

the ultimate guide to

succession planning



welcome to brighter

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Introduction

There is no success without a successor, says management guru Peter Drucker

Yet, many businesses are not receptive to having a succession plan. It is either to avoid confronting their retirement or reluctance to let the next generation assume leadership positions. Imagine a situation where a potential employee in a critical position abruptly leaves, or an unforeseen circumstance forces a key leader to retire. Not having a successor or a robust succession plan in place will create a domino-like effect leaving leadership gaps all along that succession line. It will jeopardize the future as well as disrupt the legacy of the establishment. Without an anointed successor, there is no other rescue plan that can ensure business continuity.

Finding a rightful successor for business continuity has been an ongoing part of humankind's existence. Be it succession in monarchies across the globe then or the succession to crucial business roles in an organization now; succession planning is a recognized motto that should be embraced by all.

No defined protocol covers all the details or aggressively points out a path best suited to plan your succession. Companies devise policies and processes they deem fit keeping in mind the bigger picture.

Here is some refined knowledge that can help you get started on succession planning if you're still contemplating it.

What is succession planning?

Succession planning is a strategically tried out process of identifying the next generation of leaders who can ensure business continuity when key leaders move on to new opportunities, retire, or pass away. This process preserves the future of the company and the stakeholders associated with it.

By identifying possible successors of crucial roles, honing and nurturing their talent, and ensuring they seamlessly fit into the organization's structure, companies future-proof themselves against most odds.

It is a step-by-step process that combines regular activities and ongoing procedures to comprehend and evaluate potential employees as future leaders. Various companies ensure that the succession plan is adhered to periodically and is adapted, keeping in mind the evolving workforce. It is ideal at mitigating risk and building value.

Technically succession planning covers the senior-most positions in the hierarchy, but companies should also consider critical roles along the corporate ladder.

Employee development also forms a part of succession planning. It builds a high-level of engagement in the high-potentials who desire achievement and advancement in their careers. Coherently, companies also undertake succession planning as an initiative to anticipate the skill set of their talent pool.

The types and objectives of succession planning

Types of succession planning



Each business structure will require a different type of succession plan. For example, sole proprietorships and partnerships, the owners and managers can make decisions on succession rather freely, whereas a corporation with a board of directors, will need to follow the formalities of the corporate bylaws and rules.

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There is no one-size-fits-all approach to implementing a succession plan. There are various types of succession plans that a company can implement at all levels of the organization. It might be to fill in an inherent leadership position that employees look up to in an organization or find an ideal board member replacement. A succession plan is placed at all levels of the organization.

There are broadly two types of succession plans prescribed by experts. They include- 'leadership roles', and 'critical non-leadership roles.'

If followed in an orderly manner, they ensure minimum impact to operations and functionality in the long run. It is an ideal way of planning for succession across several levels in an organization:



Leadership succession planning:

To minimize the effects of sudden instances, or to have a back-up when key leaders put in their papers, a leadership succession plan is incorporated to keep the operations smooth. It involves analyzing and evaluating specific skills or competencies in a shortlisted talent within the organization to take the helm appropriately. It is undertaken for C-suite executives such as CEO, CMO, CFO, COO, and board members to replace dormant members or fill in the committee expertise and skill gaps.



Non-leadership succession planning:

Succession plans can also be utilized for specialized blue-collar or white-collar employees in niche roles. These niche roles may not be mission-critical but are hard to replace. Hence, the company has to be ready for the same with a succession plan. Such a succession plan is facilitated via cross-training processes, and individual- and team-work plans aligned with department or organizational strategies to find viable successors.

The objectives of succession planning

1. Ensures continuity

An effective succession plan ensures all-round business continuity. Building a leadership pipeline by shortlisting or developing the skills needed to maintain a forward-looking trajectory for your company automatically makes it future-ready. It ensures that you are less likely to rush into making wrong decisions during crises.

