HCI

Develop Your Workforce
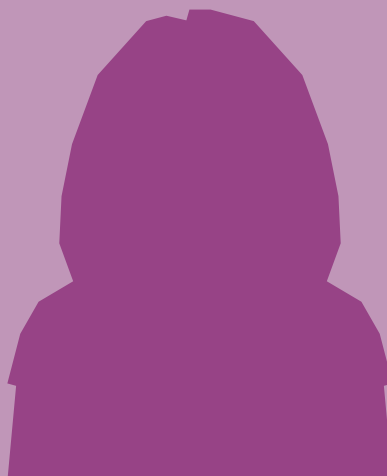
TALENT PULSE

PROPRIETARY RESEARCH FROM HCI

Next-Gen Now: Build Your Succession PLAN

TRACOM Group—The Social Intelligence Company—has helped millions of people around the world to uncover hidden barriers and identify strategies that enable more positive outcomes and professional success.

Backed by years of research and proven methodology, TRACOM Group provides the "Ah Ha's" that lead to high-performance. By teaching people about the core attributes that generate influence and interpersonal effectiveness—behavior, emotions and mindset—individuals can adapt the way they think, act and interact with the world around them. Collectively, these Social Intelligence attributes influence the success of individuals, teams and organizations. Through learning and implementing new approaches, people can dramatically improve their potential to thrive in today's dynamic and challenging world.

Talent Pulse from the Human Capital Institute (HCI) explores the latest trends and challenges in strategic human capital management. Through quarterly research reports, *Talent Pulse* provides practitioners and decision makers with insights and tools to work better today and prepare for the future of work.

INSIDE THIS REPORT

SUMMARY

HCI believes that succession planning is an objective, intentional, and systematic effort to ensure leadership continuity by identifying and developing current and future leaders who will then lead and execute the organization's strategic priorities. In other words, it helps current leaders and HR stakeholders answer these two critical questions: "Who should lead? And when?"

Even before the global disruption inflicted by COVID-19, organizations were struggling to answer this question. According to HCI research, only 39% of organizations can say they have a strong leadership pipeline, i.e., a pool of ready-now leaders or high-potentials who could be promoted to a new leadership position. The rapid transformation of the global economy during the pandemic has only intensified this gap—56% of survey respondents agree that COVID-19 has increased the importance of succession planning in their organizations. In addition to asking *who* should lead, we are now tasked with reexamining every aspect of our current leadership development and succession strategies and determining whether those strategies can be successful in this new world of work.

In this study, we examined how organizations approach succession planning. We surveyed more than 300 HR leaders and practitioners to learn more about challenges, processes, tools, and contributors. We also sought to understand how organizations that boast better talent and business outcomes approach succession planning differently. For example, these high-performing organizations (HPOs)[1] are more likely to agree that developing the skills and abilities of leaders is a priority at their organization (Figure 1) and that their organization has a strong leadership pipeline (Figure 2).

In this *Talent Pulse* report, we learned:

✔ Many challenges revolve around the lack of an objective process. Organizations aren't sure how to make succession planning as fair, objective, and accurate as possible.

✔ The purpose of succession planning is to advance the strategy of the organization and must be integrated with other HR programs.

✔ Succession planning must reach beyond the C-Suite and be executed in conjunction with workforce planning, skills gap analyses, and the creation of development programs to increase bench strength for critical roles at all levels of the organization.

✔ It is critical to establish reliable assessments for identifying future leaders—despite being HPOs, barely more than half agree that they rely on data for decision-making.

✔ Succession planning is a long game—most survey respondents say they update their succession plans annually, with a timeline of 12 to 24 months to develop and promote leaders (if a time frame is set at all).

✔ When it comes to building a team to lead succession planning efforts, HPOs emphasize business acumen as a key skill. Contributors with this skill are better able to tie succession planning to the needs of the business and its larger strategic goals.

FIGURE 1

Percentage of respondents who agree with the statement "Developing the skills and abilities of leaders is a priority at my organization."[2]

High-Performing Organizations

All Other Organizations

86%

73%
make it a
priority.

65%
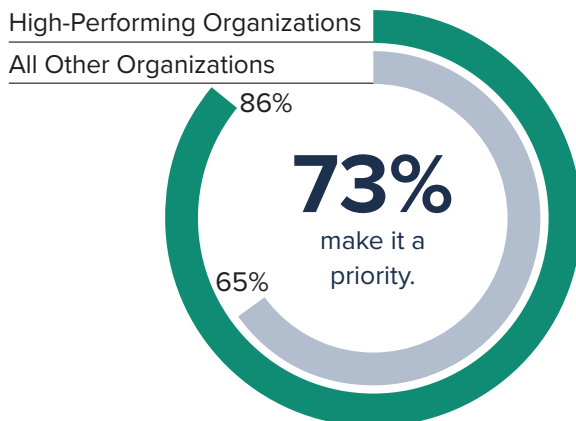
FIGURE 2

Percentage of respondents who agree with the statement "My organization has a strong leadership pipeline."[3]

High-Performing Organizations

All Other Organizations

39%
report a strong
pipeline.

30%

57%
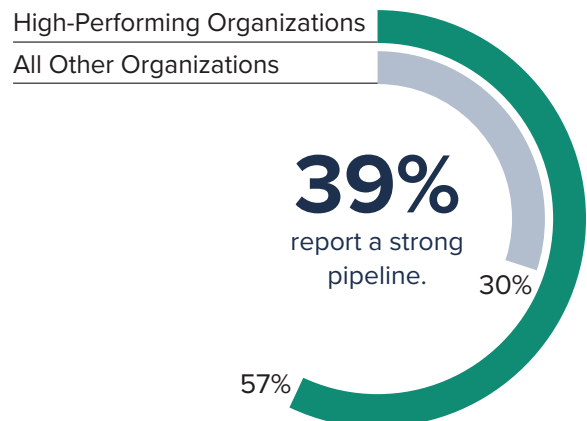
> "The difficulty of succession planning is getting long-tenured leaders to rely on objective metrics and facts instead of just 'their gut'."
>
> —Survey Respondent

CHALLENGES FOR SUCCESSION PLANNING

Years of HCI research have taught us that organizations still struggle with using data to make evidence-based talent decisions across the board. We're getting better, but there is still plenty of room for improvement. In succession planning, survey respondents cited reliance on subjective, gut-feeling talent decisions as their biggest challenge (Figure 3). It may be inferred that this is the sum of other top challenges: lack of resources for leadership development, poor structure or process for succession planning, failure to track and monitor movement and development of leaders, and inadequate methods for talent assessment and identification. Without resources, processes, measurements, and assessments, gut feel is suddenly the most available, easily accessible source of "data." In this scenario, how could succession planning decisions be as fair and objective as possible?

FIGURE 3

What are your current, primary challenges for succession planning?
(Select no more than five.)

Challenge	%
Reliance on subjective, gut-feel talent decision-making	39%
Lack of resources for leadership develoment	29%
Poor structure or process for succession planning	29%
Failure to track and monitor the movement and development of leaders	26%
Inadequate methods for talent assessment and identification	26%
Lack of resources for succession planning	23%
Lack of integration of succession planning with other HR programs	23%
Inadequate tools and technologies	21%
Lack of alignment of succession planning to business strategies	21%
Inability to define leadership at all levels	20%
Talent hoarding	19%
Unsuccessful at broadening succession plans beyond Senior leaders/Executives/C-suite	18%
Not a priority for senior leaders or board members	18%
Hard to source and fill leader positions from within	17%
Inability to personalize learning and development opportunities	17%
Poor knowledge transfer between departing/retiring and new leaders	17%
Leader retention	7%
We do not have any challenges	3%

Based on our research and what we know about successful succession planning efforts, HCI created a Succession PLAN framework that helps organizations simplify succession planning and create a process that emphasizes evidence over opinion (Figure 4).

FIGURE 4   **HCI's Succession Planning Framework**

| **Purpose** | **Level** | **Assessment** | **Nurture** |
| Define succession planning objectives that solve for current challenges and align with organizational strategies | Understand the needs of your talent segments and target organizational levels intentionally | Identify leaders objectively with data and analytics and evaluate performance of succession planning objectives | Develop continuously to ensure retention and readiness for current and future roles |

Purpose

If succession planning is to be effective throughout the organization, it must present solutions to talent problems that align with the organizational strategy. Organizations must be clear on what they want to achieve by investing in succession planning and how success will be measured.

Level

Beyond the C-Suite, effective succession planning strategies take into consideration an organization's strategic workforce plan and segment based on level and/or position. They begin building leadership pipelines at lower levels of the organization.

Assessment

If the top challenge to succession planning is a reliance on gut-feel decisions, the importance of assessment cannot be overstated. In addition to evaluating skills and abilities, assessment can help organizations determine whether to build or buy critical talent.

