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Title of the Master's Thesis:

**The Relevance of IT Supported Succession
Planning in the Current Labor Market.
Illustrated on the SuccessFactors Business Execution
Suite in Cooperation with TTS GmbH.**

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D e c l a r a t i o n o f A u t h e n t i c i t y

I hereby declare that the Master's Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Prague, May 12, 2014

Signature

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Abstract:

This paper analyzes the relevance of succession planning from today's labor market perspective. Consequently, it reviews the reasons, methods and limitations of external and internal hiring concluding that corporations should employ a balance of both. Research shows that succession planning provides a means for organizations to develop, retain and promote internal talent. Because succession planning often consists of opaque processes, emergency planning or unmethodical decisions, the thesis identifies whether succession software on the example of the Business Execution Suite from SuccessFactors can add value to conventional succession planning. Although this Software-as-a-Service solution does offer a variety of best practice tools, the author concludes that the success of a succession program moreover depends on systematic process and role definitions as well as a facilitating corporate culture. Secondary research, internal company documents and an expert interview support the author in finding conclusions.

Key words:

Succession planning, HR organizational management, career development, talent management software

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III List of Abbreviations

BizX	Business Execution
CaaS	Content-as-a-Service
CDP	Career Development Planning
CEO	Chief Executive Officer
ERP	Enterprise Resource Planning
GM	Goal Management
HCM	Human Capital Management
HR	Human Resources
IaaS	Integration-as-a-Service
IDP	Individual Development Plan
IT	Information Technology
KPI	Key Performance Indicator
LMS	Learning Management System
MbO	Management by Objectives
PaaS	Platform-as-a-Service
SaaS	Software-as-a-Service
SAP NetWeaver PI	SAP NetWeaver Process Integration
SFSF	SuccessFactors
SME	Small and Medium Sized Enterprise
TCO	Total Cost of Ownership
WFP	Workforce Planning

1 Introduction

Metaphorically, the global arena can be considered a playground for companies competing for the best team members. Volatile labor markets, the increasing demand for knowledge workers and a retiring workforce are among the Human Resource (HR) challenges adding fuel to the already fierce shortage of skilled labor. Consequently, companies have introduced means to keep up with high cost and performance pressures, be it downsizing and restructuring, be it the use of contingent labor or be it human capital investments. In a fast paced business environment where demographics are changing, talent management provides a sound solution to tackle today's challenges. Recruiting, retaining and developing employees are essential ingredients to increase the competitive advantage of any corporation.

1.1 Research Background

Over the years, there has been a tremendous change from paper based replacement planning to an integrated succession approach. Because corporate structures have become increasingly flatter, bottom-up succession processes are more required than ever. Multiple organizational levels have to be addressed by succession planning in order to be able to retain key employees. This development results in high amounts of talent data to be integrated and systematically managed.

Although organizations are very much aware of the crucial importance of succession planning for their success, small HR budgets induce emergency succession planning, weak bench strength and unsystematic decision taking. A state-of-the-art succession planning approach offers to mitigate the risk of high employee turnover, i.e. retaining intellectual capital and knowledge of an organization.

With the emergence of Software-as-a-Service, succession planning is on the verge of being revolutionized. Cloud computing allows for fast adaptations to market changes and full integration of talent data among various HR areas. But does information technology (IT) really add value to conventional succession planning?

1.2 Research Objectives

The thesis unites several research objectives in order to present a thorough picture of IT supported succession planning. Existing research about today's labor market characteristics will be presented and combined in order to derive the relevance of succession planning in this context. The author will examine areas such as demographics, globalization and the war for talent in terms of its implications for succession planning.

The second research objective is to examine weaknesses of conventional succession planning. Therefore, the author will analyze processes that are used by corporations to find successors.

In this regard, the paper will focus on the concept of competency models, talent maps and individual development plans.

The major research objective is to find out whether and in how far IT supported succession planning on the example of the SuccessFactors Business Execution Suite can mitigate existing labor market related risks and insufficiencies of conventional succession planning.

1.3 Research Questions

Particularly, the following four research questions will be addressed in the course of the thesis:

“What are the key reasons in today’s globalized environment for the increased relevance and implementation of succession planning processes?”

“Which challenges can arise when employing conventional succession planning processes without software support?”

“Does the Business Execution Suite from SuccessFactors provide added value with regards to succession planning in one or more of the following five areas: employee involvement, objective decision taking, data and process integration of succession planning with other talent management areas, planning and metrics and adaptability? In how far does the Business Execution Suite respond to current labor market challenges and shortcomings of conventional succession planning processes?”

“Does the Business Execution Suite include all integral parts of a succession planning program?”

After having analyzed current employment trends and weaknesses of conventional succession planning, the author intends to determine whether software can provide added value. Additionally, through the inclusion of related topics such as external hiring, training and development and internal promotions and transfers the author tries to address the paper’s subject in a comprehensive modus operandi and presents well-researched information to the reader.

1.4 Methodology

Desk research based on secondary analysis of existing documents is carried out to respond to the questions raised as well as to present and combine theoretical knowledge. Studies of literature including books, reports, articles and academic journals support the author in filtering information about succession planning characteristics and methods. Field research based on qualitative research is also in use in this thesis with the means of an expert interview to clarify the research questions. Through the collaboration with the company Team Training

Solutions Ltd. the author gets inspirational insights into the status quo of the material. However, the practical part will not be fully available due to confidential information.

1.5 Structure

In the course of this introduction, background and methodology of this thesis have been determined besides the relevance of the topic. The following first part of the paper will present current labor market trends and their impact on succession planning. The author will introduce specific technical terms and illustrate topics from different angles.

The consecutive chapter gives an overview about options for finding successors, be it external hiring, be it internal promotions and transfers or be it integrated succession planning. The presentation of integral parts of succession planning such as competency models or individual development plans should provide a deeper understanding of the status quo and is supposed to facilitate the comprehension of the following chapters. The conclusion will derive risks that can arise in the context of succession planning programs and will provide a foundation for the second part of the thesis.

Subsequently, the author will determine whether IT supported succession planning can add value in terms of both, current labor market trends and weaknesses of conventional processes. After introducing the business execution cloud solution, various topic areas will be explored. The following part of the thesis is composed of a discussion concerning the research questions and recommendations for implementing the software. The ultimate chapter presents a conclusion on the findings of the thesis.

1.6 Limitations

In order to define the scope of this thesis properly, certain limitations have to be pointed out. The analysis is objective and drawn from data out of primary and secondary sources. The thesis entirely concentrates on the Business Execution Suite from SuccessFactors with a special focus on the module Succession and Development. A Gartner (2013) study about the Magic Quadrant for talent management suites elaborates on SuccessFactors being the market leader, both in terms of the ability to execute and the completeness of the corporate vision. The research will be explained in more detail in chapter 4.1. An additional limitation is the use of primarily Germany as an economic example because it is the main target market of TTS GmbH.

2 The Importance of Succession Planning

In the course of this chapter, labor market characteristics will be determined with regards to today's employer-employee relationships and the extent to which companies possess a competitive advantage in human capital. This section will show how globalization, demographics and the nature of work collectively require clear succession planning concepts.

2.1 Definitions

The terms talent management and succession planning are integral and relevant for the thesis and will be subsequently defined to provide a sound foundation for following concepts.

Talent management and the expression "war for talent" became popular in 1997 when consultancy based research from McKinsey suggested that only the best performing employees – so called A players, the best and the brightest – would be worth to invest in. (Beechler & Woodward, 2009) The best one percent of employees tend to exceed an average worker's performance by 127 percent. (Groysberg, Sant, & Abrahams, 2008) A company's wealth does not necessarily refer to the amount and size of production facilities: a corporation is rather considered rich and a promising investment when employing people with high knowledge, scarce skills, creativity and the ability to learn and to adapt. (Ritz & Sinelli, 2011) The concept of the knowledge worker introduced by Peter Drucker describes that managing these performance-oriented employees is "essential to the knowledge worker himself as it is to society and economy" (Drucker, 1969, p. 289).

Out of vague and widely differentiated views of talent management, Lewis and Heckman (2006) identified three different research definitions: The first unit describes typical HR practices such as recruiting, development and succession whereas the second idea of talent management concerns workforce planning and the interaction of supply and demand. The third rather refers to managing and rewarding talent of either a few or many employees. Ultimately, Lewis and Heckman (2006) criticize the lack of in-depth research in the field of talent management.

For the purpose of this paper, the author adopts the definition of Hughes and Rog (2008) that talent management concerns both, philosophy and practice, whose processes ideally involve all employees. On the one hand, talent management refers to a shared company culture which appreciates each person's talents and potential. On the other hand, it concerns an integrated and strategic perspective to implement HR practices, i.e. to select, develop and to retain employees, and consequently, to boost the corporation's competitive advantage. (Hughes & Rog, 2008)

As an integral part of talent management, succession planning concerns determining key roles and ensuring the continuity of those through identifying and assessing successors. Potential replacements are equipped with skills and experience to master present and future assignments. Companies can overcome strategic and operational obstacles in the process of

aligning succession planning with the company vision. The term succession planning was primarily introduced by the French management theorist Henri Fayol in 1916: Stability of tenure is one of Fayol's 14 principles of management indicating that high employee turnover leads to inefficiency and consequently to a need for succession planning. (Stadler, 2011) (Ahmadi, Ahmadi, & Abbaspalangi, 2012) Through developing and identifying future leaders, succession planning influences and shapes the culture of an organization. (Schein, 2004) Rothwell (2002) argues that succession planning stretches besides management positions also to other key employees in sales, production and other functions. For this thesis, succession planning is viewed as an application to all corporate key positions.

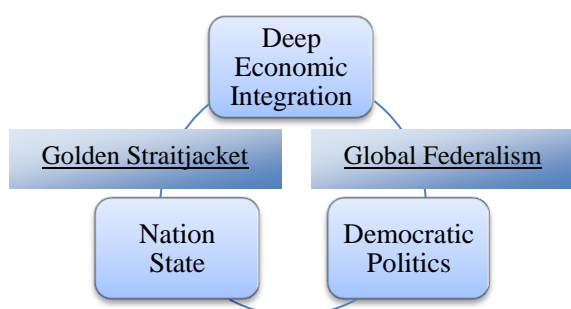
2.2 Changing Labor Market Characteristics

Numerous trends have shaped the nature of work and changed its image when comparing it to former job routines. Increased employee turnover, rotation and mobility on the one hand, more job insecurity and cost minimizing pressures on the other hand have remodeled everyday corporate life. This thesis chapter will determine the significance of succession planning in the context of changing labor market forces and the answers its processes are able to offer.

