

Managing Organizational Culture and Design During Succession

Marcelle W. Davis, DSL, MBA
Partners for Change, LLC

Natacha Dolson, DSL
Partners for Change

An organization's culture and design are central to who the organization is, what they do, and how they do it. They offer consistency and expectations for employees and set the standards for output. Essentially, they are critical to not only the operations of the company but also their success. Change is inevitable and a part of growth, learning, and success. Through the course of an organization's existence, it will undergo changes in culture, design, and leadership. The strength of the current culture and design will determine the organization's ability to maneuver successfully through the changes they are or will undergo. However, when leadership itself changes, it is imperative that part of the succession planning involve safeguarding the key components of the current culture and design, while slowly implementing *intended* changes. Without proper planning and implementation, employees will begin to feel insecure and unstable which could influence the overall well-being of the company. It is, therefore, important for strategic teams to understand the importance of culture and design, the impact a succession can have on the organization, and develop a plan to manage these factors during succession – either planned or unplanned.

Succession planning is a key component in the life cycle of an organization. Specifically, it ensures that as leadership transitions from one leader to another – regardless of the reason – the transition would be seamless, and the organization would be in a position to not only survive but also to thrive. Leaders have traditionally transitioned for many reasons for example, promotions or demotions, new hire to the organization, voluntary or involuntary termination, a lateral move from one part of the organization to another or “progress in place” which is when an employee is developed in their current role (Rothwell, 2016, pp. 31-32). However, in today's global marketplace, there are additional reasons why leaders transition like outsourcing, process redesign, organizational redesign (or reorg), to establish talent pools, to temporarily trade personnel, or to establish talent pools, acceleration pools, two-in-the-box arrangements or “competitive skill inventories of high potential workers outside the organization” (Rothwell, 2016, pp. 33-34).

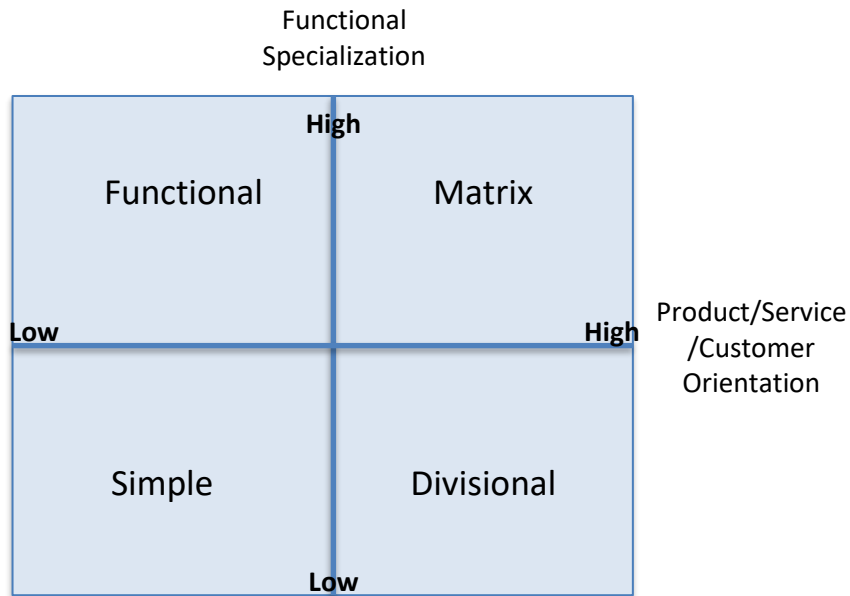
When leaders transition the organization is impacted in two critical ways. First, it is natural for the organizational culture to change as each individual is uniquely different and brings with them their own personal values and ideals. Second, the organization or department may undergo changes to its design or structure as each leader has a vision that they believe would position them for success in the marketplace. The key to ensuring these changes do not have a negative impact on business operations is due in large part to a leader's ability to manage them so that the organization remains successful at providing the marketplace with their products or services.

What is Organizational Culture & Design?

Culture and design are main elements of an organization. Assuming that the organization undergoing succession is a well-established entity, there is a good chance that it already has both engrained into its everyday processes. It has already defined who the organization is, what they stand for, and how they do things. As new members - particularly leaders - enter the organization, their viewpoints may impose on the current standing elements and therefore indirectly threaten the employees. To avoid this, it is important to understand the significance that these two main elements have, especially when undergoing a major change such as succession.