2. Succession planning identifies critical positions in an organization

A perfect succession plan identifies mission-critical frontline positions that are crucial to a company's success. C-suites aren't necessarily the only significant positions. Middle-management and market vulnerable roles such as sales are equally important in many companies. With a succession plan, companies can outline a defined structure with role-specific job descriptions and strategic contributions that offer clarity to the executives and board members. Concurrently, you also identify obsolete or declining positions within the organization.

3. Underlines the organization's competency levels

Implementing competency mapping criteria in the organization is another critical objective of succession planning. When you're eyeing sustenance and growth in a competitive environment, critical competencies help you understand the attributes already possessed by your organization. It offers a detailed understanding of competencies in talent that is to be recruited, promoted or developed for long-term stability. Competency mapping is a comprehensive matrix that is practical and worthwhile when planning for succession.

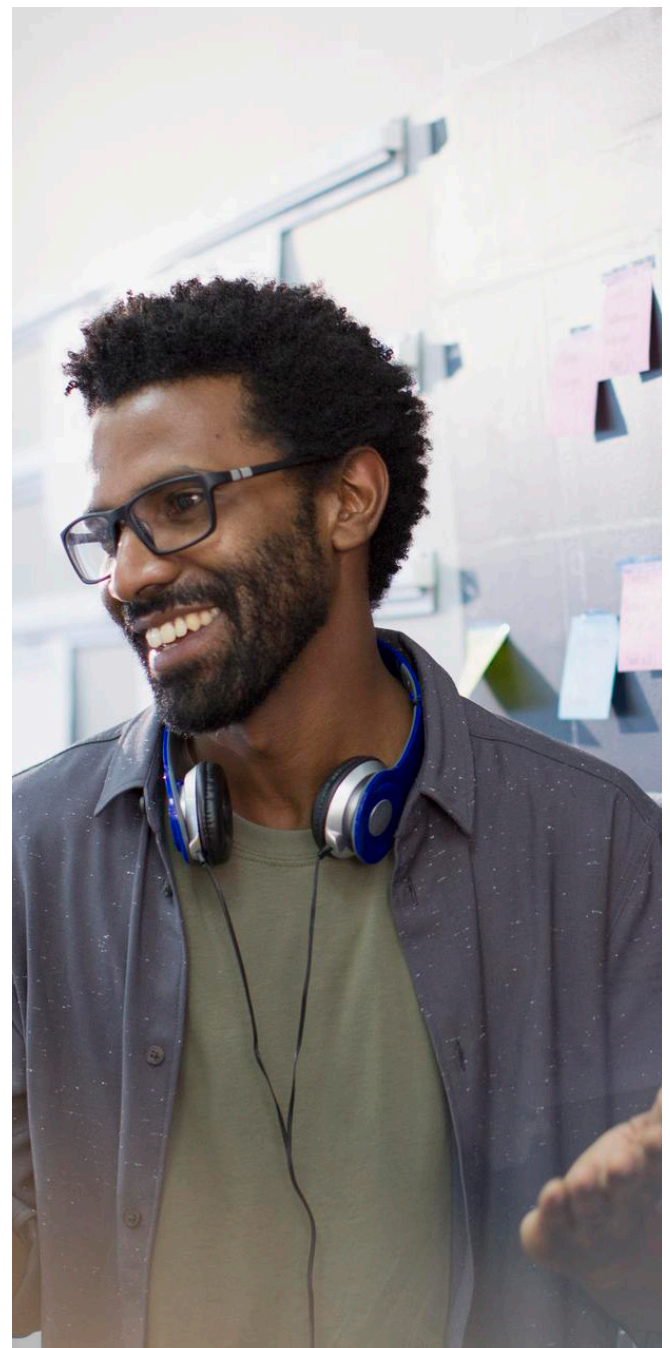
4. Identifies potential and promotes development

Not all employees are leaders. However, their talent can be honed to ensure they have the desired qualities to meet, if not exceed, business demands.

