

CHAPTER 5

Strategic Workforce Planning

LEARNING OBJECTIVES

- Understand the objectives and benefits of strategic workforce planning
- Explain the link between an organization's strategy and its workforce plan
- Gain an appreciation for the need for and value of succession planning
- Appreciate the role that mentoring can play in succession planning

Developing Talent at Procter & Gamble

Consumer goods conglomerate Procter & Gamble (P&G) has had a long, successful history based on hiring at the entry level and developing and promoting its managers and executives from within. The key to this success is the organization's Build From Within program, which tracks the performance of every manager within the organization relative to his or her potential and next area for development. Each of the organization's top 50 jobs consistently has three internal replacement candidates lined up and ready to assume responsibility. Loyalty of employees is paramount to ensuring the success of such a program, and P&G's history of grooming and training its employees promotes such loyalty. Fewer than 5 percent of the organization's non-entry-level hires come from outside the organization, and its rigorous and competitive screening process, in which fewer than 5 percent of applicants are hired, ensures that P&G hires those best suited for the organization and its culture. P&G's 138,000 employees are tracked via monthly and annual performance reviews in which managers discuss business goals, personal goals, and how they've trained others to assume responsibility. The latter is a key factor in the upward mobility of any manager. P&G prides itself in being able to fill any opening internally "in an hour." All executives are required to teach in the organization's training programs, and the CEO assumes direct responsibility for the development of the organization's top 150 employees.¹

Once the corporate and business unit strategies have been established, then the human resource (HR) strategy can be developed. The HR strategy involves taking the organization's strategic goals and objectives and translating them into a consistent, integrated, complementary set of programs and policies for managing employees.

This does not imply, however, that strategic HR is reactive in nature. Although it is derived from corporate and/or business unit strategies, HR strategy is developed in a proactive manner, with HR staff attempting to design and develop appropriate HR systems to meet the anticipated conditions under which the organization will operate. The senior HR professional, as a vital member of the top management team, should also be heavily involved in corporate or business unit strategic planning so that the top management team can include HR management concerns in its overall planning. HR needs to inform the top management team of the skills and capabilities of the organization's workforce and how they might impact strategic plans.

The first component of HR management strategy is strategic workforce planning. The second component, the design of work systems, is covered in Chapter 6. All other functional HR activities, such as staffing, training, performance management, compensation, labor relations, and employee separation, are derived and should flow from the strategic workforce planning process. When undertaking strategic workforce planning, the organization considers the implications of its future plans on the nature and types of individuals it will need to employ and the necessary skills and training they will require. The organization will also need to assess its current stock of employees as well as those available for employment externally. The key facet of strategic workforce planning is that it is a *proactive* process. It attempts to plan and anticipate what might happen in the various domains of the organization's internal and external environments and to develop plans to address these events prior to their actually happening. Rather than react to changes in the industry, marketplace, economy, society, and technological world, strategic workforce planning ensures that the organization can adapt in tandem with these changes and maintain the fit between the organization and its environment. HR planning is particularly important during periods of organizational turbulence, such as during a merger or acquisition, when labor market conditions are tight, or when unemployment is high.

Because strategic workforce planning involves making assumptions about the future, particularly the status of the economy, competition, technology, regulation, and internal operations and resources, it is critical that all strategic workforce planning initiatives be flexible. If events and circumstances materialize differently from how they are anticipated, then the organization should not be bound by prior and existing plans. Changes to any planning initiatives should not be viewed as a weakness in the planning process. Rather, they should be a positive sign that the organization is carefully monitoring its external environment and responding appropriately to any changes taking place.

To facilitate this flexibility, it is critical that key decision makers in the organization *clarify* and *write down* all assumptions they make about the external environment and the organization when developing the HR plan. If the organization has difficulty achieving its strategic objectives despite following a carefully wrought HR plan, there is a very good chance that inaccurate assumptions were made about what might happen in the future or when expectations failed to materialize.

Clarifying and writing down these assumptions make subsequent intervention and corrective action much easier. Many interventions become complicated and time-consuming because when decision makers revisit the process, the strategy seems to flow logically from the process outlined in Chapter 3. However, as previously noted, much of the assessment of the external environment involves assumptions that various conditions of the economy, technology, marketplace, competition, and regulatory environment will remain the same or change. These assumptions are often held by key decision makers but not verbalized. As a result, corrective action may be stymied because of an inability to identify the key problem.

