PASSING THE TORCH

A Guide to the Succession Planning Process

Wanda Piña-Ramírez and Norma Dávila
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Wanda Piña-Ramírez and Norma Dávila
To:
Frank, Nelsi, Mami, Tere,
Abuelo Lelo, Papi Rafi,
Padre Domingo

To:
Manuel and Mamma

From Us:
Yldefonso López

. . . for trusting that we could do it again
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FOREWORD


Instead of assembling an academic piece on succession planning and all the theories and methodologies pertinent to it, a task for which both authors are very well equipped, Piña-Ramírez and Dávila have chosen to put together a practical and useful road map using a generous and witty framework for anyone who acknowledges the relevance and seriousness of timely planning for business continuity and for raising a new generation of leaders in organizations.

By so doing, these two respected and very dear colleagues have positioned succession planning where it belongs, namely, as part of the business strategy of any organization whose owners or directors are serious about building organizations that last. As a result, *Passing the Torch* is a human resources (HR) and organization development (OD) guidebook that underscores the strategic dimension of the HR and OD functions in organizations, distancing those responsibilities from the mere transactions and support activities to which many professionals pretend to reduce them. This is a practical and very useful tool to navigate the strategic challenges at stake in what the authors call the “Succession Planning Life Cycle.”

Piña-Ramírez and Dávila are absolutely right when they affirm that succession planning cannot be a business afterthought. And this book honors quite well that perspective as it puts together a framework to successfully navigate succession planning from day one. Among the book’s many virtues is that it serves big corporations with relatively well-established succession-planning processes, as well as family and small businesses that might be facing the first generational relay in their history.
What I value the most about *Passing the Torch* is that it clearly distances itself from those naïve, step-by-step guides to deceptively simple and mechanical organizational processes. Instead, the authors clearly address the complicated and risky challenges at stake in succession planning: on the one hand, effective and continuous organizational communication efforts throughout the cycle; and on the other, knowledge transfer that recognizes the difficulties at stake in transferring both explicit and tacit know-how in the midst of succession efforts. Moreover, they underscore the importance of competency-based models of talent development, the usefulness of talent reviews to identify and groom high potentials, and the central role that organizational culture plays in the selection of potential successors for key positions in any organization.

As an executive leadership coach who continuously works with predecessors and successors in very diverse organizational scenarios and succession-planning experiences, I can enthusiastically affirm that *Passing the Torch* is going to become one of the most useful tools and references to help us navigate those experiences fruitfully. I commend Wanda and Norma for such an amazing work.

— Alfredo Carrasquillo

Executive Leadership Coach and Organizational Development Consultant
Professor of Leadership and Organizational Development
Director of the Institute of Leadership, Entrepreneurship and Citizenship (ILEC) at
University of the Sacred Heart
As talent professionals, we hear about the war for talent. We hear about the aging workforce. We hear about companies not having the people with the right set of skills in place. We hear about preparing upcoming generations for jobs that do not exist yet. We hear about knowledge transfer, or more often, lack of it. We hear about unexpected vacancies. In one way or another, whether or not we call it by its name, we hear about the need for succession planning.

Succession planning is, ultimately, about business continuity. With an ever-changing business landscape, including workforces distributed around the globe and frequent mergers and acquisitions, tenures in different positions are becoming shorter and the expectations for results are getting higher. An incoming leader is expected to produce results faster than ever before, optimizing the internal capabilities of all employees. Someone with specialized knowledge to perform a function that nobody else can perform (that is, a key position) has to be able to hit the ground running. To compete and survive, companies need the right people in place to get results. Fast.

Consider the following facts: 100 percent of global top companies and 72 percent of all other companies have a formal succession planning process in place (Aon Hewitt 2013). Only 38 percent of organizations surveyed by Korn Ferry (2015) include managers in their succession plans. Among those organizations without a succession plan, reasons cited for not having one include more pressing issues and the size of the company (SHRM 2011). These data validate the case for succession planning and demonstrate its value for financial and business continuity.

What could be more important than ensuring that the business stays in business?

Think for a moment if you have heard or experienced, directly or through others, anything like the following:
“With so many people out there who are unemployed and we can’t get anyone who can really take this job and run with it. And don’t even look in here—there’s no one ready to take over if Wilhelm suddenly is unable to work for whatever reason.”