The design of an organization is composed of the goals, strategy, structure, process, people, coordination, control, and incentive (Burton, Obel, & Håkonsson, 2015). It concerns itself with designing the optimal structures of accountability and responsibility to execute its established strategies (Jones, 2010). Any organization that intends to function efficiently and effectively will require a fitting set of fundamental design principles. If the configuration of a company that does not fit its needs, it can easily lead to opportunity losses as well as threaten the efficiency, effectiveness, and longevity of the organization as a whole (Jones, 2010). Therefore, it is important for leaders to education themselves on the organization's needs prior to making any changes to the configuration.

There are four distinct building blocks that can be utilized to build the proper configurations for the organization: Matrix; Functional; Simple; Divisional. Choosing the best configurations involves determining the group's focus on functional specialization versus product/service/customer orientation and building the best design around its needs (Burton, Obel, & Håkonsson, 2015, p. 71).



An additional step of defining and identifying design is to understand the coordination, control, and information and knowledge systems that currently exist (Jones, 2010). Coordination and control systems are defined as “the systems that integrate, or tie together, the various sub-units of the organization”. Information and knowledge systems are the methods that decision makers access meaningful data (Burton, Obel, & Håkonsson, 2015, p.187). With a change in leadership, these systems are often adjusted to increase information flow. However, two choices need to be made prior to any changes being implemented. First, how formalized are the systems intended to be? Second, how centralized are the control and coordination systems intended to be? (Burton, Obel, & Håkonsson, 2015, p.190). Depending on the answer to these questions, the leaders can then determine which coordination and control space is most appropriate.

While the design focuses on processes and information flow, culture makes up the ‘personality’ of the organization. It can be defined as a

Pattern of shared basic assumptions learned by a group as its solved problems of external adaptation and internal integration, which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems

(Schein, 2010, p.18). Basically, it defines the expectations and norms of the team as it reflects the mentality, work ethic, and values of the group. Culture establishes how members will respond to everyday issues of survival, growth, adaptation, and learning (Schein, 2010). Organizational culture is unique to the organization and can offer a competitive edge (Cameron & Quinn, 2011). There are three levels of culture: Artifacts; Espoused Beliefs and Values; and Basic Underlying Assumptions (Schein, 2010). Each offers a valuable piece of what the shares values of the members include. According to Schein (2010, p. 24), a leading author in the field of organizational culture, the three levels can be summarized in the following manner:

1. Artifacts
 - a. Are visible structures and processes
 - b. Observed behavior
2. Espoused Beliefs and Values
 - a. Ideals, goals, values, aspirations
 - b. Ideologies
 - c. Rationalizations
3. Basic Underlying Assumptions
 - a. Unconscious, taken-for-granted beliefs and values

Artifacts can be observed and identified by any person who enters the physical environment of the company. This level of culture is often not looked at as part of the culture but does speak volumes for itself. For example, the physical layout of an office can speak on how the organization functions and prioritizes. It is important to note both the espoused beliefs and values along with the basic underlying assumptions as they are two very different components. Espoused beliefs and values are more of how the organization would like to be, in other words, the ideal. On the other hand, basic underlying assumptions are those processes or procedures that are not formal, but rather are “just how things are done” (Schein 2010).

Within the organization, macrocultures, subcultures, and microcultures could also potentially exist. These often develop within departments, divisions, and silos and are mini cultures within the larger organizational culture. They develop due to the different focuses and priorities that each group has within their daily functions and can, at times, cause disconnection or lack of information flow to outside groups (Cameron & Quinn, 2011). It is, therefore, important for leaders to decipher between organizational culture versus the culture of a subgroup to really understand the various factors that keep the organization ‘rolling.’

As a result of the overall culture and current happenings, one will note what is referred to as the “climate” of the group. This is often directly affected by major changes within the organization (Schneider, 1990). This involves more of the “vibe” of the group depending on stress levels, workloads, motivation, and happiness than the actual values, beliefs, and processes. If one is not paying close attention, some of the climate can be interpreted as part of the accepted and expected behaviors.

Culture is how your organization will determine what is deemed acceptable in terms of solving problems of external adaptation and internal integration (Schein, 2010). While many organizations today understand and accept the importance of culture, many do not grasp the necessity in developing an atmosphere that appeals to all employees yet remains functional. An organization’s culture can drive performance if properly utilized. Obtaining assistance from experts in the field will assist leaders to tap into a wealth of resources on what works and what can stop productivity right in its tracks.

What is Succession and Why Should I Care?

