story and the nation went into a period of decline.

The Rise of Succession Planning

Succession planning as a systematic activity emerged with the appearance of “scientific management” in the early 20th century, and in particular, with that pioneer, Henri Fayol.

The MD of a large coal mine in France, Fayol became fascinated by the practice of management, mapping out the principles for effective organisations (a kind of early Tom Peters). Fayol was also passionate in his belief that all employees should have a chance to prosper and that talented employees could climb from the lowest rung to the highest levels of the hierarchy. And the beginnings of a structured approach to progressive talent management emerged. Only the beginnings however, as it was several decades before Fayol’s ideas became part of mainstream thinking.

Oddly enough, it was research into the impact of leadership changes in baseball team performance¹ that triggered interest in succession as an important organisational activity.

Succession planning as a formal mechanism probably made its biggest advances with the rise of the “corporation” in the 1950s and 60s. Growing complexity of size and organisational scope demanded a more systematic way to capture information about individuals, their performance, potential to progress and readiness to take on greater responsibility.

Formalised processes for succession planning would:

- **prepare for the inevitable**
- **pre-empt the undesirable**
- **control the controllable**

¹ The arena of sports, because of the ease of measuring “success” over time, provides a powerful lens through which to track the impact of leadership change. See “Nothing Succeeds Like Succession: a Critical Review of Leadership Succession Literature since 1994”, The Leadership Quarterly, 2005

The Rise of Succession Planning

PREPARING FOR THE INEVITABLE

Jerry Junkins, CEO of Texas Instruments, said, *“I’m as lean and healthy as a horse”*, noting that a succession plan was in place to coincide with his planned retirement within two years. A few months later he died of a heart attack, and Texas Instruments was left without an immediate successor. It never quite recovered.

There are some “knowns” in business life. And one is that no one is immortal. This is the dynamic of succession that no one relishes discussing. But leadership continuity needs to be assured in the event of the death of the CEO and other key executives.

This is “hit by the truck” succession planning. It is intended to ensure the organisation has identified credible leadership to provide that continuity which will reassure stakeholders of the organisation’s capacity to maintain its strategic direction.

McDonalds’ Orderly Transitions

McDonalds Corporation has dominated the fast food sector for over five decades. But in 2004, experiencing flagging sales and a poor public image, its former CEO Jim Cantalupo was brought back from retirement to replace the unsuccessful Jack Greenberg. Cantalupo then embarked on a massive turn-around programme. On his unexpected death, shares plummeted.

Within six hours of Cantalupo’s death, the board had named his successor, insider Charlie Bell. A few weeks later tragedy struck again: Bell was diagnosed with cancer. Again the Board announced a replacement.

Jim Skinner, another insider, became McDonalds third CEO in less than a year.

McDonalds continued its turn around programme, repositioning itself to respond to the changing market place.

The Rise of Succession Planning

PRE-EMPTING THE UNDESIRABLE

When Toyota lost several senior people, a new phenomenon for the world's most profitable car maker, people started asking questions about cracks in the management structure. CEO Katsuaki Watanabe knows the organisation's bench strength. *"We hate to lose these people but we have real management depth and this won't affect us."* Toyota is about to overtake General Motors as the world's biggest car maker.

Key executives will leave for one reason or another: departure to take on a new career challenge in another organisation, the decision to down-shift and spend more time with family, and increasingly under-performance. As investor expectations become more demanding, the tenure of top managers is falling.

Here succession planning provides the discipline to review contingencies, map out "what if scenarios" and put in place back up plans. This is succession as the tool to highlight business risks, assess succession coverage for mission critical roles, and identify the leaders ready to take on additional responsibility in the event of the undesirable.

Jack Welch Anticipates Consequences

When Jack Welch began the planning process for his own succession at GE with the nomination of three high calibre candidates, he recognised that the unsuccessful individuals would have to leave. *"We didn't want to be burdened with two disappointed people around for three to five years."*

Welch decided to appoint their successors while the three candidates were still in position, a tough decision that focused minds on the realities of his succession.

In the event Jeff Immelt was successful and as predicted, James McNerney and Robert Nardelli left, McNerney to 3M and then Boeing, and Nardelli to Home Depot and then GM.

And GE has maintained its success trajectory and continues to be a "factory of leadership talent".