“All our top leaders have been here forever. There’s a rumor that some of them are being courted by the competition. Knowing these people, they will take the others with them. What are we going to do to avoid having to go out of business?”

“If Broomzette becomes our next manager, we better start packing. She’s totally underqualified for the position, yet she seems to be the company’s best option.”

“What would happen if the airplane carrying our CFO suddenly disappears? What are we going to do? She is the only one who knows how to handle that board of directors!”

“I have worked all my life to build this business after my grandfather passed it on to me. I am getting tired of getting up at 3:30 a.m. to open the bakery. I have tried to get my children involved in the business, but they don’t even eat our products. After all these years of hard work, I may have to close it and put my 43 employees out on the streets because no one can do what I do. If any one of my children takes the bakery out of pity, it will only be a matter of time until it’s run into the ground.”

“What started out as a dream has become a reality. We just got our first contract with China! We are on our way to becoming an international business. Wait. Who else besides Terry, the purchasing agent, speaks fluent Mandarin and has all the contacts? What are we going to do if he decides to leave?”

All of these scenarios are based on our experiences as employees and consultants watching businesses grow, transform, downsize, and disappear. If you or your company can relate to any or all of them, this book is for you.

This book is written for managers, supervisors, business owners, professionals in human resources and learning and development, and all those who are interested in maintaining the continuity of the businesses that they run, own, or support, as well as of businesses to which they belong. It is also written for anyone who is interested in learning more about what succession planning is and how to do it.

Before we share with you more about our book, we will clarify what it is and what it is not.
Passing the Torch is a guide for companies to think through what they need to do to maintain business continuity, regardless of who may be moving on or cannot perform their duties for any reason. This book is also a guide for the company to work through what it needs to do, using a series of easy-to-complete templates to prompt thinking. For you, the reader, this is a workbook to use: Write on it, stick notes to it, or highlight sections that are of most value to you. Look at it as a menu to choose which chapters you need to read to meet your needs, depending on your role in the business regardless of its size.

Similarly, this book is not a theoretical piece on succession planning with an overwhelming amount of statistical data. It is not a recipe that has to be followed to the letter for the company to succeed in succession planning. Further, this book is not only directed at finding substitutes for CEOs or senior management positions; it also puts forward examples from small businesses—family-owned bakeries, car dealerships, and restaurants—as well as local government.

As your consultants, we will take you through the succession planning life cycle. Our approach to succession planning in this book is very direct. As we elaborate each topic, we include specific roles, stories, and vignettes based on our experiences (although not depicting specific individuals or businesses). You will also find in each chapter multiple questions and exercises, as well as worksheets, forms, and templates that you can adapt to meet your company’s needs. Each chapter closes with “Points to Remember.”

Ultimately, succession planning is about business continuity, and that business could be yours.

Your consultants,
Wanda Piña-Ramírez and Norma Dávila
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And . . .

Nelsi—for being our successor.

Succession planning is serious business.

—Wanda and Norma
A business case presents a summary of the organizational assessment. It is a story designed to obtain approval for a project from management. A business case establishes the connection between the business’s current state and where it needs or wants to go. It shows why succession planning is critical for the business, pointing to what needs to be done for business continuity and development.

After its approval, the business case is the document that will serve as the foundation for all the activities that will be executed as part of the succession planning life cycle. Allow ample time to design the business case, seeking the input of all pertinent stakeholders along the way. Because of the multiple levels of activity that the succession planning life cycle entails, many of them simultaneous, a business case is a valuable mechanism to communicate what the different participants have to do and by when. The business case should present succession planning as viable in theory and practice; otherwise, all the work completed so far will simply sit on a shelf.

The strength of the business case makes a difference in top management’s decisions about and support for succession planning. The challenge is to prepare a business case that uses clear company language to tell a story that gains support and approval.

There are multiple ways to present a business case. Follow the specific guidelines and practices of the company, speak the language of the audience, give them the information they need, anticipate their reactions, and foresee potential barriers.
Regardless of the structure that the company chooses to present the business case, however, it must clearly define the scope of succession planning.