2.2.1 Globalization

“The world has gone through several waves of globalization and de-globalization since the 18th century” (Makhlouf, 2012) depending on respective levels of democratic politics, integration and state sovereignty (or nation state). Only two out of three desirable characteristics of this political trilemma of the world economy can be united which can be observed in Figure 2. If for example deep integration was merged with democratic politics, the principle of nation state would be given up as a substitute for global federalism resulting in a world without borders. Politics would not be diminished but rather relocated to a more international level. (Alesina, Spolaore, & Wacziarg, 1997) (Friedman, 1999) (Rodrik, 2000) (Rodrik, 2002) Although global economic integration is by far not achieved, this wave of globalization since after WWII has had the hugest impact of all – its scope has been only limited by minor protectionist policies. (Makhlouf, 2012)

Figure 1 – International Trilemma of World Politics



Source: Rodrik, 2000; Graph: made by the author

Globalization influences goods' prices, job characteristics and remuneration worldwide. (Makhlouf, 2012) The demand and supply for labor has been slowly altered as economic and movement barriers cease with governments engaging in an increasingly global environment. Consequently, augmented economic integration allows for low priced or even free flows of capital that again encourage Foreign Direct Investment (FDI). This brings about transferring workers, i.e. expatriates, to other countries to supervise operations and to pass on knowledge. Additionally, numerous entrepreneurs and employees change their work location because of more promising, interesting or adventurous opportunities abroad; literature calls this phenomenon "brain drain". A reciprocation forming "talent flows" takes place in case of foreigners immigrating to the expatriates' country of origin with both, knowhow and foreign market knowledge. (Kuhn & McAusland, 2006) (Beechler & Woodward, 2009) (Makhlouf, 2012) Due to abovementioned forces, globalization shifts the labor market, i.e. the war for talent, from a national to a more multinational stage where corporations face higher competition as well as cultural and ethnic diversity touching working routines and managing people. (Farndale, Scullion, & Sparrow, 2010) (Scullion & Collings, 2011)

Another global trend is the shift from product to knowledge based economies which implies that resources such as land, capital, raw materials and information can be obtained more easily than intellectual capital. (Makhlouf, 2012) (Beechler & Woodward, 2009) Like elsewhere in the developed world, Germany has mirrored a significant growth rate from 60 percent of all persons employed in Germany in the service sector in 1991 to currently 74 percent. (Bundesverband der Dienstleistungswirtschaft, 2014) Knowledge workers are the key assets of an effective and functioning organization. In this multinational environment, professionals that are ready to travel, internationally oriented and highly educated emerge under the term "global elites". Companies typically not only employ them because of expert knowhow and flexibility, but partly also to benefit from their international business connections. (Makhlouf, 2012) (Drucker, 1969)

2.2.2 Demographic Shifts

Demographic, social and cultural factors may influence mobility, diversity and access to talent and have thus a direct impact on HR strategies. One very urgent development is the partial retirement of the Baby Boom generation, i.e. people that were born between 1946 and 64. (Society for Human Resource Management, 2013) (Ritz & Sinelli, 2011) The lopsided size of this age group impacts the seniority of the general population and consequently, the labor market supply. (Beechler & Woodward, 2009) To illustrate future generational gaps, one can look at Germany's population dropping from currently 82 million to a number between 65 and 70 million in 2060. Every third person (34 percent) will be aged 65 years or older. As can be seen in Figure 1, the first demographic change will occur in this decade when both, the 30 to 49 year old and the 50 to 64 year old workers will constitute equally 40 percent of the total work force compared to the year 2009 when the latter one was tremendously smaller. (Statistisches Bundesamt, 2009)

Figure 2 – Percentage Constitution of Working Population in Germany

Age in years	2009	2017-2024
20-29	20%	20%
30-49	49%	40%
50-64	31%	40%

Source: Statistisches Bundesamt, 2009; Graph: made by the author

Due to demographic changes and longevity, problems for corporations arise firstly, from the challenge to find successors for Baby Boomers and secondly, from the proportionately older workforce that use retirement funds and health facilities. Companies might either replace these jobs with representatives of the quite big Millennial or Y generation (born between 1981 and 95) or – in case they are not confident about age and experience – with those of the smaller generation X (born between 1960 and 80). (Society for Human Resource Management, 2013) Because younger job entrants typically appreciate a healthy work life balance and flexible schedules, their values raise challenges for corporations where the number of work hours is constantly increasing. (Rothwell, 2005) The cross-generational diversity within a team can be a reason to argue or an opportunity to learn from each other. (Beechler & Woodward, 2009)

Another social trend is the increased demand for higher education. According to a study undertaken by the Society for Human Resource Management (2013), 56 percent of companies confirmed that their demand for an advanced degree will change over the next three to five years.

2.2.3 Skills Shortage

The high degree of diversity and the economic growth of developing countries foster the demand “for a distinctive type of managerial talent which can operate effectively in these culturally complex and geographically distant markets” (Scullion & Collings, 2011). Because of high competition for well educated leaders, professionals have the freedom to choose from a wide range of positions. The scarcity of leaders arises from firstly, changing demographics and secondly, a not comprehensive system to educate future managers in countries with high populations such as India and China. (Farndale, Scullion, & Sparrow, 2010)

73 percent of HR professionals confirm in a survey undertaken by the Society for Human Resource Management (2013) that skills shortage will have a major impact on the US job market until 2018. Looking at Germany, statistics show a similar trend in certain professional contexts: mechanical and software engineers with academic education on the one hand, skilled employees without university degrees in different professions such as electrical engineering, mechatronics and heating installation on the other hand are increasingly scarce. Hospitals and other health institutions look desperately for nurses and doctors’ assistants. (Bundesagentur für Arbeit, 2013)

Scullion and Collins (2011) argue that indeed, many multinational corporations encounter shortages of both, professional and managerial talent and that the latter one is especially

crucial for succeeding on a global scale. According to the Society for Human Resource Management (2013), leadership talent will continue to be scarce for the next ten years with extraordinarily huge talent gaps in areas such as mathematics, science, technology and engineering. Scullion and Brewster (2001) confirm that a lack of leadership talent is a major constraint for corporations that are internationally present.

2.2.4 Changing Nature of Work

Until the end of the 1980s, the “old economy” was characterized by a tight division of tasks, vertical decision making, clear career paths and bureaucratic procedures to voice employee concerns. Arising from its main problems of high rigidity and inflexibility to react to market changes, a transformation to more flexible, employee centered and horizontal processes followed. (Makarevich, 2013) Labor markets and the forces of supply and demand have shaped the work environment ever after, hence certain trends can be observed:

- Firstly, clear consecutive career steps within one organization are not common anymore; downsizing, outsourcing and restructuring measures have led to a reduction in middle management positions and thus, less people are available to climb the career ladder and to fill open executive positions. (Cappelli, 1999) (Kunda, Barley, & Evans, 2002)
- Higher job insecurity, volatile labor markets and rapid corporate changes reduce employee loyalty and motivation. Employees tend to demand short term gains such as high salaries because many of them question their employers’ integrity in the future. (Rothwell, 2005) (Cappelli, 1999) (Scullion & Collings, 2011)
- Contingent employment is on the rise comprising temporary and outsourced employees, contractors and consultants. (Manpower, 2009) Non-standard work includes according to Cappelli (1999) jobs with self-employed, part-time and temporary characteristics. 34 percent of employers worldwide (48 percent in the US) confirm contingent work to be an integral part of workforce strategy. (Manpower, 2009) This trend mirrors an employer’s preference for flexibility: Manpower’s research (2009) states that completing work during peak seasons is the main reason for hiring contingent workers. Kunda, Barley and Evans (2002) verify that every type of contingent employment has increased, although the share of managers, professionals and technicians has enlarged disproportionately.
- The use of technology in HR has deepened, be it for the purpose of employees’ communication in social networks and job applications, be it for employers’ online representation or candidates search. Job portals such as LinkedIn and Monster allow for tailored data analytics and sourcing of subgroups. Companies also use social media to increase employee commitment and communication. (Society for Human Resource Management, 2013) (Blumenthal, 2011) Connected to technology is the pace of today’s business environment, corporate changes and communication. Various software providers to support HR processes are available on the market offering fast solutions for decision taking. (Blumenthal, 2011) (Gartner Inc., 2013)

2.3 Conclusion on Labor Market Characteristics

The author concludes that a wide range of global trends form the reasons for the relevance of succession planning in organizations. Many companies have moved from a local to a more global environment and face increased international competition while their employees come across higher mobility and international work placements. Both, employers and employees encounter flexibility at the expense of volatile labor markets and deteriorating internal career paths. Because employees do not have the option or desire to follow predefined corporate career steps, alternative models of employment in the form of contingent work have emerged.

The forces of labor demand and supply are changing with the intensity of global competition and the rise of the service sector in developed countries. Because intellectual capital is the most sought for resource, companies face a high demand for knowledge workers as well as global elites who can support them with international contacts, market knowhow and a global mindset to stay or become internationally competitive. Consequently, the deepening skills shortage due to demographic shifts urges corporations to develop strategies to win, keep and grow talent in order to be attractive employers and preserve a competitive advantage. Arising from that, many corporations leverage technology to keep the accelerated pace of international business and HR operations.

As can be seen from abovementioned trends, actual succession planning challenges come down to one central topic which is leadership scarcity. Only one of many factors is the tremendous leadership gap produced by the currently retiring Baby Boom generation and corporate restructuring events primarily in the 1990s; the challenge is reinforced by high degrees of employee and employer flexibility that ultimately lead to low employee retention. Corporations now start to amend their course of action and identify their internal talent to be engaged, developed and grown.

Main strategic decision makers, CEOs as well as board members, allocate high importance to succession planning nowadays and in the future. (Rothwell, 2005) Arising from an interconnected and global world, succession planning is now more crucial than ever for efficient corporations to plan ahead, to have various staffing options, to foster skills and to have a distinctive competitive advantage in human capital. (Manpower, 2009) This section will derive the need for succession planning from foregone changing labor market characteristics.

Implications for Succession Planning

Because of mentioned demographic changes, research of the Society for Human Resource Management (2013) shows that the second major HR challenge in the next ten years will be developing the next generation of leaders (52 percent) after the retirement of the Baby Boom generation. Organizations need to start now to plan for future demanded skills to be well-prepared for tremendous changes in 10 to 20 years. The dramatic downsizing in the 1990s reduced the talent that organizations have available now. The age difference between today's senior managers (Baby Boom generation) and middle management (generation Y) is

tremendous and might lead to arguments unless a transparent succession planning system is in place. (Byham, 2006)

Speaking about skills shortage, succession planning is “a means to an end” (Rothwell, 2005, p. 47) ensuring that knowledge management is applied in a technologically advanced environment, i.e. that intellectual capital is fostered, retained and protected. A trend that has not yet fully arrived is the use of competency mapping in succession planning. A competency model is a set of characteristics, knowledge and skills to perform a certain role within a company. Competency mapping identifies capability gaps and can help to satisfy the requirements for present and future roles. (Naqvi, 2009) Rothwell (2005) considers competency models as a way to think out of organizational chart boxes and to increase flexibility when it comes to succession planning.

“Succession planning is changing because jobs are changing.” (Guinn, 2000) Blumenthal (2011) argues that succession planning shows a new face – changed “from a top-down boardroom exercise to an interactive, organization wide, bottom-up process”. With the changing nature of work and the need for speed, organizations require people at every corporate level to take fast decisions that are in line with company goals. Enterprise wide technology, integrated social networks, collaboration and career planning tools are necessary to follow technological advances. Especially for today’s flexible, insecure environments where neither employers nor employees pursue a lifelong corporate relationship, a state-of-the-art succession planning system with clear, easy-to-use and timely solutions can enhance a company’s competitive advantage. (Blumenthal, 2011) (Groves, 2007)

While HR lays the technical and strategic foundation for developing leadership talent and succession planning in a corporation with the help of blended learning tools, e-learning and face-to-face sessions, high participation of senior management sets standards for organizational behavior. Executives that give lectures on leadership development or facilitate action learning projects attribute high importance to succession planning and development; and so will their employees. Incentives and rewards for talent development that reinforce succession planning involvement allocate managers’ and employees’ priorities to this issue. (Rothwell, 2002)(Groves, 2007) An aspiring leader program could be incorporated allowing employees at every organizational level to develop competencies for the next higher level. (Kleinsorge, 2010) Further, scholars recommend open communication of the main reasons for succession planning in a particular organization and a transparent clear goal to increase employee engagement. As companies cannot simultaneously solve all HR challenges such as retention rates, skills shortage and the inclusion of underrepresented groups, they should concentrate on one specific aim. (Rothwell, 2002)(Groves, 2007)

The key element of a succession planning process is to align it to corporate strategy and long term goals. Thus, processes not only focus on current performance requirements but also on future essential skills. Companies often have to combine their strategies, e.g. international expansion, with their skill development processes to be able to answer internal long term demand for talent. (Aquila, 2007)

In the eve of globalization, some corporations are tempted to universally apply a one-size-fits-all succession planning approach with little sensitivity to cultural, organizational and regional issues. (Ibarra, 2006) However, managers operating internationally need to be aware of different cultural dimensions and values introduced by cross-cultural management scholars like Hofstede, Schwartz, Inglehart, and Trompenaars. (Fink, Neyer, & Kölling, 2006) In order to confront this challenge for succession planning, Rothwell (2005) suggests formulating goals centrally and communicating Western approaches of succession planning to regional leaders. Following, they are able to find their own ways while adapting to local culture and complying with national law.