Nurture

Leadership looks different at different levels. Competency models and capability frameworks can help nurture leadership behaviors and set expectations for an individual's growth and development over time.
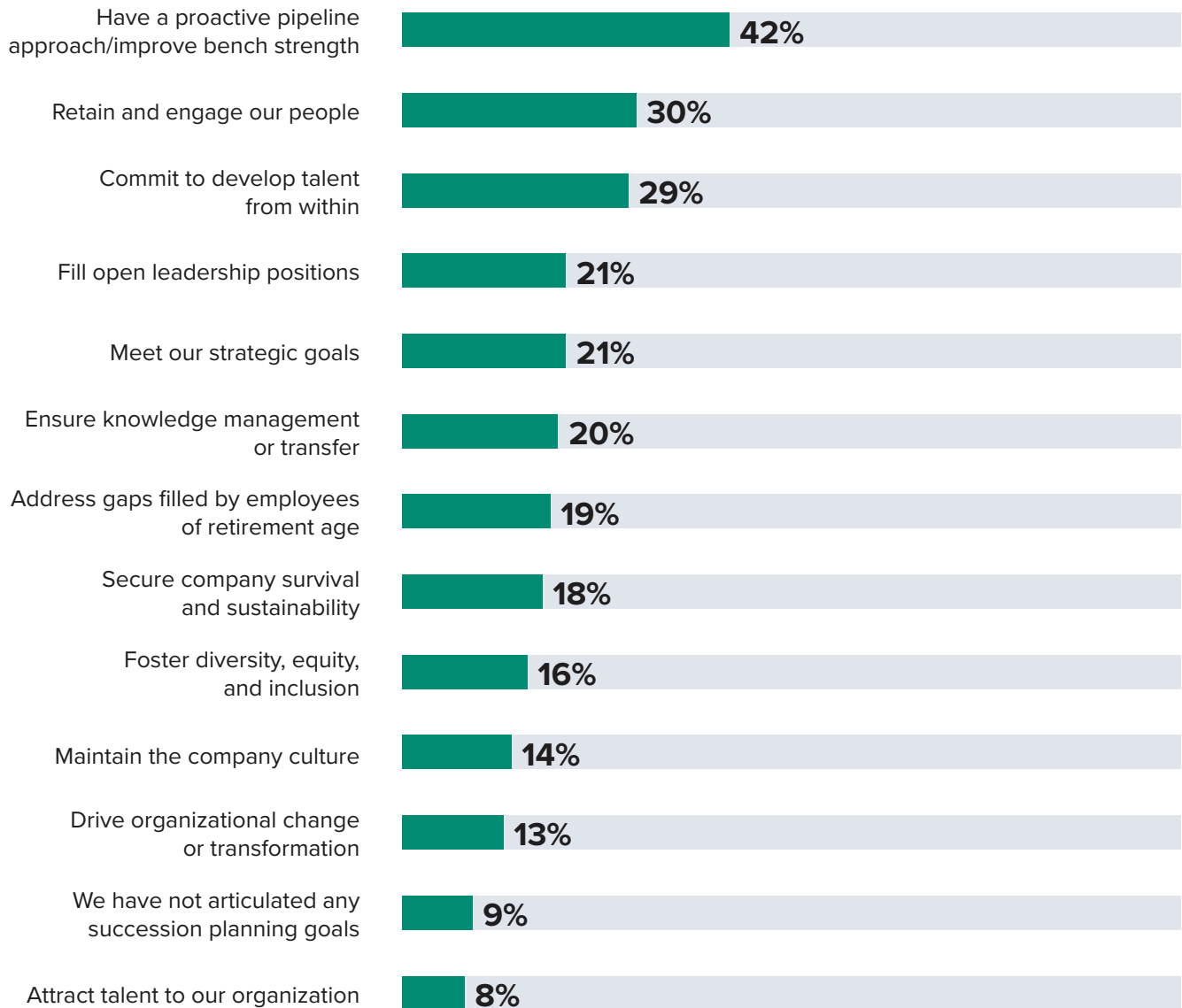
PURPOSE

Why should your organization spend time building a succession plan? HCI believes that the purpose of every HR initiative is to, in some way, drive the business forward. Succession planning is no exception—it must be connected to and integrated with other strategic initiatives to help achieve those goals. When defining a purpose, organizations must articulate clear intentions. What is the purpose of investing resources in succession planning?

For most of our survey respondents (42%), the purpose of succession planning is to be more proactive in building leadership pipelines (Figure 5). They want to have people ready to assume higher-level roles. Thirty percent seek to retain and engage their people through effective succession planning, and 29% want to develop talent from within, potentially reducing dependence on external hires to fill critical positions.

The size of their organization dictated respondents' reasons. Companies with larger workforces cited diversity, equity, inclusion, proactive pipelines, and open positions as primary reasons, while smaller organizations focused on culture.[4] With fewer leaders and higher visibility for those roles, companies with under 500 employees want to ensure that each selected leader becomes a steward and a role model for their desired culture.

FIGURE 5

What are the primary reasons for succession planning at your organization? *(Select no more than three reasons.)*

Reason	Percentage
Have a proactive pipeline approach/improve bench strength	42%
Retain and engage our people	30%
Commit to develop talent from within	29%
Fill open leadership positions	21%
Meet our strategic goals	21%
Ensure knowledge management or transfer	20%
Address gaps filled by employees of retirement age	19%
Secure company survival and sustainability	18%
Foster diversity, equity, and inclusion	16%
Maintain the company culture	14%
Drive organizational change or transformation	13%
We have not articulated any succession planning goals	9%
Attract talent to our organization	8%

The purpose for succession planning in an organization should strongly align with the business's strategy and goals. It should also be integrated into other HR programs like training and performance management. Of all organizations surveyed, just over half (55%) reported that the purpose of their succession planning initiatives aligns with business strategy (Figure 6), but that percentage increased to 69% for HPOs. HPOs are also far more likely to report that succession planning is strongly integrated with other HR programs (66%) versus all other organizations (38%) (Figure 7).

FIGURE 6

Percentage of respondents who agree with the statement "Succession planning is strongly aligned with our organizational strategy and goals."[5]

High-Performing Organizations
All Other Organizations

55%
is aligned with strategy.

69%

46%

FIGURE 7

Percentage of respondents who agree with the statement "Succession planning is strongly integrated with other HR programs at my organization."[6]

High-Performing Organizations
All Other Organizations

48%
is integrated with HR programs.

66%

38%
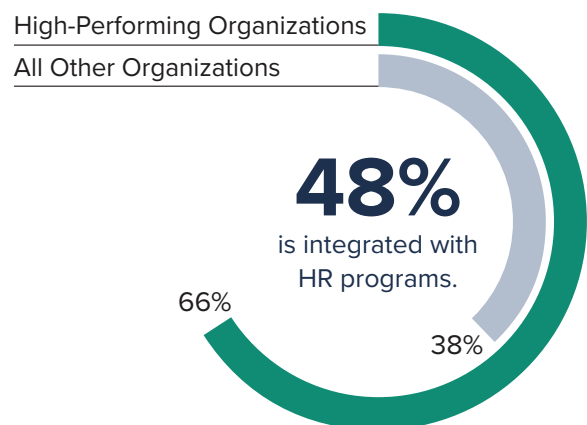
To better understand how respondents articulate the purpose of succession planning, we asked what words or phrases survey respondents used to describe the process of planning for, assessing, identifying, and developing leaders. Most describe this process with the words succession planning and performance management (Figure 8). Respondents from larger organizations are more likely to use the terms talent review and calibration sessions.[7]

It is worth noting that about one-third of respondents use the words continuous talent development or workforce planning. This suggests that plans for future leaders are integrated with plans for the rest of the workforce and that development plans are reevaluated on a continuous basis. Of respondents that use this terminology, HPOs are more likely to engage in continuous talent development (43% versus 29% of all other organizations) (Figure 9).

HPOs are more likely to develop their workforce continuously, but there are no differences among HPOs and all others for their cadence for succession planning. Fifty-seven percent update succession plans annually, while 14% revisit them after two or more years. Only 10% of respondents continuously update succession plans.

FIGURE 8 **What words are consistently used at your organization to describe the process of planning for, assessing, identifying, and developing leaders?** *(Select all that apply.)*
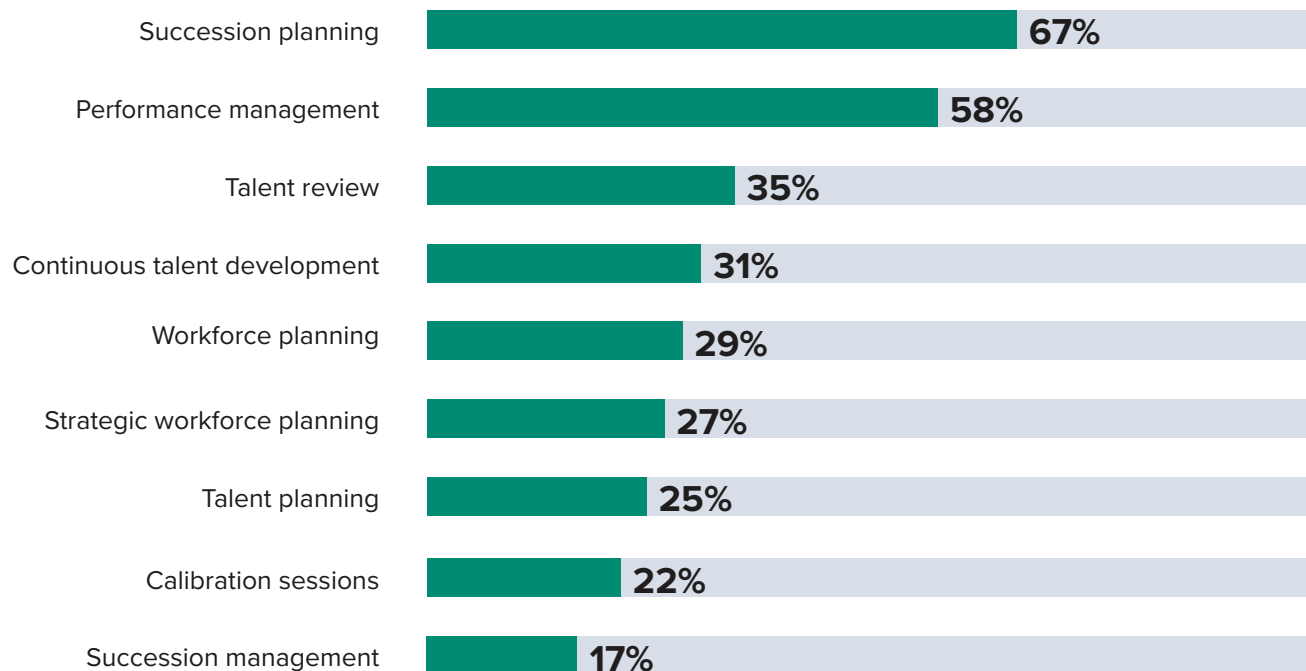
Succession planning	**67%**
Performance management	**58%**
Talent review	**35%**
Continuous talent development	**31%**
Workforce planning	**29%**
Strategic workforce planning	**27%**
Talent planning	**25%**
Calibration sessions	**22%**
Succession management	**17%**

FIGURE 9 **Percentage use continuous talent development.**[8]
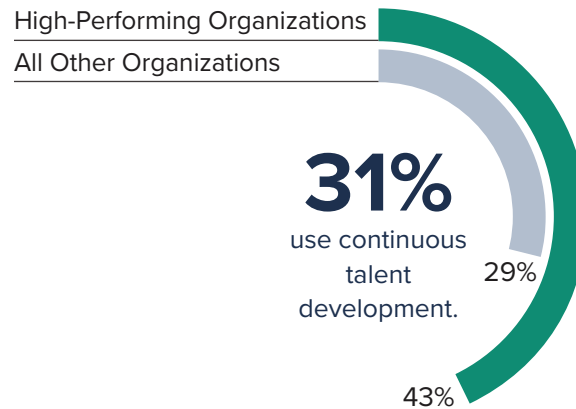
High-Performing Organizations

All Other Organizations

31%
use continuous talent development.

