

CAHRS Working Group:

Succession  
Planning -  
Trends and Best  
Practices

## Succession Planning - Trends and Best Practices

November 1, 2023

Succession planning took a backseat during the pandemic, and now many companies are playing catch up. As these efforts ramp up, there is a growing realization that past succession planning practices need to evolve to align with the current reality of more rapid economic cycles, increased employee mobility, and evolving skill sets, among other trends. Given the circumstances, there is growing interest among companies in learning succession planning trends and best practices. Indeed, during the working group session participants frequently mentioned that issues around succession planning are keeping managers up at night.

In response to this growing interest, CAHRS held a working group session where company representatives discussed succession planning. The participants shared how they approached succession planning, what tensions may arise during the planning process, and the tools, practices, and systems they used.

### Valuable Approaches to Succession Planning

The participants approach succession planning in various ways, which can broadly be categorized into two groups. The first group uses a top-down approach. Executives and/or the HR team review the talent pools and identify candidates capable of succeeding in specific roles. Then, succession plans are created to ensure smooth transitions and to prepare the candidates for their future roles. For instance, one participant indicated that the HR team conducts organization-wide succession planning with the assistance of senior leaders. In another case, the CEO personally reviews all employee profiles across the organization and identifies prospects for leadership positions. Then, succession plans are devised to nurture those selected employees and transition them to leadership positions in the future.

The second group uses a more bottom-up approach. While there is variability in the details, this group's approach to succession planning relies less on the input of executives and the HR team and more on low-to-middle-level workers' input. For example, one company shared that employees at lower levels of each department are primarily responsible for identifying which positions in their department are facing elevated risks of retention and/or talent gaps. Then, upper-level leaders perform the role of liaison and share the inputs from the lower levels with one another during meetings to identify potential candidates across departments. If the desired talent is found in other departments, succession plans are coordinated between departments to facilitate employee mobility.

13 attendees from  
9 companies:

Bloomberg  
Cornell  
Intel  
KLA  
McDonald's  
Merck  
Trane Technologies  
Terex  
XPO

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### Tensions Surrounding Succession Planning

Four tensions surrounding succession planning were raised during the working group session. First, there is often a tension surrounding whether succession planning should *only focus on internal talents (i.e., talent in one's own group or department) or also consider alternative external talents (i.e., talent elsewhere in the organization)*. A participant indicated that also considering external talent in succession planning helps increase the likelihood of attaining a great fit between the successor and the job position that will need to be filled. However, leaders in individual work units may be reluctant to stretch their time and resources in identifying suitable external talents during succession planning, as they also have other responsibilities to fulfill. The HR team should employ strategies that encourage leaders to consider external talent when planning for succession. Such strategies may include company-wide communications that underscore the importance of identifying hidden talent and the deployment of rotations to increase the visibility of talent across the organization.

Second, tension surrounding succession planning may arise due to the *conflict of company and employee interests*. It is not uncommon for employers to encounter situations where talented individuals are not interested in assuming supervisory or managerial positions. Thus, it is important to consider employees' aspirations in the talent assessment and identification process. In addition, companies may consider using a dual career ladder. The alternate career ladder, which focuses on a technical track, can encourage talent to develop certain leadership behaviors needed to manage bigger teams and projects.

Third, there can be tension surrounding *how intricately a company should define skills and competencies* for succession planning. Participants noted cases in which senior leaders believed that elaborate competency definitions would ensure successful succession planning. However, lower-level managers often encountered delays and ineffective results in succession planning due to the complexity surrounding these elaborate competency frameworks. Companies should strive to create more user friendly and agile competency frameworks that avoid adding unnecessary complexity to the process.

Finally, although rare, tension surrounding succession planning can occur if *senior leaders fail to fully understand its significance and urgency* while the HR team endeavors to make it a priority. It is critical to hold senior leaders accountable for developing and promoting their people in order to ensure buy-in to the process.

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### Tools, Systems, and Practices Used for Succession Planning

The participants also shared various tools, practices, and programs they utilize for succession planning. One company, for example, employs what it refers to as a chain reaction model when developing succession planning for upper-level positions. Succession planning is often highly resource-constrained; thus, companies need to determine which positions should be prioritized in their succession planning. The chain reaction model assists in determining the downstream impact of talent gaps and succession actions at upper levels. Another company employs what it refers to as a *vanishing organizational chart* to identify positions that are likely to become vacant in the near future due to employee retirements.

In another case, a company uses *cross-functional communication and job posting practices* to facilitate internal mobility and more effective succession planning. Specifically, the practices are leveraged to identify untapped benches that may be better utilized in other areas subject to high vacancy rates.

Moreover, many companies are utilizing *human resource information systems or skills-based organizational structures* to enhance the efficiency of their succession planning processes. They are used to systematically track the skill profiles of employees and to compare them to the skills and competencies required for each job category. This makes it easier to identify key skill gaps and to match a potential successor from the talent pool to a job position.

Companies are also using *market data* to guide their succession planning efforts. Market data can be used to identify hard-to-fill roles and pockets of talent scarcity. It can also help to ensure talent diversity in succession planning. For example, the current representation of different groups in key roles or at different levels can be compared to labor market data to identify cases of underrepresentation.

Lastly, the participants continue to rely on commonly used succession planning tools and practices. For example, many still use a *9-box matrix*, or a variant, to assess performance and potential and solicit *successor recommendations from departing employees*.

### Conclusion

Overall, companies affirmed that succession planning is crucial, although challenging. Takeaways and recommendations for HR include: (1) all members and constituent groups within the company have the potential to offer valuable inputs for succession planning (e.g., lower-level employees, senior leaders,

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and the HR team); (2) there is no perfect approach to succession planning—all companies participating in this working group session had their own unique succession planning methods that fit their needs; (3) there can be various sources of tension surrounding succession planning and endeavor to keep all members and constituent groups engaged and cooperative in the process; (4) succession planning often requires strategic prioritization of crucial positions due to resource constraints; and (5) creating succession plans based on simple and agile categorizations of skills and competencies can be more effective than using complex definitions.

**This Summary Report was prepared by Brad Bell and David Chung for participants of "Succession Planning - Trends and Best Practices" Working Group.**

**The Center for Advanced Human Resource Studies (CAHRS) is an international center serving corporate human resources leaders and their companies by providing critical tools for building and leading high performing HR organizations.**

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