The former CEO of Medtronic, Bill George, posited that “One of the most important things leaders do is to prepare for their own succession” (Henderson, u.d.). So, what is succession planning? It

can simply be defined as “the practice of identifying and developing in-house candidates” (Delves, 2011) for leadership positions. “It can also be defined as a process which ensures the continued effective performance of an organization by establishing a process to develop and replace key staff over time (King, 2005). Succession planning does not necessarily have to be specific to only the most senior level officers of the organization as it is important to include mid-level managers in the succession planning process as well. Regardless which level is targeted it remains a fact that “without a strong succession-planning program, companies are not prepared to fill openings created by retirements or unexpected departures, nor are they able to meet demands for additional corporate leaders resulting from growth” (Delves, 2011). In fact, the legal editor at XpertHR U.S., Marta Moakley stated that “the greatest risk in succession planning is failing to engage in the process at all” (Gurchiek, 2015).

Succession planning is influential to organizational performance in many ways with the most critical component being that it identifies future leaders – whether they are employees who already have current skills or have the potential to develop those skills – who can either move up in the organization or transition to other positions (Richards, 2016). The second benefit to the organization is not only does it save them money on external recruiting, but it also spares them the cost of onboarding and training a new hire. Third, succession planning identifies “in advance where there may be gaps between what employees need to know and what they currently know - competency gaps” (Richards, 2016). Fourth, it ensures that the organization takes a deliberate and intentional approach to ensure there is diversity in its leadership pipeline and fifth, succession planning ensures the continuation of new perspectives and innovative ideas throughout the organization instead of recycling old ones.

Change is Hard, But Manageable

Change is inevitable and necessary for growth and productivity. However, it is also very difficult, especially in an organizational setting. During succession, an additional challenge comes into play as the organization has become accustomed to the leadership style of the previous leader and is now being forced to adapt to a new person and perhaps style. Therefore, a large challenge leaders will face is approaching employees in a manner that will produce acceptance versus distrust and discomfort. Ultimately, the new leader has the responsibility to motivate followers to want to be a part of their team and follow their direction (Palmer, Dunford & Akin, 2009).

It is normal for successors to come in and want to hit the ground running. However, the best approach is to spend time learning the elements, people, and values of the group first in order to build knowledge and trust. It is also important that leaders focus on core principles during the integration process to show that the major parts of the organization will not change. This offers a sense of stability and familiarity (Cameron & Quinn, 2011). As much information as possible should also be shared with the members so that they feel a part of the changes and not victims to it. Leaders must remain aware of their every action and reaction along with every spoken and unspoken word (Schein, 2010). Any inconsistent signals from the leader will send a surge of uncertainty and mistrust that will be difficult to recover from.

Resistance to change should be expected and planned for. Preparing the group for the change should be part of the succession planning in order to make the transition smoother for all involved. Utilizing a structured management approach from the beginning of the change, recruiting the

support of current senior leaders, managers and frontline supervisors will assist in getting the rest of the team onboard (Collins, 2000).

Successors should remain as transparent as possible and offer formal statements on their philosophy and direction for the organization (Collins, 2000). However, current members of the organization should also be consulted for concerns, ideas, and aspirations in order to create a team relationship. Another avenue to develop this relationship is for leaders to be ‘on the floor’ with the group as much as possible to experience the culture, processes, and procedures of the organization first hand to be better informed for future decisions.

Improper Implementation & Planning

When succession occurs at any level of the organization and leadership changes hands, effective management is critical to ensuring there are no short or long-term hiccups in the organization’s operations. But, the world is not perfect, and neither is any leader and even though there may be a strategic plan in place, it can be difficult to plan for every possible scenario. One of those uncertainties is improper management during succession which can have a significant impact on the organization. It can also be career limiting for the leader in question if their improper management results in large losses to the organization’s profit margin.

There are several ways an organization could be impacted as a result of improper management during succession. Some of those are:

- Loss of employees (including high potentials and high performers) across the organization
- Loss of shareholder value or profit margin
- Loss of customer or partner relationships
- Loss of stakeholder and industry confidence
- Potential exposure to a merger or an acquisition
- Additional costs to recruit and onboard new employees following the departure of existing staff (Fraser, 2009).

Tips to Being Successful During Succession

Preparation- Creating a Learning Culture

The best way to manage culture and design during succession is to properly prepare for the change ahead of time. Creating a culture of succession readiness requires the current leaders enforce mannerisms that are ‘change ready’ and enables employees to achieve and sustain success as independently as possible (Jones, 2010). This means creating a learning culture in which members are able to adapt quickly to change and learn the new expectations while maintaining everyday functions. Research shows that organizations with a high capacity for learning do better during successions with little to no disruption (Charan & Colvin, 2001).