3 Options for Finding Successors

As previously discussed, current labor market trends urge corporation to plan for succession. They can either focus on external or internal hiring or – as a third alternative – apply an integrated succession planning approach. It is generally known that recruiting represents an essential function in a corporation. But what are the main financial, process and performance differences between internal and external hiring? Ultimately, best practices of integrated succession planning will be explored ranging from competency maps to training and development, from the Performance-Potential Matrix to succession Key Performance Indicators (KPIs).

The concluding potential risk analysis of succession processes provides the bottom line for the subsequent chapter. Derived characteristics of today's succession planning and its alternatives will serve as pillars for the final analysis of the SuccessFactors Business Execution (BizX) Suite.

3.1 External Hiring

External hiring is an attractive option for corporations to find successors and to fill key positions. But what constitutes the motivation to hire externally and which benefits and risks are involved?

Nowadays, companies have shifted from offering lifelong employment and internal employee succession to being more dependent on external labor markets. (Cappelli, 1999) Although high skilled labor was almost entirely employed through promotions or internal transfers in the past, an increasing percentage of external hiring is used nowadays. (Royal & Althausen, 2003) Cappelli (1999) argues that corporations which switch from internal to external recruiting eliminate internal career prospects and might therefore face employee retention and motivation challenges. When other firms invest into their employees, the rise of external hiring also influences their internal labor markets as competitors might “poach away” their talent. Resulting from abovementioned developments, careers are generally more driven by external labor market forces instead of internal promotions and transfers. Nevertheless, high labor demand and skills shortage shift the bargaining power to employees. (Cappelli, 1999)

Motivation to Hire Externally

Companies hire external talent out of various reasons such as knowledge transfer, high costs of internal training and development or the wish for a fresh mindset and new ideas. Additionally, organizations that do not have an internal training and succession planning system in place often depend on external hires. (Harris, 2000)

Cappelli (2008) suggests that companies should show a balance of internal recruiting and external hiring in order to minimize costs that are related to employee training and retention. According to him, a key reason for external hires is financial disadvantages that corporations

might incur when training internal talent extensively and then losing key people to a competitor's staff pool. (Cappelli, 2008)

In the case of hiring for management positions, external recruiting saves training and development time as well as costs: In comparison to an internal candidate that needs extensive training to be ready for a higher position, an external hire might possess necessary qualifications from prior experience. (Harris, 2000) A new strategic direction and innovative ideas are additional gains in this situation. In the context of introducing new products or software applications that require expert know-how, external talent poses a beneficial alternative to internal staffing. (Dobe, 2013) Following, to get to know the organizational culture and structure is often challenging for external candidates. (Harris, 2000)

Creating and transferring knowledge that is carried by people, tools and tasks is vital for a corporation's competitive advantage. Because a significant portion of know-how that leads to exceptional performance is embedded in people, human capital is able to transport knowledge into an organization if starting to work for it. People are able to apply knowledge with the help of tools and techniques to a new context. (Argote & Ingram, 2000) Research confirms that learning-by-hiring is especially beneficial to organizations that aim at very innovative technologies. (Song, Almeida, & Wu, 2003)

External Hiring Methods

There are several formal and informal external hiring methods that enable companies to reach a wide pool of candidates: On the one hand, formal recruiting channels that are by definition accessible to all labor market participants include distributing work placement information via advertisements, be it offline in the form of newspapers and professional journals or online. (Marsden, 1994) Additionally, headhunters, consultancies, research firms and contingent recruiters also play important roles in today's labor environment because they assume the role of intermediaries between job seekers and corporate talent demand. In case a corporation aims at representing its employer brand in public, it could for example make use of the company website, open house events, career fairs, college recruiting and contact with university alumni organizations. The main advice for these networking occasions is to take time and think about how to best reach the right talent with company-required skills and background instead of mass audience. The right match can also be found in professional associations and government resources such as employment services. (Harris, 2000) (Pritchard, 2006)

An informal recruiting option is employee referrals that both reduce external recruiting costs and ensure a higher probability of organizational and job fit. Companies relying on their employees' social networks have higher chances to expand their recruiting pool by reaching potential employees that are neither present on formal labor market channels nor do they actively look for a new job. (Granovetter, 1995) (Pritchard, 2006) Because the referrer matches the company with potential employees, referrals tend to better understand the organizational environment, culture and required company-specific skills. (Marsden, 1994) (Granovetter, 1995) (Yakubovich & Lup, 2006) (Pritchard, 2006) Referred employees are usually similar to their referrers with regards to sociodemographic features, values and

behavior. (Fernandez, Castilla, & Moore, 2000) According to Baron and Kreps (1999), referrals are more content, productive and easier to retain than other externally recruited employees. Employers that leverage their employees' social capital, i.e. social networks, can yield high returns on investment. Fernandez, Castilla and Moore (2000) calculated a rate of return of 67 percent when comparing the employee referral bonus with the savings in recruitment costs. Consequently, firms using referrals can save hiring costs and reward successful referrals. (Fernandez, Castilla, & Moore, 2000) Bidwell (2011) argues further that employee' referrals get lower salaries compared to external hires because they are not paid a premium for high uncertainty and insufficient job information. Concluding, companies not only save financial resources in the recruiting process when leveraging social capital of their employees, but also spend lower salaries than if hiring externally.

A new trend of employee referrals is mirrored in the rise of social media. "Get referred" buttons and automated matching tools help companies to get even deeper access into their employees' social networks of for example LinkedIn. (Zielinski, 2013) Modern external recruiting methods also include other areas of social media: Nearly all employers in the US and Canada use online networking sites as sourcing tools; 93 percent of them prefer LinkedIn. (Anonymous, 2012) Many German companies do not control which sources their job candidates come from. As a consequence, the majority does not have statistics about the social media effectiveness although 46 percent of corporations do use several sites, preferably XING, as a means of recruiting. However, low budgets and few hours spent on social media development show a decreased interest in this topic. (Haufe Online Redaktion, 2014)

As a final form of external hiring, employers might also choose not to be actively present on the labor market supply side. They are open to unsolicited applications but do not look for talent. (Marsden, 1994)

Challenges of External Hiring

Bidwell (2011) points out external hiring disadvantages as opposed to internal promotions and transfers: firstly, externally recruited employees are likely to have lower initial performance for the first two years compared to internal recruits who already possess firm-specific skills. External hires' wages are comparably higher because firstly, employers initially do not have full information about the employee's performance and secondly, a salary premium should compensate perceived high uncertainty and new challenges. External hires are unsure about organizational and job fit and show therefore also higher probabilities of employee turnover. They have more experience from other industries and education, i.e. stronger observable characteristics that raise salary offers. (Bidwell, 2011)

Harris (2000) and Dobe (2013) point out the importance of a corporate and individual cultural fit. Companies are well advised to ensure that organizational strategy and culture as well as personal goals of the external hire complement each other. Not anticipated challenges or a mismatch can result in higher voluntary and involuntary exit rates than with internal promotions and transfers. (Bidwell, 2011)

Finally, another disadvantage of many external recruiting methods is the high financial and time-wise cost of screening in order to select the right candidates out of a huge pool of applicants. (Marsden, 1994)

As previously seen, there is a wide variety of ways to hire external talent. Companies can employ a mixture of offline, e.g. journal advertisements, and online, e.g. career portals, methods to reach the right audience. A huge amount of corporations invest into external recruiting because of various reasons, be it knowledge transfer or a fresh mindset or be it savings in training and development expenditures.

However, external recruits can implicate immense hiring costs, comparably higher initial salaries and lower employee performance over the course of two years. Additionally, recruiters are often unsure about how to identify an organization and job fit of a candidate. Arising from these reasons, many companies try to increase their internal recruiting rate by developing internal talent.

3.2 Internal Hiring

The author assumes that internal hiring is another solution for identifying talent and filling vacant positions. There is controversial research about whether internal recruiting is on the rise or declining. Some scholars suggest that internal labor markets are shrinking because of restructuring, outsourcing and flattening organizational structures. (Cappelli, 1999) (Bozionelos & Polychroniou, 2011) However, others advocate that corporations reinvest into their internal talent pool as a means to increase retention rates and employee motivation as well as to reduce external hiring costs. (Pfeffer & Cohen, 1984)

Following, the reasons why to hire internally, different types of internal mobility and potential challenges will be explained in the course of this chapter. Compared to external recruiting, internal promotions and transfers are characterized by an ensured person-organization fit, lower costs and higher initial performance of the employee.

Motivation to Hire Internally

Internal promotions arise from two reasons: they are a means to firstly, reward prior performance and thereby increasing employee commitment and secondly, allocate the right talent to certain tasks. (Waldman, 2003) Cappelli (2008) argues that recruiting all employees externally might result in a high amount of conflicts and decreasing motivation. Because internal promotions enable companies to reward, challenge and develop existing talent within the organization, Pritchard (2006) suggests posting job advertisements at first internally before publicizing them in the external labor market.

Many upper level management positions are sourced internally. Employees of the company could possess specific company related skills that are essential for higher positions. Further, an organization aims at mitigating the risk of asymmetric information: it prefers to promote people whose abilities and skills are clearly defined. (Waldman, 2003) Further reasons for

internal hiring comprise lower recruiting costs, better organization and job fit as well as higher initial job performance than with external recruiting. (Bidwell, 2011)

Types of Internal Mobility

Internal mobility includes two different options: internal promotions take place within one department in comparison to transfers, i.e. external promotions, which refer to horizontal changes to other business units. (Bidwell, 2011) (Bozionelos & Polychroniou, 2011) Benner and Mane (2011) explored during a one year long comprehensive call center study that 5.7 percent of all employees were promoted internally whereas four percent were transferred to another business unit inside of the organization. In order to provide an in-depth picture about internal hiring, the two options will be discussed in detail in this chapter.

