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Vangent White Paper

Succession Management is Mission Critical to Achieving Organizational Goals

June 2006

Surround yourself with talented people and you have a chance at winning. Surround yourself with people whose talents align with your goals and you create a strategic advantage. Organizations that succeed create decision models based on where they are headed. Whether the decisions are about tangible (technology) or intangible (employee development) assets, they must align with organizational objectives.

In the mid 1990's, mergers and acquisitions changed the landscape of Information Technology's (IT) strategic planning. Organizations needed to address the most appropriate plan for utilization and integration of legacy systems. Critical in determining this course of action, successful IT professionals placed emphasis on the integration of IT goals and business outcomes. CIOs and CEOs now work hand-in-hand to connect how enterprise-wide systems impact expense control, sales growth, operating income, and customer retention. The results are systems that enable economies of scale for purchasing, customer relationship management, supply chain efficiency, and an enhanced customer experience.

The Human Capital Management (HCM) landscape faces similarly complex challenges with the war for talent, globalization, and an ever-changing marketplace. Organizations must identify business leaders that can face daily challenges testing their problem solving, learning ability, ethics, resilience, etc. In addition, organizations must address how their execution strategies align with their talents.

Organizations have begun to focus attention on succession management as a result of the baby boomer generation's impact on today's workforce. **Retirement is a reality as evidenced by:**

- 32 million workers are over the age of 50¹
- 40% of workers will be retirement eligible in the next 5 years in healthcare, manufacturing, and government services¹

These eventual retirements are not the whole story. Two other data points need to be brought into the equation:

- The average tenure for age groups 35-44, 45-54, and 55-64 is steadily declining. The average tenure for workers ages 35-44 is 4.9 years.¹
- 66% of external senior management hires fail within the first 18 months²

These data points are indicators of strong competition for talent, the willingness for younger talent to change jobs, and the limitations of experienced external hires. It's a supply and demand dilemma; a large portion of skilled and experienced leaders will be exiting the workforce and there are a limited number of individuals who possess the talent and training to excel for your organization.

A highly efficient approach to meeting growing personnel needs is to identify and develop internal talent. Current personnel often know the industry, have a documented track record, and are loyal to the organization. But some current personnel are more capable and more ready than their peers to step forward and perform well as leaders. High performing, current personnel should be groomed for rapid upward mobility, and moderate performers should be given developmental opportunities to turn them into high performers. That way, when positions open up, a highly skilled talent pool is available to draw upon to fill the gaps.

Succession Management, therefore, ensures continuity of coverage in important positions. Key questions that organizations need to be asking themselves are:

- What positions need a succession plan?
- What procedures are used to identify High Potential candidates?
- How can the succession management process be leveraged to emphasize organizational goals and enhance employee development?

To implement such a succession management and development process, organizations must identify what they value as talent based on the organization's strategies and tactics. Then, an evaluation can be conducted of the organization's talent pool and developmental needs.

This may sound like a daunting task, but it doesn't have to be. A state-of-the-art approach to succession management, which possesses Process Integrity and Prescriptive Development, can enable an organization to strategically invest in the identification and development of its future leaders. Process Integrity is the best practices criteria for evaluating the effectiveness of the current state of the succession management process.

Process Integrity is a gauge of the contextual relevance and objectivity of the succession management process. The degree to which competencies and developmental recommendations align with the organization's goals, tactics, and outcomes have a significant impact on the program's success. Organizations can begin to evaluate their program's Process Integrity by examining who provides input into competency development, what objective assessments and other information is taken into account to identify high potential employees, and how employees perceive the leadership development and succession management process.

Prescriptive Development involves development recommendations which are based on what is important to the job and to the organization. Prescriptive Development provides a clear career path for employees to understand how they can develop to be a greater asset to the organization. By using Prescriptive Development, employees are able to focus on top development priorities given limited time and training budgets. Prescriptive Development will build an employee's feelings of investment and loyalty in addition to rising their, as well as the organization's, overall performance. Through consistently implementing the employee's Prescriptive Development, the employee's speed to competency will increase as well.