"The way you manage succession is likely to mirror the way you manage the rest of your company."

Joseph Bower

The Rise of Succession Planning

CONTROLLING THE CONTROLLABLE

IBM knows it has to fight hard to “win the war for talent”. It had began to reinvent itself in the market place and embarked on massive cultural transformation. But it still has to “claim more than its fair share of the best talent”, talent that might prefer to work in start ups and other “cool” companies rather than join the IBM global army of 320,000 employees. “Extreme Blue” was one response: a powerful development programme in which engineering, computer science and MBA students work intensively in small teams on real life problems. Linking career motivation to business need, Extreme Blue has proved a powerful vehicle to strengthen IBM’s talent pipeline.

When an exercise in work-force planning identifies a mismatch between future demand and supply, succession planning is the tool to focus effort on new resourcing priorities and identify where accelerated development or alternative recruitment strategies need to be established.

The discipline of succession planning is alert to shifting demographics to identify where and when the leadership pipeline is in danger of running dry. Succession planning pinpoints those blockages that will constrain business growth and puts in place the measures to access new sources of talent or be imaginative in developing existing (but forgotten) talent.

Ireland is Running Out of Priests¹

Ireland once used to export its Catholic clergy to the rest of the world. Not now.

The number of priests will drop in Ireland from 4,752 to 1,500 in the next 20 years, leaving parishes up and down the country vacant.

“The problem is that the demographic has finally caught up and priests are retiring and dying at a rate of knots....It’s not a crisis, it’s a catastrophe and it’s happened in a generation. In the near future there will be just one priest for every five parishes.”

On April 13th a national year of vocation begins to try to boost the numbers of young men entering seminaries.

The future of the Catholic church in Ireland may hinge on the success of this initiative.

¹ The Times, 27 February 2008

Succession Planning: beginnings of decline

There is a compelling business logic. Succession planning seems to make sense in the attempt to manage organisational risks and prepare for the business future. However despite this logic, succession planning has been an ongoing organisational problem.

The alarm bells:

- the **take up by organisations is remarkably low**. Our own surveys¹ to track succession activity and outcomes support the findings of other research programmes: succession planning is a relatively rare activity. The logic isn't so compelling then that organisations are getting on with the job of making it happen.
- the **experience of organisations who have initiated systematic succession programmes is largely unfavourable**. Organisations who have embarked on formal succession planning do not report too many positive experiences.² The previous case studies seem to be the exception rather than the rule.

“ There is a huge disconnect between the reality and the intent on the part of people engaged in talent management. ”

Peter Cappelli

¹ “Best Practice Succession Management” AM Azure Consulting

² “Practical Succession Management” Andrew Munro

The dynamics of decline

The standard prescription for implementing succession planning is a variation of the following:

- work through a clearly defined strategy to develop a long-term resourcing game plan
- define key roles within the organisational structure
- develop criteria to review the population of leadership candidates
- collate the results and summarise coverage and exposure within an overall organisational succession map
- identify successors and put in place an action plan

Maybe this approach once worked for steady state organisations. But it isn't working now.

There are many factors underpinning the difficulties in the implementation of a sustainable approach to succession:

- the increasingly short-term horizons of top management
- leadership ego, political gamesmanship and empire building
- organisational restructuring and “big jumps” in leadership responsibility around flattened levels
- the shifting career expectations of the work-force
- falling levels of trust and employee engagement
- competing interests within the H.R. function

But at the heart of the difficulties surrounding succession planning is a fundamental dilemma:

We can't predict the future. We know that our strategy will evolve and change to keep refocusing the organisation's position in the market-place; structures will shift to highlight changing organisational priorities; and key professionals and professionals will move - internally and externally. Therefore because we can't define our future leadership requirements it doesn't make sense to plan and develop capability for the future.

BUT

If we don't plan and develop our management, we will lack the capability to compete in future.

The dynamics of decline: failing to get to grips with the fundamental challenge

THE SUCCESSION CHALLENGE

“How do we think today about what we will need tomorrow?”

In the face of change and uncertainty:

- what's the point of agreeing an “heir apparent” or pool of potential successors when the investment community might lose patience with our strategy and demand a rethink and fresh leadership approach from outside?
- why should we attempt to map out the chess board of the consequences of different succession manoeuvres when we don't know if next year we will acquire another company or be acquired?
- why are we investing in internal development when we can poach talent from our competitors or even worse lose our best people to our rivals?