Strategic workforce planning goes far beyond simple hiring and firing. It involves planning for the deployment of the organization's human capital in the most effective and efficient ways, in line with the organization and/or business unit strategy. In addition to hiring and/or separation, human capital management may involve reassignment, training and development, outsourcing, and/or using temporary help or outside contractors. Modern organizations need as much flexibility as possible in how they utilize human talent in the pursuit of their strategic goals.

Strategic Workforce Planning at Drexel Heritage Furnishings

Drexel Heritage Furnishings is a North Carolina-based, century-old manufacturer of premium quality furniture. To plan its workforce needs in such a competitive, volatile, and seasonally cyclical industry, the organization carefully monitors a variety of internal and external indicators. The vice president of HR carefully tracks incoming orders to monitor and project volume over the coming quarter. In addition, the Purchasing Managers Index, a monthly measure of nationwide business activity, is tracked. This index is a gauge of consumer sentiment about the economy and is based on new orders, prices, inventories, and backlogs. Additional indicators such as real estate activity—including construction activity, mortgage rates, relocations, and market prices—are also monitored by HR, as these factors can be tied to demand for home furnishings. Finally, trends in employee compensation, including bonuses and stock options, are considered, as such “add-on” compensation may be used as discretionary income for the purchase of home furnishings.²

The need to carefully monitor strategic workforce planning activities will become even more acute in the coming years. The U.S. Bureau of Labor Statistics estimates that during the current decade, the civilian labor force will increase by only 1 percent and that after that, the retirement of baby boomers will slow the growth to only two-tenths of a percent until the year 2025.³ Probably nowhere is this creating more challenges than with the federal workforce. Recent reports published by the U.S. Merit Systems Protection Board (MSPB) have determined that the federal government’s recruiting processes greatly hamper its ability to hire needed employees. With an average age of approximately 50 years, between one-half million and one million federal employees are expected to retire by 2020. Because little concerted effort is being made to replace such workers or to provide training for those who will remain after these retirements, the future looks grim. In addition, the process for hiring new employees has been found to be so cumbersome that many qualified workers are discouraged from applying for federal jobs.⁴ However, one federal employer, the U.S. Postal Service, has developed a model for human capital management that is exemplary for government agencies.

Human Capital Management at the United States Postal Service

With more than 800,000 employees, the U.S. Postal Service (USPS) has the second-largest workforce in the country. The 230-year-old post service has an operating budget of \$65 billion and has been under increased competitive pressure from organizations such as Federal Express, United Parcel Service, and Internet service providers, all of whom have eroded market share and offered alternatives to the traditional monopoly enjoyed by the USPS. Current projections are that 85 percent of its executives, 74 percent of its managers and supervisors, and 50 percent of its career workforce will be eligible to retire in the next few years.

The postal service has developed a strategy to ensure that it attracts the right people and then deploys them effectively to where they are most needed. To ensure that the best employees are retained, performance management and leadership development programs have been created to motivate and reward them. At the center of its human capital management plan are four key strategies: (1) aggressive recruitment of future leaders; (2) building of an effective, motivated workforce in which individuals and teams are recognized through a performance-based pay system; (3) establishment and maintenance of a good work environment, based on cooperative working relationships between unionized employees and management; and (4) creation of a flexible workforce that can be readily adjusted as conditions change and new needs arise.

To facilitate these goals, back-office functions have been reorganized and consolidated into 85 separate “performance clusters.” Each cluster has its own HR staff that applied re-engineering principles and technology tools to repetitive transactional service work to create

more self-service transactions for employees and managers. Performance management is being integrated into virtually every organizational initiative to ensure that rewards are commensurate with productivity. Succession planning and corresponding training and development initiatives have been established to ensure that vital skills are identified and transferred to up-and-coming employees. The Advanced Leadership Program has been developed as a premier program for high-potential future executives, which trains them to understand the strategic challenges being faced by the organization and to develop the skills that allow participants to creatively address those challenges.⁵

Objectives of Strategic Workforce Planning

There are five major objectives of strategic workforce planning, as outlined in Exhibit 5.1. The first is to prevent overstaffing and understaffing. When an organization has too many employees, it experiences a loss of efficiency in operations because of excessive payroll costs and/or surplus production that cannot be marketed and must be inventoried. Having too few employees results in lost sales revenue because the organization is unable to satisfy the existing demand of customers. Moreover, the inability to meet current demand for products or services due to understaffing can also result in the loss of future customers who turn to competitors. Strategic workforce planning helps to ensure that operations are not only efficient but also timely in response to customer demand.