29%

43%

> "By default, we look internally first to fill leadership positions. In some cases, we need to recruit expertise that we do not have in house so we will source those roles externally, but that is more the exception than the rule."
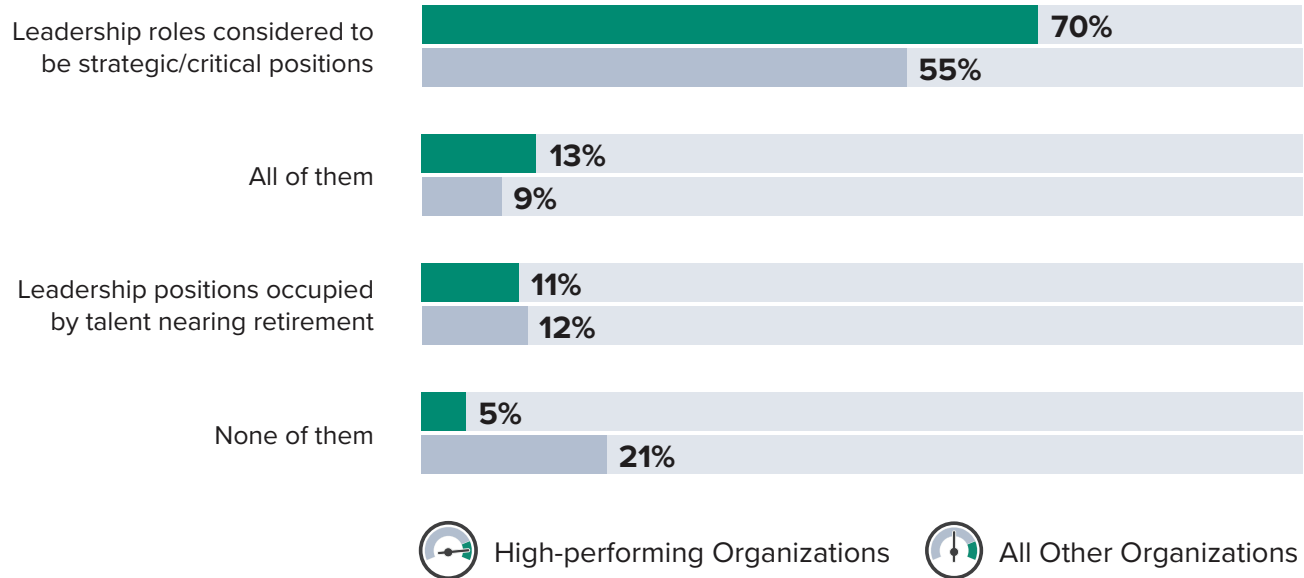>
> —Survey Respondent

LEVEL

Your clear, established purpose for succession planning will drive how your organization builds a plan across various levels of the organization. Depending on the purpose, some organizations focus exclusively on one level, such as an executive succession plan. Other organizations will examine all levels in the organization and include high-potentials, individual contributors, first-time leaders, and more. The team or teams responsible for building a succession plan must understand the unique needs of target populations and consider how those needs may differ.

Succession planning is not just about preparing for changes in the C-Suite. Beyond identifying future leaders, succession planning strategy should include workforce planning, skills gaps analyses, and the creation of development programs to increase bench strength at all levels of the organization. To address this challenge, our research shows that HPOs and all other organizations approach succession planning by focusing on strategic/critical roles—roles that are important to the success or failure of the organizational strategy. At HPOs, 70% of critical roles have at least one identified successor (Figure 10). This number drops to 55% at all other organizations. HPOs do not reactively focus on replacing a person nearing retirement, but rather consider their strategic workforce plan and segment the leader roles within it based on their contribution to organizational strategy. They segment based on level and position, not the person.

FIGURE 10

What proportion of your organization's leadership roles have at least one identified successor? [9]

Leadership roles considered to be strategic/critical positions
- 70%
- 55%

All of them
- 13%
- 9%

Leadership positions occupied by talent nearing retirement
- 11%
- 12%

None of them
- 5%
- 21%

High-performing Organizations   All Other Organizations

A strong succession plan is a key enabler of internal mobility. At HPOs, more than half of open leadership roles at the director/VP and people manager/supervisor levels are filled by internal hires (Figure 11). This focus on developing and recruiting existing leaders allows HPOs to fill their most senior roles with internal talent.[10]

Additionally, 67% of HPOs are creating pools of high-potential talent for targeted development (Figure 12). High-potential pools are unique in that they could reside within a level (e.g., the top 10% of performers at the director level), or they could be a range of talented individual contributors without responsibility for a team yet. High-potential pools allow for flexible availability of talent ready to assume new positions and can be a significant contributor to talent retention and engagement.

FIGURE 11

From where does your organization fill its open positions for the following leader roles? *(High internal focus and moderate internal focus only, from a five-point scale).*
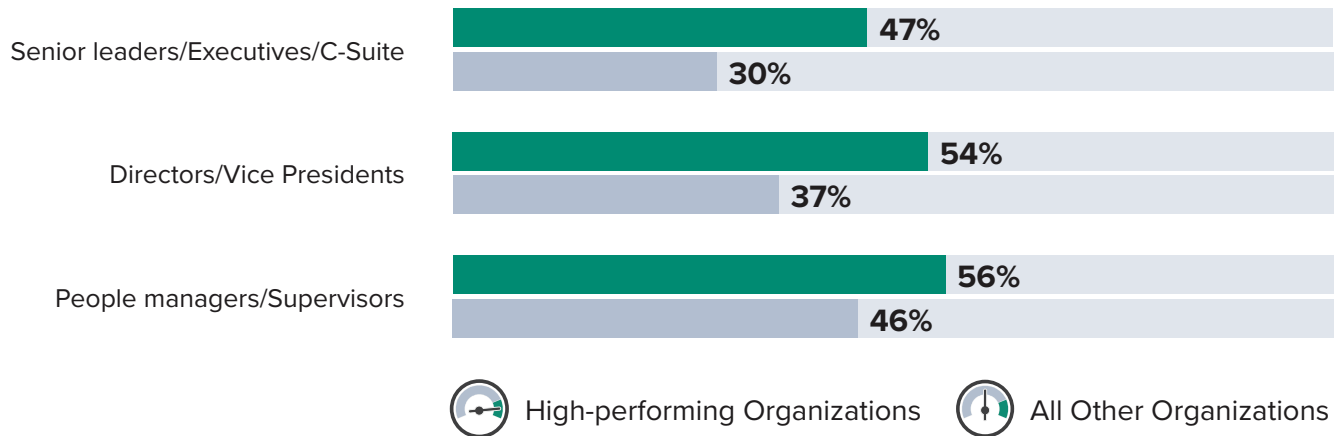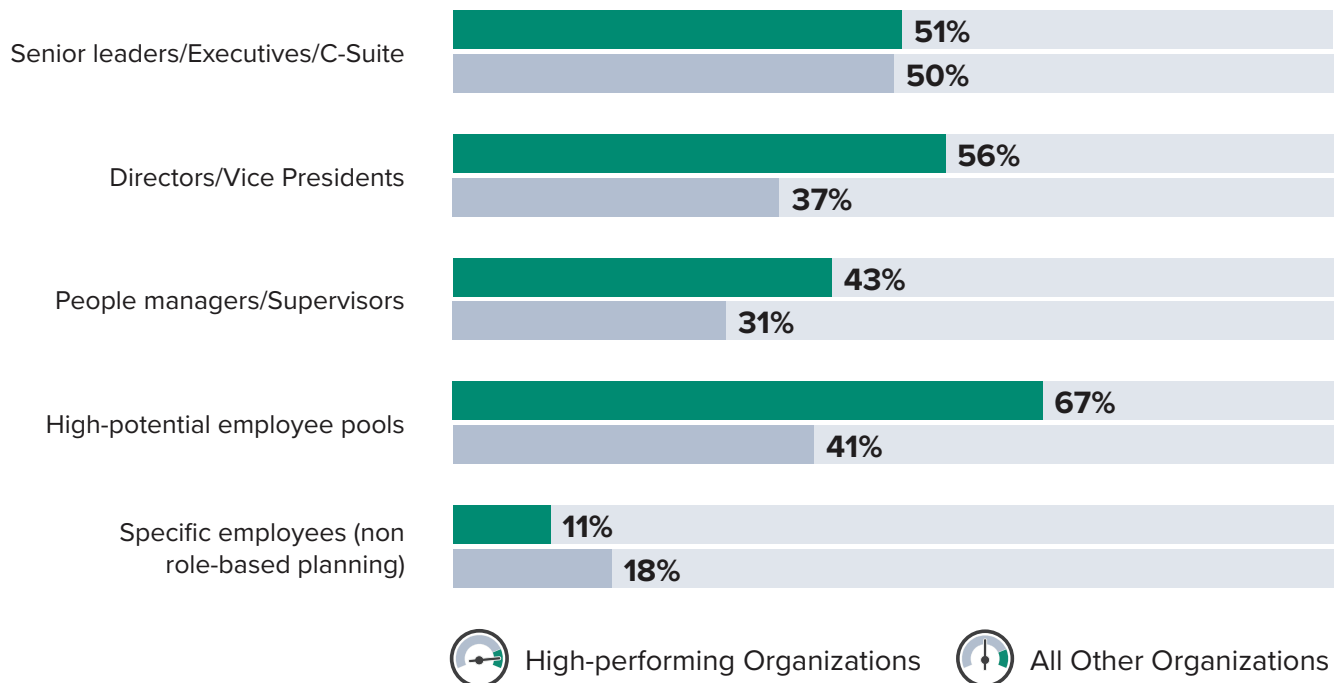
Senior leaders/Executives/C-Suite
- 47%
- 30%

Directors/Vice Presidents
- 54%
- 37%

People managers/Supervisors
- 56%
- 46%

High-performing Organizations   All Other Organizations

FIGURE 12

In your organization which of the following groups are formally specified in succession planning policies, programs, or processes? *(Select all that apply.)*[10]

Senior leaders/Executives/C-Suite
- 51%
- 50%

Directors/Vice Presidents
- 56%
- 37%

People managers/Supervisors
- 43%
- 31%

High-potential employee pools
- 67%
- 41%

Specific employees (non role-based planning)
- 11%
- 18%

High-performing Organizations   All Other Organizations

ASSESSMENT

Years of HCI research have shown that organizations are still in the early stages of truly leveraging people data to make talent decisions. Succession planning is no different—the top challenge our survey respondents cited was a reliance on gut-feel decision-making (Figure 3). Yet they all recognize the importance of people data and want to improve.