“ *the schism between succession planning and business strategy is one of the primary reasons that succession plans fail* ”

L Eastman

Responses to the decline

Succession planning is now beginning to look like strategic planning, that activity much derided by Henry Mintzberg.

- good in theory but unworkable in practice
- better at maintaining the status quo than responding to changing circumstances to exploit new opportunities
- maybe possible for large corporates like McDonalds, IBM and Toyota, with well established market positions, but impractical for most businesses

“*The unfortunate truth surrounding succession plans is that most are nothing more than out-of-date static documents, rarely referred to, and with little exception, never executed.*”

John Sullivan

The responses:

- **there isn't a problem:** succession planning is working just fine. This is the kind of denial indicated by the senior executive at Xerox who claimed: “*Every one of our upper level managers is supposed to be able to name two or three replacements on the spot. It comes with the territory.*” Xerox prided itself on its world class succession systems. But it wasn't a process that helped avoid the loss of \$38 billion in shareholder value.
- **there is a problem but it is a problem we can overcome with improved implementation.** Succession planning to work requires for example a better information flow to support business decision making. The implementation of objective assessment, utilisation of leading edge I.T. will make succession planning a force to shape resourcing and development priorities. Or the problem is a lack of senior management time. So we need to find ways of gaining more commitment and ensuring it is a top team priority.
- **there is a problem and we need to rethink the fundamentals.** Is it possible that succession planning is part of the problem it's attempting to address? And that attempts to turn the wheel faster may make the problem worse?

Strategic planning: its re-emergence

Despite the growing recognition of its' problems, succession planning just won't go away. It remains firmly at the top of the corporate agenda. It's partly that the "war for the talent" is quickly turning into **the** fundamental battle in business success. It's also the appreciation that the alternatives: do nothing and look for the most "obvious" insider at the time or rely on a "buy in and bribe" resourcing strategy haven't worked.

So what are progressive organisations doing to indicate that succession planning has a future?

- succession as **joined up thinking**: positioning succession planning as part of a wider talent management enterprise rather than as a discrete activity
- succession as a prioritising exercise to keep it **focused and manageable** rather than a massive undertaking in data collation
- succession as developing **different plans for different audiences** rather than the production of one document
- succession as a series of **powerful conversations** about business realities and the implications for talent
- succession as a **shift in responsibility** and a rethink of the role of HR

“ *In preparing for battle I have always found that plans are useless but planning is indispensable.* ”

Dwight Eisenhower

Succession as joined up thinking

Succession management does have to address key roles at senior levels, specifically to put in place back up and contingency plans for those critical roles tracked by the investment community and other stakeholder groups.

But if that is the full scope of succession, it won't work. Back up and contingency succession is one piece of the jigsaw. Succession management needs to become part of a wider talent management enterprise and shared mind set about:

- who is recruited and the criteria and standards set for who is brought into the organisation
- the induction process and the communication of messages about role expectations and the importance of long-term stewardship
- the way in which performance is managed and the openness and candour of performance reviews and career discussions
- who does and doesn't get recognised, rewarded and promoted

Information flows to connect talent management activities within business units to overall organisational priorities, supported by efficient database management, no doubt help. But it will be consistent policies (and removing those contradictory practices) to provide a coherent approach, maintained by a cultural expectation of "this is how we operate" that will make the difference.



Succession planning as a focused and manageable activity

The battle for success will not be won by organisations who embark on vast succession planning exercises. Equity and consistency are important dynamics. But organisations are not well served by those top down mandates requiring the submission of extensive paper-work attempting to “succession plan” every level and role.

This activity within the corporate calendar - known by more cynical executives as “the succession black hole” - consumes time but makes little practical difference to the challenges they face.