The second objective is to ensure that the organization has the right employees with the right skills in the right places at the right times. Organizations need to anticipate the kinds of employees they need in terms of skills, work habits, and personal characteristics and time their recruiting efforts so that the best employees have been hired, fully trained, and prepared to deliver peak performance exactly when the organization needs them. Specific techniques for accomplishing this will be discussed in Chapter 8. Nonetheless, the planning process needs to consider myriad factors, including skill levels, individual employee “fit” with the organization, training, work systems, and projected demand, and then integrate these factors as a critical component of its HR strategy.

The third objective is to ensure that the organization is responsive to changes in its environment. The strategic workforce planning process requires decision makers to consider a variety of scenarios relative to the numerous domains in the environment. For example, the economy might grow, remain stagnant, or shrink; the industry might remain the same or become either more or less competitive; government regulation may remain the same, be relaxed, or become more stringent; technology may or may not be further developed. Strategic workforce planning

EXHIBIT 5.1

Key Objectives of Strategic Workforce Planning

- Prevent overstaffing and understaffing
- Ensure the organization has the right employees with the right skills in the right places at the right times
- Ensure the organization is responsive to changes in its environment
- Provide direction and coherence to all HR activities and systems
- Unite the perspectives of line and staff managers

forces the organization to speculate and assess the state of its external environment. Anticipating and planning for any possible changes rather than passively reacting to such conditions can allow the organization to stay one step ahead of its competitors.

The fourth objective is to provide direction and coherence to all HR activities and systems. Strategic workforce planning sets the direction for all other HR functions, such as staffing, training, and development, performance measurement, and compensation. It also ensures that the organization takes a more systemic view of its HR management activities by understanding the interrelatedness of the HR programs and systems and how changes in one area may impact another area. A coherent HR plan will ensure, for example, that the areas in which employees are trained are being incorporated into their performance measurements and that these factors are additionally considered in compensation decisions.

The fifth objective is to unite the perspectives of line and staff managers. Although strategic workforce planning is usually initiated and managed by the corporate HR staff, it requires the input and cooperation of all managers within an organization. No one knows the needs of a particular unit or department better than the individual manager responsible for that area. Communication between HR staff and line managers is essential for the success of any HR planning initiatives. Corporate HR staff needs to assist line managers in the planning process but simultaneously acknowledge the expertise of and responsibility assigned to individual line managers in considering their input to the planning process.

Developing Employees at Costco and Xerox Europe

What do a large Seattle-based membership warehouse retailer and a European division of a U.S.-based technology company have in common? Both have committed to promoting from within and developing their entry-level employees into managers. Costco promotes from within by filling 98 percent of its searches for jobs above entry level. Costco has found that training and advancement opportunities boost morale and productivity and lead to improved customer service. Because lower-level employees are the public “face” of the company, motivated workers enhance the shopping experience of members. Costco also benefits from having managers who have worked directly on the floor and know the merchandise, business, and customer base.

Xerox Europe operates a call center in Dublin, Ireland, which has employment statistics that run counter to those of the industry. Call centers are typically beset with high turnover rates due to low wages and the stresses that are inherent in dealing with unhappy customers. Xerox Europe has developed career tracks for call center employees, which attempt to counter the fundamental nature of working in a call center. Call center employees work closely with their supervisors on professional development and Xerox-provided training to enhance skills. Employees who have completed training receive preferential treatment when new positions open up in the organization. These new positions can involve either or both a promotion and a reassignment to a position that requires higher level of skills and is compensated accordingly. Call center veterans are sought after due to the fact that they have proven themselves in one of the more challenging jobs in the organization.⁶

Types of Planning

Planning is generally done on two different levels. *Aggregate planning* anticipates the needs for groups of employees in specific, usually lower-level, jobs (the number of customer service representatives needed, for example) and the general skills employees need to ensure sustained high performance. *Succession planning* focuses on key individual management positions that the organization needs to make sure remain filled and the types of individuals who might provide the best fit in these critical positions.