High-performing organizations are much more confident that they know the criteria that determine effective leadership in their organization (Figure 13). They are more likely to use tools like competency models and capability frameworks. They have a clearer picture of what leaders should be doing at various levels. Nearly two-thirds of HPOs (63%) are also more likely to say they have the data to help determine who should lead and when. However, despite having access to meaningful data that aligns with effective leadership criteria, only 52% of HPOs are actively using data and objective criteria to inform their succession plan. Subjective evaluations and personal preferences are, unfortunately, still driving the process forward for many organizations.

FIGURE 13

We know the criteria that determine effective leadership at my organization

We have the data we need to decide who should lead and when.

We rely on data and objective criteria for succession planning versus subjective evaluations and personal preferences.

Percentage of respondents who agree.[12]

89%
65%

63%
41%

52%
34%

High-performing Organizations   All Other Organizations
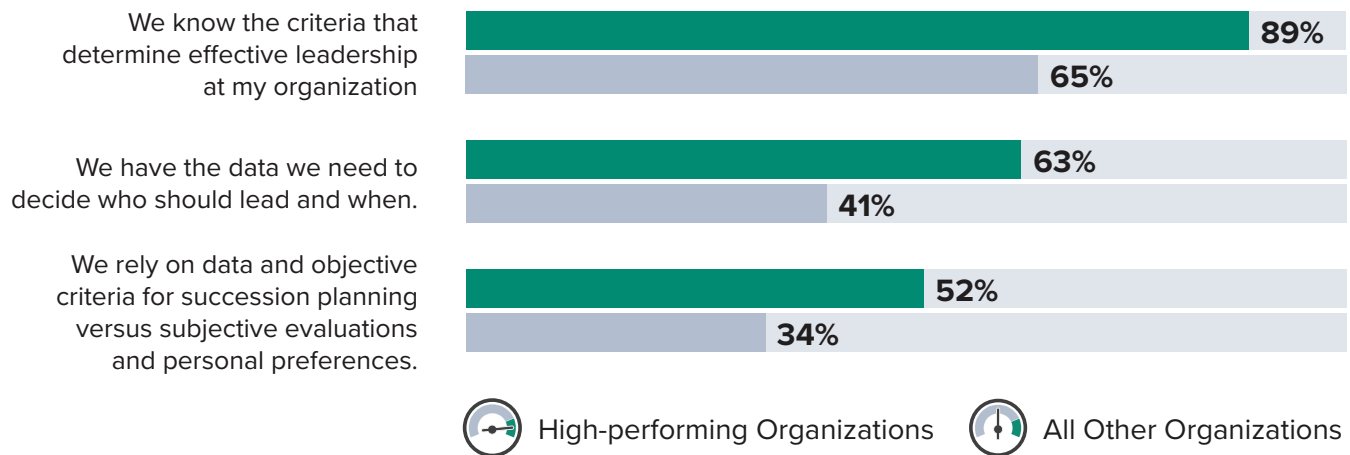
Though HPOs are more likely to say they have data available, 41% of all other organizations say they do as well. The types of data and criteria used for determining the next generation of leaders vary based on roles and levels within the organization (Figure 14). Rarely do organizations rely on one source of information for leader identification, especially when selecting employees as high potentials. Career paths, previous experiences, and performance reviews are the most significant sources of data across organizational levels.

Note that some of these are still subjective and can be dependent on organizational definitions of specific criteria. For example, many organizations use a 9-box approach as part of their talent review process. While it may appear objective to assign individuals to a particular box and make further decisions from there, this metric can lose validity without a shared definition of what it means to be a high-performer or high-potential employee within the company or even within a certain segment or level.

FIGURE 14 **What are sources of information within the organization used in succession plans for the following groups?** *(Select all that apply.)*

	Specific employees (not role-based planning)	High-potential employee pools	People managers/ Supervisors	Directors/ Vice Presidents	Senior leaders/ Executives/ C-Suite
Career paths/previous experiences	73%	78%	85%	85%	77%
Performance appraisals/ review ratings	84%	87%	88%	78%	75%
Verbal or written feedback	73%	78%	86%	71%	66%
Talent reviews, talent mapping, or calibration sessions	51%	68%	70%	71%	59%
Degrees and credentials	57%	53%	60%	59%	55%
Individuals' career goals and aspirations	73%	75%	76%	71%	53%
9-box placement (performance and potential)	33%	63%	59%	62%	52%
Competency models or frameworks	49%	60%	64%	55%	49%
360-degree feedback surveys	27%	43%	47%	55%	46%
Strategic workforce planning process	39%	54%	51%	53%	45%
Continuing education or training participation	63%	62%	70%	54%	40%
Professional coaches' evaluations	10%	20%	26%	30%	35%
Psychometric assessments/ knowledge and skill tests	27%	33%	36%	29%	35%
Individuals' interest/ self-nomination	57%	52%	58%	43%	35%
Customer surveys or feedback	33%	32%	37%	25%	24%
Mentorship program evaluations	29%	36%	39%	28%	24%
Executive recruiters' evaluations	6%	6%	12%	17%	20%
Recognition awards/ peer nominations	35%	41%	42%	32%	20%
Assessment centers (multiple standardized evaluations and simulations)	18%	19%	26%	19%	18%
Searchable database of employees' talent profiles	16%	31%	33%	27%	17%
Sponsorship program evaluations	6%	11%	15%	16%	13%

> "We mainly consider an internal candidate's previous successes on leadership assignments, length of service, competence capabilities as well as their career goals. Internal candidates are subjected to interviews, and if they pass, they earn their promotion. If they fail, the opportunity is then made public."
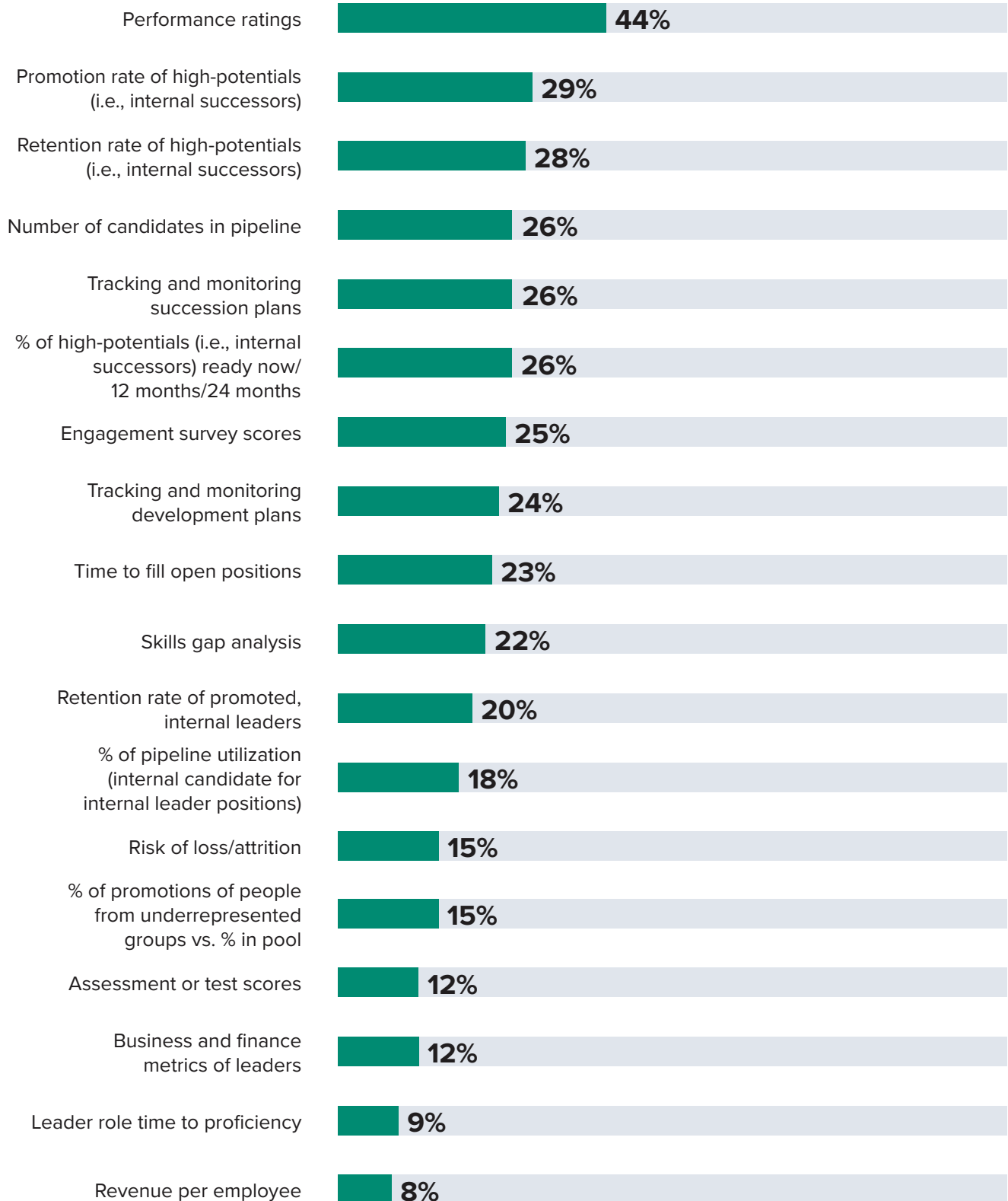>
> —Survey Respondent

In addition to assessing internal talent availability, the succession planning process also includes determining whether organizations should build or buy talent. What is available in the current talent pool, and what is the availability of those skills in the external talent marketplace? In determining whether to build or buy, our survey respondents evaluate a range of factors including skills, performance, demonstrated leadership capabilities, experience, and potential.[13] This is especially critical in high-growth organizations where the pool of internal leaders is already small.