When a succession management process involves Process Integrity and Prescriptive Development, it effectively links primary organizational objectives with individual employee assessments, and with organizational development activities. In that way,

succession management not only identifies High Performers, it drives the development of necessary job skills within the talent pool, and thereby helps the organization achieve major goals. These key concepts will be explored in the sections that follow.

Phases in the Succession Management Process

Producing a state-of-the-art succession plan is a multi-phase process involving the use of several instruments to describe the job, the skills of current employees, the depth of the current talent pool, and the prescriptions for future development.

A best practices approach to succession management involves four major phases, which are briefly outlined and illustrated below, and then explained in detail in subsequent sections. In addition to the four phases, there is a planning process that takes place prior to the first phase. Organizations can compare their leadership selection and succession management process to this checklist to determine their adherence to best practices.

Performance Planning – Specify the current state of HR planning, the organization’s most important positions, and the resources that will be devoted to identifying and developing high potential individuals who are capable of moving into positions of leadership.

Phase I : Performance Profile – A three-step method that incorporates the organization’s specific competencies and helps define the foundation and critical knowledge, skills, abilities, and qualities necessary for performance success in a target job position.

Phase II: Performance Assessment –

- I. **Performance Evaluation Rating** – A survey of job-related behaviors that enables a candidate’s direct supervisor to help determine promotability based upon reported performance effectiveness of core job competencies and functions.
- II. **Individual Testing** – Use of a comprehensive and well validated instrument that measures individual capabilities and attributes indicative of performance success.

Phase III: Performance Mapping –

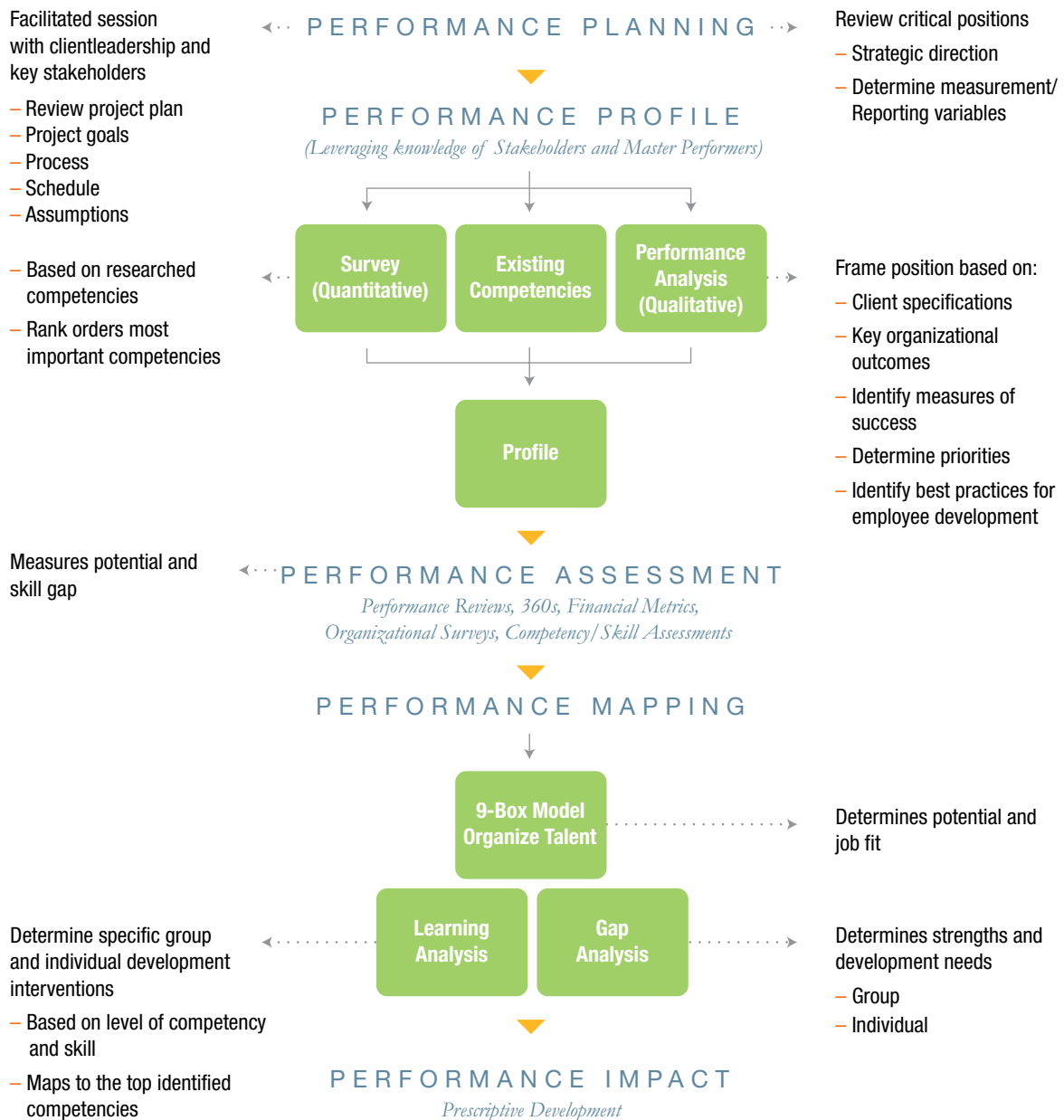
- I. Determination of readiness for promotion and comparison of relative candidate standings, based on the statistical integration of assessments for:
 - i. The individual’s skill levels
 - ii. The importance of the skills to the job
 - iii. The individual’s underlying potential
- II. **Gap analysis** – Determination of differences between the individual’s current and desired skills.