Aggregate Planning

The first step in aggregate planning is forecasting the demand for employees. In doing so, the organization needs to consider its strategic plan and any kinds and rates of growth or retrenchment that may be planned. The single greatest indicator of the demand for employees is demand for the organization's product or service. It is imperative, when forecasting the demand for employees, to clarify and write down any assumptions that might affect utilization of employees (new technology that might be developed or acquired, competition for retention of existing employees, changes in the production of a product or provision of a service, new quality or customer service initiatives, or redesigning of work systems).

Although there are several mathematical methods, such as multiple regression and linear programming, to assist in forecasting the demand for employees, most organizations rely more on the judgments of experienced and knowledgeable managers in determining employee requirements. This may be done through unit forecasting (sometimes called *bottom-up planning*), top-down planning, or a combination of both.

In unit forecasting, each individual unit, department, or branch of the organization estimates its future needs for employees. For example, each branch of a bank might prepare its own forecast based on the goals and objectives each branch manager has for the particular office. These estimates are then presented to subsequent layers of management, who combine and sum the totals and present them to senior management for approval.

This technique has the potential for being the most responsive to the needs of the marketplace because it places responsibility for estimating employee needs at the "point of contact" in service provision or product production. However, unless there is some mechanism for control and accountability for allocating resources, such a technique can easily lead managers to overestimate their own unit needs. Without accountability and control measures for costs and productivity, this technique can become quite inefficient as lower-level managers attempt to hoard employees without regard as to whether these human assets might better be deployed in another division of the organization. Consequently, any system of unit forecasting needs to have an accompanying program of accountability for performance based, at least in part, on headcount. This underscores the need for having integrated HR systems and programs.

Top-down forecasting involves senior managers allocating a budgeted amount for employee payroll expenditures and then dividing the pool at subsequent levels down the hierarchy. Each manager receives a budget from her/his supervisor and then decides how to allocate these funds down to the next group of managers. This technique is similar to sales and profit plans in many organizations, whereby each unit is assigned a budgeted amount and is then required to make decisions on deploying those resources in the manner most consistent with business objectives. Although this technique may be efficient, as senior management allocates HR costs within a strict organization-wide budget, there is no guarantee that it will be responsive to the needs of the marketplace. Allocations are based solely on what the organization can afford, without regard to input concerning demand and marketplace dynamics.

Unit forecasting promotes responsiveness to customers and the marketplace; top-down forecasting promotes organizational efficiency in resource allocation. Consequently, an organization can choose a planning technique that is consistent with its overall strategy. An organization whose key strategic objectives involve cost minimization can opt for top-down forecasting. An organization more concerned with change and adaptability can opt for unit or bottom-up forecasting. However, if an organization has objectives of both responsiveness and efficiency, it is possible to use both forms of forecasting and have middle levels of management responsible for negotiating the differences between the two techniques.

In addition to the demand for actual headcount of employees, the organization also needs to consider the demand for specific skills that it will require of its employees as part of the HR planning process. Changes in workplace demographics are having a significant impact on the skills that job applicants bring to an organization. Technology is also having an impact on the skills required of employees. Assessment of the demand for employees needs to consider not only numbers but also the kinds of workers who will best fit with the organization relative to personal characteristics, work habits, and specific skills.

Once demand for employees has been forecasted, the organization then has to plan for an adequate supply of employees to meet this demand. This process involves estimating the actual number of employees and determining the skills that these employees must have and whether

their backgrounds, training, and career plans will provide a sufficient fit for the organization's future plans. This chapter focuses on the internal supply of labor. Chapter 8 expands the discussion to consider external labor markets.

One way to assess the abilities, skills, and experiences of existing employees is by using a skills inventory. In the past, these inventories were usually compiled and processed manually, but skills inventories are now usually computerized databases that are part of the organization's overall HR information system. Each employee provides information on his or her experience, education, abilities, job preferences, career aspirations, and other relevant personal information. This allows an organization to gain a collective sense of who their employees are and what capabilities they have. Skills inventories must be constantly updated to be of any value to an organization. Changing employee backgrounds and preferences mandate that the skills inventory be updated at least annually.

