



Succession planning: a strategy for business continuity?

Many organisations would find it difficult to recover if they lost key staff, yet have no measures in place to deal with such a situation. It is estimated that up to 100,000 businesses in the UK face closure due to the lack of an effective succession plan, according to a government study earlier this year. In recent years this risk has increased, with growing staff turnover through wider availability of jobs and a move towards flatter people structures, leaving less cover to fill key roles.

Traditionally, succession planning has rarely been considered as a strategy for dealing with a business disruption: “People? We have backup in place to recover systems and data, of course. And we have a work area recovery site, sure. But people?”

Taking a broader view of succession planning, most organisations are aware of the need for it, as a way of providing the next generation of talent to ensure their continued success. There is now widespread agreement that the ability to identify, grow and retain a stable, talented workforce can lead to a vital source of competitive advantage. And it's not just about top management roles any more - with high rates of employment and skills shortages in many areas, there is an increased need to look beyond the high-flyers and to consider the key knowledge and skills needed throughout the business.

Integrated Planning

The process involves having a clear understanding of the organisation's long-term goals and objectives, matched with knowledge of the current capability and development needs of staff and an awareness of what's happening in the labour market. Incorporating succession planning into all aspects of business takes time and effort, but there can be considerable advantages, including:

- More motivated staff
- More effective deployment
- Effective transition between roles
- Preparation for bigger roles
- Better retention of valued staff
- Broader business understanding through cross-functional moves
- Improved capability to deal with a crisis or disruption

Effective succession planning will ensure that there is always someone suitably qualified and skilled ready to fill any gaps that arise, whatever challenges the organisation faces.

However, even forward-thinking organisations may be so focused on driving the business forward that they overlook the need to ensure that the right people are being developed or recruited. If you don't have a formal succession plan, you're certainly not alone - even in the USA where there is a tradition for leading HR strategies, it has been estimated that over two-thirds of companies do not have a formal process, even though many recognise that it is a key issue for them. And among those who have made a commitment to succession planning, few have followed through with the rigorous implementation necessary to achieve the results they were seeking, according to a survey by Cutting Edge Information.



The truth is, of course, that succession planning is not easy to do and even harder to do well, especially when you are trying to address the needs of the whole organisation. If aligning your workforce with organisational goals was that simple, everyone would have done it by now. The challenges are numerous: how will it fit with other processes such as performance management, training and development programmes; how to match organisational needs to personal career aspirations and mobility; how to ensure that the assessment of staff potential is consistent across the organisation; how to keep information up to date and so on.

Essential staff

It's not difficult to see why succession planning is on the back burner for the majority of organisations. But while the key reasons for doing it are still cited as retention of staff and alignment of business and HR strategies, business continuity management is becoming an increasingly important driver for many organisations. Here are two examples to illustrate why this is the case.

John was a senior manager with almost 30 years experience. Ever present, his company relied on him heavily and, apart from running operations, he was also responsible for business continuity and was central to customer relationships. In his mid-50s, John had no plans to move on and the company was safe in the knowledge that he would be around for another 10 years or so. They knew that they would need to groom someone to take his place, but not for a few years yet.

When John died suddenly, the impact of his death was enormous. He was the person that everyone went to for help and advice, and was hugely popular. As a consequence, those around him were deeply affected by the magnitude of his loss. Not only had they lost a friend and colleague, but they were also suddenly thrown in at the deep end with extra responsibilities and more pressure than they had been used to. Customers lost confidence in the company as their key relationship, with the person who understood their needs best of all, had gone. To make matters worse, the company suffered a major disruption a few weeks later - and the person who should have been coordinating the response and business recovery was no longer there.

This story is by no means unique and most people can probably recall instances where colleagues have died unexpectedly, become seriously ill or suffered an accident that kept them out of work for a while. With hindsight, the company recognised that, had they made plans sooner, the impact would not have been as great.

Specialised Expertise

In another example, the company involved was aware of a growing vulnerability and took action to mitigate the risk. It involved Frances, an IT programmer who had developed a specialist software programme that had become business critical. As soon as the programme was reasonably robust and had been implemented, the company's dependence on Frances grew and grew. Any queries or errors were channeled through her as no-one else had the necessary level of knowledge to provide the necessary support. Procedures had not been well documented and the software had been written in a programming language that was not commonly used. The risk was highlighted while carrying out a general risk assessment.