Phase IV: Performance Impact – Interpretation of the assessments in terms of recommendations for group and individual development interventions, and organization application guidance.

- I. **Group Plans** – Metrics on the depth and breadth of the talent pool, and areas for remediation.
- II. **Individual Development Plans** – Strategies to enhance the performance of specific employees.

An overview of the solution process flow, highlighting each component, its purpose, and benefit is shown on the accompanying diagram.

Figure 1. Performance Analysis Process for Leadership Development & Succession Management



Performance Planning

The preliminary step in the systematic approach to succession management is evaluating the current state of affairs. The succession management process requires consensus among key organizational officials concerning several major issues. Consequently, it is helpful to bring all officials up to speed on the current status of Human Resource planning including:

I. Succession Statistics

- What is the tenure of senior management positions?
- What is the average tenure by demographics?
- What positions have a succession plan?

II. Promotion Practices

- What is the internal promotion ratio?
- What is the average time to promotion?
- What procedures are used to identify high potential employees?
- What happens once high potential employees are identified?
 - Communications
 - To management
 - To identified high potentials
 - To all staff
- If you're daring, identify the top 2 or 3 biggest hiring or promotion mistakes
 - What went wrong?

III. Development Policies

- Are there Individual Development Plans (IDP)?
- Are there plans for group development?

IV. Employee's Perceptions

- Is the process of Succession Management and Leadership Development seen as fair?
- Do employees think the way success is defined by competencies is accurate?
- Do employees feel they can take time for development?

Targeting Positions

It could be disruptive to have all positions and all employees evaluated simultaneously, so priorities should be established about the timing and order in which positions will be evaluated. Positions that have the biggest impact on the overall success of the organization should be targeted for immediate action, such as district managers in a national retail organization or the director of insurance reimbursement in a hospital. Other positions should be targeted in subsequent waves of assessment.

Securing Cooperation

The communication of full executive support for the process and encouragement of the willing cooperation of internal subject matter experts, and targeted employees, are crucial. Procedures for the collection of data (online and/or paper) and contact people for addressing questions should be thought through and documentation should be presented to employees. Realistic expectations about time lines for reporting results, and the content of the analyses and reports, are established during this time.

Specifying Resources

Because a major goal of the succession management process is the identification of a pool of high potential employees, a focus on leadership development and training is essential. Consequently, it is helpful to begin discussions early about resources for development activities; well before the identification of specific candidates for such learning opportunities.

Phase I – Performance Profile

It takes different skills or competencies to perform different functions within an organization.

A. Specification of the Job:

The first step in competency mapping is the specification of the job hierarchy and job level of the position. Is the position a line job, concerned with production operations and providing basic services; or is it a sales position, concerned with identifying needs, communicating effectively, and overseeing client satisfaction? Is the position a technical/specialist job employing the skills of analysts, programmers, or accountants; or is it a professional job requiring the specialized talents of physicians, attorneys, engineers, or scientists?

