SUCCESSION PLANNING MANUAL

Final Report

April 23, 2010

This publication was produced for review by the United States Agency for International Development. It was prepared by ZweigWhite.

SUPPORTING THE A & E BUSINESS COUNCIL IN DEVELOPING HR FRAMEWORK

FINAL REPORT

USAID JORDAN ECONOMIC DEVELOPMENT PROGRAM

CONTRACT NUMBER: 2006-C-332-000-0096

BEARINGPOINT, INC.

USAID/JORDAN
OFFICE OF ECONOMIC GROWTH

MARCH 25, 2010

AUTHOR: ZWEIGWHITE

DELIVERABLE NO: 5B.02.05.0B.04.18.1E

CONTENTS

EXECUTIVE SUMMARY

SUCCESSION PLANNING

A critical, but often overlooked area of Human Resources management is succession Planning, the process of identifying, developing, and grooming the next generation of organization leaders. Particularly for architecture, engineering, consulting engineering, and environmental consulting firms, where knowledge and skill tends to reside in the most senior staff, having a structure and process to catalog and capture competencies and using them to prepare successors is critical to long-term success.

Succession management planning refers to the identification and development of potential successors in a company. The key in succession management is to create a match between the company's future needs and the aspirations of individual employees.

Without the implementation of a succession plan, there can be significant impacts on an organization including;

- Loss of expertise and business knowledge
- Loss of business continuity
- Damaged client relationships
- Time and effort to recruit and train replacement employees

A well-developed succession planning process increases the retention of superior employees because they recognize that time, attention, and skill development is being invested in them, which contributes to career development. As employees are challenged and rewarded with increasingly challenging roles, the need to seek opportunities elsewhere is mitigated.

Developing leadership talent is a long-term investment. A working succession system results in having more than one good person available for each key job. Real success requires choices between two or more qualified people. In order to have choices, you need to identify who is ready now and what it will take to make others ready when you need them.

Firms that are committed strategically to growth need to create a pipeline of talent by identifying required skills, assessing employees using those identified skills, targeting training to accelerate development, and challenging candidates with assignments that stretch their current capabilities.

There are four stages to developing an effective succession plan:

- Identifying roles for succession;
- Developing a clear understanding of the capabilities required to undertake those roles;
- Identifying employees who could potentially fill and perform highly in such roles; and
- Preparing employees to be ready for advancement into each identified role.

This manual is a framework for the structure and process of succession planning. It details a systematic approach to establishing policies and practices that will insure that skills and talent are continually refreshed and developed.

CHAPTER ONE

THE SUCCESSION PLANNING PROCESS

1. IDENTIFYING CRITICAL POSITIONS

There are several key elements to designing a succession process that is both comprehensive and tailored to your company. The first step in Succession Planning is to identify the critical and important positions that will be included in the plan. What roles in the company are critical to your business success?

This is a thorough survey of key positions across the company — from a top engineer to a project manager to a technical specialty manager to a vice president of marketing.

The process usually starts at the board or operating executive team level, often facilitated by HR, with a review of the organization chart. Most of the time, the upper level management and technical specialty positions are included. Each firm will have slight variations on how it identifies critical positions, but the basic steps to include are:

- Review and discussion of the current organization structure by the Board and/or executive team with support from HR.
- Identify key managerial and technical positions. Usually these positions hold key organization knowledge or manage core firm value-adding assets.
- At first, the list of critical positions should be kept as short as practical in order to better manage the initial process design and development. Once the process is established, more positions, deeper into the organization chart can be included.

The following questions can help you gain insight into which positions may be candidates for succession planning:

- Which employees in key positions will be retiring within the next five years?
- What would happen if a key contributor or member of the executive team gave a two-week notice today?

With these key insights, the next step is to review the position list with the management team and HR to make sure that all critical positions are included. Once the final list of positions to be included in the Succession Planning process is finalized, the respective incumbents in each position should meet with HR to discuss their roles in the process going forward.

Since the incumbents are the keepers of their position's skills, knowledge, and capabilities, they will need to understand that their involvement in defining their skill catalogs and assisting with the development of potential successors is critical to success. In order to insure that they devote an appropriate amount of time to the developmental efforts, their workload may need to be adjusted.

2. IDENTIFYING REQUIRED CAPABILITES BY POSITION

Once key positions have been identified, HR should take the lead in accumulating and cataloging the competencies and skills of each key position. This process comprises the following three parts:

- Interviewing each key position’s incumbent
- Reviewing each key position’s Job Description
- Creating an objective and measurable list of skills, attributes, and competencies for each key position

2.1 Interviewing Key Position Incumbents

HR conducts structured interviews with each key position’s incumbent to begin to create a catalog of core competencies for each position. The interviews should last one hour and it may be necessary to complete them in more than one sitting in order to fully understand the key competencies.