Objective, fair assessment of future leaders is only one side of the story. Organizations must also leverage metrics and data to determine whether succession planning efforts are working. These metrics should stem directly from your company's purpose for succession planning. For example, if the purpose of your succession planning strategy is to build a more robust pipeline of leaders, then promotion and retention rates of high potentials could be a useful metric. Most organizations surveyed (44%) use individual performance ratings as an indicator of success (Figure 15). High-performing organizations use a greater number of metrics to evaluate their efforts.[14]

FIGURE 15

What metrics are used to measure the performance of your succession planning efforts? *(Select all that apply.)*

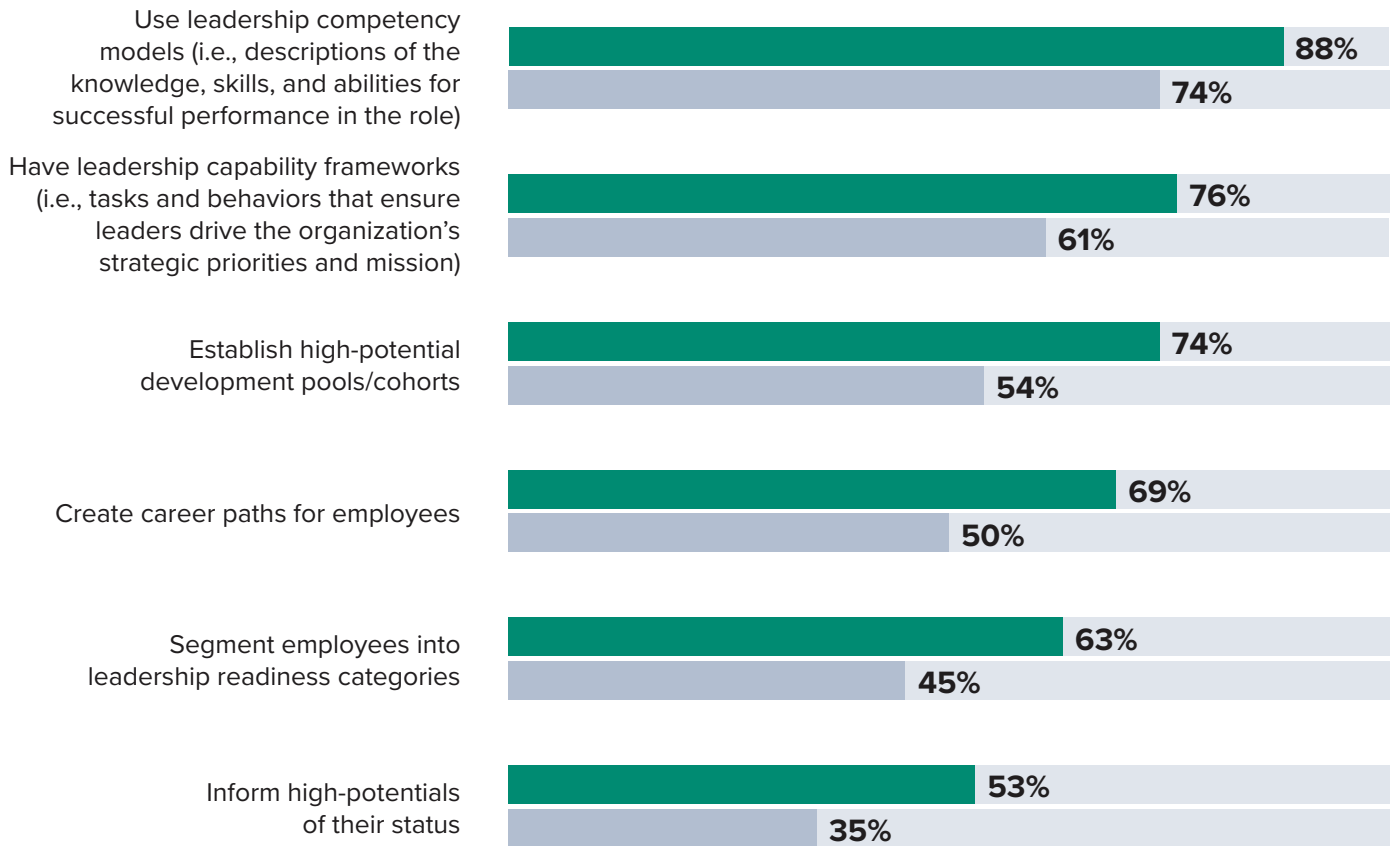| Metric	Value
Performance ratings	44%
Promotion rate of high-potentials (i.e., internal successors)	29%
Retention rate of high-potentials (i.e., internal successors)	28%
Number of candidates in pipeline	26%
Tracking and monitoring succession plans	26%
% of high-potentials (i.e., internal successors) ready now/ 12 months/24 months	26%
Engagement survey scores	25%
Tracking and monitoring development plans	24%
Time to fill open positions	23%
Skills gap analysis	22%
Retention rate of promoted, internal leaders	20%
% of pipeline utilization (internal candidate for internal leader positions)	18%
Risk of loss/attrition	15%
% of promotions of people from underrepresented groups vs. % in pool	15%
Assessment or test scores	12%
Business and finance metrics of leaders	12%
Leader role time to proficiency	9%
Revenue per employee	8%

NURTURE

Leadership looks different at every level of an organization. Competency models and capability frameworks are especially useful in articulating leadership behaviors and expectations at various levels or within talent pools. Both HPOs and all other organizations are highly likely to use leadership competency models that provide a baseline for describing the knowledge, skills, and abilities necessary to be successful in a particular role (Figure 16). Additionally, HPOs are more likely to use leadership capability frameworks to describe tasks and behaviors that align with the organization's strategic priorities. In fact, 83% of respondents from HPOs say their leaders know what leadership behaviors are expected of them as opposed to 60% of respondents from all other organizations (Figure 17).

FIGURE 16

Percentage of respondents who have these practices at their organizations.[15]

Use leadership competency models (i.e., descriptions of the knowledge, skills, and abilities for successful performance in the role)
- 88%
- 74%

Have leadership capability frameworks (i.e., tasks and behaviors that ensure leaders drive the organization's strategic priorities and mission)
- 76%
- 61%

Establish high-potential development pools/cohorts
- 74%
- 54%

Create career paths for employees
- 69%
- 50%

Segment employees into leadership readiness categories
- 63%
- 45%

Inform high-potentials of their status
- 53%
- 35%

High-performing Organizations   All Other Organizations
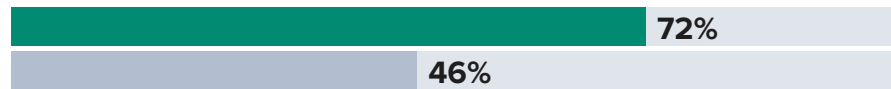
FIGURE 17

Percentage of respondents who agree.[16]

Our leaders know what leadership behaviors are expected of them.

83%

60%

Our employees are aware of the leadership opportunities available to them.

72%

46%

High-performing Organizations   All Other Organizations

The gap between HPOs and all other organizations grows when it comes to career pathing and building segments of leadership-ready employees. While 69% of HPOs say they create career paths for employees, only half of all other organizations do the same. Compared to 72% of HPOs, only 46% of respondents from all other organizations told us that their employees are even aware of leadership opportunities available to them. Career paths allow for continuous talent development and enable organizations to nurture talent from early high-potential identification to senior executive development.

Continuous talent development takes on numerous forms depending on an individual's level in an organization (Figure 18). Most of these methods are used in some combination throughout an employee's career journey and are typically a part of one's daily responsibilities, but the types of nurturing opportunities vary based on level or segment. For example, our research shows that development opportunities such as stretch assignments are used more frequently with high-potentials and early-career people managers, whereas increased involvement in strategic planning and access to external training is more readily available to the Director/VP and Executive/C-Suite levels.
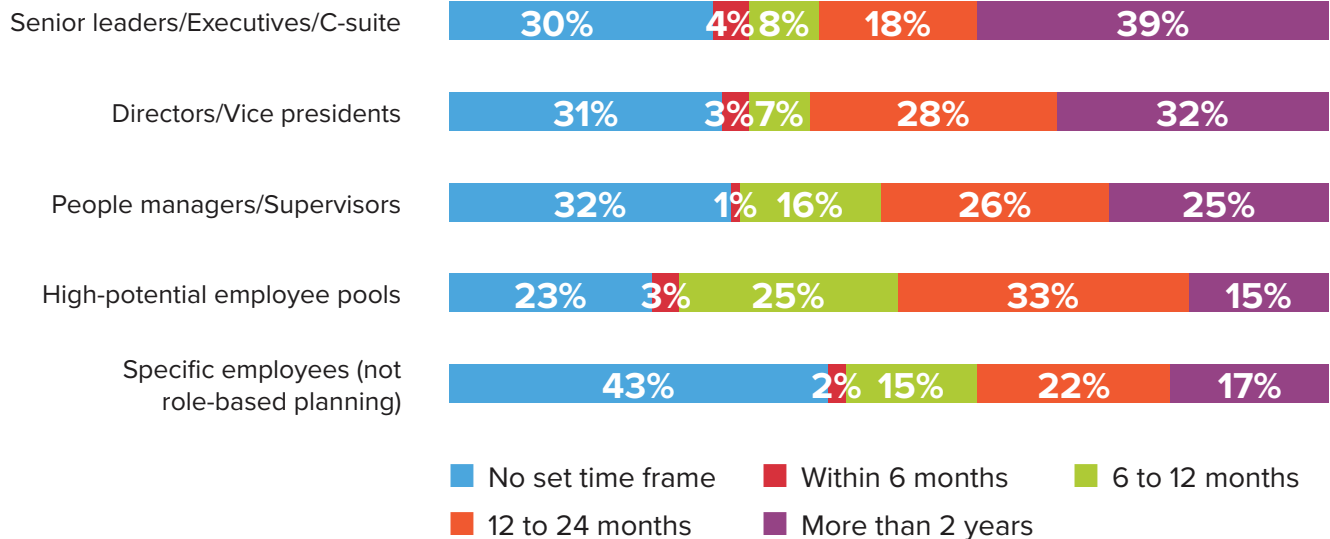
FIGURE 18 **What methods are used to support and develop the groups who are part of your succession planning efforts?**

