



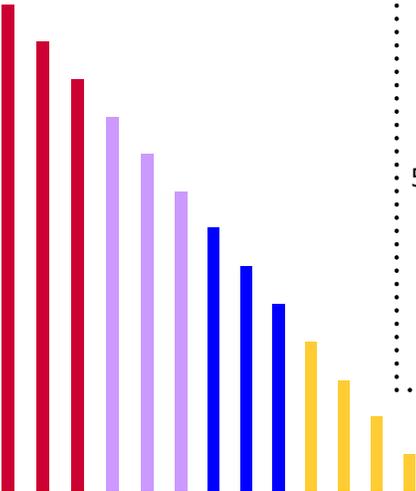
Working Group:
**Maximizing Internal Staffing
& Succession Planning**
hosted by Archer Daniels Midland
Chicago | May 15, 2019

Participating Organizations:

- Archer Daniels Midland
- Barclays
- Cardinal Health
- Caterpillar
- CDW
- Cornell University
- General Mills
- IBM
- Johnson Controls
- Medtronic

Key Takeaways:

1. Employees move to new jobs within their current organizations through more market-based internal job posting efforts or succession planning. There is, however, substantial variation in how companies execute these internal staffing practices. Companies therefore measure the effectiveness of their practices primarily through continued retention and subsequent advancement, as well as the number and strength of successors able to fill a senior-level role at a given point in time.
2. One of the biggest challenges organizations wrestle with is whether or not to let employees know that they have been placed on a succession plan. Some companies are transparent about this, both in an effort to retain employees on these plans and to provide guidance on how they can develop the skills and experiences needed to make the next move. Other companies place employees on succession plans without their knowledge, in part to avoid creating expectations for advancement that the company may not be able to meet.
3. Most organizations expect employees to initiate conversations with their managers about career aspirations and goals related to their desire to be considered for (or not considered for) the most senior roles in the company. Employees who do not communicate their aspirations risk not being considered for such roles, in part because they will not have individuals to advocate for their inclusion on a succession plan.
4. By encouraging employees to have open conversations about goals and encouraging them to pursue new internal opportunities, companies increase the risk of rejection (i.e., not being selected for those opportunities). Organizations may be able to manage rejection by providing information to valued employees about their likelihood of advancing in the future despite losing out on this particular job.
5. Despite companies' desire to fill roles with current employees, there is a time and place for considering external candidates when making hiring decisions and ultimately selecting external hires to fill jobs. Companies should strongly consider whether an internal and external hire would be a better fit for the role and how filling jobs internally versus externally impacts other employees working in the company.



Recent survey data indicate that over half of global companies are committed to investing more resources in internal hiring and advancement than they have in the past – in part because external hires are more expensive and often do not perform at the level of internal hires. Still, companies that focus their efforts on hiring internally face challenges with managing the internal hiring and succession process. In this CAHRS working group, we discussed the different strategies and practices organizations currently use for internal staffing and succession planning, the challenges and tradeoffs associated with such practices, and new ideas and approaches for companies moving forward. The key themes that emerged during the day are summarized below.

Approaches to Internal Staffing and Succession Planning

Participants spent the majority of the day discussing two primary ways in which employees in their organizations move to new internal jobs:

1. Through a **market-based internal posting system** in which employees are provided information about open job opportunities and are then able to apply for such opportunities, and
2. Through **succession planning**, in which decision-makers identify individual employees with the potential to occupy leadership roles with the organization (i.e., Director, VP, SVP, and above) and place them on a trajectory to assume those roles.