Instead the future of succession planning lies in:

“*I have yet to see any method that can predict a person’s development more than a short time ahead.*”

Peter Drucker

- **shortening the time-scales** for talent planning rather than operate within the long-range forecasts of the strategic planners. Here succession planning is less about stock piling talent for “what might be” and more about the disciplines of supply chain management to adapt quickly to changing demand.¹
- identifying those **few critical roles** which are emerging as “make or break” to the success of the future business. All roles are important but a few roles are “pivotal”². Smart succession practice identifies and prioritises activity around these pivotal roles.
- **abandoning those futile attempts at identifying long-term potential**. What practical difference can it make to assign an individual a potential rating of “capable of achieving Level X within Y years time”? Talent reviews are shifting emphasis from the debate to plot individuals within performance-potential grids to focus instead on those priority individuals where practical responses need to be agreed now. This is succession within a meaningful time frame to address: those individuals we need to retain for the short-term; the individuals requiring organisationally backed investment; and those blocking the pipeline of future talent.

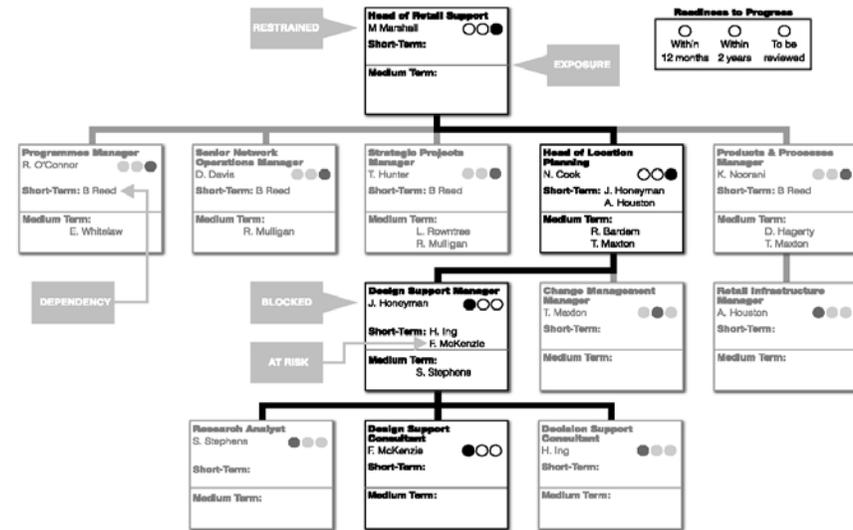
¹ <http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4262>

² see our download article: “MoneyBall, Talent Management and Decision Analysis”

Succession as different plans for different audiences

The conventional succession plan should be seen for what it is: an important element in impression management to reassure key stakeholders that the organisation has covered its bases. The plan might look robust on paper, mapping out the classic metrics: coverage, exposure, dependency, blockage and risk. But don't mistake the formal plan designed for one audience with the realities of the resourcing and development priorities facing the organisation, or more typically, specific business units.

Succession management is becoming less about the culmination of effort towards the production of "the plan" and more about different "plans" to meet and shape the expectations of different stakeholder groups.



“We have a plan. It's called doing things.”

Herb Kelleher

Progressive succession planning is now about the presentation of different metrics, summarised at different levels for different groups:

Succession as different plans for different audiences

- for the **Board**, the “plan” is a summary of back up and short-term successors for those roles that regulatory bodies and investors have decided are critical. The plan is the reassurance that there is a choice of credible and capable candidates - internally and/or externally - for the CEO and other “mission critical” roles.
- for the **top management team**, the succession plan is a high level summary of key resourcing metrics (work force forecasts, retention indices, etc) as a map of organisational resilience. It is also an agreed listing of key candidates requiring significant organisational investment with clear responsibilities for follow up action.
- for **business unit executives**, the “plan” is an overview of talent priorities within their work area: blockages, retention risks and those individuals where proactive development and organisationally backed investment and coordination is needed. This is a robust action plan with a clear expectation of regular follow up and review. It isn't a tick box to submit to Head Office.
- for **line managers**, the “plan” is a summary of those individuals where the business unit needs to support and coordinate effort. It is also a series of personal development plans: to retain the exceptional; to stretch the solid performers; and to tackle the under-performers.

Succession planning means very different things to its different constituents. Progressive practice recognises these expectations to provide the level of information in a format that encourages decision making and action.

“ *Most succession plans have failed because they were too broad.* ”

John Sullivan

Succession planning as powerful conversations

Succession planning is typically positioned as a defensive manoeuvre to respond to business adversity, and the unpleasantness of death, dismissal and unexpected departure. Yes, succession management is a test of organisational resilience. And organisations without back up coverage to overcome the “slings and arrows” of corporate life will fail to manage business risks.