	Specific employees (not role-based planning)	High-potential employee pools	People managers/ Supervisors	Directors/ Vice Presidents	Senior leaders/ Executives/ C-Suite
Involvement in strategic and operational planning	31%	46%	59%	72%	68%
Third party, external training or conferences	49%	57%	68%	71%	66%
Access to a professional coach practitioner	14%	29%	30%	53%	57%
HR support and check-ins	57%	73%	76%	71%	56%
Stretch assignments/projects	76%	79%	79%	69%	55%
In-house, internal training	73%	79%	86%	73%	55%
Sharing books, articles, and digital resources	49%	59%	66%	54%	49%
Senior leader sponsorship	12%	38%	33%	45%	37%
Leader transition onboarding program	27%	36%	47%	42%	36%
Job rotations	31%	57%	52%	47%	33%
University-based tuition remission	29%	39%	40%	37%	29%
Formal mentoring program	29%	45%	34%	30%	24%
Expatriate assignments	4%	21%	19%	29%	19%

As evidenced by the varying approaches to development throughout the career lifecycle, succession planning is a long-term, ongoing process. The timeline for developing leaders is the 12 to 24 months range, if a timeframe is set at all (Figure 19). Most of our survey respondents update their succession plans annually, but a best practice would be to continuously monitor and track. To nurture talent effectively and assess succession planning outcomes, organizations must establish baseline expectations and accountability for both leaders and the individuals they are managing, including an expected timeline for building the necessary skills and abilities to advance to the next level. At HPOs, leaders at all levels are deployed and developed. They are continuously nurtured.

FIGURE 19

For your succession planning groups, what is the timeline for someone to be developed and promoted to that level?

Group	No set time frame	Within 6 months	6 to 12 months	12 to 24 months	More than 2 years
Senior leaders/Executives/C-suite	30%	4%	8%	18%	39%
Directors/Vice presidents	31%	3%	7%	28%	32%
People managers/Supervisors	32%	1%	16%	26%	25%
High-potential employee pools	23%	3%	25%	33%	15%
Specific employees (not role-based planning)	43%	2%	15%	22%	17%

- ■ No set time frame
- ■ Within 6 months
- ■ 6 to 12 months
- ■ 12 to 24 months
- ■ More than 2 years

"One of the reasons succession planning does not work is that there isn't any leader accountability to hire from the plans. How do organizations build accountability into the process? Are there incentives?"
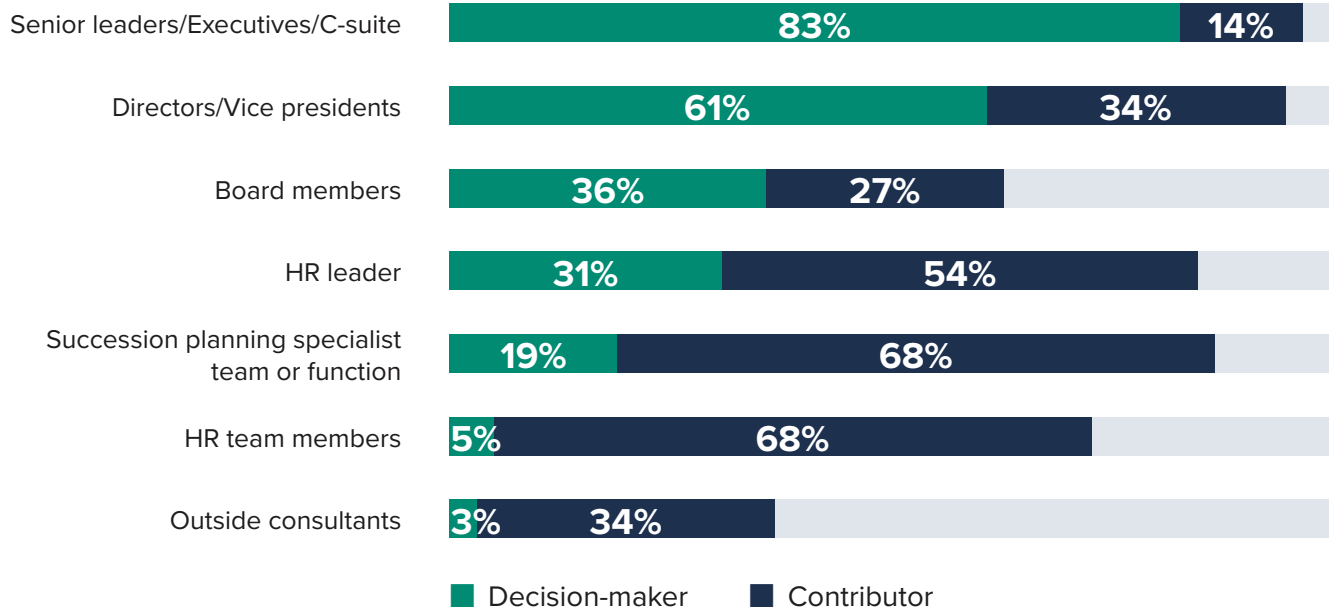
—Survey Respondent

BUILD OUT THE PLAN

How do you do succession planning? HCI's PLAN framework begins with building the right team with the right contributors and holding that team accountable for aligning succession planning with the business strategy and achieving desired outcomes. At organizations surveyed, 83% of Senior/C-Suite leaders are decision-makers in the process (Figure 20). They have a say in who leads and when. Sixty-one percent of those at the Director/VP level are decision-makers. Though only 31% say HR leaders are decision-makers, more than half of surveyed organizations say HR leaders (54%) or other HR team members (68%) are contributors to the process. While just over a third (34%) of organizations include outside consultants in succession planning, only 3% empower consultants to make talent decisions for the organization.

FIGURE 20

How are these individuals and groups involved in your succession planning efforts? Decision-makers have a say in who leads and when.
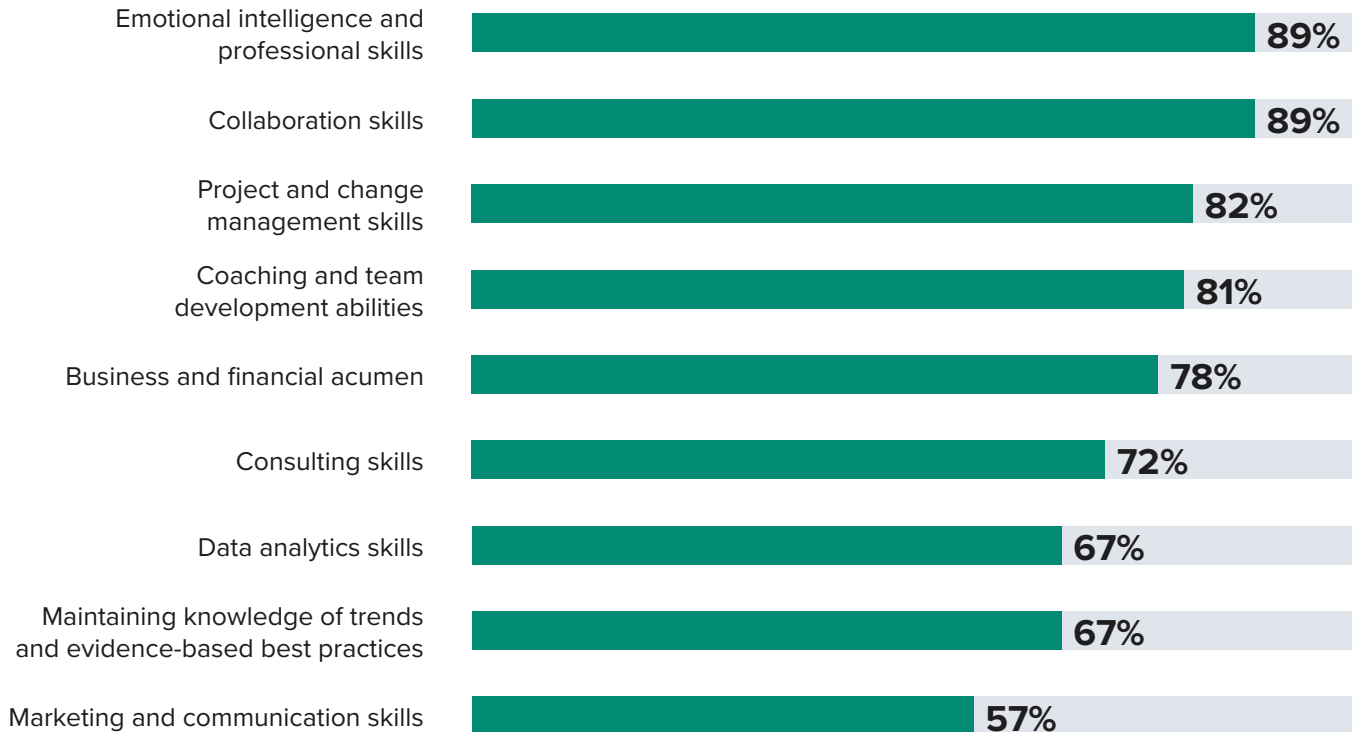

Senior leaders/Executives/C-suite — Decision-maker 83%, Contributor 14%
Directors/Vice presidents — Decision-maker 61%, Contributor 34%
Board members — Decision-maker 36%, Contributor 27%
HR leader — Decision-maker 31%, Contributor 54%
Succession planning specialist team or function — Decision-maker 19%, Contributor 68%
HR team members — Decision-maker 5%, Contributor 68%
Outside consultants — Decision-maker 3%, Contributor 34%

■ Decision-maker   ■ Contributor

"It only works if there is commitment from the top. All the work can be done at the management level only to be overturned by nepotism at the top."