By understanding their strengths and vulnerabilities, HR identifies existing employees' latent talent or untapped potential. They undertake cross-disciplinary training, mentoring and skill development of the designated employees to enhance their existing capabilities. This initiative ensures a better understanding of the talent pipeline available internally while creating awareness of the strengths of the current individuals. It also keeps the company a step ahead of its talent needs.

5. Offers valuable insights into workforce and departments

High-potential identification is the first step to any succession planning exercise. To begin with, HRs must gain valuable insights. For example, which employee is nearing retirement? Is an individual donning several hats? Is that employee a perfect asset and, therefore, must be retained? Which employee is a misfit and needs to be given a different role? Whose expertise requires a departmental shift? Several such critical insights come into consideration. These cumulatively enable creating successful transitions without causing intermittence.



The importance of succession planning and the disadvantages of not having one

What is the importance of succession planning?

Succession planning should be an underlying philosophy of every organization. Here's why:



Avoids transition shortcomings

A succession plan upholds the company's vision and mission, ensuring that owners and executives understand the business's future direction. The board can often be rigid about its values. The board members wish to maintain the company's culture and how values are implemented. With a well-charted succession plan, the board has the confidence in new leaders of maintaining continuity in the company's broader intangible objectives.



Competitive advantage

Amid a fast-transforming business landscape, a thorough succession plan bolsters your chances of managing disruptions. Only able and foreseeing corporate leaders can embrace the risks and uphold the company's reputation and long-term growth. This enables them to focus on longer-term business opportunities rather than in the next few quarters.



Ensures the availability of high-potential future leaders

A succession plan also creates awareness about the quality and strength of your high-potential employees. High-potentials exhibit high levels of competencies in their current role and a high propensity for taking up more significant future responsibilities and challenges. Your awareness about an employee's ability to take on critical future roles makes your workforce future-ready, providing a distinct business advantage. IBM is an excellent example of internal succession planning done right.



No lengthy vacant period

Internal candidates are well-familiarized with the company's culture. Hence, they are inclined to proactively take charge and smoothen the transition from one leader to another.



Less expenditure

Having a succession roadmap is often perceived as an expense by the company. But it is the other way round. One can't prepare a succession plan overnight. It's an ongoing process that minimizes time and financial resources in shortlisting, recruiting and grooming leadership from outside when you already have a qualified pipeline of candidates internally.



Boosts retention and engagement

A succession plan offers excellent incentives to employees. If the employees understand the value accorded by their company to them, they are motivated to work toward the business goal. It improves the company's retention and employee satisfaction rate. Succession planning also attracts quality and dependable candidates from the onset.

The disadvantages of not having a succession plan

While some businesses have a definite succession plan, others do not have a structure in place.

As per a study conducted by the Canadian Financial Executives Research Foundation (CFERF), only 40% of Canadian private companies have a clear business ownership succession plan.

Such instances pose grave challenges and disadvantages to the business continuity in case of unforeseen situations. Here's how:

Uncertainty

Not having a succession plan will expose the company and its stakeholders to unnecessary risks, adding more confusion and chaos. Leaving critical roles vacant for an uncertain period may severely damage the business infrastructure.

Thinning of internal loyalty

Alienating potential successors and promoting the wrong talent due to hasty decisions will only create a volatile work environment and a lack of motivation as many may perceive the action of training of their subordinates or outsiders over them for leadership as such. A textbook example is that of P&G. It did not or was not able to promote a successor from within its ranks. Many experts and in-house veterans have claimed that choosing an outsider may have endangered the employees' loyalty.

High attrition

According to the Work Institute's 2019 Retention Report, 36% of employees quit within the first year of their work for various reasons. But according to a report by HR Drive, 75% of causes for employee turnover can be prevented. Employees want a growth opportunity in the company. If they don't see the company investing in their professional development and career advancement, they may choose to leave their jobs. Consequently, the company may end up losing a high-performing employee.