But if succession is going to reinvent itself as a force to shape business success it needs to become a more proactive dynamic. This is succession as a dialogue about the challenges facing the organisation and the talent that is currently available and accessible: internally and externally.

This is succession as a powerful set of conversations:

- **within the Board to ensure that risks have been highlighted and that contingency plans are in place.** But it also about challenging the CEO and top team about the stewardship they are providing in developing next generation leadership.
- **between the CEO and the top team to create an ongoing dialogue about the future of the business, the scenarios it faces and the available talent.** This is the kind of candour to accept that “what got us here might not get us there”. The conversation is about rethinking leadership requirements in the face of different strategic challenges. It is also asking tough questions about the role that each team member is personally playing in the development of the organisation's next generation of leadership.
- **between each top team member and their executives.** This is the ongoing discussion about business priorities, leadership capability and the importance of proactive talent management. This conversation is also about breaking down mini empires and overcoming cross functional conflict that might be constraining the free flow of talent.
- **between line managers and their team.** This is the candid review of performance and future contribution. It is about the conversations that confront under-performance, motivate the talented individual who is coasting, and provide the practical coaching and career guidance to guide those outstanding individuals.

“*Succession has always been the ultimate test of any top management and the ultimate test of any institution..*”

Peter Drucker

Succession planning as a rethink about responsibilities

The CEO in a moment of reflection about his or her legacy asks the HR Director “what are we doing about succession?” The HR Director then embarks on a flurry of activity, distributing templates to business units, collating returns to pull together a master document: the annual succession plan.

For progressive organisations serious about the role that succession management should play, there has been a rethink about roles and responsibilities:

- for **employees**, this has been an exercise in communicating the realities of career management. This isn't simply another vague message about the importance of self management. This is equipping employees with the information and practical tools to take a proactive stance in understanding the rules of the game.
- for **line managers** this is clarifying responsibility for performance and talent management. Yes the organisation puts in place the infrastructure of policies, processes and practices to support activity. But if 95% of talent management is the ongoing dialogue between line managers and their team members, then line managers need the skills to manage the full spectrum of performance and potential.
- for the **top team** succession planning is less about the review of succession documentation and more about a visible profile within the organisation, interacting with managers and professionals throughout the business. This isn't about the “corporate cocktail circuit”. This is the coaching dialogue that communicates the organisation's values and future strategy whilst also listening to the experiences and ideas of the emerging leadership population.
- for **Human Resources**, “after a decade at the cross roads”, this is the positioning of the function as genuine strategic partners. Here H.R. is facilitating the strategic debate through targeted organisational intelligence in the analysis of the breadth and depth of professional and leadership capability to identify the talent risks and opportunities for the business.

Conclusions

- Mintzberg was right: strategic planning has largely failed because it attempted the impossible: predicting the unpredictable and controlling the uncontrollable.
- And succession planning fails when it pretends it is a summary of the complexity of people, their talents against the unknowns of the future. Succession planning is not a piece of paper. It is:
 - the way your Board, top team, executives, line managers and employees think about the organisational future, recognising the realities and opportunities of change and uncertainty.
 - how the Human Resources function joins the dots to provide a coherent talent management strategy, from recruitment to rewards practice.
 - about focusing on manageable priorities to guide resourcing and development effort over the next 12 - 18 months.
 - ongoing presentational analysis to provide different stakeholders with the information they need in a format that highlights the priorities that can be actioned.
 - and the power of candid conversations to clarify expectations and provide feedback that guides development.

“*Business strategy is less a function of grandiose predictions than it is a result of being able to respond readily to real changes as they occur. That's why strategy has to be dynamic and anticipatory.*”

Jack Welch

Succession planning is re-emerging as an important dynamic in organisational success for the simple reason that progressive organisations who think about and act on the future will always out-trump those that are caught in the present.

About us

Established in 1994, AM Azure Consulting works with a broad portfolio of clients – in the UK and internationally - in the design and implementation of online services in recruitment and selection; management assessment, development and career management; online leadership tool kits, 360° feedback; performance management and talent and succession management.

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- cut to the chase to focus on the distinctive challenges of our clients. We enjoy the innovation that results from our clients with ideas and we help translate them into practical applications.
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