

The GROWTH OF SUCCESSION Management

By Jennifer J. Salopek

Succession planning reaches beyond the executive suite.

Succession management can be a valuable weapon in the battle for talent. Aside from the obvious benefits of ensuring future leadership and shoring up bench strength, succession management can aid your company's recruitment and retention programs.

Many organizations today are finding it useful to extend succession planning and management beyond the executive suite and to apply its principles to key supervisory, managerial, and technical positions. However, to be effective and useful, succession management programs must be

- * dynamic, frequently reviewed and updated
- * transparent, participants should be aware of their role and employees should be able to self-nominate
- * comprehensive, integrated with other talent management initiatives
- * aligned with corporate strategy and

business objectives.

Practitioners in two organizations that have been working on cascading succession management down below the C level—Capital One and Education Management Corporation (EDMC)—share their experiences.

Capital One

"Our succession planning program used to be a binder gathering dust on a shelf. It was an annual, isolated exercise," says Steve Arneson, senior vice president of executive talent management and development at Capital One in McLean, Virginia.

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During Arneson's four-year tenure, however, succession management has become a dynamic, fluid process that is interwoven into many HR and talent management initiatives. "We are constantly talking about talent and putting our hands on it. Succession planning is incredibly integrated with performance management," Arneson continues.

One key reason is that learning through doing is part of the corporate culture at Capital One. A central corporate tenet is that the best way for people to develop their careers is to take on new assignments. Frequent lateral moves to encounter new challenges are common for Capital One employees at all levels.

Talent review is a formal conversation that occurs twice a year. Initially created for vice presidents and above, the process has been adopted by other groups and divisions at all levels of the company. The goals of the process are to assess talent regularly to optimize business performance by putting the right people in the right jobs to develop associates by giving them "stretch" assignments to accelerate diversity initiatives.

"The key is to make smart choices by looking at each person and what's next for him. In my opinion, true succession planning is a definitive plan for promoting key talent. It's more of a transition plan—what you would do, not what you could do," Arneson says.

Because transfers and reassignments are commonplace at Capital One, succession management is transparent.

"People expect and want to move. They may not be informed of the specifics, but we do inform them of skill sets we think they ought to gain. And the company reserves the right to make moves when it makes the most business sense," says Arneson.

Education Management Corporation

Education Management Corporation provides private post-secondary education in North America at 74 locations in 24 states in the United States and two Canadian provinces. Headquartered in Pittsburgh, Pennsylvania, EDMC employs more than 5,700 faculty and staff and had a fall 2006 enrollment exceeding 80,300 students. The company is perhaps best known for its ownership of 33 art institutes at locations nationwide.

Carole Nicholes, vice president of training and development at EDMC University, reports that the company has focused on succession planning for seven years, and sees the effort as key to the company's growth.

"Around 1999, we were operating 24 schools, and we knew that we wanted to grow a lot. We saw the need to identify key people in the organization for future executive committee and school leadership assignments," she says. The exercise began as one small spreadsheet identifying high-potential employees.

Since then, the company has adopted succession management as a core corporate priority and makes it a part of every manager's job. The mechanics of the process are not mandated by corporate officials or EDMC University. Some campuses do



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talent reviews annually while others do them as frequently as four times a year. However, as Nicholes explains, the goal is universal: "to hold appropriate discussions to ensure an adequate supply of management resources to achieve business objectives."

Employees who are interested in progression and promotion are encouraged to step forward. Once placed in the succession planning process, the relevant information is transferred into employees' professional development plans. For individuals who are reluctant to submit their names, Nicholes admits, "The process is only as good as that one manager."

Each of the schools participates in succession planning conference calls twice a year. That feedback is used to fill the company's two leadership institutes and executive committee, and to identify campus presidential candidates.

"We have all of the ingredients. What we find to be a challenge is that everyone tends to focus on high-potential employees at all levels. We are trying to promote a broader picture of what's going on through committee and task force assignments," Nicholes says. "We use temporary cross-campus lateral assignments to fill in development gaps. Although assessing readiness for promotion is difficult, this helps us let people know what they're in for."

