

THE VALUE OF SUCCESSION PLANNING

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by Jim Henderson

Henri Fayol (1841-1925), French pioneer of management history, was among the first to recognize and document the universal organizational need for succession planning (Rothwell, 2001). However, effective leaders down through the centuries have developed and implemented succession plans for their organizations. Consider the scriptural picture of Joshua succeeding the revered Moses or Elisha who followed the mighty Elijah. These examples show that “spiritual leaders are always investing in the next generation of leaders” (Blackaby & Blackaby, 2001, p. 278). “The Bible reveals God’s pattern of working through successive generations. God gave his people specific instructions concerning how they were to train and prepare the emerging generation of leaders (Deut. 6:6-9; 20-25)” (p. 278). There are many leaders today who give little or no “thought to the conclusion of their leadership and so they do little to prepare for it. However, when suddenly faced with leaving their office, they realize that much of their work will have been in vain unless there is a capable successor” (p. 279).

Great Britain's former prime minister, Margaret Thatcher, came face to face with this reality when she was forced from office. “When it became clear she must relinquish her office, she observed: ‘But there was one more duty I had to perform, and that was to ensure that John Major was my successor. I wanted – perhaps I needed – to believe that he was the man to secure and safeguard my legacy and to take our policies forward’” (Blackaby & Blackaby, 2001, p. 279).

Why is this idea of succession planning so important? According to Bill George (2003), former CEO of Medtronic, “One of the most important things leaders do is to prepare for their own succession” (p. 187). Marketing Week magazine (2005) said, “Choosing a successor-in-chief is one of the most important decisions made by any organization, whether it is the cardinals in Rome selecting the next Pope or the United Kingdom wondering if the anointed successor is up to the job of King” (p. 24). Distinguished economist Clifton R. Wharton Jr. (2005) said, “One of the greatest dereliction of leaders is their failure to prepare or nurture their successors” (p. 270).

The concept of succession planning has been defined as “a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement” (Rothwell, 2001, p. 29). There are several views that endorse the value of succession planning in today’s modern organization. Senior leaders are keenly aware that “the continued survival of the organization depends on having the right people in the right places at the right time” (Rothwell, 2001, p. 8). The impact on organizational continuity would be devastating if a successor was suddenly required and none had been identified.

A succession planning process is most effective when it is a “systematic effort that is deliberately planned and is driven by a written, organization-wide statement of purpose and a policy” (Rothwell, 2001, p. 23). The basic tenants of this succession planning process would articulate a foundation for:

- Communicating career paths to each individual
- Establishing development and training plans
- Establishing career paths and individual job moves
- Communicating upward and laterally concerning the management organization
- Creating a more comprehensive human resources planning system (Rothwell, 2001, p. 9)

Nearly “two-thirds of CEOs said they were likely to step down from their positions in the next 10 years” (Jusko, 2005). Of those CEO’s who will step down over the next decade, thirty-nine percent “said they have a likely successor in mind, with 45% having identified no successor at all” (Jusko, 2005). The latest Workplace Forecast from the Society for Human Resources Management (SHRM) indicates “that few organizations have executive succession plans” (Schramm, 2005). These startling facts place a new sense of value and importance on the succession planning process.

The process of succession planning should support and complement the strategic planning and strategic vision of an organization and “provide an essential starting point for leadership and employee development programs” (Rothwell, 2001, p. xxi). Without this strategic focus, “organizations will have difficulty maintaining leadership continuity – or identifying appropriate leaders when a change in business strategy is necessary” (Rothwell, p. xxi). This is important to remember because “the succession process and attendant politics tend to be most visible at the top of the organization” (Tichy & Devanna, 1990, p. 104).

While many Fortune 500 corporations have implemented a succession planning process, “small and medium-sized businesses also need them. In fact, inadequate succession plans are a common cause of small business failure as founding entrepreneurs fade from the scene, leaving no one to continue their legacy” (Rothwell, 2001, p. xxi).

As organizations today face the ever-increasing issues related to growth, globalization and competition, succession planning is needed to cultivate the right talent in order to meet these daunting challenges. Senior leadership should be strategically focused in the development of future leaders, “combining proactive assignments monitoring, rigorous success planning, and experiential educational programs [that will] help make companies more competitive, with a talented pipeline of leaders ready to take charge” (Mercer, 2005).

Today’s business and “the environment in which [it] operates are never static” (Alexander, 2005). The “incessant wave of mergers and consolidations” (Pfeffer, 1998, p. 3) along with “other cost containment efforts have led to reductions in the middle management ranks, a traditional training ground and source of top management talent” (Rothwell, 2001, p. 8). Effective succession planning can be a valuable resource to identify “promising candidates early and to actively cultivate their development” (Rothwell, p. 8).

In conclusion, organizations sponsor systematic succession planning programs for various reasons. The three most important are:

- To provide increased opportunities for "high potential" workers.

- To identify "replacement needs" as a means of targeting necessary training, employee education, and employee development.
- To increase the talent pool of promotable employees. (Rothwell, 2001, p. 30)

With the resource of middle management talent depleting and two-thirds of CEOs stepping down within the next decade, it is incumbent on senior leaders to invest the time, energy and resources required to replenish the leadership pipeline with qualified candidates who can successfully lead their organization into the dynamic world of tomorrow.

About the Author

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