Unorganized architecture

We agree it is difficult to foresee business challenges. But in the absence of a succession plan, it is difficult to survive an evolving business landscape. For example, It's not prudent to announce someone's retirement and not name a replacement. Microsoft was in a similar position when Steve Balmer abruptly announced his retirement in 2013, without naming a successor. With a plan, neither company's structure exposes itself to such developments, nor does it reflect poorly on its fundamental responsibilities.

Misguided hiring

A succession plan lays down the fundamentals for new hires by matching them with the existing pool. But what happens when the metrics to evaluate the hires are missing? We don't blame them, but hiring managers do end up missing the red flags, taking missteps in the hiring process and hiring a bad fit. It leads to talent shortages and various other issues that exacerbate the problems.

Who needs succession planning?

It is a misguided phenomenon that only Fortune 500 companies enable succession planning. They might have implemented the process ages ago, but that doesn't mean small and medium-sized businesses don't need it. Any company can develop and execute an effective succession plan as it benefits organizations of varied sizes at numerous stages of growth. But to do the job right, one has to get a process in place.

The process of succession planning

While many companies look outside their domain for an ideal successor, we propose investing in your internal talent pool. It is likely to yield better results.

Below is an insightful, four-step-approach to help you get started with the process of succession planning.



1. Identify



Uncover key business positions

You must dig deep and elucidate all of the functional and critical roles in the organization. You must go beyond the C-suite positions and review all those departments that are in tandem with the company's vision, growth plans, and long-term health. Analyze the importance of the role and the ease with which people can be trained for that role. Ask questions like: What is the cost of mistakes in this role? Or, how critical it is to the success of your business strategy? You often find middle-management functions, R & D, market vulnerable roles to hold importance as well.



Map key competencies to build success profiles

Competency mapping in succession planning involves identifying the behavioral requirements of a specific role to find a perfect fit. Understanding the role's competencies is crucial when identifying the best talent as it serves as an objective and structured set of criteria against which potential successors are evaluated. Corporates popularly call this process 'creating success profiles' – a decision-making roadmap focussed at what is needed from a role. The success profile/competency framework highlights the necessary current and future personality attributes, cognitive abilities, behavioral preferences, and leadership skills to perform a respective role.



Identify potential successors

Once you've created a meticulous list of critical competencies, it is imperative to understand which employee from the high-potential pool is a natural fit. This process leads to the discovery of your high-potentials. A rigorous high-potential process identifies, finalizes, and validates the talent of your shortlisted candidates. One of these high potentials turns out to be your successor, whose intellect, drive, agility, and leadership potential will undertake broader and complex roles in the future successfully.

2. Assess

The process of assessment commences after the client approves of the succession candidacy and competency list. There is no shortage of skills and abilities required to be demonstrated at the highest levels. Therefore, the assessment is a more in-depth analysis of each potential successor's standing on relevant competencies. Concurrently, you must assess the shortlisted candidate's fitment in the company's culture.

Some scalable, cost-efficient and tailor-made tools to assess your successor include-

- Assessment Center and Development Center(ACDC)
- Assessment Battery: It includes assessments like:
 1. Personality Tools
 2. Behavioral Assessment
 3. Cognitive Assessment
 4. Technical Assessment
- 360 Degree Feedback

3. Plan

A real-time customized report, called the integrated competency-based report, unfolds answers to various questions that put the next step of succession planning into perspective. It has overall scores as well as tool-wise scores (optional for Assessment and Development Centers). This report can also include IDPs for the competencies identified as Areas of Development. The management now needs to decide how they plan to use the information. Would they chart a career path for the candidates, or will they nurture them for a leadership position? Would they wait for openings before advancing them through the ranks, or would they create opportunities for each individual to grow and mature? Chalk a dynamically tailored way-forward, considering an individual's current standing on the pre-mentioned competencies.

