

Research Report

COMPETENCY-BASED SUCCESSION PLANNING

What, Why, and How

Succession planning is an ongoing system of selecting competent employees ready to move into key jobs in the organization, should these become vacant. Job-person matches are made between existing employees and future jobs they might assume. These future jobs are usually higher level positions. But, succession planning may be for key jobs above, at the same level, or even below the job an employee now holds. Increasingly, succession planning is for lateral job moves (e.g., to a different function, project team, or geography).

The usual criteria for a successful succession planning system include

1. One, preferably two, well-qualified internal candidates are identified as ready to assume any key job should it become vacant.

2. A record of successful promotions (or other job placements).

3. Few superior performers leave the organization because of “lack of opportunity.”

Competency-based succession planning systems identify the competency requirements for critical jobs, assess candidate competencies, and evaluate possible job-person matches. Career path “progression maps” identify key “feeder” jobs for lateral or higher level “target” positions within a job family or across job families.

The table below shows seven generic levels for line, staff function, and team/project management. Jobs at any given level are feeder positions for higher rungs on the job ladder, and for lateral moves to positions in other job families.

A competency-based succession planning system assesses how many employees in which feeder jobs have (or have the potential to develop) the competencies to perform well in key target jobs. There are two ways of doing this.

The first is to compare the competencies of people in the feeder job with the competency requirements of the target job.

The second is to compare the competency requirements of the feeder job and the target job.

Generic Organizational Structure: Feeder Jobs and Levels

Line	Staff	Team/Project
1. Individual Contributor: Seasoned professional New hire	1. Individual Contributor: Seasoned professional New hire	1. Individual Contributor: Seasoned professional New hire
2. First Line Supervisor: Homogenous work	2. Lead professional: Integrates other professionals work	2. Team/Project Leader: without permanent reports
3. Department: Manages several work units managed by subordinate supervisors	3. Function Manager: (finance, human resources) for a small business unit	3. Project Manager: Coordinates Project/Team Leaders from several work groups
4. Several Departments: Manages plant, region, several departments, function managers	4. Several Functions: (e.g., finance and administration)	4. Large Project Manager: Manages other Project managers
5. Business Unit: President or General Manager	5. Top Function Manager: for a business: VP Finance, VP Marketing	5. Major Product Manager: Coordinates all functions – R&D, marketing, manufacturing, HR
6. Division: Manages many business units (e.g., Group VP of large firm)	6. Corporate Executive VP: (e.g., Chief Financial Officer)	6. Mega Project Manager: \$100+ million (e.g., NASA, military weapons acquisition)
7. Major Corporation CEO: Large complex multi-division organization		

ORGANIZATIONAL ISSUES

The issues that indicate a need for competency-based succession planning systems include:

- Promotion or placement outcomes are poor; too many people promoted or transferred to new responsibilities fail or quit. Typical examples are promoting the best salesperson to sales manager or the best technical professional to supervisor and then finding he or she lacks essential interpersonal understanding and influence skills.
- There is a need to redeploy technical/professional staff people to marketing or line management jobs or managers back to individual contributor roles in an organization

that is cutting middle management. “Lean and mean” organizations offer fewer vertical promotional or career path opportunities, with the result that more succession planning is lateral. In downsizing organizations, the key placement question may be which managers have kept up with their technical and professional competencies so they are able to return to individual contributor roles.

- Organizational changes require employees with different competencies. Globalizing firms need employees with the competencies to function in different parts of the world. Privatizing organizations need to determine which government bureaucrats have enough achievement motivation to

become entrepreneurs and businesspeople. Stagnant firms need employees with innovative and entrepreneurial competencies to survive in markets with shorter product life cycles and fast-moving foreign competitors. Downsizing firms need to decide who stays and who is let go, that is, which employees have the competencies to fill demanding “same amount of work with fewer people” jobs in the new, smaller organization.

- Mergers, acquisitions, and reorganizations require the surviving firm to decide which existing employees are needed for (which) jobs in the new structure. Mergers of similar firms often result in an organization with two marketing departments, two sales forces, duplicate staffs in many functions; merger efficiencies come from elimination of the double headcount. As with downsizing organizations, the question of who stays and who goes is determined by which employees have the competencies to succeed in the firm’s future jobs.