Once the risk had been quantified, it became clear that the level of potential business disruption meant that the risk was not acceptable and they had to do something about it.



The cost of redeveloping the system to make it more user-friendly and easier to support was estimated to be several million pounds, with a long lead-time. Another alternative was an off-the-shelf package that could cope with most of the required functionality and could be developed further to meet the company's needs in full. But again the cost ran into millions. The company decided to take out a key person insurance policy that would cover the cost of buying the off-the-shelf programme in the event that anything happened to Frances. They knew that they would have to redevelop the system at some stage, but this was an effective short-term solution.

In both cases, there were many people within the company who were well aware of the level of dependence on these key staff, to the extent that they were single points of failure, and would have said so if they had been asked. However, with no process in place to flag the issues and initiate action to do something about it, nothing was said or done and everyone carried on happily with the day job.

Planning for people is certainly not as sexy as looking at state-of-the-art, high availability IT systems or resourcing work area recovery facilities. In addition, it is difficult to achieve as people are always leaving or moving around - which is, of course, one of the reasons why there is such a critical need for it.

Succession planning then, can be an effective method of insuring against key people leaving the organisation and can provide cover when people or groups of people are not available, for whatever reason. Implementing a comprehensive approach to succession is often put off because of the time, effort and complexity involved. But even if you don't go as far as implementing a formal scheme, there are a number of steps that organisations should take to ensure that they can identify single points of failure, or areas where their knowledge base is being eroded or the level of cover is decreasing.

The key steps are:

1. Identify key staff
2. Identify potential impacts
3. Review potential mitigation measures
4. Implement agreed strategies
5. Review and maintain

1 Identify key / critical staff

This should be carried out for all departments, branches, teams or whatever groups are appropriate for the organisation and can be done as part of a broader business impact analysis or business planning event. What you are looking for is not whether people are important to the business, but the extent to which skills, knowledge or relationships are unique, or cover is limited. Look at your business and think about who is irreplaceable in the short term. Are there key skills that would be hard to replace, or is there a reliance on specific knowledge held by individuals about customers, processes, systems, markets and so on? Also, have minimum levels of cover been agreed and are they being met?

2 Identify impacts

Having identified areas where there is insufficient cover, the next step is to identify what the impact might be if key staff are not available. Will any systems or processes fail? Will there be any financial impacts through loss of business or claims for compensation for example?



To what extent will customers or staff be affected, and will the organisation's reputation be at risk?

3 Review potential mitigation measures

There may already be a number of factors that can mitigate against any impacts that could result from a loss of people. Staff in other departments or at other locations may have the necessary skills or knowledge to stand in for a while. Or there may be a need for generic skills that are widely available in the market, enabling temporary staff to be brought in to cover. Other measures to consider include introducing or extending cross training or shadowing to extend cover. And detailed written procedures that can be easily followed by someone who is not familiar with them should be in place, kept up to date and available when needed. Some prioritisation of work may also be possible by identifying what can be deferred, transferred or outsourced. Key person insurance may be a cost-effective option for some staff. A quick win here is to make sure that key skill requirements are documented in business continuity plans.

4 Implement agreed strategies

With a good understanding of critical areas and potential impacts you need to decide on the most suitable and cost-effective approach to ensure that the required level of cover is in place. As with any business continuity strategy, this is a pivotal point in the process, the point at which you need to commit to investing the time and money necessary to make it happen. Talk to any organisation and they may say that they are in the process of updating procedures or that they are going to plan further training – it is essential that your strategies are translated into firm plans and delivered.

5 Review and maintain

Like any other element of your business continuity management process, information about critical staff and the measures in place to mitigate their loss, needs to be kept up to date and not just dusted off occasionally. There are many areas where changes may mean that you will have to adapt the mitigation measures you have in place, including:

- Organisational change/restructuring
- Staff moves/promotion
- Turnover/recruitment
- New products/processes/systems/legislation
- New customers/contracts/suppliers/markets
- Changes in the labour market

The process doesn't have to be complex - in fact the simpler it is the better. Done well, line managers will clearly understand the benefits, as any process designed to build in people resilience should make life less stressful for them.

Whether you are just concerned with business continuity or considering a full-blown scheme to ensure your future supply of talent, the key to good succession planning is to start small, follow a consistent approach throughout the organisation and focus on your most critical staff first. Can your organisation afford to lose its knowledge base?

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