A deepening trend

Research suggests that many organizations are finally realizing the prospective value of succession management and are pledging to work on their programs. A 2006 survey by the Institute for Corporate Productivity (i4cp) revealed that only 56 percent of respondents had formal succession planning processes in place. Seven out of 10 plan to modify those processes over the next few years.

As far as reaching beyond the executive suite, it is informative to compare i4cp's findings with a 2005 survey conducted by the Human Resource Institute and the American Management

Association. At that time, 37 percent of organizations reported that managers were included in succession planning efforts. However, the 2006 study showed that nearly 49 percent of respondents cascaded their succession management initiatives down to the managerial level, and 24 percent included technical positions. This comes as no surprise to the researchers.

"Although it depends on the organization, I believe that we will see more of this trend in companies that rely heavily on knowledge workers," says Kevin Oakes, CEO of i4cp.

"Succession planning should go further down in organizations," says Jay Jamrog, senior vice president of research. "There's really no excuse not to, and it permits companies to mine employee skills both deeper and across the organization."

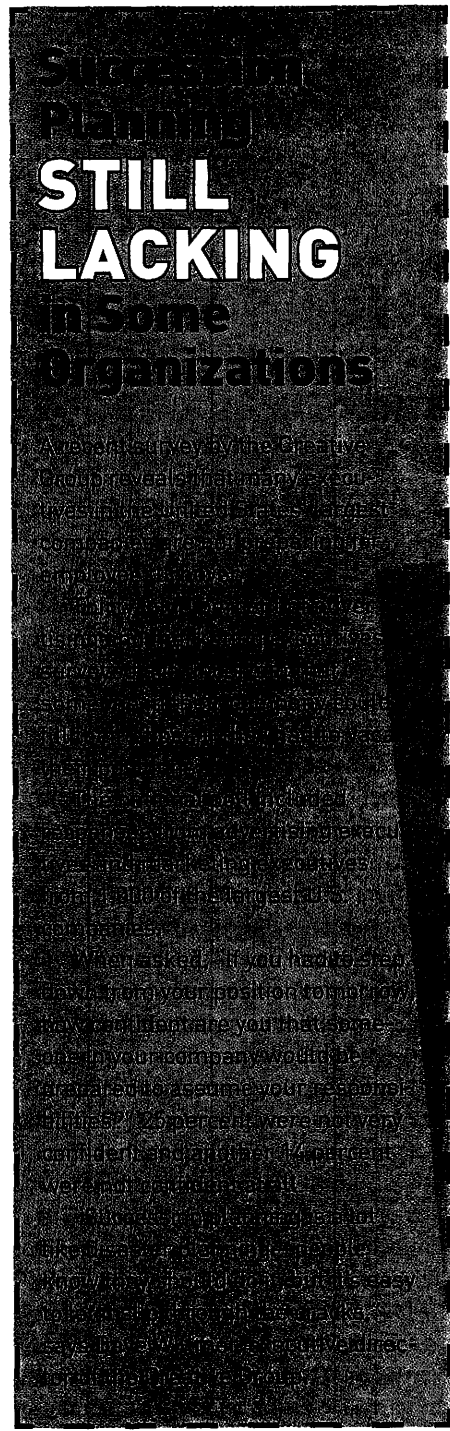
Why, then, are a high percentage of American companies avoiding succession planning? Jamrog believes the traditional methods for review and promotion should be phased out.

"There is still a lot of legacy to old systems, in which workers were rewarded for politics rather than performance. There was a glass ceiling. We must get over these things, however, and realize that we can implement an easier, cleaner process. We must develop talent faster and better, and get people into the pipeline."

Cole Peterson served as executive vice president of Wal-Mart's People Division until 2004, and now works with i4cp as a consultant. At Wal-Mart, he reports, the People Asset Review was a process that occurred twice each year. Maintaining a fluid quality in succession planning is critical, he says.

"In dynamic organizations, things can change very quickly. In 12 months, data can become stale," he says.

Peterson acknowledges that an integrated succession management process can be tough to get off the ground, but says, "Any effort at all is good. The most common mistake is not doing it. I can only assume that companies without



succession planning programs believe that lightning will never strike them."

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