Research indicates that success as a sales director, for example, is predicted from such variables as prior leadership success, creative potential, and active recreational pursuits. Those qualities are not predictors of success in technical managers, who instead should have a history of school success, strong cognitive skills, and a strong general sense of responsibility.

Another question is whether the position is at the Executive, Managerial, or Supervisory rank. A different blend of skills, such as Planning and Organizing versus Developing Group Cooperation and Teamwork are required at different levels.

B. Competency Analysis:

The second step is determining the importance of the various skills within the job. A competency analysis identifies the most important skill requirements and functions required for successful performance in the position, and produce a competency model for the job. When examining an existing competency model, some questions to ask are:

- Are the competencies linked to business outcomes?
 - Review top 3 to 8 organizational goals
- Do the specified competencies match?
- Have the competencies been defined at the:
 - Organizational level?
 - Position level?
 - Functional level?
 - Who defined the competencies?
 - How recently were the competencies defined?
- Are the competencies focused on current or future state?
 - Are the competencies ranked by importance?
- If the organization had a limited training budget and 6 months to see results, what competencies would be focused on?

The accuracy of the competency model(s) sets the table for the effectiveness of the succession management process.

If a new competency model is needed, high performing job incumbents, managers, or other knowledgeable experts rate the relative importance of tasks, activities, and responsibilities of the job, based on the considerations described above. Their ratings are then statistically combined to create a consensus profile of the job in terms of the skills necessary for successful performance.

Specifications of the capabilities and traits required for success in a specific job hierarchy, job level, and a specific Job links the organization's goals to its employee assessment and succession management process. That is the essence of Process Integrity.

The System for Testing and Evaluating Potential (LH-STEP™) from Vangent, an objective, valid assessment instrument, with 40 years of published scientific support, including experience with both government and many Fortune 500 corporations, assesses the relative importance of 16 skills in four key areas. This approach is fully scalable, with opportunities to expand the skills and areas as indicated by organizational needs.

Phase II – Performance Assessment

It takes many qualities to be effective in a position of increased responsibility; executives, managers, and supervisors must possess a suite of specific skills necessary to perform the functions of the job. The selection of the specific skills used for evaluation is based on the job hierarchy, job level, and competency model. The competency model provides an objective standard for determining the measurements that most accurately illustrate an employee's fit within leadership positions. Chosen carefully, these objective standards can be used to compare employees against each other to identify who is most ready for the next level and who needs further development.

Common approaches used for high potential identification include:

- Objective tests of individual potential
- Management evaluations of skill and performance
- Financial performance metrics
- 360-degree surveys
- Organizational and team surveys

While it may not be practical to use all possible data points for high potential identification, choosing which ones to use is critical to the impact of the succession management program. **Considerations include:**

- **Validity:** the extent to which the assessment accurately predicts future performance
- **Objectivity:** the extent to which the assessment is free from bias
- **Reliability:** the extent to which the assessment can be repeated at a later time and produce comparable results
- **Scalability:** the extent to which the process can be expanded to assess larger groups
- **Ease of administration:** the extent to which the assessment can be administered and completed with minimal instruction and supervision
- **Ability to aggregate data:** the extent to which the assessment produces metrics that can be summed or averaged
- **Ability to compare:** the extent to which the results are internally and nationally normed

Most employees are ambitious and welcome the opportunity for developmental opportunities and promotion. As a consequence, employees are often interested in the fairness of the procedures used in the identification of potential, the offering of development opportunities, and the determination of their position in succession management.

Employee perception of Process Integrity is aided by the use of objective and valid assessment instruments. Management's commitment to a fair process reassures candidates for training and promotion that they are competing on a level playing field, thereby enhancing organizational morale. In addition, the use of a well validated instrument helps to ensure that the organization chooses the best available employee for the position, which helps organizational outcomes. When used in combination, a performance evaluation and an individual assessment can be a powerful tool.