Internal mobility is influenced by different corporate forces such as for example the bargaining power of employees or the employer, administrative rules, i.e. bureaucracy, and the importance of formal job paths and clear career development plans. (Bidwell, 2011)

Internal promotions are the most common form of internal mobility. (Bidwell, 2011) Managers selecting the candidates for promotion look at job-specific rather than general skills and typically use evaluation systems that rely on quantitative job performance. (Benner & Mane, 2011)

Successors that are to move to other departments or business units are selected according to rather general skills such as teamwork. To determine the work quality of potential transfers, more comprehensive performance measurements are applied. (Benner & Mane, 2011) Transfers usually have spent more time in higher level management positions of a company, possess more experience and therefore receive higher salaries than those promoted internally. Research shows that transfers still perform better than external hires and incur lower costs. If they perform well in new role, they are quickly promoted. However, if performance does not conform to set standards, transfers are dismissed which leads to a higher involuntary exit rate than internal promotions. (Bidwell, 2011)

Workers who are simultaneously promoted and transferred generally show lower performance than in other kinds of internal mobility. They often lack specific task-related skills and have to face high uncertainty which in turn influences employee performance. (Bidwell, 2011)

Challenges of Internal Hiring

The predominant danger of internal hiring is the high potential of “employee cloning”, i.e. copying of existing skills, abilities and mindset. Many corporations therefore try to employ people with a variety of backgrounds, skills and behaviors. (Mueller & Baum, 2011) A phenomenon directly correlated with this is homosocial reproduction, a term that was introduced by Kanter (1977). It describes the tendency of an individual in any corporation to trust people who are similar to him or her in terms of status, sex and family background. (Kanter, 1977) Without clear succession steps and reasoning, leaders tend to nominate successors that are similar to them. (Rothwell, 2005) Homosocial reproduction can lead to

exclusive circles excluding those who do not conform. (Kanter, 1977) Clear internal promotion and transfer rules as well as transparent consecutive steps in the process enhance the feeling of equity and employee motivation. (Pritchard, 2006) This process also helps to make internal recruiting processes more transparent so that employees can understand the reasoning behind the selection and do not become jealous of the new manager. (Lammers, 2004)

Internal hiring sometimes is considered to be more difficult than external recruiting because the former position of the hire has to be filled which can have a domino effect on various employees. Further, it also reduces the amount of potential available candidates opposed to external hiring. (The Hindustan Times, 2006)

In case of internal recruiting, employees are usually not used to higher positions and therefore need some transition time to their new roles. It is crucial for their managers to apply a leadership style that conforms to the situation. If the supervisor exerts too much power and restricts the competencies of the recently promoted manager, employee creativity, the feeling of security and motivation could be decreasing. In comparison, if expectations were too high with little supervisor support, the new manager would get frustrated. (Lammers, 2004) As mentioned previously, an additional risk of internal hiring is the danger that other companies poach away internally developed employees resulting in high training and development costs and a negative return on investment. (Cappelli, 1999)

Based on Cappelli (2008), the author agrees that companies can benefit from a balance of external and internal hires. The author assumes that the ratio, however, depends on the priorities of the company. For example, if a corporation primarily appreciates a person-organization fit and low recruiting costs, executives can put more weight on internal hiring. In comparison, in case that corporations focus on learning-by-hiring, innovative mindsets and low cost of training and development, they are inclined to hire relatively more employees from outside of the organization. Nevertheless, no organization should hire exclusively external or internal talent.

3.3 Integrated Succession Planning

Compared to internal hiring, succession planning involves multiple HR practices and interconnects to a variety of talent management areas. This section will at first present theories on succession planning whereas the practical applications will be discussed in the further course of the chapter. Finally, the author will determine in how far companies actually apply succession planning and define the risks involved.

3.3.1 Succession Theories

Because succession planning has become an integrated process, one model cannot be universally applied; company leaders have to find the best fitting system and adapt it individually to their needs, structure and program priorities. The following theories of succession planning are of high relevance:

The Common-Sense theory of succession suggests that replacing management due to inefficient operations will result in performance improvements and increased effectiveness. Good performance does not require any management changes. Advocates of this theory state the positive change of organizational output as the key reason for succession planning. (Guest, 1962)

In comparison, Grusky (1960) introduced the Vicious-Circle theory of succession planning arguing that administrative succession disrupts structures and relationships in all corporations. Frequent leadership changes have a reciprocal effect on performance and lead to less employee motivation. The successor is often isolated from colleagues and finds him or herself in a vicious circle. Because new management tends to alter known bureaucratic procedures, people are afraid of changes. Through replacing employees whom the successor can trust and communicate with, he or she has the opportunity to overcome the vicious circle. (Grusky, 1960)

In response to Grusky, advocates of the Ritual-Scapegoating theory contend that management succession does only have a limited effect on the performance of a team or corporation. Powerful leaders will find a scapegoat to blame for poor performance. Gamson and Scotch (1964) introduced the example of a baseball team: in case that a field coach takes the responsibility for poor performance and is dismissed in an act of ritual scapegoating, hopes of the team and the fans are high that a new manager will lead to better results. However, there would not be any difference in performance under the old and new manager if the “slump-ending effect” was balanced. In the long run, administration and corporate policies are more important to ensure excellent performance than replacing individual managers. (Gamson & Scotch, 1964)

Another theory divides succession planning into four phases. The first sector describes succession contingencies that include among others organizational structure and industry characteristics whereas the second area refers to events initiating the need for succession planning (i.e. succession antecedents). The succession event and the choice of the candidate take place which are instantly followed by succession consequences. (Lynn, 2001)

The Leadership Pipeline model analyzes seven career stages within an organization which each concern various areas and complexities of leadership. While every stage takes on average three years to complete, leadership development challenges differ at each level and need to be addressed diversely. It is suggested to fill the leadership pipeline at all stages in order to avoid talent shortages and to have a vast pool of candidates to choose from for

present and future leadership positions. Leaders progress through several stages with continuous training and development. One weakness of the model is its focus on larger organizations that have large HR budgets. (Charan, Drotter, & Noel, 2011)

The Acceleration Pools model advises corporations to group high potential employees in order to prepare them for executive positions. Each candidate has a mentor and a wide learning experience with the help of task forces and action learning. Development Action Forms are filled in for each of the training areas to encourage candidates to apply skills and knowledge in a practical way. Pools can be organized according to functional areas or management levels. (Byham, 2002)

The Seven-Pointed Star model was introduced by Rothwell (2005) who developed seven steps to implement a succession planning program successfully. The first task is to make the commitment, i.e. to demonstrate the need for the program and formulate a mission statement as well as an action plan. Following, it is essential to assess current key positions and their competency requirements. The third step is to determine individual actual performance and establish talent inventories. The subsequent steps are to estimate future work requirements as well as future individual potential in order to find out how to close the development gap. The final step is evaluating and improving the program after its implementation. (Rothwell, 2005)

Concluding, several theories are presented in this chapter: from generic succession planning about the question whether managerial changes disrupt or positively influence a corporation's performance to models that offer subsequent steps to be applied in practice.

3.3.2 Integral Parts of Succession Planning

After having concluded the presentation of succession theories the author presents crucial elements of succession planning. State-of-the-art succession planning processes combine several theories and offer solutions that have proven to be successful.

3.3.2.1 Competency Model

McClelland (1973) questions the direct link between intelligence and job performance by arguing that good scores in intelligence and aptitude tests do not necessarily correlate to professional success. He states like many scholars today that assessing job competencies is more relevant to future performance because they critically differentiate top from average performing employees. (McClelland, 1973)

A competency is seen as capability or ability; it is a set of behaviors that construct the underlying intent. (Boyatzis, 2008) A job competency is defined by Boyatzis (1982) as an underlying characteristic of an employee causally related to superior performance at work. Competencies refer to habits, motives, traits, skills, self-image, social role and knowledge. The best job performance can be achieved when the needs of a certain role and the organization match with a person's talent whereas the latter one consists (according to the

behavioral approach to talent) of competencies, values, knowledge, career stage, interests and style. (Boyatzis, 1982) Scholars differentiate cognitive competencies (e.g. systems thinking) from emotional intelligence (e.g. self-awareness and self-control) and social intelligence competencies (e.g. teamwork). (Boyatzis, 2008) A series of studies showed that people can sustainably change emotional and social intelligence competencies that primarily differentiate top from average performers. (Boyatzis, Stubbs, & Taylor, 2002) Adopted from Katz and Kahn (1966), the following four areas of competencies exist: functional expertise, managerial skills to operate resources, human competencies to utilize and develop human capital and conceptual thinking. (Katz & Kahn, 1966) Guinn (2000) argues that today's future-oriented employers depend on key players that possess competencies like the flexibility to change, an entrepreneurial orientation, the ability to build relationships and problem solving skills. Additionally to these basic requirements for all internationally operating companies, competency models also describe specific corporate strategy related skills. (Guinn, 2000)

Competency mapping is used across several HR functions describing specific competencies that are pillars for excellent performance in a given job. In comparison to traditional job descriptions, the focus of a competency model lies on characteristics of people that fulfill tasks and not on the work to be done. (Naqvi, 2009) This model includes all competencies necessary for performing a certain corporate role; it defines the competency and describes its practical application on the job. (Guinn, 2000) Competency mapping can be used to identify competencies needed and available and to close the gap between them. (Naqvi, 2009)

Competency models should be integrated in today's succession planning practices. Distinguishing between outstanding and average performers can be undertaken in a straightforward process by comparing job competency requirements and the individual assessment. (Naqvi, 2009) (Rothwell, 2005)

3.3.2.2 Competencies Assessment

As soon as companies state strategic objectives and link them with competency models and requirements for various work placements, the performance and potential of individuals has to be assessed. (Guinn, 2000) To see whether employees are able to master current and future roles, talent reviews in form of assessment centers, objective testing, behavioral event interviewing, 360 degree feedback and other multi-rater evaluation are applied. (Guinn, 2000) (Rothwell, 2002) (Stadler, 2011) Talent gaps are identified when comparing the individual competency assessment with the competency model. Following, the resulting gap analyses provide the base for targeted development programs. (Guinn, 2000) The outcomes are inserted in individual talent profiles of employees that eventually constitute the talent inventory of a corporation. (Galbraith, Smith, & Walker, 2012)

Concluding, competency mapping offers a variety of benefits, such as accurate training and development needs identification and gap analyses, and provides therefore the foundation for a successful succession planning approach.

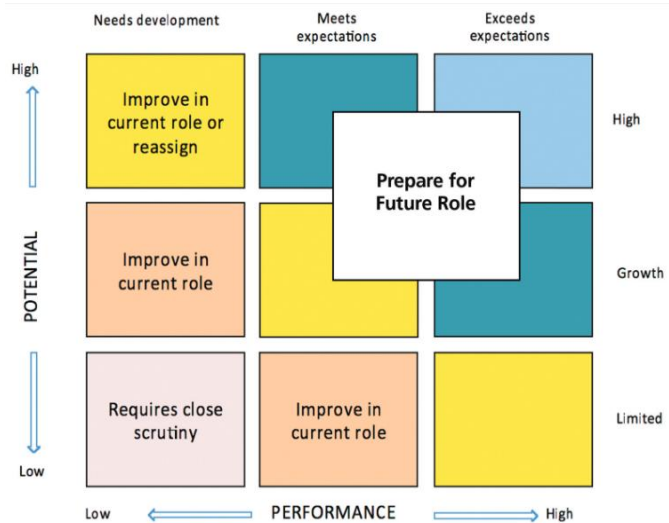
3.3.2.3 Talent Map

The outcome of talent assessment and reviews can be a talent map that supports corporations in matching employees to talent pools and succession plans. “The nine box” groups employees according to two dimensions, namely their current performance and future potential. (Stadler, 2011) A person who exceeds performance expectations is not necessarily a high potential employee for the future. A common situation describes an excellent sales person who is considered to automatically have a lot of potential ensuring future job performance. However, once this person gets promoted to a leadership position, the performance might decrease because he or she is not ready, willing or able to grow. A mistake that many companies make is that they inadequately define competencies that are important to them; consequently, managers only evaluate their direct reports according to present performance and leave out corporate and job specific competencies. One way to predict potential more objectively is to ask for feedback from colleagues, managers and customers. (Lagunas, 2012) Another approach called Global Assessment is to ask senior managers about their opinions on who of their direct reports has potential for new assignments. In comparison, Success Factor Analysis refers to traits that are important for the organization’s success. If individuals possess these characteristics according to critical incidents interviews or individual potential assessment forms, they are considered high potentials. (Rothwell, 2005)

The nine box grid or talent map provides a snapshot of available talent within a certain group of employees, e.g. an organizational level. (Stadler, 2011) McKinsey consultants developed the framework in the 1970s on the example of the growth share matrix from the Boston Consulting Group. The outcome of the matrix should be to know where and how to best invest financial resources. (McKinsey & Company, 2008)

As can be seen in Figure 3, the matrix is straightforward and at first sight easy to operate. It usually involves an open dialogue among managers to ensure more objective ratings than with only one decision maker. (McCarthy, 2007) After having successfully assessed potential and performance of employees, the actions to follow are set. Employees above the diagonal should be prepared for future roles with training and development because they constitute high potentials.