An effective business case will be a powerful tool to convince appropriate decision makers or stakeholders of the need for succession planning. Regardless of the structure that the company chooses to present the business case, if it’s not approved at this stage, moving forward with succession planning is not possible. The board and CEO must be committed to succession planning.

The main stakeholders who participate in this building block are senior management and managers in general; they must be willing and able to provide data for the business case as necessary. Because L&D writes the business case, this function must also support succession planning, while HR ensures compliance with policies and legal frameworks. External consultants who provide expertise on succession planning may also be involved.

As you prepare to gather the elements of your business case, consider the example of Chris:

Chris is the director of operations for an insurance conglomerate. He thinks that his company should have a succession plan. Without telling anyone what he was doing, he spent most of the last four months working on developing a succession plan. When Chris presented the plan for approval to the board, it was rejected. Chris’s initiative had the opposite effect from what he intended: The board questioned his intentions, interpreting the plan as a brash attempt to fire them, and distrusted his capacity to do his work because he seemed to have too much free time. The end result was that the insurance conglomerate did not have a succession plan.

The main lesson from Chris’s experience: Get approval for the plan. Laying a solid foundation for succession planning through a strong business case and obtaining approval for the project prior to initiating it is crucial to avoid wasting time and resources in something that is not a priority for the business. Those at the top of the organization must champion the succession plan. Embarking on such a project without buy-in can create major career and project setbacks.

**Defining the Scope of Succession Planning**

A clear definition of the scope of succession planning increases the likelihood of obtaining the desired results. To define the scope of succession planning, the company needs to consider the following fundamental elements:
• **Positions:** The company may be interested in identifying potential successors for certain types of positions only and at certain levels, such as senior management. For instance, Tier 1, board and CEO; Tier 2, board and senior managers; Tier 3, board, senior managers, key positions, and key individuals; Tier 4, only key positions; or Tier 5, only HIPOs.

• **Level of employee potential:** Focusing on high-potential individuals allows the company to target its resources to those individuals who, most likely, will occupy key leadership positions in the future. However, including all employees in a plan allows the company to discover hidden talents along the way and builds goodwill among employees.

• **Internal or external candidates:** Looking at internal candidates for key positions will most likely yield individuals who know the business, its culture, and its politics. These individuals are also typically familiar with the requirements of the position and should take less time to bring up to speed when they start to work. They often perform better than external candidates once promoted and are less likely to leave because they are loyal to the business that helped them grow. However, it may happen that the nature or direction changed or is expected to change, and now the company does not have internal candidates ready to take the position because their skill sets don’t match. Under these circumstances, the company’s only choice is to look outside and bring in someone new, taking a calculated risk.

• **Diversity:** Many businesses depend on referrals for hires based on the premise that employees know who would fit in the culture; the downside is that many managers, supervisors, or business owners tend to look for replicas of themselves in terms of many demographic characteristics such as age, gender, ethnicity, and education. The company should ensure that its culture is welcoming toward nontraditional members and consider providing training on embracing diversity.

• **Development:** The company should decide what types of development activities it is willing and able to support. For instance, some companies establish agreements with degree-granting institutions for their employees to continue their formal education with special arrangements, such as weekend courses or intensive programs.

• **Resources:** Decisions should be made about resource allocation for succession planning based on the availability of internal resources and their capabilities. The priority given to succession planning by the board and the CEO will be a major factor in determining roles and time allocation. Contracting external resources, such as third-party service providers, may be an option.
• **Budget**: Costs are usually a limiting factor in defining the scope of succession planning, particularly when considering that developing others takes considerable time from those doing the mentoring and those receiving it.

The scope must be tailored to the company’s present and future business strategy and plan. In our experience, some companies consider including Tier 3, although they may not seek successors for all of those positions at the same time, thus establishing priorities for the positions selected. The benefit of this approach is that, regardless of the final decision about the scope of the succession plan, the defined scope becomes the foundation or blueprint of the organization. That is why defining scope is so important. Use Worksheet 3.1 to answer a series of questions in order to define the scope of succession planning.