4. Act

The most significant step in succession planning is assessing its effectiveness by acting on it. Advanced analytics and post-program assessments empower the organization to track the identified successors on their standing in the readiness journey of becoming future leaders. Whether it is sharpening their skill or expanding their knowledge and capabilities, act as per the new baseline the report has generated. In case of any unforeseen or unexpected requirement of vacancies in the near future, essential job roles should be filled without delays. Only then the success of this entire process will be truly measured.

Succession planning toolkit

Ensure continuity to the leadership pipeline with Mercer | Mettl's scientifically validated approach. This integrated and effective succession planning tool identifies and prepares top talent to take on various roles and challenges essential to organizational success.

Here is an array of accurate and informative succession planning tools that can help you manage your future:



1. Personality tools

In succession planning, it is vital to gain a more comprehensive understanding of personality, which the management might not be aware of. Therefore, companies assess Personality traits that are the determining characteristics exhibited consistently despite changing circumstances. An ideal personality tool is validated and optimized to test beyond the traditional 'Big Five' framework of personality. It provides a comprehensive picture of the culture and role-fitment while evaluating the likelihood of handling integral work-related activities. It also proffers objective insights into how other people might react to the same situation. Such in-depth detail increases the possibility of making the right decisions in applied settings.

Mercer | Mettl's 'Mettl Personality Map (MPM)' measures personality via a unique and innovative 28 facet and a 4-factor structure of personality beyond its traditional framework. It reveals hidden aspects of the candidates' personality, such as whether they possess the right personality traits related to performance and compatibility in given roles or positions.



2. Behavioral assessment

A behavioral assessment tool requires candidates to demonstrate chosen behavioral competencies in one or multiple exercises that mirror actual workplace situations. It identifies and analyzes behaviors required of employees when they take the lead, professionally and socially. A behavioral tool brings clarity to how people behave at work. Hence, they combine innovation and scientific rigor to assess the role-fitment. Different types of behavioral assessments can be used, independently or in combination, for an individual's holistic overview. It includes caselets, situational judgment tests, inbox exercises to gauge an employee's mindset and potential.



3. Cognitive assessment

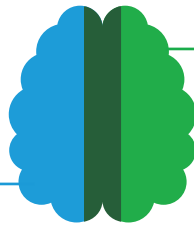
Cognitive ability is the brain's ability to undertake core tasks such as thinking, learning, memorizing, paying attention, visualizing, recognizing, organizing, and interpreting the surroundings (perception).

In succession planning, cognitive tests assess critical thinking and reasoning logic related to on-the-job performance. Through a series of complex questions, the test measures two intelligent types- crystallized intelligence and fluid intelligence.

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Crystallized intelligence

Requires one to use prior knowledge and experience to solve problems



Fluid intelligence

Requires one to apply oneself in the present situation without using any prior knowledge

When succession planning for top management, cognitive tests help measure the aptitude required by leaders to achieve excellence, aligned with business goals. Various research studies have indicated that cognitive ability predicts job performance twice better than job interviews, thrice than work experience, and four times the education level!



4. Technical assessment

For companies assessing technical roles, a technical competency framework handbook provides a detailed insight into identifying stellar IT/ non-IT skills sets. Various professional tests provide comprehensive knowledge into on-job-relevant behavior and the technical expertise required to be successful.



5. 360-degree feedback

It is advised to gather the stakeholders' perspectives, with whom the potential successor works and interacts regularly. Seeking multiple stakeholders' feedback enables them to understand others' perceptions of their readiness to take on future roles. Leveraging this information can help the employee develop an improved perspective on performance, skill levels and behavior as perceived by others. Using a multi-rater feedback mechanism, such as Mercer | Mettl's 360-Degree Feedback Survey, allows one to understand whether the concerned employee has demonstrated leadership qualities. An employee's superiors, peers, direct reports and even clients can cumulatively evaluate the concerned employee's performance. The 360-Degree Feedback Survey is easy to understand, offers intuitive insights, highlights an employee's behavioral dynamics observed on-the-job and suggests developmental steps. Competencies, survey statements and reports are all customizable.