Figure 3 – Performance-Potential Matrix



Source: (Sparrow, Hird, & Balain, 2011)

Critics of this model say that it is difficult to define the decision criteria for future potential clearly and accurately. Additionally, many companies make the mistake to directly link excellent present performance to potential for the future. (Sparrow, Hird, & Balain, 2011)

With the help of talent maps, some organizations use the concept of talent pools. By definition, they represent groups of employees that are prepared for higher responsibility and placed under an organizational level without being necessarily tied to a certain position. (Anonymous, 2006) Companies that invest into talent pools increase the number of potential successors and have several candidates to consider in case of a succession event. (Sparrow, Hird, & Balain, 2011)

3.3.2.4 Individual Development Plan (IDP)

Investments into training and development deliver benefits to employers and employees: on the one hand, they ensure employees' progress ultimately benefiting the future development of the corporation; on the other hand, employees nowadays value opportunities to develop themselves. Cappelli (1999) explains the change in the following way: in former times, employees primarily wanted jobs that delivered high security to them but nowadays, they feel a responsibility for their own job security and prioritize therefore development opportunities when choosing an employer. Employee loyalty is linked to education, work challenges, mentoring and the chance to grow. (Naqvi, 2009)

From these and other circumstances, the need for training and development can be derived. Effective tools to develop competencies for current and future roles and to narrow down talent gaps are Individual Development Plans (IDPs) describing learning activities as well as in-house leadership programs that often constitute a combination of on and off-the-job training modules. (Aquila, 2007) (Rothwell, 2002) (Groves, 2007) (Ahmadi, Ahmadi, & Abbaspalangi, 2012) The development strategy must be entirely focused on the competency in order to ensure sustainable success. Rothwell (2005) distinguishes between generic and

corporate culture-specific development strategies: a generic strategy works with literature and other resources available on the market whereas the latter one focuses on interaction between an expert in one area and the learner. Examples of corporate culture-specific learning are shadowing and mentoring programs as well as expert interviews or just watching an expert perform his or her role. (Aquila, 2007) (Rothwell, 2005)

Rothwell (2005) argues that competency models and IDPs should also be based on corporate values – besides competencies – in order to add an ethical component to training and development. The leadership of the future includes moral standards that should be aligned with the corporate image. Regular reviews and tracking of the employees' progress are essential components to make IDPs as efficient as possible, to consequently maximize return on investment and to ensure long term success. (Naqvi, 2009) Continuous feedback to employees is a pillar that increases employee motivation and retention rates. (Aquila, 2007) (Rothwell, 2002) (Groves, 2007) (Ahmadi, Ahmadi, & Abbaspalangi, 2012)

Because of the frequent emergence of enticing employees away, Cappelli (2008) says that companies should preserve investments into employees (in the form of training and development) by balancing their own interests with the ones of their employees; i.e. to offer more responsibilities and open vacancies to them. Following, employees will be less inclined to consider working for a different company.

3.3.2.5 Key Performance Indicators of Succession Planning

When companies apply talent management methods such as succession planning, they often need to present quantified evidence of their investments' outcome. Talent scorecards also called people balance sheets provide a short overview of talent management practices and the status quo of quantitative and qualitative metrics. (Talent Institute, n.d.)

When setting up a succession planning system, management urges to evaluate its results with the help of some or all succession KPIs which are presented as follows:

- The percentage of positions filled by internal candidates
- The retention and performance difference between internal and external hires
- The percentage of internal transfers
- The percentage of internal transfers and promotions that have been on the succession plan
- The percentage of promotions that left out one organizational level
- The percentage of open positions that have been predicted successfully
- The time to fill an open position
- The readiness of nominees
- A comparison of skills at the beginning and the end of a year, i.e. the skills gap filling process
- The cost saved by having increased internal hires
- Return on investment of succession planning. (Aquila, 2007) (Rothwell, 2002) (Groves, 2007) (Ahmadi, Ahmadi, & Abbaspalangi, 2012) (Sullivan, 2008)

3.3.2.6 Summary

When applying a systematic succession planning approach, the first step is to define competency models for the organization and specific work placements. Competency models provide a foundation for measuring employee performance against the requirements and help to identify a corporation's talent inventory. Subsequently, firms evaluate their employees' potential with the help of one or more tools. Current performance and future potential of a number of employees can then be graphed in a 9 box matrix to identify different talents in the organization. High potentials can be grouped in talent pools under a certain organizational level to build a leadership pipeline so that managers can choose among various candidates for a vacant position. Building on gap analyses, employees are then offered training and development, often in the form of IDPs, to decrease the difference between current performance and current or future role requirements. Individual performance and the efficiency of the succession planning system are evaluated with the help of KPIs to be able to review and improve the current system.

3.3.3 Risks of Succession Planning

After having analyzed the components of succession planning the author will now present risks of conventional succession planning processes. These range from non-existent plans to failures in decision making and organizational support. This section will include the application of state-of-the-art succession programs in practice.

The 2012 Succession Survey presents results of more than 1,000 respondents from 509 multi-owner firms in the US. Although almost 80 percent of the interviewees acknowledge the pressing need for succession planning, 46 percent of the companies have actually developed a written, approved plan and only half of those have officially introduced it. Because owners of smaller corporations plan for their own departure when they see the need for it, they typically are less likely to develop formal succession processes. While larger firms plan to transition ownerships and clients internally, smaller firms still consider other options such as sales or mergers. The major challenge of succession planning for 42 percent of all respondents is that younger managers might not be perceived as ready for senior positions. Other problems concern conflicting personal goals and the lack of ownership agreements or regulated retirement ages. (AICPA, 2012)

In Germany, a succession survey was undertaken in 2012 including 459 respondents in health institutions. Only one third of the surveyed organizations do have succession plans in place whereas larger organizations tend to have more specific processes than smaller ones. 85 percent of them employ a combination of external and internal recruiting to find adequate candidates. For internal hiring, corporations tend to have regular employee feedback talks (68 percent), talent and potential matrices (66 percent) and leadership programs (63 percent). Around 70 percent of all organizations appreciate the contribution of succession planning to higher employee retention rates. (Contec, 2012)

54 percent of US companies do not have a succession system in place resulting in an inadequate risk management for the future. Doing business without clear succession steps can ultimately lead to business disruption and decreasing effectiveness. This chapter derives the main risks that can occur in conventional succession planning practices including subjective decision making, opposing corporate culture and timing challenges.

Employee Involvement and Development

If the succession planning system is not supported by an encouraging company culture that promotes its importance, the system might collapse or not thoroughly be executed. Rothwell (2005, p.142) states that “the CEO’s role in the success of a succession planning and management program is a make-or-break proposition”. In order to ensure a successful succession planning program that is taken serious by all employees of the organization, senior executives and the chief executive officer (CEO) should demonstrate their support. (Rothwell, 2002) (Groves, 2007)

Further, conventional methods pay high attention to details and therefore directly focus on job descriptions and associated requirements of a work placement. This trend leads to a backwards looking strategic approach that aims at filling vacancies. The result is a danger to work more detail and less strategy oriented. (Guinn, 2000) Hired employees might then have little incentive to think outside of the box or go the extra mile. However, if succession planning is aligned with the strategic vision and future goals of a corporation, processes will look more towards the future. Therefore, succession planning involves key competencies and skills that are needed to master future accomplishments. (Guinn, 2000)

Other parts of the organization can also limit the effectiveness of a succession program: Sometimes, current managers hinder employees from internal promotions and transfers for own advantages. Nominators might even hide their key employees in order to ensure continuous performance. Further, employees might not be asked about their career aspirations and future plans. A lack of employee involvement can lead to low motivation and retention rates. (The Hindustan Times, 2006) (Byham, 2002)

The contemporary approach of succession planning not only includes identifying the right people but also training, developing and transitioning leaders into their new roles. (Kleinsorge, 2010) If successors do not feel ready for the new role or cannot fulfill job requirements, development needs have not been assessed accurately. (Rothwell, 2005) Companies might use a universal approach to training and development without allowing for individual strengths and weaknesses. Many organizations focus on one development area, such as experiences, and do not invest into for example skill development, knowledge and experiences. Other corporations have a backward approach to succession planning in order to solve already known problems; however, future-oriented training is more important. (Byham, 2002) As a consequence of abovementioned mistakes, employees might leave the company because of the wish to develop themselves further in another corporate environment. (Byham, 2002) (Rothwell, 2005)

Some companies might even have assessed talent gaps and consequently the needs for training and development accurately: they develop IDPs and then do not put them into action. A high amount of IDPs is not followed through; be it because of a lack of time or be it because the supervisor is unsure about his or her responsibility in encouraging the employee. (Byham, 2002)

Decision Taking

Companies with high employee turnover, especially of high-potentials, can use succession planning to increase retention rates. (Naqvi, 2009) According to Rothwell (2005) decision taking might seem difficult from both angles: decision makers face problems due to weak bench strength whereas employees feel that decisions are not taken systematically. Regarding the latter one, some employees argue that the decisions about who to develop and promote are based on personal feelings and preferences rather than on qualifications. Byham (2002) states that various managers also take “chance observations” into account, i.e. they take decisions based on a snapshot of an individual’s performance in a certain situation. Homosocial reproduction, i.e. the positive attitude towards people that are similar to oneself, also plays a role when selecting internal successors. (Kanter, 1977) When executives have the responsibility to name their successors, a corporation’s succession planning almost fails as around two thirds of hires will not come from the succession system. (Byham, 2002) The tool of competency models to set standards that employees are compared with is rarely used in the context of succession planning. In case that a company lacks competency models, the identification of high potentials also gets more difficult. Employees are often rated according to current performance without including competencies that are necessary to succeed in a future role. (Lagunas, 2012) Naqvi (2009) adds that competency models are usually only applied in HR areas such as recruiting, training and development and performance management. Succession planning systems (if available) do often not use competency models although they can methodically identify competency inventory and predict talent gaps.

Integration with Other Talent Management Areas

Some companies make mistakes in acknowledging the overlap of succession planning with other HR areas, such as performance management, training and development and recruiting. With regards to the latter one, employees sometimes fail to find new postings on internal job boards because of opaque and uncoordinated arrays of information. (The Hindustan Times, 2006) It is essential to integrate succession planning with all areas of talent management. (Stadler, 2011)

Succession planning and other talent management processes are often not clearly defined: corporations might design processes and forms without knowing which aim they follow. Often, one process is supposed to solve several challenges, sometimes even contradictory goals. In the case of succession planning, companies can impossibly use one process to answer all areas, for example to retain key employees, recruit the right talent, assess competencies and close competency gaps at the same time with one identical process. They should rather integrate the various areas of talent management to provide a comprehensive solution. (Hunt, n.d.-a)

Long Term Planning and Metrics

In case of emergencies, short term succession planning that often lacks profound preparation of the successor for the new job role. The business is at risk because he or she has insufficient knowledge, skills and commitment. Often, corporations ultimately look for external talent to recruit for leadership positions. Short term succession management is the most common approach, although not the one to be preferred. (Stadler, 2011) (AICPA, 2012) Sullivan (2008) further argues that most short term succession plans consist of organizational charts that identify potential moves within the corporation which is neither effective nor sustainable.