A. Performance Evaluation Rating: Assessing Skill Levels

Observation is a critical element of skill evaluation. The people in the best position to observe and evaluate employees' skills are their supervisors and the employees themselves.

- **Supervisor Performance Evaluation:** Supervisors can be asked to evaluate the Skill Level of each candidate for promotion. For example, LH-STEP offers a Supervisor Evaluation survey that examines 65 aspects of an employee's behavior in order to provide a multi-dimensional view of the relevant job skills. Supervisors may also be asked to rank the skills within the individual.
- **Self-Assessment:** The employee themselves may be asked to make similar evaluations of their own skills, to gain an additional perspective. In calculating a composite index of a candidate's Job Skills, the Supervisor Evaluation should be given more weight than an individual's Self-Rating.

B. Determining Skill Fit

Choosing the most suitable employee for promotion is not simply a matter of summing skill level evaluations to see who has the highest total score. Instead, it is crucial that the candidate possess strong skills in those areas that are most important for the job. Job skill requirements may be seen as the tumblers in a lock, and an employee's skill levels may be thought of as the teeth on a key. Unless the skill levels are high in the right places, then the candidate will not have the right key to unlock success.

Consequently, computations compare each skill level with the skill importance ratings to assess skill fit, or the match between the individual's current skill level and skill requirements of the job. An individual whose total skill set comes closest to meeting the requirements of the new position will be in the best position to hit the ground running, all other factors being equal.

The converse of skill fit is skill gap, or areas in which the employee should improve in order to be maximally effective. If the individual has several skill gaps in areas that are important for the position under consideration, but strong skills in domains that are not important for that job, then a lateral move might be indicated.

C. Individual Testing: Measuring Potential

Some of the qualities required of a leader in challenging times are more basic and fundamental than skills. Traits such as mental ability, creativity, flexibility, appropriate values, and other personal qualities affect an employee's skill level, but seldom can be acquired through training alone.

To ensure that a candidate for promotion has the right competencies and skills, LH-STEP measures leadership potential in terms of up to 45 individual aptitudes, abilities, and attributes. Potential is determined by performance on well established ability tests, psychological scales, and biodata indicators. These measures are nationally normed for the job hierarchy and job level. For instance, the LH-STEP instrument provides a research grounded examination of an individual's work background, motivations, problem solving, resilience, leadership attitudes, and work values compared to successful business leaders in similar functional areas.

The results of these objective assessments provide in-depth insights into each employee in key areas. A succession management process that does not include the use of objective tests and scales may lack process integrity.

