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*Human Resource Report*

## **Succession Planning Requires Forethought, Sensitivity to Employees' Needs and Concerns**

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It may be only natural for employees in an organization to assume that the current leadership is there to stay, but in fact it's one of human resources' more challenging duties to make sure there is a well-stocked talent pipeline for every managerial position—from the C-suite on down.

“Turnover isn't the enemy—preventable, unplanned turnover is,” Steve Hunt, vice president of customer research at SuccessFactors and SAP Cloud, said in an April 18 interview with Bloomberg BNA. The point of successful succession planning, he added, is “so that when people leave, it doesn't cause massive disruption—because everyone is going to leave [eventually], sure as death and taxes.”

“There isn't a single best practice, there's not one way to do succession planning,” said Steve Hunt of SuccessFactors and SAP Cloud. “It depends on the culture and the company.”

The entire process, however, is littered with land mines. For example, said Hunt, whose South San Francisco, Calif.-based company provides HR cloud computing solutions, there's the dilemma of “are you going to tell ‘high potentials’” who may be in line for a future promotion “that they're high potentials? Ideally, yes, but only if you're going to treat them differently.” Otherwise, Hunt said, the verbal pat on the head may end up being just the push they need to start looking for outside opportunities.

Moreover, being open about who is considered to have high potential “tells everyone else that they're not high potentials,” he said. To tamp down the resentment this could cause, Hunt suggested making clear what objective factors go into designating someone as being on the leadership track, for example, “if you're going to be in this group, you have to be willing to move every two years.”

*‘A Delicate Subject.’*

On top of those sensitivities, HR has to consider the incumbent leaders' feelings, George Boué, vice president of human resources at Stiles Corporation, a commercial real estate firm in Fort Lauderdale, Fla., told Bloomberg BNA April 17. “The people who are going to be succeeded get uneasy,” he said. “In every company that I've worked for, succession planning tends to be a delicate subject with some folks.” It's also important to note that the retirement age is rising and that too rigid of a “timeline” for succession planning could generate an age discrimination claim, he added.

The Stiles Corporation, with about 300 employees, is making the transition from a family-run business, where current Chairman and CEO Terry Stiles's son is being groomed to replace him, “to something more corporate,” Boué said. The

distinction can be a sharp one, he added: large corporations will often say, “you're COO for five years and then you will be moving on, but not in small companies, where there's nowhere for them to go—it's really out the door.”

Diplomatic finesse may also be required when HR professionals sorting through leadership candidates identify people who are not “culture carriers” with respect to the organization, Dave Ciliberto, senior vice president for client services and career transition at New York City-based Partners International, told Bloomberg BNA April 16. “You should plan to ease them out,” he said.

### *Common Mistakes*

Organizations typically fail at succession planning in certain ways, such as having executives being groomed for the C-suite and perhaps one level down, “but not necessarily below that,” Ciliberto said.

Another typical organizational failure has to do with “what do you do with candidates after you evaluate them?” Hunt said. “Some companies evaluate and plot where people will be in two to three years but don't do anything else,” he said. At savvier companies, he said, managers are expected to put the information gathered in evaluations to effective use so that a year down the line, deserving employees aren't stuck in the same position.

Perversely, said Hunt, “a lot of companies actually punish managers who develop their employees. If a manager promotes a person out of his group, then the manager is a ‘loser’ because people are always leaving their group.” Then the organization could refuse to “backfill” the vacancy created in the manager's group, even going so far as to claim there is a hiring freeze on, Hunt said.

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Boué agreed: “As with any HR policy and program, you have the ideal program in the ‘average’ corporation, but you have to adapt it to the circumstances and your people,” he said.

### *'Predictive Indexing' in Home Health Care*

One possible approach is data driven. Faith Scott, president of the Visiting Nurse Association of Northern New Jersey, said her home health care organization uses “predictive indexing” from Wellesley Hills, Mass.-based PI Worldwide, an approach the latter company describes on its website as a “methodology of integrating data, technology, knowledge and expertise.”

What this means in the home health care field, which suffers from high turnover, is “creat[ing] a career ladder that requires that employees have a college degree, and using predictive indexing to see that people can fill the roles and succeed in them,” Scott said in an April 16 interview with Bloomberg BNA. Candidates must meet educational and performance benchmarks to move up to the next rung, she explained.

## *Reasons to Plan Ahead*

While succession planning must be customized to fit the organization, two basic reasons to do it seem to apply across the board. As Hunt summarized, they are “to make sure we have a ready pipeline of talent” and “to ensure stability” for critical roles.

For such roles, Boué said, “You have to have someone in the wings who is semi-ready or know if you don't.” He provided an example from his company, which has a key executive known as a chief development officer “who can go out and look at a piece of land,” plan a real-estate project for it and hand it off to the people who will carry it out. “He probably will be looking at retirement in about five years,” Boué said. “We have only a handful of people with those skills, so we have to find someone young who we can be groom for the role.”

However, there can be another purpose to succession planning: attracting talent from the outside. “Some organizations talk about succession and talent management all the time,” Hunt said. Such organizations make themselves attractive to top talent by showing that deserving employees are promoted to fill open positions, he said.

## *Grooming Future Leaders*

Partners International helps companies develop a model for their succession planning, Ciliberto said. This can include identifying high-potential employees who may be future leaders of the organization, and determining what is needed to prepare them for such roles. “Who are the successors for the C-suite, and who are the ones to replace them? You need to go down four tiers,” he said.

Next, the high potentials may need to gain important experience beyond their area of expertise. For example, Ciliberto said, they may need international assignments, experience leading a different line of business, front office experience or experience with the revenue-generating side of the business if that's not what they've been doing. It's proverbial that people with financial expertise often don't have good skills leading people and vice versa, he observed. More intangibly, “you can't teach charisma, but you can develop it,” he said.

Scott of the Visiting Nurse Association of Northern New Jersey has seen this process of fortifying skills in action. “You can have some circumstance where someone says they can do a job, and we can say you meet three out of four quadrants. That doesn't mean they can't do the job, but they have to be mindful and work harder” in the area where they're weakest.

“It's all about the talent, not the people,” Boué said. “All kinds of things can happen” to key figures in the organization, he said, “so you need to be able to say these are the skill sets and talents we need, who can we groom? The potential successor may not be ready now, but in some years, so how do we get them ready?”