The interviewer should approach the process with open-ended questions, such as, “What skills do you use the most in your day to day activities?” and “How did you develop your key skills?” The best approach is to engage the interviewee in a conversation about their approach to their daily work. The interviewer need to take good notes during the interview and needs to have a keen ear for follow up questions that will expand their understanding.

After the interview, the interviewer needs to compile his or her notes and review them with the interviewee for clarification and elaboration. At this point, the interviewer should begin to format the responses into a competency/skill list. These competencies should be objective (e.g., understanding and demonstrated facility with BIM) so as to allow easy assessment of achievement in potential candidates.

2.2 Reviewing Key Position Job Descriptions

Next, HR reviews existing Job Descriptions for each key position. These Job Descriptions typically include educational and certification requirements as well as a delineation of required skills and measures of success. If Job Descriptions are not available, they need to be created for each key position. Most HR departments have access to standard Job Description formats if needed.

The output from the Job Description review is added to the output from the interview process and once again reviewed with each position’s incumbent and edited as needed to insure accuracy and relevance.

2.3 Creating a Competency List for each Key Position

Once the output from the interviews and Job Description review has been compiled, a final catalog of competencies is created. This listing of critical skills, knowledge, and attitude will become the “yardstick” for measuring and developing potential succession candidates. Each list contains the following:

- The knowledge, skills, abilities, and personal characteristics or competencies staff must have to be successful in performing the function or position
- The number of staff needed with each competency set

These lists need to directly address the core competencies of each position in an objective and measurable manner to allow for assessment of potential candidates. One approach is to set criteria for various stages of attainment of each competency with ways to test for completion. This is much easier for things like certification and education. "Softer" skills like leadership and managerial skill need to be assessed based on demonstrated performance, either from Performance Appraisals, or by direct observation and confirmation.

3. IDENTIFYING AND ASSESSING POTENTIAL CANDIDATES

The focus of this step is on identifying and assessing staff that potentially could perform the functions of the key positions. These staff will be placed into developmental plans to groom them for future consideration to fill key positions within the firm. Key questions for HR in preparation for this step are as follows:

- What is the current process for identifying employees with high potential to take on leadership roles?
- How do you identify internal talent that may be ready to step into key roles today?
- How do you ensure that you are training the right individuals for the leadership roles and measuring them accordingly?

By starting with an assessment of the current process and its effectiveness, HR can determine whether any existing information on employee skill and competency levels can be used in the Succession Planning Process. If the existing information is deficient, HR should start fresh using the competency catalogs created in the previous step of the Succession planning process. If the existing information is acceptable, it should serve as the starting point for the assessments.

Based on manager assessment and previous Performance Appraisal results, HR compiles a list of potential candidates for each key position. Inclusion on a position's list should be a function of current as well as potential skill and an overall determination that a candidate fits with the firm's culture and the position's demands. Each position should have multiple candidates and a candidate may appear on more than one position list. Candidates with different levels of experience and tenure should be included, not just those with the most experience.

Once the preliminary candidate list for each position is established, it needs to be reviewed by the position incumbent and the management team and adjusted as required. Each candidate then should be interviewed by HR and by the position incumbent to help them understand why they were selected. Candidates should have an option to opt out of the process if they choose not to participate.

Once the list of candidates for each position is finalized, HR should facilitate a discussion between the candidate, his or her direct supervisor, and the position incumbent to determine what areas the candidate needs to focus on in their development in order to accelerate their attainment of the catalog of competencies for the position. Once this is complete, HR needs to document the agreements pertaining to the developmental plans.

Next, HR manages the assessment of each candidate versus the position's catalog of competencies. A simple rating system of 1 to 4 can be used for each competency, with 1 being Not Trained, 2 being In Training, 3 being Partially Proficient, and 4 being Completely Proficient. Each firm will need to develop a consistent approach to assessing and scoring candidates using the catalog of competencies. The key is to be consistent and to work to have the competencies be objective and measurable.

The candidates' developmental plans may differ from their current position Performance Appraisal expectations. HR needs to work to combine the two if necessary. Most important, the succession planning developmental plans have to be kept intact. While the candidate's immediate supervisor maintains responsibility for Performance Appraisal completion, the succession planning developmental plans need to be managed by HR. HR manages the assessment of achievement of the developmental plan learnings with input from the candidate, the candidate's supervisor, and the position incumbent.