Clear Communication & Consistency

It is unlikely that the organization will adjust to and trust a new leader 'blindly.' Therefore, the leader will need to make an effort to show the members that he/she has their well-being and success as a priority. This can be accomplished through communicating values, views, ideas, goals, and visions and maintaining consistency between one's words and actions (Charan & Colvin, 2001).

Slow & Steady Change with Purpose

Changes will naturally take place as they always do during successions. With new leaders, come new ideas, thought processes, and styles. However, changes need to be made slowly so as to not overwhelm the team. Talent must be retained though the design may be adjusted. It is then important to ensure that the following remain in place:

- Cultural alignment
- Value congruence
- Commitment to common goals
- Teamwork
- Key elements of the organization (Charan & Colvin, 2001).
-

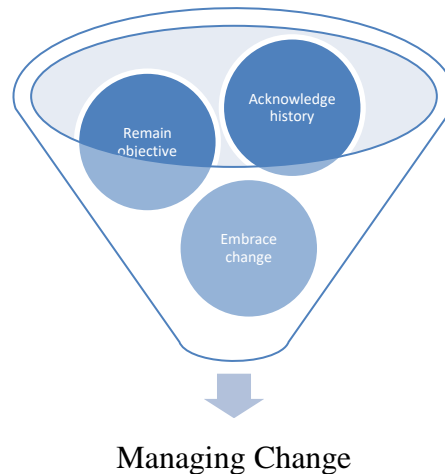
By maintaining these key factors, leaders have a foundation to build on the current organization's history and successes while moving it to new levels of achievement.

However, changes should not be made without a deliberate purpose. It is essential that leaders understand that culture is not something an organization *has*, but rather what the organization *is*. Making unnecessary changes could sacrifice elements of the organization that are what they are well known for and are credited for past successes. Changes should be based on what will assist the company to be in alignment with internal and external needs in addition to what will assist in attaining the highest levels of efficiency and effectiveness (Cameron & Quinn, 2011).

You Can Do It!

There is not a one-size fits all approach to successfully manage the change that succession brings to the organization. This is because every organization is different, regardless of industry, and the strategy that works for one may not work for another. "In some cases, a company may have to move some people along quickly, in order to expose them to a broad range of experiences, and possibly to fill vacancies" (Baldwin, 2000).

There are different ways that organizational leaders can mitigate the risk of improper or ineffective management during succession. One of those ways is to ensure both current and future leaders are on the same page. This can be accomplished by ensuring the change management process includes certain key components as the graph below indicates. It is also important that these components be used when communicating succession and change management to the organization as a whole for the purposes of consistency in messaging.



Another way to manage the change in organizational culture and design that occurs as a result of succession planning is to find metrics to determine whether the organization's succession planning program is a success. Some metrics that leaders are encouraged to track are:

- The number of positions filled by succession candidates - this will provide information on how thoroughly the organization's bench strength is being utilized. This information should be prioritized beginning with the most critical and pivotal roles and then moving toward the less-critical ones
- The number of candidates actually in the pipeline – this number should provide an accurate reflection of whether there is enough talent in the pipeline to handle a variety of different roles and contingencies. It is important for leaders to understand that the optimal number will depend on factors like turnover rates, but it will reflect whether there is enough talent in the pipeline to handle a variety of contingencies, including the loss of succession candidates to key positions
- Documentation and measurements of how and where (in the organization) the succession plan is implemented. If the plan is in the process of evolving, that should be noted as well along with what key portions are being updated
- Metrics related to business outcomes that are managed by succession candidates. The organization's high potential or high performing employees should be in the pipeline and the best way to determine who they are is by tracking the business outcomes that they have managed. When capturing this data, if the information indicates that a succession candidate is transitioning to other roles so frequently that they have little opportunity to be successful in their current role, then this fact should be noted as well
- The manner in which managers are being held accountable for ensuring succession planning is occurring and how they are developing employees to ensure they can be a part of the organization's pipeline.
- (ATD Research, 2015).
- Succession planning is a tool that should be “a part of the process of preparing for the future of your company” (Baldwin, 2000). Regardless of the size of the organization or the industry it identifies with, the objective of the succession planning process is to ensure that there is an internal pipeline of “well trained, broadly experienced, well-motivated people

who are ready and able to step into key positions as needed” (Baldwin, 2000). Leaders must not only understand the importance of this program but they must also be equipped to manage the organizational changes that occur as a result of it.