Phase III – Performance Mapping

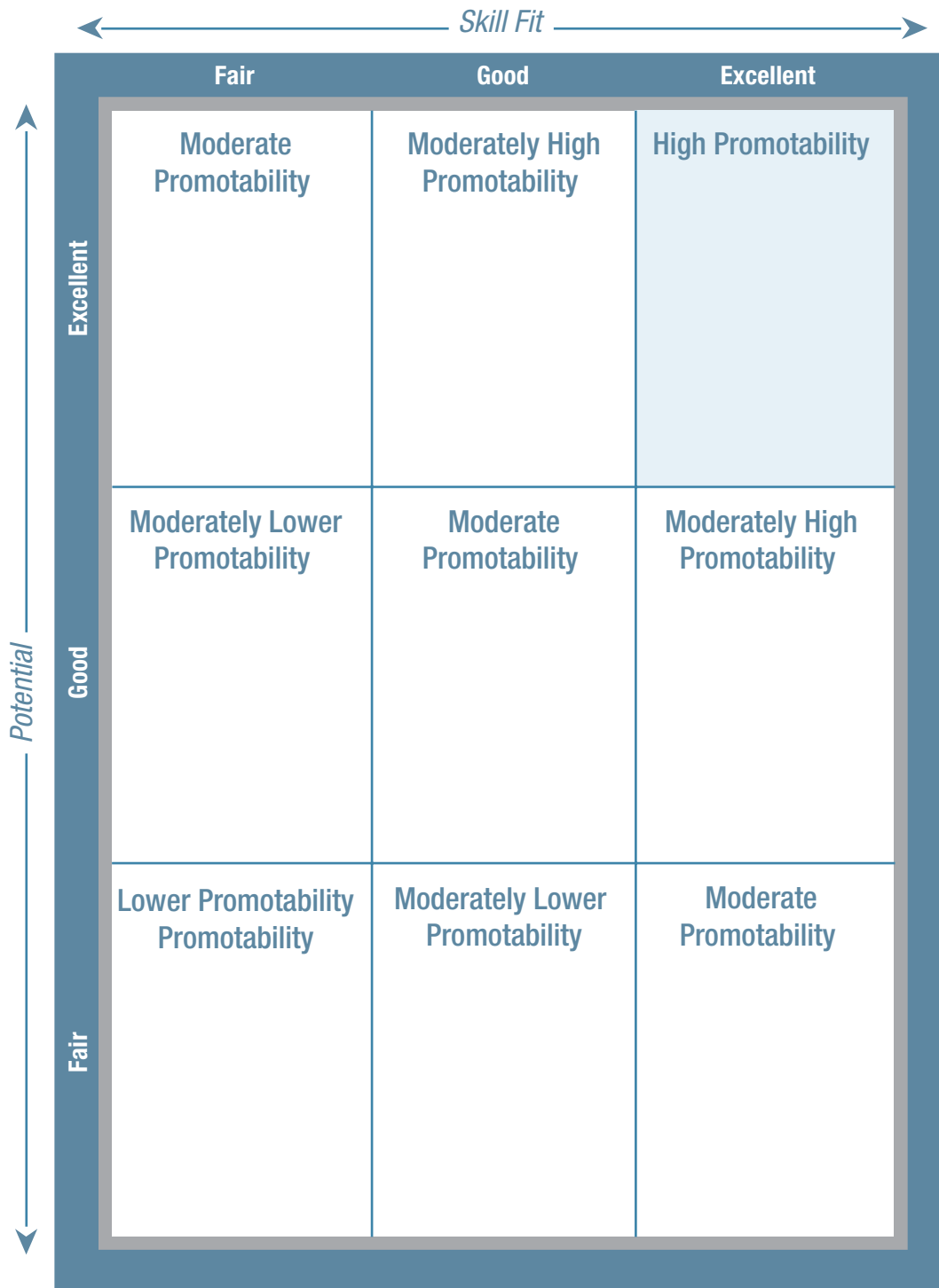
Once all of the data have been gathered, a series of analyses can be conducted to determine which employees have the highest potential. Such results indicate where to target development efforts.

A. Making the Cut: Specifying Promotability

An employee's skill fit indicates that he or she has been observed to possess the proficiencies necessary to perform the tasks required in the new position. But, the best individual contributor does not always have the talents to transition to a leadership or management position. Consequently, assessment of the employee's potential indicates that he or she has been tested to demonstrate the necessary blend of ability and temperament to rise to the occasion and handle unexpected challenges.

Employees can be evaluated as Fair, Good, or Excellent on both skill fit and potential. The intersection of these two evaluations puts each individual into one cell of a 9-box model. The 9-box model is widely accepted as a clear and straightforward method of visualizing multi-dimensional evaluations. Vangent's LH-STEP 9-box model, for example, displays the candidate pool graphically in a Promotability Matrix. Promotability is specified in terms of five categories, ranging from High to Low Promotability.

Figure 2. Promotability Matrix



The 9-box model allows organizational units to quickly identify both their highest potential performers, who are closest to the profile, and the strength of their bench. This can allow different organizational units to compare their talent pools.

B. Decision-Making

Discussion of Promotability results is best conducted by a trained, neutral facilitator. The information is sensitive, and incorrect conclusions can have a detrimental effect on careers. Careful study of the data are necessary to determine if the organization can promote from within for the short term, or needs to hire externally to replace a key position.

C. Handling and Communicating Results

Appropriate care should be taken with the results of employee assessments for succession management. The results should be stored in a secure location on-site, and archived off-site for use in the event of flooding, fire, or other disaster. HR staff members should be reminded of the need for confidentiality of the evaluations.

Candidates for promotion should not receive the impression that one evaluation process brands their level of Promotability for the rest of their career with the organization. Promotability is best conceived of as suitability for a specific higher position, at a specific point in time, rather than as an absolute quality. An individual may be higher or lower in Promotability when considered for a different position that requires a different mix of skills. In addition, an individual's skills change as a result of training and experience.