Routinely, usually on a quarterly basis, HR publishes a report on the development of each candidate for each position. This report contains progress made since the previous developmental assessment, expected progress before the next assessment, specific actions to be undertaken by the candidate, and the expected timeline for the candidate's achievement of sufficient skill to be able to be considered for the position. One common approach is to grade each candidate on a scale of 1 to 4, with 4 being ready to assume the position and 1 through 3 representing increasing achievement of capability attainment.

3.1 AN ONGOING PROCESS

Even if workload is waning, the firm needs to maintain its succession planning process and structure to insure that there is a backlog of talent lined up for key positions. Succession Planning is an ongoing process and essential points to remember are as follows:

3.11 Maintain a Database

- Assemble and maintain a database of key positions and candidates by position. As new positions are identified and the succession planning process expands, add them to the database. Similarly, as candidates progress and take over key positions, re-visit the process to finds ways to improve it. As new candidates enter the succession planning process, make sure their information and developmental plans are logged.
- Maintain timely updating of the developmental plans and the quarterly reports on progress. Every executive team and/or Board of Director's meeting should have an agenda item to review the succession plan performance.
- Make the database available to all managers so that they understand who the developmental candidates are. Additionally, managers can contribute new candidates to HR for consideration.

3.12 Create and Circulate the Positions and Candidates

- Keep a current and accessible list of all key positions and candidates by position. This helps recognize employees and motivates them to develop.
- Engage directors, managers, and supervisors to collaborate with HR to keep this list not only updated but also proactive—that is—searching for succession candidates well in advance of the actual need.

4. PREPARING THE SUCCESSOR PIPELINE

Once a list of potential succession candidates for each key position has been created, and developmental plans are established for each of those candidates, HR needs to take the lead in organizing the material and training to help the candidates develop.

For each candidate, a best practice is to lay out a timeline for achievement of specific developmental targets. These timelines can be for a quarter, a year, or even longer. It is recommended that the timelines extend at least a year so the candidate and his or her direct supervisor, along with HR, can manage skill attainment, while being able to track specific target achievement.

Once a quarter, HR should sit with each candidate and discuss the process and the candidates comfort with the rate of learning. If the candidate desires a more accelerated pace, HR needs to facilitate the re-casting of that candidate's plan. Conversely, should a candidate want to slow down his or her pace, HR needs to facilitate that process.

HR should put together a curriculum catalog for training and development that candidates can access. This curriculum should include seminar and off-site training, suggested reading, in house training, webinar events, industry conferences, and tuition reimbursement opportunities.

Additionally, HR should consider developing a formal mentoring program within the firm. Mentoring programs generally pair one or two candidates with an incumbent for direct and hands on development.

Lastly, HR should consider executive coaching to make sure that the non-technical aspects of key senior positions are taught. Critical areas to consider for executive coaching are giving and receiving feedback, strategic planning, financial management basics, marketing and business development, and performance management.

CHAPTER 2

HR ROLE IN SUCCESSION PLANNING

The succession planning process needs to be a strategic imperative for the firm. The end goal of growing talent internally contributes immensely to a company's ability to grow and prosper in the long term. Reducing the loss of momentum caused by key contributor retirement or turnover, while at the same time minimizing search and recruiting efforts to re-fill key positions has direct bottom line impact.

HR should assume leadership and ownership of the succession planning process. Often the head of HR takes full accountability for the success of the program and reports on the status directly to the ownership group or the Board of Directors.

HR needs to manage and own the following components of the succession planning process:

1. COMPETENCY CATALOGS

As covered above, HR needs to manage the identification of key positions and the development of competency catalogs for each position. All changes to the competency catalogs needs to be reviewed and approved by HR representatives.

Questions HR and management must answer in creating the competency catalogs include the following:

- What does this position entail? What is done on a daily basis?
- Are responsibility definitions clear internally or do they differ from manager to manager?
- What are the performance expectations for the position?
- What is the yardstick by which a candidate will be measured on a regular basis?

2. IDENTIFYING THE RIGHT CANDIDATES

Looking for the right candidate for each key position in the succession plan includes first establishing what skills, both technical and personal the position demands. The more clearly defined the skill set is, the easier it will be to develop a list of potential candidates. Follow these steps to create an effective profile for each key position in the succession plan:

- What kinds of qualifications are needed to be to be successful in this position?
- What sorts of skills should the potential candidate have to effectively execute the work?
- What sorts of characteristics or personality traits would work best in this role?
- What considerations did we fail to make in the past that we should now be making?
- What competencies, experiences, and certifications are considered 'must haves' for the position?