These time-tested succession planning assessments come together in the form of comprehensive assessment batteries or full-fledged Assessment/Development Centers (ADC). ADC's are scalable, cost-efficient, and tailor-made tools that help identify your successor across various levels.



6. ADCS: Assessment and development centers

Assessment and Development Centers bring together roleplays, situational judgment tests, group discussions, presentations, interviews, simulations, psychometric and aptitude tests, and similar activities to help in making crucial people decisions. Multiple assessments provide a detailed evaluation of candidates to determine their most appropriate role. Development Center undertakes a comprehensive analysis through a blend of online and assessor-based tools. It deciphers the target audience on relevant role/level specific competencies.

The ACDC toolkit consists of virtual and blended ACDC:

• **Virtual assessment and development centers**

Virtual Assessment Development Center involves employing multiple online tools to evaluate the extent to which chosen participants display selected competencies. It is a detailed evaluation of individuals’ role fitment by assessing each person’s various aspects to be successful in the required role. With zero logistical hassles, no bias, and simple infrastructure requirements- in internet connectivity and computers, decision-makers gain a holistic understanding of the candidate through multiple lenses.

The Virtual ACDC toolkit mostly consists of:



Personality tools

Represents work-relevant personality traits using:

Extraversion- a tendency to seek the company of others and talk

Openness to experience- the degree of intellectual curiosity, creativity and a preference for novelty

Emotional stability- a predisposition to psychological stress

Agreeableness- a measure of one's trusting and helpful nature

Conscientiousness- the tendency to be organized and dependable



Cognitive ability tools

Represents work-relevant cognitive ability traits using:

Abstract reasoning- measures lateral thinking skills

Critical reasoning- measures creative thinking abilities

Logical reasoning- measure reasoning and logical thinking skills

Numerical reasoning- measures the ability to deal with numbers

General mental ability- it is a combination of logical, numerical and verbal reasoning

Verbal reasoning- understand and logically work through concepts and problems expressed in words

Attention to detail- measures the ability to sustain focus while avoiding distractions

Data interpretation- measures the ability to analyze data to infer information



Behavioral tools

Represents work-relevant behavioral traits using:

Situational judgment test- to capture a candidate's reaction to workplace scenarios

Caselets- small business cases used to test aptitude and reasoning

Business case simulators- it simulates a case study environment to test candidates’ approaches to business problems

Inbox prioritization (in-tray exercises) - to measure the ability to delegate and prioritize

• **Blended assessment and development centers**

Blended Assessment and Development Centers are a combination of onsite and online assessments. A assessors gain insightful and data-backed outcomes by expanding the means and methods of measuring a potential candidate. This interwoven scenario improves the variety of assessments available, also providing different perspectives on each outcome. Few competencies are mapped using online tools with life-like simulations while the rest are assessed basis physical activities.

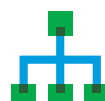
In addition to the above mentioned online tools, the Blended ACDC toolkit consists of:



Group discussion



Case study presentation



One-to-one roleplay



Competency-based interview

Each of these tools can be administered online and/or in-person, factoring in a myriad of demands of the present-day business environment. These tools are customizable for all levels of employees throughout their employee life-cycle, from frontline employees to managers and other senior positions.

Mercer | Mettl also offers a more homogeneous offering based on a standardized framework used across industries and/or seniority levels.



7. Pre-built tests

A readymade set of assessments is mapped to predefined competencies. It is not specific to any organization but caters to a standard framework typically used across industries and/or seniority levels. Ranging from elementary tests to tests that are highly specific to job roles, the pre-build tests will enable you to select the best candidates relevant to a particular role/function.