Internal advancement via market-based posting system	Internal advancement via succession planning
<i>Which employees are eligible?</i>	
<ul style="list-style-type: none"> • Open jobs below the Director or VP level are often made available to all employees. • Employees navigate an online internal job board that provides them information about the geographic and functional location of the job, a job description, and ideal candidate qualifications. They can then choose to submit an application for review. • In some cases, companies may require internal applicants to have been at the company or in their current role for a certain period of time before applying (e.g., 12 or 18 months). • There is no guarantee of being hired. 	<ul style="list-style-type: none"> • Succession planning occurs almost exclusively at the most senior levels. These jobs are often not posted when they become open, as the slate of internal candidates has been pre-identified. • There is still no guarantee that employees who are on a succession plan for a given role will eventually move into that role.
<i>How do companies track internal moves and potential moves?</i>	
<ul style="list-style-type: none"> • Applicant Tracking Systems (ATS) record how far candidates progressed in the hiring process. • Newer ATS' might also record whether or not an applicant started but did not complete an application or how long each application took to complete. 	<ul style="list-style-type: none"> • Most succession plans are kept in PowerPoint or Excel files • Some companies have implemented software tools like Cornerstone, which flag employees that are on multiple succession plans
<i>Do employees compete with external candidates?</i>	
<ul style="list-style-type: none"> • Most participants mentioned that their companies post open jobs below the Director and VP level internally and externally. • In some cases, the job may be posted internally and then externally five to 14 days later. • When jobs are only posted internally, it is often because managers already know who they want to hire. 	<ul style="list-style-type: none"> • External candidates are rarely included on succession plans. • If external candidates are hired at more senior levels, it is because the company has decided that they need a person to bring something new to the role or make more dramatic changes than would a current employee. In these cases, succession plans for certain roles will be left blank.

Current Challenges

Participants discussed a number of challenges associated with internal staffing and succession planning in their companies. These challenges are present prior to employees advancing to new internal roles, during an actual move to a new role, and following an internal move or an attempted move.

Challenges *prior* to advancement

Communicating advancement potential to employees

- Some participants mentioned that, in the interest of clarity and transparency, their companies create succession plans based on specific jobs and communicate to employees which roles they are likely to assume. Other companies are much less specific, communication to employees that they are “ready for executive position” or “highly competitive,” but not indicating particular roles so as not to increase expectations of employees they are unable to meet. Still other companies do not communicate to employees which succession plans they are on at all.
- Participants agreed that, for employees across the organization (i.e., not just those on succession plans), companies should either (a) not be open with individuals about their potential for advancement, which might decrease motivation or increase unhealthy competition among employees, or (b) provide all employees with some sort of indicator of their potential (e.g., on a scale from “valued talent” to “key talent” to “high potential” talent). There was not agreement as to which approach is preferable, nor is there academic evidence to support one approach over the other.

Communicating with employees about their own career aspirations

- Throughout the day, participants continued to stress the importance of employees engaging their managers in regular conversations about what they are actually looking for in their career at a given company. More frequent conversations about career aspirations allows for more honest conversations about advancement potential. These conversations also prevent employees from being placed on succession plans for roles they may not actually want, taking a slot from another employee that may desire to move into such a role. Open and regular conversations can, of course, be difficult to schedule due to busy schedules.
- Participants agreed that a way to assess employee aspirations prior to placing them on a succession plan is to encourage “rotation mindsets” by having employees complete project-based work in different functions. In doing so, employees are exposed to more than just one business or function in the organization and will have a better sense of whether or not they would like to be working in senior-level positions located across internal boundaries.

Increasing transparency about the mobility process and prospects

- Even if managers and high-potential employees are regularly discussing employees’ aspirations, employees are likely still not aware for which jobs they may be an ideal fit and in which areas of the organization. Participants discussed the role of the manager and additional internal resources (i.e., internal social media networks) in providing more transparency about the market-based internal process and encouraging employees to apply for roles outside of their function or department that may better match their career goals. Rotation mind-sets and project-based work might aid in increasing transparency and willingness to apply for these jobs.

Challenges *during* an advancement

Hoarding and poaching

- A big challenge for companies – and potential roadblock for successful internal hiring – is the extent to which managers either prevent their employees from leaving their current role or department to pursue new internal jobs or attempt to steal employees from other areas of the organization. Participants mentioned that managers were most likely to hoard and poach employees who are considered impact leaders or key associates. While hoarding prevents employees from acquiring new experiences and likely leads to dissatisfaction, poaching can create competitive dynamics among work groups – both of which may result in lower productivity and higher rates of voluntary exit.
- Participants discussed several approaches to managing hoarding and poaching, including creating cultures of frequent (but not too frequent) mobility in and out of roles and encouraging more cross-functional mobility so managers and employees see more potential matches in other areas of the company.
- Participants also noted, however, that hoarding is functional in some cases. For example, if an employee is currently involved in a critical project and moving would disproportionately disrupt the efforts of the project, employees are labeled “not releasable” and cannot leave until completion.