Estimate of the existing supply of HR relative to quantity is not a static measure; rather, it is dynamic. In the majority of medium and large organizations, employees change positions and job levels constantly or leave the organization. Consequently, any attempt to assess the supply of employees needs to assess mobility within the organization as well as turnover rates. This can be done through a mathematical technique known as *Markov analysis*, which describes the probability of employees staying with the job in any job category, moving to another job, or leaving the organization over a given time period, usually one year. It uses a transition probability matrix that is established based on historical trends of mobility. Markov analysis can also be utilized to allow managers identify problem departments within an organization or positions that appear to be less desirable as reflected in high rates of turnover or low rates of retention. A sample Markov analysis is illustrated in Exhibit 5.2.

The top portion of this exhibit presents a sample transition probability matrix. For the sake of simplicity, we will assume that there are three job classifications in the restaurant: servers, hosts, and bus persons. Horizontal readings show the movement anticipated during the coming year for each job classification based on historic trends. For example, 80 percent of the current

		One Year From Now			
		Servers	Hosts	Bus persons	Exit
Current Year	Servers	.80	.10	0	.10
	Hosts	.10	.70	0	.20
	Bus persons	.15	.05	.40	.40
Analysis of Matrix					
		Retention Levels			
	Servers	80%			
	Hosts	70%			
	Bus persons	40%			
		Forecasted Levels			
Incumbents		Servers	Hosts	Bus persons	Exit
60	Servers	48	6		6
10	Hosts	1	7		2
20	Bus persons	<u>3</u>	<u>1</u>	<u>8</u>	<u>8</u>
	Total	52	14	8	16

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staff of servers would be expected to remain employed in that capacity one year from now; 10 percent will become hosts; none will become bus persons; and 10 percent will leave the organization.

The bottom half of the exhibit first shows retention levels, followed by a forecast of the supply of employees expected in each position. To calculate these values, we take the number of incumbents and multiply them by the percentages from the transition probability matrix. Summing each of the columns that pertain to job classifications allows us to determine, given normal movement, expected supply levels of employees one year from now.

After reliable estimates have been made for both supply and demand of employees, programs can be implemented to address any anticipated surplus or shortage of employees in a particular job category. In planning for anticipated shortages, the organization first needs to consider whether the shortage is expected to be temporary or indefinite. This has implications for whether the organization should hire temporary or permanent employees or even consider subcontracting work to an outside vendor. If permanent employees are to be hired, the plan needs to be comprehensive and consider the types of employees that should be recruited, whether they should be recruited internally or externally, how long they will need training to perform at acceptable levels, and how long the recruiting process has historically taken. Issues and strategies for addressing these concerns are discussed in Chapter 8.

Another important consideration is whether the individuals will need the latest skills or whether the organization requires more hands-on practical experience. The former strategy would suggest recruiting younger employees directly out of formal schooling or training programs; the latter strategy would suggest recruiting from competitors or possibly having older workers postpone retirement or work on a contract or part-time consulting basis.

If a surplus of employees is anticipated, a critical strategic issue that must be addressed is whether this surplus is expected to be temporary or permanent. The most extreme action to reduce a surplus is to lay off employees. Layoffs should usually be conducted only as a last resort, given the effects they can have on the morale of remaining employees as well as the significant economic costs that often result from large-scale layoffs. Surpluses can also be addressed through early retirement programs, transfer, and retraining of existing employees, and/or an across-the-board reduction in salaries or working hours. Exhibit 5.3 summarizes some strategies for managing employee shortages

EXHIBIT 5.3

Strategies for Managing Employee Shortages and Surpluses

Strategies for Managing Shortages

- Recruit new permanent employees
- Offer incentives to postpone retirement
- Rehire retirees part-time
- Attempt to reduce turnover
- Work current staff overtime
- Subcontract work out
- Hire temporary employees
- Redesign job processes so that fewer employees are needed

Strategies for Managing Surpluses

- Hiring freezes
- Do not replace those who leave
- Offer early retirement incentives
- Reduce work hours
- Voluntary severance, leaves of absence
- Across-the-board pay cuts
- Layoffs
- Reduce outsourced work
- Employee training
- Switch to variable pay plan
- Expand operations

Source: Adapted from Fisher, Schoenfeldt, and Shaw. *Human Resource Management*, 4d, 1999.