An individual's Promotability is also influenced by the pool of other candidates who are under consideration for future positions. If an employee were to be informed that he or she was second in line for a potential opening, that could produce more rivalry and less cooperation among the group. Instead, employees should be coached about their skill fits and skill gaps without reference to a summary Promotability rating, or mention of other employees.

D. Repeatability

Although a valid succession management assessment provides reliable, repeatable results, it should be noted that the 9-box line up, and the talent pool, is not a static quantity, but changes as the result of hiring new people, acquiring new companies, and effective training of current employees.

Consequently, succession management assessment should be conducted every few years to ensure that the rosters are up to date in terms of current skills and onboard personnel.

Phase IV – Performance Impact

The succession management process identifies those employees who are most capable of stepping up to new positions, provides an inventory of the human resource assets within the organization, and indicates individual skills and gaps. But the process should not stop there. One of the biggest payoffs of a systematic succession management process is the ability to pinpoint developmental needs at the group and individual level that link to business objectives and outcomes.

Assessment information about employee strengths and skill gaps can be used to plan development and learning activities at the group level to address shallow spots in the talent pool. Another benefit is by using an assessment to spot gaps organizations can tailor and customize learning curriculum to fit individual needs. Often, organizations use a shotgun approach to learning, especially leadership development, in which all individuals receive the same type of curriculum, regardless of skill level. By contrast, a key ingredient in making learning effective is to base the curriculum largely on the results of the individual's skills and weaknesses.

Therefore, depending on the individual's skill fit outcomes in the assessment and Promotability Matrix; the individual can be assigned to an appropriate modality for development. The modalities may be remedial, enhancing, or expressive depending on the magnitude of the skill gaps identified. **The three modalities are:**

1. Acquire and integrate knowledge
2. Extend and refine knowledge
3. Use knowledge meaningfully

To fulfill the developmental modalities, employees can be given a variety of learning activities, which are targeted to their specific development needs. But, to avoid falling into the trap of inappropriately spending the Employee Development budget, strategically developing talent requires an understanding of the organization's culture, its best practices, its go to market strategies and tactics, and its market differentiators.

Employees who participate in targeted and Prescriptive Development activities not only enhance their skill levels for the next Promotability assessment, but also deepen the talent pool of the organization, increasing its capacity to meet the challenges of the 21st Century.

Furthermore, providing High Potential employees with a learning track enhances the possibility of retaining the organization's top talent. Research shows that many employees leave a company when they do not feel challenged or have the opportunity for upward mobility.

Conclusion

Positive events, such as the run-away success of a new product or program that demands rapid expansion; tragic events such as 9/11 or foreseeable transitions like the retirement of the Baby Boomer generation have alerted organizations to the value of developing an organization-wide assessment of the skills among their personnel.

Having succession management data available allows for prudent decisions and also allows the development of organization-wide training programs for any skill gaps recognized. An objective, professionally executed succession management process is a valuable exercise that encourages the organization to focus on the future, including the identification of the most qualified candidates for promotion and the cultivation of emerging talent.

More importantly, the process of succession management induces the organization to clarify its core competencies, and directions for its further development, into an effective decision model. That decision model allows the organization to efficiently select employees for promotion and also develop employees whose potential and skills are aligned with the organization's goals. That internal focus and alignment provides a strategic advantage to allow the organization to move confidently toward success.

References

1. Bureau of Labor Statistics, *www.bls.gov*
2. Center for Creative Leadership, *www.ccl.org*

About Vangent, Inc.

Vangent, Inc. is a leading global provider of systems integration, human capital management, and business process outsourcing services to government, commercial, education, and healthcare organizations. Through proven talent management products and services, thousands of Vangent clients have successfully optimized their workforce by identifying the right job applicants and promotion candidates, developing their capabilities, measuring their performance, and unlocking their potential to generate results in vital positions. From automated recruitment and selection, to employee learning and organizational development, Vangent helps clients achieve the greatest return from their human capital. For more information, please visit www.vangent-bcm.com.

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