—Survey Respondent

Just as organizations should evaluate future leaders on a range of skills, those in charge of building succession planning teams should ensure that various skills and abilities are present on the team. Figure 21 includes all the skills our survey respondents told us were necessary for professional involvement in succession planning. Emotional intelligence and professional skills are useful in dealing with sensitive talent information, and collaboration skills are critical for managing a range of stakeholders. Interestingly, those from HPOs place more emphasis on business and financial acumen than all other organizations—these skills better enable succession planning teams to align efforts with business strategy.[17]
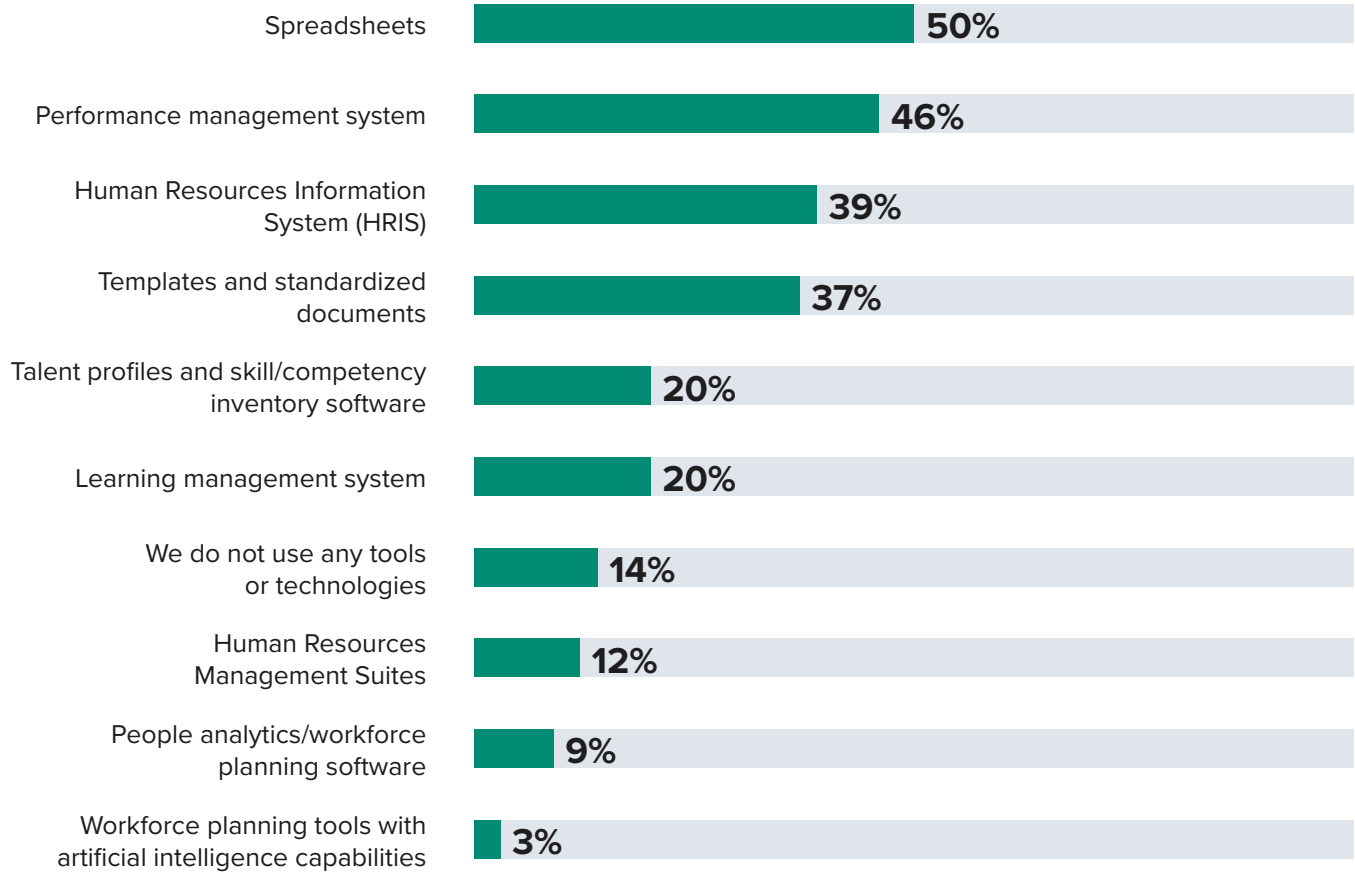
FIGURE 21

For your professional involvement in succession planning efforts, how important are the following knowledge, skills, and abilities to be successful in your role? *(Very and Extremely Important Only)*

Skill	Percentage
Emotional intelligence and professional skills	89%
Collaboration skills	89%
Project and change management skills	82%
Coaching and team development abilities	81%
Business and financial acumen	78%
Consulting skills	72%
Data analytics skills	67%
Maintaining knowledge of trends and evidence-based best practices	67%
Marketing and communication skills	57%

Given the emphasis on assessment throughout succession planning, it is important for organizations to have the right tools to support and streamline the process. Like many other aspects of talent management, half of our survey respondents are still using simple spreadsheets to track data (Figure 22). Using spreadsheets presents some limitations, however, as effective succession planning requires access to talent data from throughout the employee lifecycle. In organizations where this data is stored across platforms or functions with limited interconnectivity, it can be difficult to paint a clear picture of an individual's performance or potential. It can adversely affect the objectivity, fairness, and even scalability of succession planning efforts. Notably, HPOs are more likely than other organizations to rely on performance management technologies to support succession planning, suggesting that more dynamic technologies might help facilitate a more continuous development process.

FIGURE 22

What tools and technologies are used to manage your succession planning efforts? *(Select all that apply.)*[18]

Tool	Percentage
Spreadsheets	50%
Performance management system	46%
Human Resources Information System (HRIS)	39%
Templates and standardized documents	37%
Talent profiles and skill/competency inventory software	20%
Learning management system	20%
We do not use any tools or technologies	14%
Human Resources Management Suites	12%
People analytics/workforce planning software	9%
Workforce planning tools with artificial intelligence capabilities	3%

PRESCRIBE AND APPLY

Our survey respondents share their best practices for succession planning. They articulated what works well when identifying and developing current and future leaders.

Define the purpose and a process

"Establish clarity around the process to educate the organization on what succession planning is, how it can be accomplished, and what the outcomes will be as a result. Create a glossary of terms, so when our team goes out to the organization directly or through HRBPs, there is consistency in language around what these things are—talent reviews, calibration, etc."

. . . .

"Be fully integrated from the Board/C-Suite to the entry-level employee and part of a company's DNA; otherwise, it is just a process for companies to check off."

. . . .

"Don't allow leaders' autonomy of how they use succession planning or decentralize the application of the plan as this leads to inconsistencies and talent hoarding among leaders who aren't keyed in with peers."

Integrate with organizational strategy

"Start with workforce planning, gap analysis, and alignment of business goals and future skills."

. . . .

"Must be tied into business strategy, and business strategy must include succession planning. Connect diversity and inclusion efforts to both."

. . . .

"Competency models, career mapping, and training alignment with HR performance management."

Assemble a cross-functional team

"Have a team dedicated to this effort that can consult with business leaders and host talent review conversations using the 9-box grid."

. . . .

"Have a dedicated professional with knowledge, skills, and abilities on succession planning with the decision-making authority to manage this process to avoid biases to have a healthy positive outcome."

. . . .

"Have board members or top management as sponsors of succession planning and include it in the business agenda and integrate it into business strategy."

Segment critical roles and organizational levels	"Focus on critical roles as not all executive or leadership positions and use data-backed successor nominations." • • • • • • • • "Identifying critical roles helped calibrate the assessment 'yardstick' so that everyone was not viewed as a high-potential."
Define leader skills, behaviors, and expectations	"Identify competencies for leadership roles and translate those competencies to potential indicators to identify pool candidates." • • • • • • • • "Define the technical and behavioral competencies of the role and integrate these with the performance evaluation. Identify two to three potential successors for each role and identify gaps and design development plan spanning one to three years." • • • • • • • • "Have personal knowledge of all employees from very connected HRBPs is a key ingredient for success. And a customized competency model is a very helpful tool."
Objectively identify successors	"Complete skills assessments on those we're evaluating with a group of people who work most closely with them. Then, get everyone from the department into a room together to talk through options where individuals want to go and where we see them being successful." • • • • • • • • "Use a behaviorally-based systemic process that includes behavioral and attitudinal assessment process that reduces the opportunity to hoard or protect candidates." • • • • • • • • "Have accurate performance assessments to predict potential/readiness in an objective, holistic, and accurate way." • • • • • • • • "Use a group-level assessment which allows a manager to see the relative strengths and weaknesses their talent pool against the competencies needed for the position. The group-level assessment avoided the perception of individual bias or favoritism. Furthermore, the managers were willing to complete the assessment and found it to be a useful and manageable exercise."

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Gain leaders' support and commitment

"Organizations' leaders must support the effort and contribute to its success. Leaders must be willing to dedicate time and resources to developing successors and being intentional and deliberate with preparing successors to ensure their readiness for promotion."

· · · · · · · · ·

"Offer training for leaders regarding the reasons for the succession tools and how to best use them along with HRBP support."

· · · · · · · · ·

"Our review process was very well received at high levels of leadership. However, as we worked our way down, people thought we were out to get them. [The purpose] was not communicated to the person reviewed. Nor did the supervisors always give feedback or take the opportunity to get them the training they needed."

Communicate plans to those in the pipeline

"Have consistent 1:1 meetings with high potentials in the succession pipeline."

· · · · · · · · ·

"Engage in two-way communication with your top talent. Discuss any roles they have been identified as a potential successor, learn about their career aspirations and interests, and ask them if there are other roles that they are interested in being considered as a potential successor. They should be given options that are not limited to one succession possibility. Top leadership roles rarely open, so engage your top talent to fulfill multiple succession gaps, and you give them visibility to multiple advancement opportunities in the process, increasing retention."

Continually review succession plans and opportunities

"Be pro-active. Regularly review succession plans and inform candidates who are in the pool about future opportunities. Give access to development opportunities for the candidates in the talent pool."

· · · · · · · · ·

"Continuously revisiting it. We looked at it every month with updates on where people were in their development plans. We also looked at trends to see if people were becoming stagnant in their development."

· · · · · · · · ·

"Integrate succession planning with business planning. Keeping the process alive throughout the year with updates, action item tracking."

Personalize development	"Be transparent when discussing where each leader is in the plan and develop a personalized plan for each."
	• • • • • • • •
	"Cross-department development is a critical skill that helps us prepare next level leaders by providing an enterprise view of the organization."
	• • • • • • • •
	"Stretch assignments and cross-functional projects can broaden an employee's perspective beyond their current role and helps in their development towards specific roles."