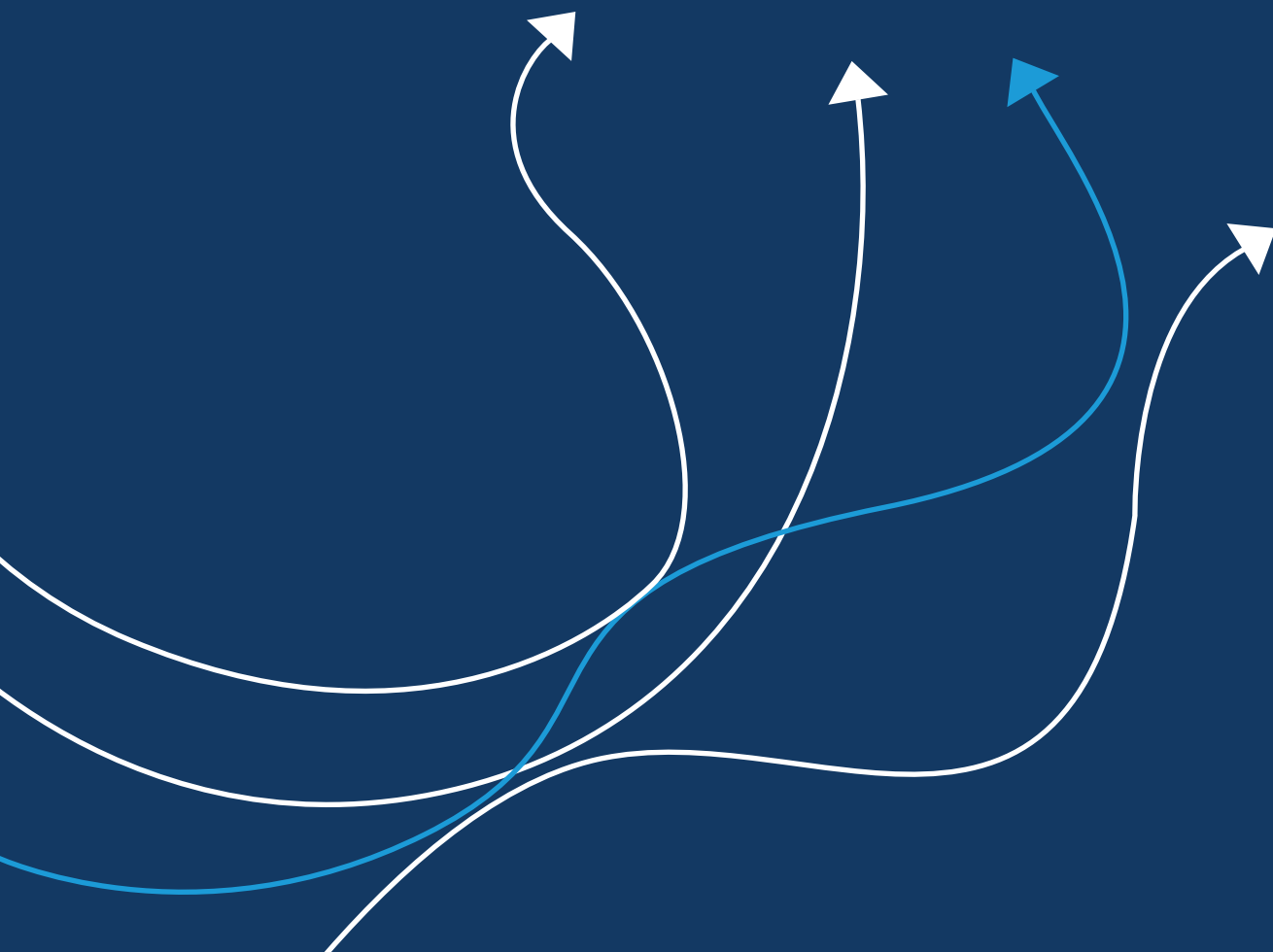
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Conclusion

Nurturing the star talent is always easier said than done. After all, you can't be that foresighted to identify the right talent and then develop them with precisely what one could think of for the future? Nor can you rely on instinct to always make promotion decisions. You will always have an ideal fill-in and fit-in, and that's too good to be true.

