Chapter 8
Succession Management

Learning Outcomes
After reading this chapter, you should be able to:
• Understand why succession management is important
• List the steps in the succession management process

Learning Outcomes
After reading this chapter, you should be able to:
• Describe several ways to identify high-potential employees
• Evaluate the advantages and disadvantages of the five management development methods: promotions, job rotations, special assignments, formal training, and mentoring and coaching.
Learning Outcomes

After reading this chapter, you should be able to:

• Recognize the difficulties in measuring the success of a management succession plan
• Outline the employee’s role in the succession management process
• Describe the role of HR in succession management

Importance of Succession Management

Succession management: The process of ensuring that pools of skilled employees are trained and available to meet the strategic objectives of the organization

Linkage to Talent Management Process

Succession management is part of the talent management process, which includes:

1. Selection process
2. Career management
3. Exiting the organization
In the past, succession management focused on the CEO only. Now, it focuses on the following critical roles:

1. CEO
2. Senior management (executives)
3. Critical roles based on long-term value

Replacement planning: The process of finding replacement employees for key managerial positions
Steps for Succession Management Process

1. Align succession management plans with strategy.
2. Identify the skills and competencies needed to meet strategic objectives.
3. Identify high-potential employees.
4. Provide developmental opportunities and experiences.
5. Monitor succession management.

Step 1: Align Succession Management Plans with Strategy

- Organizations must start with the business plan and strategies.
- Using environmental scanning, managers try to predict where the organization will be in three, five, or ten years.

Step 2: Identify the Skills and Competencies Needed

The skills and competencies of successful managers must be identified using the:
1. Job-based approach
2. Competency-based approach
Job-Based Approach

**Job-based approach:** Focus on duties, skills, job experience, and responsibilities required to perform the job.
- Not adequate since jobs change rapidly.

Competency-Based Approach

**Competency-based approach:** Focus on measurable attributes that differentiate successful employees from those who are not.
- Hard and soft skills
- Produces more flexible individuals

Types of Competencies

1. Core competencies
2. Role or specific competencies
3. Unique or distinctive competencies
Step 3: Identify High-Potential Employees

Organizations use several approaches to identify managerial talent, including:
- Temporary replacements
- Replacement charts
- Strategic replacement
- Talent management culture

Step 4: Provide Developmental Opportunities and Experiences

Peter Drucker states that: “Most managers are made, not born. There has to be systematic work on the supply, the development, and the skills of tomorrow’s management. It cannot be left to chance.”

Management Development Methods

- Promotions
- Job rotations
- Special assignments
- Formal training and development
- Mentoring and coaching
Promotion:

Promotion: An employee’s upward advancement in the hierarchy of an organization

Job Rotations:

Job rotations: A process whereby an employee’s upward advancement in the hierarchy of an organization is achieved by lateral as well as vertical moves

Special Assignments and Action Learning:

- On-the-job learning is still a favourite method of developing management skills.
- To test high-potential employees, they can be given a special assignment in addition to their regular duties.
- Special assignments develop new skills and provide network opportunities.
# Formal Training and Development

These traditional and passive techniques are the least effective, but they are fast and easy to use. They include:

- Lectures
- Seminars
- Discussion groups

# More Effective Techniques

More effective training and development techniques include:

- Role-playing
- Case studies
- Behaviour modelling
- Action learning
- Experiential learning

# Mentors

**Mentors:** Executives who coach, advise, and encourage junior employees
Use and Effectiveness of Leader Development Activities

Step 5: Monitor Succession Management

- Corporations with strong succession management programs are higher performers in revenue growth, profitability, and market share
- HR metrics can be used to help monitor succession management

HR Metrics for Succession Management

- Increased engagement scores
- Increase positive perceptions of development opportunities
- High potentials’ perceptions of the succession management process
- Higher participation in developmental activities
- Greater number involved in the mentoring process
**HR Metrics – Lag Measures**

- Increased average number of candidates
- Reduced average number of positions having no identified successors
- Increased percentage of managers with replacement plans
- Increased percentage of key positions filled according to plans

**Employee Role in Succession Management**

- Participatory process between managers and employees that has replaced the top-down approach
- Gain employee commitment to and ownership of the plans
- Employees have a "voice" in the process.
- Employees must consider that their relationship with the organization is not static
- The implied employment contract once thought to protect employees is no longer valid

**Employee Role in Succession Management**

- A new, transactional employment contract is in place that provides benefits to employees for their contributions in the short-term only.
- Organizations still need to manage their employees and view their value and contributions in light of the intense competition for leadership talent.
There are significant risks to the organization in the talent management process including:

1. Vacancy risk
2. Readiness risk
3. Transition risk