



Succession Planning

Dealing with the coming workforce crisis as the baby boom generation reaches retirement

By Brian and Gina Wilson,
Corporate Training Consultants

When planning for a year, plant corn. When planning for a decade, plant trees. When planning for life, train and educate people.

~Chinese Proverb

In the previous issue of the Measured Success! newsletter, we considered the challenges facing employers as the first of the baby boomers reach retirement age. Every 7.5 seconds, one of 80 million baby boomers in the U.S. will reach the age of 60, contributing to a shortage of workers that the U.S. Bureau of Labor and Statistics estimates will be as high as 10 million by the year 2012. With such numbers it is evident that recruiting alone will not address the problem.

In the previous issue, we considered various strategies for retaining older workers – those who choose to postpone retirement. In this issue, we will consider *succession planning*, a strategy to minimize disruption to your organization when key employees do retire.

For some organizations, a major disruption may be inevitable if the succession plan involves a change in ownership or proprietorship, such as merging with another organization or selling the organization. Even in such situations, careful succession planning can help to ensure that the business thrives during the transition.

The succession planning process is often viewed as:

- Identifying key players for whom a succession plan should be put into place
- Identifying potential replacements for your key players
- Developing an ongoing program to prepare staff to move to the next level
- Motivating and enabling key players to share their knowledge, expertise, and business relationships with the next generation

These are all good steps, but planning for the impending retirement of your key players should involve more than just selecting and grooming their replacements.

Many organizations provide a succession plan only for their C-suite positions, but fail to do so for less prominent (but perhaps no less important) positions within their organization, such as middle managers, technical staff, and others with unique knowledge or expertise.

In fact, succession planning should be a natural extension of career development planning for all of your employees. Pervasive and well managed succession planning will provide benefits to your organization beyond simply ensuring that you have replacements in place for your retiring leaders. For example, when you provide overt, individualized career paths and growth opportunities throughout various levels of your organization, you reward those who choose to work at your organization with career growth and job satisfaction. Such practices help you cultivate an *employer brand* that gives you a competitive

edge over other organizations competing against you for the best talent. Minimizing your staff turnover rates helps to ensure that there is stability among those who will serve as your next generation of key players.

Succession planning is most effective when it is strategically aligned and integrated with related talent management strategies such as:

- *Competency management* (actively aligning individual competencies with the organization's needs)
- *Performance management* (systematically identifying the knowledge, skills, and behaviors required for each position within the organization and developing systems to cultivate them)
- *Compensation management* (effectively using salaries, bonuses, and benefits to manage performance and retain competent employees)
- *Learning management* (systematically assessing individual knowledge, skills, and attitudes, and providing learning opportunities to develop them)

According to Cushing Anderson, the program director of learning services at IDC, most companies have processes in place for functions such as learning and development, recruiting, compensation, and performance. And yet “approximately 40 percent do not have a formal process in place for competency management and succession planning functions.”¹

Consistent, well managed, and pervasive succession planning across all levels of your organization will help you to ensure that, while every employee in your organization is appreciated and highly valued, none will be irreplaceable.

“Nobody's irreplaceable – *including me*. I think for too long we've had a cult of personality in this company and in this industry, and frankly, I'd like to see that diminish.” ~ Bill Ford, former CEO and descendant of Ford Motors founder Henry Ford

Measuring Success!

Plan development or disaster recovery?

Traditional succession plans generally focus on the top executives of the organization. However, according to James Holincheck, a research vice-president of Gartner Inc., an information technology research and advisory company in Chicago, it is important to look beyond the obvious. States Holincheck, “Instead of focusing on the top 25 or 50 employees, companies are pushing it further down in the organization and using it more as a development tool as opposed to a disaster recovery tool.”³ In order to be in a pre-emptive strike position and avoid the panic associated with watching your knowledge capital walk out the door, an effective succession plan should address the following questions:

- What are the vital positions within the organization and where are they in the organizational chart?
- When will these positions need re-staffing?
- Who are the current employees who may be able to fill these positions?

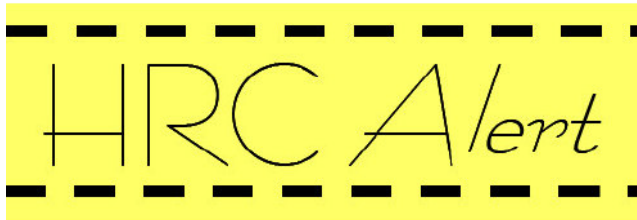
With careful planning the boomer rush to retirement won't leave your organization scrambling to fill critical positions. Plan today for a successful tomorrow!

Did You Know?

- 60% of organizations do not have a CEO succession plan in place ⁴
- 40% of organizations maintain databases of potential successor candidates ⁵
- 58% of organizations have documented *hard* and *soft skills* needed for replacement positions ⁵
- 14.4% is the average employee turnover rate according to the Bureau of National Affairs
- 29% of population consists of baby boomers according the U.S. Census Bureau

Sources and Recommended Reading

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HR Consultants, Inc.
160 JARI Drive, Suite 180
Johnstown, PA 15904
814-266-3818 / 814-266-0189 (fax)
info@hrconsults.com
www.hrconsults.com

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