This is why succession planning is a requisite for every organization. It improves the choices we make about employees, business associates, top executives, and corporate leaders. It gives us the fuel necessary to deal with an unplanned crisis. At this point, the scenario we are headed toward makes it all the more detrimental to implement and accelerate succession planning. It is best to be future-proof.

As Ethan Taub, CEO of Loanry, says, “For a business, moving forward without a succession plan in place creates uncertainty. Uncertainty promotes disruption and endangers future competitiveness. The goal of succession planning is to maintain continuity and even enhance future operations.”



The Mercer | Mettl way



Mercer | Mettl is the largest and fastest-growing assessment and skill measurement company in India.

It offers various sophisticated data-backed tools to help companies identify an ideal successor. Whether it is an offering of multiple evidence-based assessments or extending tailor-made development centers to evaluate talent readiness and pipeline potential- Mercer | Mettl has a perfect cocktail of data science and psychometrics that solve significant problems related to succession planning. It is robust, reliable, and secure. A portfolio of 100K assessments per day highlights scale, 20+ languages showcase the diversity, and prompt service to 90+ countries indicates the trust built with the brand. This is due to its deep analytical rigor and specialized expertise. An in-house team of Industrial-Organizational Behavior psychologists and data scientists works toward the validation and development of every assessment, analytics, and insights.

Here's what makes Mercer | Mettl's tools world-class:

Scale

Mercer| Mettl's assessment platform is designed to maintain the sanctity of high-stakes assessments. The company has thus far conducted more than 20 million online tests, and the numbers continue to grow. Its robust technology has a proven track record of delivering results at all levels. It includes the company's recently accomplished feat of conducting over 100,000 proctored assessments in one day.

Security

Data breach, security hazards, and privacy risk are global concerns. Such issues prompt a sharper focus on regulations such as Europe's General Data Protection Regulation (GDPR) and ISO Certification to strengthen data privacy. Mercer | Mettl follows a stringent security protocol to safeguard both candidates' and clients' data. The data is hosted on Amazon Web Services (AWS), a highly secure cloud platform for storage and computation. It uses HTTPS (256-bit SSL encryption) for secure data transmission. Webcam proctored tests can also be taken on the client's systems without the need for software download. Mercer| Mettl's management provides the safety and encryption of all data.

Credibility

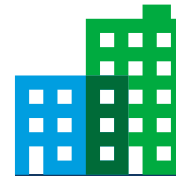
Mercer | Mettl's futuristic anti-cheating features ensure credibility, integrity and eliminate the risk of cheating by candidates. An AI-algorithm trained with more than 2.8 million proctored assessments detect up to 18 dynamic digressions with over 95% accuracy. Mettl Secure Browser (MSB), a secure browsing feature, allows hosting online assessments in a safe environment without concerns about on-screen cheating. A 3-point candidate authentication feature ensures the utmost reliability and authenticity of a candidate. Proctors available around the clock verify the photo ID against registration details and attest to the candidate's legitimacy.

Custom assessment battery & ADCS

If you're looking to build a new test according to your requirements from scratch, Mercer | Mettl's subject matter experts also help create a customized version. A comprehensive group of assessments is mapped to either the organization's competency framework or a specific role. Organizations can even get customized reports for the candidates taking the assessment — for example, highlighting an essential competency in the result.

Technology

Whether it is flagging of social desirability or stating a candidate's reliability, Mercer | Mettl uses an eclectic combination of data science and technology to enable evidence-based reports that allow making better business decisions. Instant and fully accessible reports provide granular insights into various components, such as the number of attempts, difficulty-level analysis, question-wise summary and development areas. Available via individual and group scores, the data-backed report ensures recommendations to the management concerning the candidate's efficiency for each role.



About Us

At Mercer | Mettl, our mission is to enable organizations to make better people decisions by making credible people decisions across two key areas: Acquisition and Development. Since our inception in 2010, we have partnered with 2900+ corporates, 31 sector skill councils/ government departments, and 15+ educational institutions across 90+ countries.

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