Rothwell (2005) has developed a checklist for corporations to realize the need to either change existing succession management or to introduce new processes. In case that key roles are only filled after a long period of time or from primarily the external labor market, succession planning has to be changed. The situation that only a few candidates are ready for open positions is called weak bench strength. (Byham, 2002) (Rothwell, 2005)

In comparison, the other extreme of traditional succession planning is that once potential leadership candidates are identified, they are fostered over long periods of transition. Successors are eventually promoted when supervisors are absolutely sure about their readiness. However, rapid changes demand faster decisions and less time to be spent on filling a vacant position. (Kleinsorge, 2010)

Additionally, a fast changing environment might also evoke a need for filling lower level leadership positions. As traditional succession planning only focuses on top management positions, companies now need a new approach to involve multiple organizational levels in order to ensure performance continuity and improvement of the competitive advantage. (Kleinsorge, 2010) Consequently, in order to compete in a fast and constantly changing environment, companies have to redefine their succession planning methods to make them more flexible and adapted to changes in the labor market. Further, they should focus on all corporate levels to share corporate culture, motivate employees and improve the competitive position.

In order to be able to evaluate, adapt or initiate succession planning systems, KPIs have to be calculated based on reliable and comprehensive data. However, when it comes to KPIs, companies tend to not fully exploit analytics because those often depend on subjective opinions of leaders about the bench strength, candidate fit and requirements. One challenge is for example a lack of technology, resources and expertise to connect succession planning data with results from other areas such as performance, productivity and financials. Another problem that limits the effectiveness of KPIs arises in case of companies that theoretically maintain a succession planning system but practically, hire persons that are not on the succession plans. (Collins, 2014)

In conclusion, there is a wide range of issues that corporations face in their succession planning processes – if they have any available. Firstly, many companies have rather vague

decision making factors in place; a uniform set of criteria or key competency models against which to compare individual performance is often unavailable. Secondly, insufficient preparation for a new role due to time limitations or inadequate development needs assessment might lead to decreasing performance of the successor. Thirdly, little supervisor and top management support will ultimately result in discouragement and an inefficient succession system. Little employee involvement in career planning is a huge failure if a company wants to stay competitive. An additional mistake of succession planning is a lack of integration with other talent management areas.

4 IT Supported Succession Planning on the Example of the Business Execution Suite from SuccessFactors

The rise of cloud solutions and fully integrated talent management suites provokes company leaders to rethink their HR processes in the eve of globalization, skills shortage and other performance pressures. After having analyzed possible risks of succession planning, the question remains whether succession software can offer improved solutions to companies struggling with stiff and subjective processes or inadequate preparation of potential successors. Concerning risks of conventional succession planning, the practical part will explore the responses of the Business Execution (BizX) Suite from SuccessFactors (SFSF) to employee involvement, decision taking, data and process integration and planning activities. Does the BizX Suite offer all integral parts of a succession planning program? Additionally, the software will be examined on its adaptability to current labor market challenges.

4.1 Introduction to SuccessFactors

This section will serve for a broader understanding of the software solution examined in the thesis. After presenting an overview of the cloud-based BizX Suite from SFSF, the module Succession & Development will be introduced in more detail.

4.1.1 The Business Execution Suite

SFSF was founded in 2001 and is headquartered in San Francisco. (SuccessFactors, 2014a) Whereas the software provider focused on the niche market of performance management software prior to 2009, the company expanded its strategy and portfolio to comprehensive business execution software launching its BizX Suite in the same year. Until 2011, the corporation was undertaking several acquisitions including Inform Business Impact, CubeTree, Jambok, Plateau Systems and Jobs2Web and continuously expanded and improved its BizX Suite. (Grubb, Marson, & Sharma, 2013) (Gartner Inc., 2013) (Marson, 2013)

SFSF was acquired by SAP in the first quarter of 2012 for USD 3.4 billion and works still as an independent entity which is designated an SAP company. Although the unit share price of USD 40 included a 52 percent premium over the previous closing price, the acquisition of SFSF was a strategic move for SAP to be able to offer cloud integrated Software-as-a-Service (SaaS). Cloud computing is a key element of SAP's future growth and therefore justifies long term investments according to Palmer (2011).

Today, SFSF serves 3,600 customers using 35 languages in 60 different industries dispersed among 177 countries. Among the company's customers are for example McAfee, Siemens, Kawasaki, NASA, Securitas and Thomson Reuters. (SuccessFactors, 2014a) SFSF offers a talent management suite that is comprised of several modules, analytics, key business data and benchmarks. Its strength is the combination of collaboration tools, core HR activities, analytics and workforce planning. (SuccessFactors, 2014b) Hunt (n.d.) distinguishes the two

HR areas business execution and personnel management whereas the latter one includes administrative and legal characteristics. In comparison, business execution in the HR context refers to “talent management processes associated with aligning the workforce to deliver business results” in order to “maximize and sustain workforce productivity”. (Hunt, n.d.-a, p.7) SuccessFactors’ Business Execution Suite aims at reducing the Total Cost of Ownership (TCO), i.e. hardware and software expenditures. (Marson, 2013)

SFSF uses cloud computing software which is a platform to access services of the BizX Suite. (SuccessFactors, 2014b) Instead of having an extensive IT framework and hardware as well as software components, SaaS also called on-demand software only requires minimal IT infrastructure. Consequently, clients neither have to employ experts with IT knowhow nor pay for upgrades, hardware, maintenance and support because software providers assume the responsibility for a functioning IT environment. (Matt, 2009) (Marson, 2013) A more comprehensive overview of SaaS and cloud computing will be given in chapter 4.2.5.

The BizX Suite includes eleven components that ultimately support companies to align employees with the right goals, to optimize performance and to accelerate business results. With the exception of Succession & Development (see chapter 4.1.2), all modules will be illustrated as follows:

- Performance & Goals is one of the strongest modules of the BizX Suite. It helps to align corporate with personal goals and applies Management by Objectives (MbO). The module offers other functions such as team evaluation, calibration, multi-rater assessments and competency gap assessments. Clear and objective feedback will ultimately enhance individual performance.
- Workforce Planning is a means to predict future talent demand with the help of scenarios and to consequently balance supply and demand.
- Recruiting is a module that supports the attraction, engagement and selection of new hires. The BizX Suite offers benefits such as social network integration, search engine optimization and QR codes. Analytics dashboards observe frequencies and origins of visitors and their movements.
- Compensation helps to transparently monitor base and variable parts of the salary and to secure data integrity. Analytics dashboards compare compensation information with other business data for total employee compensation analysis. The module supports the establishment of a pay-for-performance system.
- Learning is a Learning Management System (LMS) which features formal, informal, social and extended learning. The module helps to identify competency gaps of the employees and to track course completion. E-learning courses are managed in iContent which is SuccessFactors’ Content-as-a-Service (CaaS) board.

- SAP Jam is a collaboration platform that combines communication and content creation tools with a corporate social network. The module facilitates informal learning, i.e. exchanges with colleagues, knowledge sharing and onboarding activities. The social network can be accessed via mobile devices, SAP Jam and business applications.
- Workforce Analytics provides quantitative measurements about talent data and other business information. Talent KPIs such as for example retention rates, diversity and profit-per-employee can be linked to business KPIs, e.g. profitability and cost ratios.
- Employee Central is the core of the BizX Suite: it presents data from various geographically dispersed locations across functions and cost units. By integrating talent, organizational and employee information, Employee Central provides a comprehensive Human Capital Management (HCM) solution.
- The Onboarding solution supports new recruits in their acclimatization process to the unfamiliar work environment. Relevant documents, information, team members and other contacts are presented in this tool.
- BizX Mobile provides up-to-date information that is available on mobile devices to all employees. People can undertake a range of activities from communicating via SAP Jam to displaying the organization chart. (SuccessFactors, 2012a) (Grubb, Marson, & Sharma, 2013) (SuccessFactors, 2014b)

Figure 4 – Process Areas of the SuccessFactors Business Execution Suite

Attract and retain	Align and execute	Develop and learn
Recruiting management	Goal management	Development planning
Compensation management	Performance management	Learning management
Career planning	360 reviews	Social learning
Succession planning	Calibration	

Source: (Marson, 2013) (Grubb, Marson, & Sharma, 2013)

Grouping the various segments of the BizX Suite according to three different process areas is another way to present its components (see Figure 4). All units have to be aligned with the corporate strategy in order to deliver concrete results.

4.1.2 The Module Succession & Development

In this thesis, the succession planning tool from SFSF is used as a representative sample of IT supported succession planning because of its strong leading market position. Gartner Inc. (2013) confirms in its report “Magic Quadrant for Talent Management Suites” that SFSF is the market leader for talent management suites. Additionally, SFSF is a market leader according to the talent management vendor analysis of IDC saying that its main strengths are “market presence and positioning, continuous innovation in the category, and market momentum”. (Rowan, 2012) According to IDC, career and succession planning is only one out of six areas where SFSF is a key leader – the same validates for recruiting, employee

performance management, learning and development, compensation management. (SuccessFactors, 2014c)

Like all components of the BizX Suite, the Succession & Development module is also presented in a sleek and well-designed way. SFSF has introduced its very own version of SMART: social, mobile, analytical, rich and toy-like. (Marson, 2013)

SFSF Succession & Development consists of the Succession module and the Career Development Planning (CDP) module which includes development and career planning. Because best practices of succession planning are followed, the modules offer a wide range of tools, matrices, reports and analytics. SFSF Succession & Development is based on the following four pillars to ensure success: knowing your employees, identifying talent gaps, calibration and closing talent gaps with IDPs. (SuccessFactors, n.d.-a) (Grubb, Marson, & Sharma, 2013) (SuccessFactors, 2014b)

SFSF Succession Module

Performance appraisal meetings or other reviews and calibration sessions are often the starting point of succession planning. SFSF succession planning involves employees by empowering them to formulate career plans to tell the supervisors about their aspirations. (Grubb, Marson, & Sharma, 2013)

In order to identify the supply of talent as well as individual performance, potential and competencies two matrices are used in the SFSF Succession module: The nine-box grid, i.e. the Performance-Potential Matrix, belongs to the best practices of succession planning (see chapter 3.3.2.3) and is also applied in the Succession module of SFSF. The boxes have different headings to facilitate the choice of employees for talent pools and succession plans. Another function is a graph about the historical development of an employee's potential and performance ratings that can be used for performance appraisal meetings or calibration. The Competency-Objective Matrix, i.e. the How vs. What Matrix, plots employee competencies as well as objectives in a matrix where the scale ranges from "exceeds expectations" to "does not meet [expectations]". The grid shows the impact of an individual's performance. Both matrices can be separately configured in the administration and customized according to the company's preferences. (SuccessFactors, n.d.-a) (Grubb, Marson, & Sharma, 2013) (SuccessFactors, 2014b)

Individual talent profiles and scorecards add up to the talent inventory of an organization and include various kinds of information. Search criteria can be entered to filter data and start comparisons about potential successors. Additionally, an employee can be assigned to one or more talent pools for certain job roles in order to be located in the talent pipeline for promotion. Talent pools supply talent to succession plans of key positions. After assessing the supply of talent and filling succession pipelines, successors can be nominated through organizational and lineage charts, scorecards and talent profiles. The nomination history tool reveals an individual's past and current nominations for succession. Managers can easily create, edit and maintain positions. A variety of analytics applications and reporting systems

allow monitoring of succession planning in corporations. (SuccessFactors, n.d.-a) (Grubb, Marson, & Sharma, 2013) (SuccessFactors, 2014b)