**Worksheet 3.1: Guiding Questions to Define the Scope of Succession Planning**

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1. For which positions does (or should) the company identify potential successors (for example, purchasing managers, quality control managers, operations managers, funds drawdown technicians)?</td>
<td></td>
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<tr>
<td>2. Does the company want to focus the succession plan on key positions?</td>
<td></td>
</tr>
<tr>
<td>3. Does the company want to focus on key positions only at the senior manager level, or does it want to reach deeper into the organization to include middle managers?</td>
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<tr>
<td>4.</td>
<td>Is the company ready to have a succession plan for positions below senior management?</td>
</tr>
<tr>
<td>5.</td>
<td>Is the company considering multiple types of career paths for different positions (highly specialized technicians who are not interested in managerial responsibilities?)</td>
</tr>
<tr>
<td>6.</td>
<td>What types of career paths is the organization willing to provide to potential successors (for example, vertical, lateral, diagonal, flexible movements)?</td>
</tr>
<tr>
<td>7.</td>
<td>Does the company want to focus its efforts only on HIPOs or does it want to include all employees in the succession plan?</td>
</tr>
<tr>
<td>8.</td>
<td>Does the company build a pipeline of talent from within or does it go outside to get talent?</td>
</tr>
</tbody>
</table>
9. Does the company want to perpetuate the same (safe and comfortable) thinking or does it want to benefit from different ideas or points of view?

10. Is the company ready to look at nontraditional candidates who can make a difference in the future of the business?

11. In what types of activities is the company willing to invest to develop potential successors?

12. What kinds of internal resources does the company have to support development activities?

13. What level of financial investment is the company willing to allocate to succession planning?
Once Worksheet 3.1 is completed, the company will have a clearer definition of the scope of its succession planning. Clearly defining the scope will allow top and senior management to make better-informed decisions about the size and type of plan, thus making best use of available resources. Refer to the completed worksheet to generate additional questions about the scope of the succession plan.

The decisions that the company makes about the succession plan will have an impact on its business strategy. Once the company has defined the scope of the succession plan, that information must be included in the business case. Now the business case can be developed.

**Typical Structure of a Business Case**

To facilitate the design of a business case, review the questions provided in Worksheet 3.2.

Worksheet 3.2: Guiding Questions for a Business Case

1. Why should the board, CEO, and senior management care about succession planning?

2. Where is the company in succession planning?
### Worksheet 3.2 (continued)

3. Why does the company need succession planning?

4. What’s in succession planning for the company?

5. What does the company intend to achieve through succession planning?

6. What are the essential components of the succession planning program?
A business case usually includes several sections that build upon each other. Although these tend to vary, depending on the nature and formality of the business, there are components common to most business cases:

- **Executive summary**: Introduces the business case; the most important component, it is an excerpt of what the business case is about, written to get the attention of decision makers and get your foot in the door. Answers the question: Why should the company get involved in succession planning?

- **Context**: Describes the current business situation that was pieced together from the assessment, including strengths and gaps, and justifies investing in employee talents while maintaining a competitive edge. Answers the question: Where is the company in succession planning?

- **Purpose**: Presents the reasons for the company’s decision to embark on a succession planning program. Answers the question: Why does the company need succession planning?

- **Benefits**: Outline what the business will gain from pursuing the suggested course of action. Answer the question: What’s in succession planning for the company?
• **Objectives:** Define the results that the company wants from succession planning. Answer the question: What does the company intend to achieve through succession planning?

• **Project description:** Depicts the goals and objectives, who will be involved and their roles, what activities are planned to achieve those goals and objectives, and how success will be measured. Answers the question: What are the essential components of the succession planning program?

• **Timeline:** Illustrates the sequence of activities proposed within the timeframe established and includes the implementation schedule; gives structure to the plan by providing intermediate steps and activities and outlining who is responsible; places succession planning in time and space. Answers the question: When is each stakeholder doing what in succession planning?

• **Next steps:** Presents the specific actions to be taken to initiate the succession planning life cycle after the business case is presented and approved. Answers the question: What does the company do now?

**Points to Remember**

• Define the scope and the structure of the business case; make the business case fit the company.

• Make sure that the proposed course of action is practical.

• Speak the language of the audience.

• Ensure that the business case supports the company’s strategy.