The answers to these questions will help HR, succession candidates, and management develop a robust and successful candidate list for each key position.

3. TRAINING, MENTORING, AND COACHING

A very powerful tool that HR can use to accelerate individual competency and skill development is mentoring and coaching. Mentors focus on the person and their career and provide support for individual growth and maturity while the coach is job-focused and performance oriented.

Mentoring is a two-way mutually beneficial relationship. Mentors are facilitators and teachers allowing the partners to discover their own direction. Oftentimes, the incumbent in a key position can be an excellent mentor for succession candidates, particularly candidates who are close to being ready to assume the position. A coach, on the other hand, has a set agenda to reinforce or change skills and behaviors.

The roles of mentor and coach differ in several ways. The mentor acts as a counselor, providing advice on career paths, development opportunities, and an overview of what it takes to become a leader in the company. A critical element in the mentoring relationship is a mutual respect between mentor and mentee.

The coach is more of a tutor, observing a person's work and actions, providing comments on execution, and teaching skills that may be lacking. Coaches can come from many sources. A coach can be a colleague, a manager, or an employee, and does not have to come from the same function or division in which the candidate works. For example, a coach may come from the company's HR or training function. Some senior executives hire an outside consultant to act as their coach. It is critical in the coaching relationship for the coach to have opportunities to observe the candidate's work and for the candidate to respect the coach and be open to feedback.

Both mentoring and coaching should be viewed as on-going relationships. These two roles, whether performed by one person or two, are an essential ingredient in career development and succession planning. No matter how much education and training that is provided, and no matter how excellent that instruction may be, the incorporation of new skills and knowledge into a candidate's work takes time, practice, and feedback. The mentor provides guidance and opportunities for practice. The coach observes and critiques the performance and provides an outside perspective on skill development.

4. TESTING AND MONITORING PROGRESS

Effective succession planning relies on three best practices:

1) Defining a process
2) Continuous review
3) Leveraging technology.

4.1. Define the Process

Once you have identified key positions, thoroughly assessed the key talent in the organization, and put a program in place to systematically develop staff to fill key positions in the firm, the process can be expanded to include more positions. In the past, succession planning concentrated on the first one or two levels of the company, but it can be very effective at any level in the firm.

Once these first steps are completed, then HR can help to generate development plans for grooming individuals and deepening the company's bench strength in all the critical areas of the business. The focus needs to be on high potential employees and how to develop and retain them. The process also allows you to identify and take action on low performers.

Finally, creating a consistent, ongoing monitoring and review process is crucial to solid succession planning. Keep in mind that any well-designed succession plan requires ongoing review and scrutiny from HR, as well as endorsement and support from senior-level executives and other key leaders.

4.2. Continuous Review

Once the process of assessing and identifying employees at all levels of the company has taken place, managers should have a good idea of the depth and scope of available talent. The next most critical step is discipline. While succession planning can effectively guide identification, development and retention, if ongoing evaluation and measurement is not adhered to, the process breaks down.

One way to reinforce a consistent succession planning process is to tie a talent review process to happen at the same time as performance reviews. This allows you to piggyback on an already-defined event and adds important insight. The measurement of current performance coupled with a talent and skill assessment helps validate decisions and enhance development for those employees you feel will be of most value to the organization.

In fact, you are not tapping the value of the performance review process if one of the key outcomes is not taking action to address gaps surfaced during the review to develop the skills employees need to succeed in their current or future roles.

4.3. Leveraging Technology

The reality is that designing, implementing, and executing an effective succession planning process can be time consuming and challenging to manage. A paper-based system is not viable because there are simply too many variables. Just collecting and analyzing data on its own to drive assessments for every employee is alone a massive undertaking. Once information is collected, keeping it current, centralized and easily accessible to managers with the right permissions is very difficult when documents are kept in binders or file drawers throughout the organization.

The size of the firm, the number of key positions, and the size of the talent pool being developed determines the type of technology support that is required. For smaller firms, internal designed spreadsheets can accommodate the process for up to 20 positions or so. Much larger firms will need to seek out more powerful software to manage the process.

Fortunately, there are innovative performance and talent management technology solutions available that dramatically facilitate the entire succession planning process. Applying technology allows managers to have intuitive and easy to understand views of their team including readiness and risks of someone leaving as well as greater access to successor candidate pools through flexible search tools.

USAID Jordan Economic Development Program
Deloitte Consulting LLP
Salem Center, Sequleyah Street, Al-Rabiyeh
Amman, 11194 Jordan
Phone: + 962-6 550-3050
Web address: http://www.SABEQ-Jordan.org