The Succession Organizational Chart is one of the SFSF Succession module's core competencies showing the corporate structure according to positions. In comparison to classic organizational charts that are person-based, the Succession Org Chart shows open as well as filled positions. They leverage visual components to show succession plans, risks and coverage. Nominations for succession and talent pool information can be observed in a business card. Depending on the authorization of the current job holder, he or she can also view talent information about succession candidates and delete nominations or update the perceived successors' readiness. The Lineage Chart shows a sequence of successors across several organizational levels. (SuccessFactors, n.d.-a) (Grubb, Marson, & Sharma, 2013) (SuccessFactors, 2014b)

SFSF Career Development Planning (CDP) Module

SFSF CDP focuses on career planning and required talent gap filling activities. The Career Worksheet presents current and future opportunities for an individual employee and their required competencies and skills. The module supports employees and their supervisors to identify competency gaps and align IDPs to them. Development plans include long and short term development goals specifying their purpose, time ranges, competencies to be acquired and measures of success. If a company employs the Learning module, development goals can be associated with learning activities. The module also includes an internal job portal that offers various options such as job search and alerts. Employees can then apply for internal jobs with their respective candidate profiles. (SuccessFactors, n.d.-a) (Grubb, Marson, & Sharma, 2013) (SuccessFactors, 2014b)

4.2 Does the Business Execution Provide a State-of-the-Art Solution that Is Able to Add Value to Succession Planning?

After having introduced the SFSF BizX Suite and the Succession & Development module, the author will now present collected data in order to be able to answer the research questions of the thesis. The information gathered in this part of the thesis is supported by an expert interview, internal company documents, functionalities of the BizX Suite and secondary research. Screenshots of relevant software functions will support the visualization of specific functions. However, the practical part is not fully available due to confidential company information. In order to provide valuable and comprehensive insights, the author examines also other areas of the SFSF BizX Suite that are relevant for succession planning.

The author will refer to risks of succession planning from the third chapter and labor market characteristics from the second chapter. In the beginning, the author will explore whether the BizX Suite can offer tools to increase employee engagement and motivation. Following, the topics of objective decision taking and talent data integration will be analyzed. The author will then explore whether the BizX Suite offers added value for areas such as data

management, planning activities and KPIs. Finally, the chapter will determine the degree of adaptability to current labor market trends that the software is able to provide.

4.2.1 Employee Involvement and Development

Chapter 3.3.3 showed that little employee involvement can lead to discouragement and low retention rates. Many managers take succession decisions that are based on one or more criteria, i.e. performance and potential, opinions, feedbacks etc., but often do not include the employees' aspirations and future plans. Consequently, employees might perceive that the company has little interest in them as individuals or that their contribution is insignificant to the organization's performance. If a corporation aims at an effective succession planning program it should take their employees' opinions into account. Besides engaging employees in career planning, aligning corporate and individual goals is another process that drives employee engagement; employees feel then as an important part of the bigger picture, i.e. the company's performance. They are usually more loyal towards the company, stay longer and perform more efficiently. A state-of-the-art strategy of employee involvement both in terms of career planning and goal alignment is positively correlated with retention rates, job performance and employee motivation.

SFSF offers various options to empower employees to shape their careers and to link their aims with corporate goals, structure and vision. Firstly, the employee profile is a means for the workforce to provide data about one's history, interests and skills so that managers get a better idea about their talent inventory. Secondly, the CDP Career Worksheet supports employees in seeing their readiness for a certain position and the competency gaps. Thirdly, the Individual Development Plan (IDP) in the CDP module is oriented towards competencies and skills that are needed for a certain future role; it consists of development goals that will help employees to be successors, i.e. to get transferred or promoted. Last, the cascaded goals in the GM module are different than the development goals and also drive employee engagement.

4.2.1.1 The Employee Profile in the BizX Suite

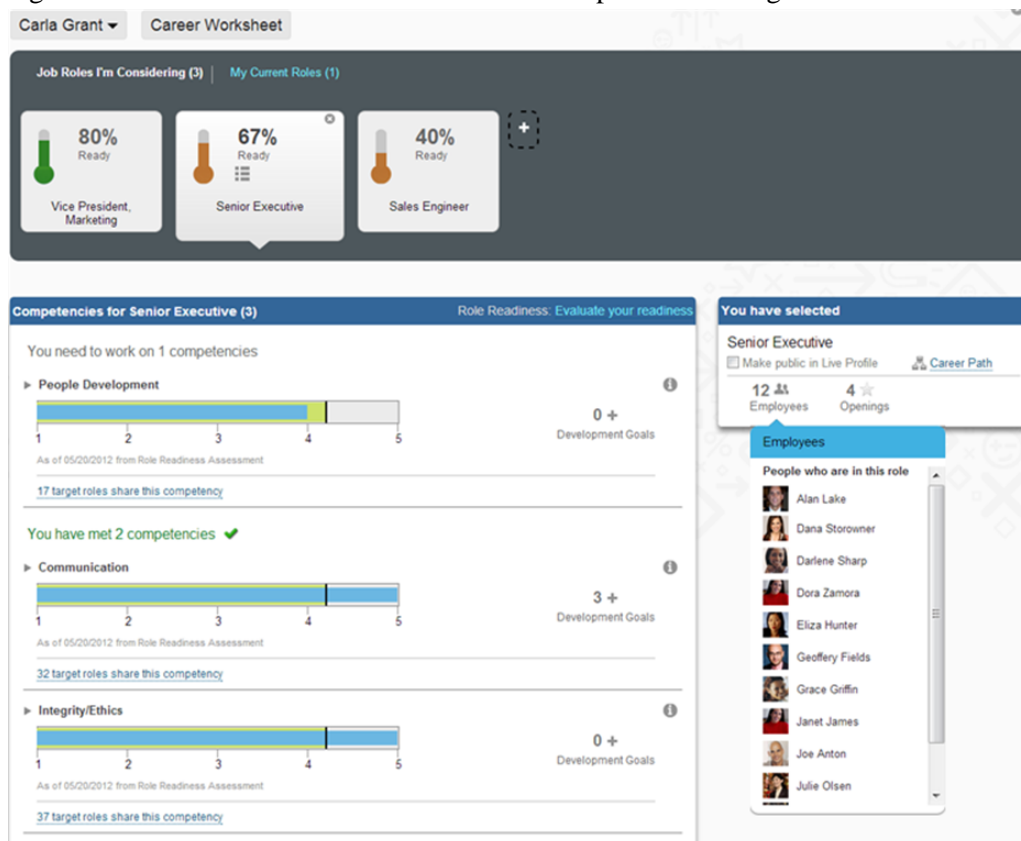
As decision taking on succession is very difficult and time consuming, companies try to use as much data as possible – information from other talent management areas as well as from the employee him or herself. The employee profile in the BizX Suite stores data about an employee's background, competencies and performance. Depending on authorizations, colleagues and managers can view and look for profiles that are fed by various BizX modules. The public profile of an employee holds contact and job information as well as badges (i.e. written feedback from colleagues) and tags (i.e. areas of knowledge and/or interest). On the other hand, the employee talent profile comprises background elements such as interests including career goals, experience, education and other skills like language proficiency. Companies can decide which elements to make use of as not all background criteria need to be included in the employee talent profile. (Grubb, Marson, & Sharma, 2013)

4.2.1.2 Career Worksheet in Succession & Development

The Career Worksheet is an integral part of the Career Development Planning (CDP) module. It enables an employee or his or her manager to add potential future jobs and aspirations, e.g. senior executive for Carla Grant in Figure 5. Subsequently, the readiness in percentage for a job role (in this case 67 percent) can be observed. The rating is based on the employee's assessment in the Performance & Goals module. After opening the job details, compulsory competencies and the gap analysis between required and current skills are presented. In order to get ready for a possible future role, one or more development goals can be assigned to each required competency. The direct link of goals to the IDP enables employees and their managers to ensure that all competencies are addressed and developed properly. Another tool of the Career Worksheet is the Career Path Diagram that shows the sequential steps of one's career in line with the corporate career plan, if available. (Grubb, Marson, & Sharma, 2013) (SuccessFactors, 2014b) (SuccessFactors, n.d.-a)

According to the author's opinion, the Career Worksheet already involves several best practices of succession planning: for example, individual development needs are assessed by comparing current competencies with the requirements for a future role. After the gap analysis, development goals are formulated and integrated in a development plan which employees can follow in their aspiration to become a successor to a certain job role.

Figure 5 – Career Worksheet in the Career Development Planning Module



Source: (Saunders & Bhattacharya, 2013)

4.2.1.3 Individual Development Plan (IDP) and Development Goals in Succession & Development

As previously discussed, IDPs essentially belong to best practices of succession planning. They provide means to achieve individual goals that drive career advancement. Further, IDPs follow the current labor market trend that employees appreciate the opportunity for training and development more than they value for example financial remuneration.

In the Career Development Planning (CDP) module, an IDP consists of various development goals that can reach over short as well as long term periods often covering several years. The IDP shows various characteristics of development goals: the competencies achieved when having finished the learning process; the purpose of the development goal, i.e. general skills acquirement or preparing an employee for a current or future role; the authorization to view the goal, i.e. public versus private; the status, i.e. “Completed”, “On Track” and “At Risk”; dates and the measure of success. After having created development goals, one or more learning activities can be added to each goal. Activities are either individually created or added from a company-specific catalogue. Development goals and learning activities can be edited, deleted and added to Microsoft Outlook. (Grubb, Marson, & Sharma, 2013)

Referring to chapter 3.3.3, corporations often do not have integrated links between succession and development plans. They are able to analyze competency gaps and develop IDPs but face challenges when it comes to the implementation of the development plan. Supervisors and employees are unsure about their roles in the learning process. Companies often have problems with monitoring the development plans (once developed) in order to close the circle and evaluate the readiness of a candidate for a promotion. With regard to this case, the author of the thesis evaluates the development plans in the SFSF CDP module as very beneficial as they offer transparent links to the competencies acquired during the development process and their relevance for a current or future role. In case of a future role, the successfully completed development goal is recorded in the Career Worksheet that is again regarded for succession positions.

Additionally, the author thinks that companies can operate more efficiently with the help of the above presented module because every development goal can be linked with learning activities, i.e. justifying training and development investments.

4.2.1.4 Goal Alignment in Performance & Goals

A corporation that wants to preserve and increase its competitive advantage needs to make sure that all people pull together to accomplish corporate goals. It is important to treat employees as essential allies of the organization. As pointed out earlier, uniting employees with the company strategy provides a means to increase retention rates and employee motivation. Employees feel more integrated into corporate events and assume responsibility for the company's performance.

Besides employee integration, aligning organizational and corporate goals serves another purpose as well: business execution on a global scale requires goal alignment to achieve excellent profitability results and to stay flexible in the market. (SuccessFactors, 2014d) This section determines what the BizX Suite's module Goal Management (GM) is like and in how far it supports goal alignment and consequently, employee integration.