Need for internal onboarding

- Although we traditionally think of onboarding as a practice for external hires entering an organization, onboarding of internal employees may be particularly useful for increasing the likelihood that an internal move is successful. Participants mentioned that their companies mostly focus on providing internal movers with appropriate access to documentation and files, despite reports that internal employees moving to new functional areas often feel like they know as little as external hires. Creating a similar onboarding process for internal and external hires may increase the likelihood that an internal hire will feel more confident, comfortable, and supported in their transition.

Challenges *following* an actual or attempted advancement

Managing rejection

- Despite the increased frequency with which employees are rejected (at both lower-level and more senior positions), most participants discussed rejection as an often-overlooked component of internal staffing. By making open job opportunities visible and the application process simple in the market-based system, organizations increase competition for jobs and the likelihood that candidates will be rejected – potentially more than once throughout their career in the company. Even with succession planning where the slate of potential candidates is more limited, an employee may be selected for a role they expected to move into.
- Participants agreed that it is the role of the hiring manager to provide feedback for why a rejection occurred. Because that may not be realistic, however, an employee’s current manager should be involved in the process and helping the employee to make sense of the rejection and next steps for their career.
- Participants discussed ways of mitigating the potentially negative consequences of rejection, such as reframing rejection as a normative career experience that all employees face and ensuring that the same ethnically-diverse candidates are not always placed in an interview pool to meet quotas and yet still subsequently rejected.

Measuring success

- Companies use a number of approaches for measuring success of internal staffing and succession planning practices but struggle to determine which is the most useful and effective for bottom-line outcomes.
- Current metrics for success of succession planning include:
 - ◇ Whether or not the company followed the succession plan for a specific role and filled the position with someone on the succession plan,
 - ◇ Whether or not succession plans include employees from different functions, business units, or geographic areas,
 - ◇ Whether or not succession plans include gender- and racially-diverse employees, and
 - ◇ Bench strength (i.e., number of successors and successor readiness).
- Current metrics for success of internal staffing broadly include:
 - ◇ Employee retention and subsequent career moves,
 - ◇ Performance ratings in new roles, and
 - ◇ Diversity of applicant pools, interview pools, and hires for a given role.

New Insights and Approaches Moving Forward

Because the challenges associated with internal staffing and succession planning are inevitable, participants mentioned some alternative and creative methods that their companies have recently implemented. Participants hope these new approaches will benefit companies in their staffing efforts and employees seeking to advance their careers. These methods center around centralized systems for tracking mobility and directing employees to open internal opportunities.

Centralized systems for tracking staffing efforts

- Although ATS' typically record information like whether applications are internal or external and whether applicants are advanced to the interview stage or are immediately rejected, participants discussed recent developments to their systems that include even more detail. These systems include information related to whether or not an applicant began applying for a role and then stopped and how long each applicant took to complete a specific application. Such information will, for example, aid company efforts to increase diversity by tracking whether women or minority-member employees explore certain opportunities but do not ultimately submit an application. Companies may also be able to determine whether time to application completion correlates with success upon being hired.
- Most companies continue to use PowerPoint to track succession planning, which means different decision-makers are updating files at different times with little to no centralization. Participants discussed moving toward succession-planning software tools in Workday or Cornerstone that use data to recommend different successors, identify which employees are on multiple plans, and assessing where employees need additional development – accessible to managers in one secure location.

Directing employees to new opportunities

- While online internal job boards serve as a central location for employees to view and apply for open internal jobs, companies are implementing additional ways in which employees are notified of jobs and experiences throughout the organization. These include:
 - ◇ Function-specific newsletters announcing job openings,
 - ◇ Targeted emails to specific employees from business resource groups
 - ◇ Virtual and in-person internal job fairs that operate like speed dating for jobs, allowing employees to chat online or talk to someone face-to-face about an open position,
 - ◇ And automated career advisors that inquire about employee preferences for mobility and direct them to the jobs that best match their interests and qualifications.
- As is the case with communicating potential, transparency should not be overlooked when utilizing these alternative methods. If employees are being directed to open jobs via technological tools based on their skill “match” or previous experiences, they may experience greater disappointment if they are subsequently not selected for such jobs. Setting expectations around the role of technology and artificial intelligence in facilitating internal staffing is necessary for retention, productivity, and engagement of internal employees.

This Summary Report was prepared by JR Keller and Kathryn Dlugos for participants of the Maximizing Internal Staffing & Succession Planning Working Group.

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