STEPS IN DEVELOPING A COMPETENCY-BASED SYSTEM

1. Identify Key Jobs. Identifying these jobs in the organization’s structure—or the structure it wants for the future usually includes identifying the firm’s strategy, its critical value-added target jobs, and key feeder jobs to these target jobs. Most organizations will have some variant of the seven levels shown in Table 1 for line, technical/professional, or functional staff, and team/project manager job families. Vertical progression in a job family is

a. Individual contributor, often divided into two subgroups: new hire and seasoned professional

b. First-level functional supervisor, managing a homogeneous group of individual contributors (e.g., a move from engineer to chief engineer or programmer to software development team leader). For functional technical/professionals and project job families, this level may be a lead professional who acts as a temporary team leader, assists and integrates other professionals’ work, and mentors junior employees, but does not have any permanent reports.

c. Department, function or project managers, who manage supervisors or lead professionals of several work groups

d. Multiple departments or functions

managers, who manage several other department, function, or project managers (e.g., a plant or regional manager, or director of finance and administration)

e. Business unit general manager, such as CEO of a small firm (less than \$20 million in annual revenues); top functional manager, such as Marketing or Finance Vice President of a medium-size firm (\$20-\$200 million revenues); or manager of a major project

f. Division general manager, such as CEO of a medium-size firm (\$200 million revenues); top functional executive in a large firm (\$200+ million revenues), or mega-project manager

g. CEO of a large, complex multidivision organization

2. Develop Competency Models for Critical Target and Feeder Jobs. Frequently this involves development of competency models for each of several steps in a job family ladder. BEIs conducted with four superiors and two averages at each level are analyzed to identify competencies required for a superior performance at the level and also to pinpoint how the competencies change or grow as an employee advances up the ladder.

3. Assess Candidates (and Current Job Holders) Against Competencies for Target Jobs. As in competency-based selection programs, substeps are (a) identify cost-effective assessment methods, and (b) train assessors to evaluate candidates for (and incumbents in) target jobs. Assessment for succession planning can require considerable resources. Each level down an organization goes in assessing people in feeder jobs increases the population to be assessed. For example, if span of control is seven employees in a feeder job to each higher level job, one level down requires 7 assessments, two levels: $7 \times 7 = 49$ assessments, and three levels: $7 \times 7 \times 7 = 343$ assessments.

4. Make Decisions about Job Incumbents and Candidates. Job incumbents are evaluated on their competence to do their jobs and potential to go higher in the future. People are usually classified as

a. Promotable, either:

(1) Ready now, or

(2) Developable (i.e., could be ready in the future if they develop specific compe-

tenencies to the level required by the future jobs for which they are candidates)

b. Not promotable :

(1) Competent in their current job, and/or

(2) Have potential to transfer laterally to some other job

c. Not competent in their current job and not a fit with other jobs in the organization as it will be in the future. These people are candidates for early retirement or outplacement.

If the organization finds there is no one promotable or developable for key jobs, the only alternative is to recruit new hires with needed competencies.

5. Develop a Human Resource Management Information System. Succession planning for more than a few positions all but requires a computerized human resource information system to keep track of the competency requirements of all jobs, competencies of these people assessed, and evaluation of possible job-person matches.

6. Develop a Development/Career Pathing System (Optional). Succession planning systems create demand for competency-based development and career pathing systems. Once employees understand the competency requirements for higher jobs and the gaps between their competencies and those required by the jobs they want, they ask for training or other developmental activities to close the gap. Similarly, once an organization is aware of the competencies it needs to be successful and the gaps between these needs and the capabilities of its existing or projected staff, it seeks selection or developmental programs to close these gaps. ■

Adapted From: Competence At Work, by Lyle Spencer and Signe Spencer; 1993, John Wiley & Sons.

Workitect helps organizations design and implement competency-based performance management systems, and provides training and resources for managers and employees.

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