Avoiding Layoffs at the University of Maryland, Baltimore

The Baltimore campus of the University of Maryland (UMB) was founded in 1807, employs approximately 6,500 faculty, and enrolls more than 6,300 students in graduate and professional degree programs offered by its Schools of Medicine, Law, Dentistry, Pharmacy, Nursing, Law, Social Work, Public Health, and Graduate Studies. Like many public institutions nationwide, UMB began to experience decreased financial support from the state government, causing budgetary shortfalls, leaving it in a quandary as it attempted to maintain employment of its faculty and staff. Even with the suspension of any pay increases, UMB faced a \$2.6 million shortfall in funding to meet its payroll obligations. While layoffs would have provided an immediate solution, UMB officials felt that layoffs would have a devastating impact on morale and opted against them.

In lieu of layoffs, the university chose unpaid furloughs. Furloughs were implemented on a tiered basis by salary to minimize the financial impact on lower-salaried employees. Employees earning less than \$30,000 per year were excluded from the furloughs while higher-salaried employees were required to take two to five days of unpaid furlough leave. During the subsequent year, furloughs were replaced by across-the-board temporary salary reduction, which was again tiered to have the least impact on lower-salaried employees. Employees who participated in the salary reduction plan received an additional amount of paid administrative leave to compensate for the salary reduction. The furlough plan was developed to avoid layoffs and the salary reduction plan helped to counter the disruption that had been the result of the furlough plan. During this time, turnover at the university has not increased and university officials have pledged to restore salaries and merit and cost-of-living increases as soon as the state budget situation permits.⁷

and surpluses. Shortages are discussed in more depth and detail in Chapter 8, while surpluses are discussed in Chapter 13.

Succession Planning

Succession planning involves identifying key management positions that the organization cannot afford to have vacant. These are usually senior management positions and/or positions that the organization has traditionally had a very difficult time filling. Succession planning serves two purposes. First, it facilitates transition when an employee leaves. It is not unusual to have a departing employee work alongside his or her successor for a given period prior to departure to facilitate the transition. Succession planning aids in this process. Second, succession planning identifies the development needs of high-potential employees and assists with their career planning. By identifying specific individuals who might be asked to assume high-level responsibilities, the organization can attempt to develop key skills in these individuals that might be needed in subsequent assignments.

Although succession planning programs are relatively easy to understand in concept, actual practice shows that even though organizations realize how critical the processes are, they may fail to implement succession planning effectively. One criticism of existing succession planning models is that their timing often does not remain in synch with ongoing and evolving business needs, resulting in constant shortages or surpluses of talent. For that reason, it is critical that succession planning programs be subject to regular review and revision, as necessary, as business conditions and the organization itself change.

Traditional succession planning utilizes a relatively simple planning tool called a *replacement chart*. Replacement charts identify key positions, possible successors for each of these positions, whether each potential successor currently has the background to assume the job responsibilities, or the expected amount of time it will take for the potential successor to be ready. Replacement

Succession Planning at K. Hovian Enterprises

Red Bank, New Jersey–based K. Hovian Enterprises, is one of the nation’s largest homebuilders. The \$2.6 billion company was recently cited by Fortune as the nation’s 15th fastest-growing company. As it has acquired seven other homebuilding companies within a three-year period, senior management saw the need to develop a succession planning committee to select and approve candidates who had high potential to move the organization ahead. In assessing candidates, data are collected in confidence on each candidate that consist of detailed feedback provided by 12–14 direct reports, colleagues, and senior managers. This data report is used to assess leadership ability and potential. After a candidate is accepted by the committee, that person is notified, and he or she creates a plan for personal development that reflects his or her experience and background. Employees are expected to devote 10–20 percent of their time to their personal development plan. The company has reported successful results to date. One hundred percent of the employees who have completed the program have been promoted, whereas those hired from the outside have a promotion success rate of only 50 percent.⁸

charts are easily derived from the organizational chart and are often part of the HR information system: They can narrow in on one key position and the subordinates reporting to the individual holding that position. A sample replacement chart is presented in Exhibit 5.4.

In this example, Smith is the vice president of marketing and has three direct reports: Jones, Williams, and Anderson. Beneath the three reports’ job titles is the expected period of additional time each will need to be ready to assume the vice president’s responsibilities. The assessments of time are generally not objective. They are usually based on the opinions and recommendations of higher-ranking managers. In this example, Smith may have provided the time estimates for the three subordinates based on subjective personal assessments.

Some organizations, however, are much more systematic about their succession planning. Their replacement charts may contain specific skills, competencies, and experiences rather than subjective estimates of time-readiness. This may help to overcome problems associated with

EXHIBIT 5.4

Sample Replacement Chart