About the Author

Marcelle has 15+ years of experience assisting clients to collect and analyze workforce and recruiting metrics. She is skilled in evaluating business landscapes and implementing projects and policies that enable organizations to integrate inclusion and provides leaders with the tools and strategies that equip them to move from discussing inclusion to integrating it. As an analytical strategist she understands the value of partnering with key stakeholders to identify opportunities that increase overall organizational performance. Marcelle also has a background in academia that includes both the design and facilitation of MBA courses in Cross-Cultural Management, Leadership, Organizational Behavior, and Diversity in Organizations. Her consulting firm, Partners for Change specializes in organizational culture, leadership development, diversity and inclusion, performance management and strategic planning. Marcelle received her B.A. from Georgia State University, her MBA from American Intercontinental University and her Doctor of Strategic Leadership from Regent University. Questions or comments regarding this article may be directed to the author at: marcellewd@gmail.com.

Dr. Natacha Dolson is, first and foremost, a Christian, mother of three and Navy wife. She holds a master’s degree in administration from Fairleigh Dickinson University and a Doctorate in Strategic Leadership from Regent University. Natacha has over a decade of experience in leadership serving as a director various organization’s that serve adults with intellectual disabilities. She is also the co-owner of Partners for Change, LLC- a consulting firm that is dedicated to ensuring organizations are functioning at their full potential. Natacha believes that by putting ethics at the forefront of organizational culture, not only is success attainable, but making a positive impact on the world is possible. People always say, “it’s not your job to save the world,” but Natacha always answers, “you’re right, it’s all our jobs.” Questions or comments regarding this article may be directed to the author at: Natacha.Dolson@gmail.com.

References

- ATD Research (2015). *Five Key Succession Planning Metrics*. Association for Talent Development (2015). Retrieved from www.td.org/Publications/Newsletters/Links/2015/05/Five-Key-Succession-Planning-Metrics
- Baldwin, M.D. (2000). *The Strategy of Succession Planning*. Center for Simplified Succession Planning, Inc. Retrieved from www.cssp.com/CD0100/SuccessionPlanningStrategy/
- Burton, R. M., Obel, B., & Håkonsson, D. D. (2015). *Organizational design: A step-by-step approach*. Cambridge University Press.

- Charan, R., & Colvin, G. (2001). Making a Clean Handoff. *Fortune*, 144(5), 72.
- Collins, Jim. (2000). "The Timeless Physics of Great Companies.". *Business Week*. Retrieved 9/12/15 from http://www.jimcollins.com/article_topics/articles/the-timeless-physics.html
- Delves, D. (2011). *The Critical Task of Succession Planning*. *Forbes*. Retrieved from www.forbes.com/sites/donalddelves/2011/03/31/the-critical-importance-of-planning/#7df42e235018
- Fraser, J.L. (2009). *Succession Planning*. *CGA Magazine*. Retrieved from www.cga-canada.org/en-ca/AboutCGACanada/CGAMagazine/2009/Jan-Feb/Pages/ca_2009_01-02_prof_feature.aspx
- Garg & Weele (2012). *Succession Planning and Its Impact on the Performance of Small Micro Medium Enterprises within the Manufacturing Sector in Johannesburg*. *International Journal of Business and Management*, Vol. 7, No. 9; May 2012. Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.456.8575&rep=rep1&type=pdf>
- Gurchiek, K. (2015). *Don't Leave Succession Planning to Chance*. *Society of Human Resource Management*. Retrieved from www.shrm.org/ResourcesAndTools/hr-topics/organizational-and-employee-development/Pages/Leadership-Many-Organizations-Fail-at-Succession-Planning.aspx
- Henderson, J. (u.d.). *The Value of Succession Planning*. *Leadership Advance Online - Issue VII*. School of Global Leadership & Entrepreneurship, Regent University. Retrieved from www.regent.edu/acad/global/publications/lao/issue_7/pdf/succession_planning_henderson.pdf
- Jones, G. R. (2010). *Organizational theory, design, and change*. Upper Saddle River: Pearson.
- Palmer, I., Dunford, R., & Akin, G. (2009). *Managing organizational change: A multiple perspectives approach*. New York: McGraw-Hill Irwin.
- Richards, L. (2016). *Why Is Succession Planning Important in Performance Management?* *Small Business*. Retrieved from <http://smallbusiness.chron.com/succession-planning-important-performance-management-4593.html>
- Rothwell, W.J. (2016). *Effective Succession Planning: Ensuring Leadership Continuity and Building Talent from Within*. New York, NY: AMACOM.
- Schein, E. H. (2010). *Organizational culture and leadership* (Vol. 2). John Wiley & Sons.
- Schneider, B. (1990). *Organizational climate and culture*. Pfeiffer.
- Quinn, K. S. C., & Robert, E. (2011). *Diagnosing and Changing Organizational Culture: Based on The Competing Values Framework-3/E*.