Use technologies to streamline communication, delivery, and monitoring	"Establish communication across HR, managers/supervisors, C-suite. Use a software system that is accessible to all participants. Create learning pathways."
	• • • • • • • •
	"Create transparency on succession plans and have a technology in place for succession planning instead of spreadsheets."
	• • • • • • • •
	"Determine how successful your succession planning is. Use metrics as key indicators as well as engagement surveys and skill gap analysis planning. The organization I work for does a poor job of this and has a tech system that cannot provide the numbers."

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Succession PLAN Readiness Evaluation

Take this readiness evaluation to assess how you stack up against each of the components in HCI's succession planning framework. For each component, organizations with average ratings of 4 or greater have high levels of readiness for succession planning.

	Strongly disagree (1)	Somewhat disagree (2)	Neither (3)	Somewhat agree (4)	Strongly agree (5)
PURPOSE					
Succession planning is strongly aligned with our organizational strategy and goals.					
Succession planning is strongly integrated with other HR programs at my organization.					
There is consensus among the succession planning decision-makers and contributors for why we spend time and money on succession planning.					
LEVEL					
We segment organizational levels and/or roles by their alignment and amount of contribution to our strategic priorities.					
We know the criteria that determine effective leadership at each level of my organization.					
Succession planning efforts target roles/ levels rather than specific people.					
ASSESSMENT					
We have the data we need to decide who should lead next.					
We rely on data and objective criteria for succession planning versus subjective evaluations and personal preferences.					
We evaluate the success or failure of our efforts using HR and business metrics.					
NURTURE					
Our employees are aware of the leadership opportunities available to them.					
Our leaders know what leadership behaviors are expected of them.					
Developing the skills and abilities of leaders is a priority at my organization.					

Questions for Action Planning:
- What component of the PLAN (purpose, level, assessment, or nurture) has the highest score? The lowest?
- What is your organization's primary challenge for the lowest-rated component?
- What else do you need to know to meet this challenge?
- What support and resources do you need?

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Reflection Questions for Non-Biased Succession Decisions

Ask yourself and the team responsible for succession planning at your organization these questions to remove biased decision-making from succession planning. Reflect upon the answers to ensure that the decisions for who leads and when are not based on personal preferences, biases, or assumptions.

Questions for Leader Identification

- ✔ What are the specific behaviors of those that succeed in this leadership position?
- ✔ What are the specific behaviors of those that fail in this leadership position?
- ✔ How do we know that this knowledge, skill, ability, and amount of experience are the leadership criteria at our organization?
- ✔ What are the exceptions to these criteria?
- ✔ How are we defining performance, potential, and readiness? Is there a consensus for these definitions?
- ✔ Where are we looking for future leaders? What levels, pools, or segments have we not yet considered?

Questions for Evaluating Potential Leaders

- ✔ What criteria am I using to evaluate this pool of potential leaders (or current leaders for a promotion)?
- ✔ Do the criteria match what we objectively determined in the above questions?
- ✔ What assumptions am I making about this candidate?
- ✔ What evidence do I have that supports my assumptions? What evidence do I still need?
- ✔ Have I asked enough questions about my assumptions to find the truth?
- ✔ Would this candidate be considered an "insider" or an "outsider"?
- ✔ Does the short list of candidates reflect me or someone who would perform well in the role?
- ✔ Are we building replicas of current leaders or developing people who will determine our organization's strategic priorities?

Questions for Managers

- ✔ Am I keenly aware of all team members' interests, motivations, and career goals?
- ✔ How do I know that all team members have the same level of access to new projects, opportunities, and connections?
- ✔ Are career paths and opportunities clearly and regularly communicated to employees?
- ✔ What expectations have I set for what leadership is at my organization?
- ✔ Are leaders held accountable for meeting these expectations? What exceptions are made?
- ✔ Am I following through on my commitments to develop my team?

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Succession Planning Strategy Guide

Use this "From/To" guide to design your organization's succession planning strategy.

	From	To
Describe current state (From) and desired state (To)		
In the time period of		
Key Indicators		
Number of candidates in pipeline		
% pipeline utilization (internal candidate for internal leader positions)		
% of high-potentials ready now/ 12 months/24 months		
Retention rate of high-potentials		
Retention rate of promoted, internal leaders		
Promotion rate of high-potentials		
% of promotions of people from underrepresented groups vs. % in pool		
Leaders' engagement scores		
Leader role time to proficiency		

Initiatives

1.

2.

3.

4.

Stakeholders, Resources, and Dates

Initiative	Owner	Stakeholder(s)	Resources/Cost	Dates
1				
2				
3				
4				

What are potential obstacles?

What sustainability concerns may appear?

ABOUT THE RESEARCH

From September 3rd to 24th, 2020, a survey link was distributed via to opt-in members of HCI's Survey Panel and electronic mailings. We filtered those who are not involved with succession planning at their organization, duplicate entries, and careless or partial survey responses out of the dataset for a final total sample of 335 respondents. The results of this questionnaire and secondary sources form the basis of this research. Seventy percent are headquartered in North America. Only categories describing at least 5% of the survey sample are displayed below.

Survey Respondent Demographics

What is your functional area?	
Human Resources	57%
Talent Management or Organizational Development	18%
Learning and Development	11%
Partner to the business (HRBP)	5%
Other	5%

What is your current level of responsibility?	
I manage my work and contribute to teams and projects.	25%
I manage my work and lead a team of people.	25%
I lead and am responsible for other people managers below me.	13%
I am responsible for a business unit or function.	21%
I am responsible for an entire organization.	15%

How many employees are in your organization?		
Small	Under 100	18%
	> 100 and ≤ 500	19%
Medium	> 500 and ≤ 1,000	13%
	> 1,000 and ≤ 5,000	23%
Large	> 5,000 and ≤ 10,000	8%
	> 10,000 and ≤ 50,000	16%
	> 100,000	4%

| What is your industry?	
Manufacturing	15%
Professional, Scientific, and Technical Services	13%
Health Care and Social Assistance	13%
Other Services (except Public Administration)	12%
Finance and Insurance	12%
Public Administration	6%
Information	6%
Educational Services	5%

Endnotes

1. HCI researchers developed an index of seven talent outcomes (investments in training, internal mobility, employee engagement, diversity and inclusion, quality of hire, retention, and leadership bench strength) and seven critical business dimensions (customer satisfaction, regulatory compliance, talent attraction, innovation, profitability, shareholder value, and productivity) for evaluating the relative strength and weakness of respondents' organizations. These inventories are composed of items with five-point rating scales. Scores from these items are aggregated to create a composite score that reflects the overall strength of each organization in terms of its performance. Those scoring 52 or greater on this inventory are considered high-performing organizations (HPO) and consisted of 33% of the total. HPO status had no relationship with the number of employees within an organization nor the respondents' seniority.

2. $x^2 = 15.468$, $v = .240$, $p < .05$

3. $x^2 = 27.834$, $v = .323$, $p < .01$

4. Foster DEI: Small organizations: 13%, medium: 11%, large: 24%; $x^2 = 8.199$, $v = .159$, $p < .05$; Have a proactive pipeline approach: Small organizations: 29%, medium: 43%, large: 50%; $x^2 = 9.069$, $v = .168$, $p < .05$; Fill open leadership positions: Small organizations: 9%, medium: 30%, large: 28%; $x^2 = 18.549$, $v = .240$, $p < .01$; Address gaps filled by employees of retirement age: Small organizations: 12%, medium: 22%, large: 28%; $x^2 = 8.374$, $v = .161$, $p < .05$; Maintain company culture: Small organizations: 25%, medium: 10%, large: 7%; $x^2 = 15.184$, $v = .217$, $p < .05$

5. $x^2 = 19.506$, $v = .271$, $p < .05$

6. $x^2 = 23.495$, $v = .298$, $p < .01$

7. Talent review: Small organizations: 24%, medium: 34%, large: 46%; $x^2 = 11.573$, $v = .189$, $p < .05$; Calibration sessions: Small organizations: 11%, medium: 21%, large: 34%; $x^2 = 16.422$, $v = .225$, $p < .01$.

8. $x^2 = 5.152$, $v = .138$, $p < .05$

9. HPO compared to all other organizations: $x^2 = 12.456$, $v = .221$, $p < .05$ Larger organizations have an easier time identifying one successor for strategic leadership roles: 46%, medium: 52%, large: 72%; $x^2 = 20.285$, $v = .263$, $p < .05$.

10. Senior leaders: x^2 = 11.629, v = .211, p < .01

11. High-potentials: x^2 = 15.007, v = .236, p < .01; people managers: x^2 = 4.317, v = .126, p < .05; directors/VP: x^2 = 8.736, v = .180, p < .05

12. Criteria: x^2 = 20.178, v = .275, p < .01; Data: x^2 = 21.148, v = .282, p < .01; Rely: x^2 = 17.174, v = .254, p < .05

13. In the survey we asked, "How do you decide to develop an internal candidate for a role or hire from the outside? What criteria and factors are part of your decision-making?" Researchers coded the open-ended comments into the following top categories: 44% skills, 40% performance, 37% demonstrated leadership capabilities, 39% experience and background, 29% potential, 25% ability, 20% readiness, and 15% culture.

14. HPO mean = 4.30 and all other organizations mean = 2.98, t = 3.771, p < .01

15. Competency models: x^2 = 6.745, v = .162, p < .05; Capability frameworks: x^2 = 5.854, v = .153, p < .05; high-potential pools: x^2 = 9.728, v = .195, p < .05; Career paths: x^2 = 7.921, v = .176, p < .05; Segment talent: x^2 = 7.452, v = .172, p < .05; Inform talent: x^2 = 7.135, v = .171, p < .05

16. Expected of them: x^2 = 20.290, v = .275, p < .01; Available to them: x^2 = 17.619, v = .257, p < .05

17. Business and financial acumen: HPO mean = 4.23 and all other organizations mean = 3.92, t = 2.528, p < .05

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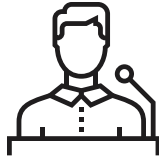
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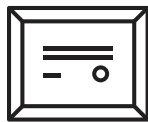2021 VIRTUAL CONFERENCE

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Skills Gaps are Opportunities to Develop a Future-Ready Workforce

Emerging Technologies and the Impact on the Future Workforce

Human Capital Institute

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Publication date: December 1, 2020

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