SFSF GM serves the whole yearly goal process including goal setting, alignment, monitoring and measuring. The goal plan is the core element of the GM module. Goals can be created in four different ways: A best practice goal from the goal library with more than 500 job-specific goals can be utilized; a custom goal can be created; a goal can be taken from another goal plan; a step-by-step wizard can help to create a new goal according to the SMART principles, i.e. specific, measurable, attainable, relevant and timely. Once created, goals can be transferred to Microsoft Outlook. (Grubb, Marson, & Sharma, 2013)

An essential part of SFSF GM is that goals can be cascaded down in order to ensure goal alignment. For example, a manager with direct reports can cascade a goal down to a team or one or more individuals. The goal can be scaled down to various small steps and allocated to employees. Cascading goals ensures that corporate and individual goals are interconnected and that employees feel involved in corporate strategy. (Grubb, Marson, & Sharma, 2013)

Managers observe in various graphs, e.g. the execution map, how the goal is cascaded and get an overview of the alignment of individual and corporate goals. (Grubb, Marson, & Sharma, 2013)

To sum it up, goal plans in the BizX Suite equip companies with a powerful means to confront a challenging environment: through high transparency, fast goal setting options and the cascading tool, employees should know exactly in how far their roles serve to reach company objectives. Increased employee motivation and high retention rates should be the consequence if companies apply the tools correctly and transparently.

Concluding from abovementioned facts, SFSF does offer a wide range of employee engagement tools. Employees can fill in information about themselves, their interests and plans in the employee profile. They get the chance to state their career preferences and aspirations in the Career Worksheet leading to development plans that ensure advancement. Development goals span over multiple years and give employees a clear direction to work towards. The Goal Management module provides employees with annual goal plans that are directly connected to company objectives. The cascading tool helps to align corporate and personal goals and gives meaning to the work of individual employees. The author argues that employees become more motivated and engaged in corporate life because they feel that their opinions and future plans are taken into consideration and that their work is meaningful to the company's performance. However, she also thinks that the success of implementing employee engagement practices in SFSF depends on the processes that lie behind technology. If a company does not comfort a corporate culture that promotes involving employees, the software solution might not be as efficient.

4.2.2 Decision Taking

Chapter 3.3.3 showed that one major risk of conventional succession planning (if existent) is subjective decision taking. This could range from homosocial reproduction to envy, a personal agenda or questionable motivation. One scenario would be that a supervisor takes a decision based on feelings or a single chance observation. Another situation includes a manager that wants to keep one of the key employees in the team and therefore hinders the employee's career advancement. An additional barrier of objective decision taking is that companies do not have competency models against which to compare employee performance transparently.

Chapter 4.1.2 introduced several decision taking tools of SFSF Succession & Development such as the Performance-Potential and the Competency-Objective Matrices. This chapter determines according to which criteria data is arranged in the 9 box grids and whether decision taking gets more structured with the help of SFSF. It starts with the creation of competency models and their assignment to performance reviews; subsequently, the author determines different performance reviews and their integration into succession ratings; finally, the chapter will examine the effectiveness of decision taking on succession planning.

4.2.2.1 Competency Models in the Business Execution Suite

The company Pep Boys changed from a paper-based succession planning process to an integrated system with SFSF support. In the process of transformation, the first steps were to define and develop core and job specific competency models whose completion took six months. Simultaneously, the team worked on corporate career paths to put them in line with competency requirements for each role. As can be seen from this example, Pep Boys needed a sound foundation before employing parts of the SFSF BizX Suite. (Chaisson, 2005)

The author concludes that the BizX Suite offers help in defining, maintaining and using competency models once corporations have defined competency models in a structured manner.

4.2.2.2 Performance Reviews in Performance & Goals

The competency library is used in the modules Succession & Development (see chapter 4.2.1.3) and Performance & Goals. In the latter one, companies have the possibility to compare individual performance with company as well as personal objectives and competencies. In case of competency ratings, SFSF supports employees in providing competency definitions and suggestions for accompanying comments to each rating. Although performance reviews in the BizX Suite usually consist of three main content sections, i.e. the goal plan, core competencies and role-specific competencies, they can be individually adapted to company preferences. (Grubb, Marson, & Sharma, 2013) There are different types and characteristics of performance reviews that are illustrated as follows:

- As can be seen in Figure 6, a manager can rate all people of his or her team against the same competencies with the tool “Team Rater”. The employees are ranked according to unified criteria ensuring a process as transparent as possible. The Stack Ranker shows the overall score of the team members considering all rating criteria.

Figure 6 – Stack Ranker in the Performance Management Module



Source: (Software Advice, n.d.)

- The “360 Multi-Rater Assessment” provides a form to evaluate an employee regarding competencies that are assigned to him or her, goals achievements and other competencies. Feedback can be provided by the employee, the manager, colleagues, direct reports and others either anonymously or by name.
- Although the function “Ask for Feedback” is similar to the 360 degree feedback, the tool is less formal and offers the manager to request feedback from others on an employee’s performance.
- Calibration of performance ratings with the Performance Management module of SFSF provides a means to rate the performance and potential of employees. The calibration tool visualizes all employee ratings and helps to compare them. Performance-Potential, How vs. What, Pay-Performance and Impact vs. Risk Matrices are visualized. Therefore, managers can directly see the effect of their ratings on succession and compensation typically urging them to apply fair and more objective ratings. Additionally, it facilitates moving employees to other categories. (Grubb, Marson, & Sharma, 2013)

All of abovementioned performance reviews are based on the goal plan (see chapter 4.2.1.4), on individual goals from the IDP and on company and job specific competencies that are assigned to the employee. Benefits are firstly, that employees can see their areas for improvement and work on the competencies required for current and future roles and secondly, that managers can base their decisions on a range of performance reviews.

4.2.2.3 Performance and Potential Ratings in Succession & Development

With regards to the Performance-Potential Matrix, chapter 3.3.2.3 showed that companies often have difficulties when predicting the potential of employees. They sometimes automatically associate excellent performance with high potential. After assessing performance and potential with reviews, calibration and other tools, one or more managers with the necessary authorization can rate the employees to plot them in one of the nine different quadrants of the Performance-Potential Matrix in the Succession module. Each box has a label and shows information about the number of employees, their names and a link to each employee's historical development of performance and potential ratings. Employees that are too new to rate or unrated are plotted underneath the matrix. The second available matrix in the Succession module is the Competency-Objective Matrix that compares the goal achievements of employees with the competencies they use to achieve them. (Grubb, Marson, & Sharma, 2013)

Concluding, the author assumes that SFSF provides added value in terms of evaluating potential and performance more objectively than conventional succession planning methods. Companies could most probably apply these tools also without the BizX Suite but would lack the clear data integration link from performance and competencies reviews to the Performance-Potential Matrix. Additionally, according to the author's opinion, the main strength of the BizX Suite in this context is that it offers a variety of tools that are ready for usage: companies are more inclined to utilize these gadgets because they are available without requiring additional time and financial resources. Therefore, the BizX Suite encourages managers to gather information about employees from different sources and can be the trigger for calibration dialogues.

Although the Succession module offers several means to review employee performance and potential, the author thinks that the base for successfully distinguishing high potentials in a company requires a clear definition of the term potential. This process relates to a leadership competency model. Only if leadership competencies and the definition of potential, e.g. learning agility, willingness and emotional intelligence, are transparently and company-wide defined, managers are able to place their direct reports into the matrix. Therefore, the Performance-Potential Matrix of the Succession module is a tool that can help companies to advance with succession planning once the foundation is laid out and process definitions are provided.

4.2.2.4 Talent Pools and Successor Nominations in Succession & Development

After having assessed both, performance and potential of employees, managers can nominate an employee for succession or add him or her to one or more talent pools directly from one of the matrices. Another way to look for talent is the search function which will be explored in this section. (Grubb, Marson, & Sharma, 2013)

Talent search is a gadget in the Succession module that supports leaders in identifying employees for successions and talent pools. Search criteria can include for example background information, current job information, competencies and talent information. Each background criterion, e.g. formal education, previous job experience, career goals, mobility as well as performance and potential, possesses several sub criteria. Each criterion can be weighed in order to filter more successfully according to one's preferences. (Grubb, Marson, & Sharma, 2013)

If looking for talent, a manager can allocate one or more competencies from the competency library to the search criteria and is able to constrain the employee selection with a competency score. Here, the manager can also weigh each criterion and demonstrate its importance relative to all criteria. The results of the search are displayed with information about the background, competency and total match. The Performance-Potential Matrix of each employee is illustrated on the right side. (Grubb, Marson, & Sharma, 2013)

SFSF offers an additional feature that might facilitate final decision taking: a manager can select several candidates from the talent search results list and create an analysis report that compares potential successors according to different measurements. Finally, successors can be nominated either directly for a certain position or for a talent pool. Nominations can take place in the succession organizational chart, the lineage chart, the scorecard and in an employee's talent profile. (Grubb, Marson, & Sharma, 2013)

A successor's nomination can include the evaluated readiness and the ranking of the person. Information about competency development and other requirements can be given in the notes section. The nomination history to a certain position can also be displayed. The nominee's information is presented in the Succession Org Chart. (Grubb, Marson, & Sharma, 2013)

Concluding, the author assumes that the Succession & Development module does add value to conventional succession planning concerning transparent decision taking. The tools are especially useful with regards to performance reviews and successor nominations. More transparent ratings are ensured through gathering opinions from various people that are in contact with an employee. If managers adhere to abovementioned practices of evaluating potential and performance, the nine box grid can actually be representative and used as a foundation for taking decisions. Again, this argument is only valid if processes are defined clearly and comprehensively.

4.2.3 Integration with Other Talent Management Areas

Companies have to integrate talent management processes if they strive for data integrity, comprehensive planning activities and objective decision taking on succession. Unless processes are linked, connections can hardly be seen: an employee might complete a certain career step without seeing a positive effect on his or her salary; another employee might fulfill competency requirements for a job succession but is overlooked and does not get nominated for succession; a third employee might require a certain training according to his or her IDP

but cannot find it in the database. Non-IT succession systems often face the problem of process separation as discussed in chapter 3.3.3. This section of the thesis will explore whether IT software can provide added value with regards to data integration both, within the SFSF BizX Suite and between the Suite and SAP Enterprise Resource Planning (ERP) HCM.

4.2.3.1 Integration of Succession & Development with other BizX Suite Modules

This section shows in how far the succession planning process is integrated with other modules in the BizX Suite. As pointed out earlier, companies often do not integrate succession plans with other HR areas such as training and development or performance management. However, in order to fully succeed in succession planning, it has to be aligned with:

- Career development planning that supports employees in reaching their full potential
- Performance management that reviews and helps employees to improve in current and future positions
- Recruiting that supports HR to hire the right people for the right job
- Workforce planning that helps to build scenarios and prepare for future situations
- Compensation management that rewards high performance which ultimately helps to retain top talent. (Hunt, n.d.-b)

All employee data is stored in the employee profile and can be accessed from all modules. Grubb, Marson and Sharma (2013) argue that the employee profile is a necessary tool that links all areas of the BizX Suite and gets richer the more BizX modules are employed. Hunt (n.d.-b) argues that technology makes it possible to fully integrate succession planning as talent inventory is stored and data is shared among processes. Technology enables connections between talent identification, performance reviews and competency development.

The public profile and the talent profile of the employee profile were already presented in chapter 0. However, in comparison to the talent profile, the scorecard is the section of the employee profile that displays essential data for succession planning, i.e. it is the base for talent search, matrices and nominations. Using the employee overview portlet of the employee scorecard, managers can directly allocate an employee to one of the nine boxes of the Performance-Potential and Competency-Objective matrices. Competency and objective portlets present information about the nature and source of performance ratings in this regard. Historical and present performance and potential ratings are stored in another portlet to be accessed by decision takers. The scorecard also includes talent information such as risk and impact of loss, bench strength or whether the employee is a possible future leader. Connections to Facebook and LinkedIn profiles can also be displayed in the employee profile. (Grubb, Marson, & Sharma, 2013)

4.2.3.2 Data Integration with SAP ERP HCM

SAP's prevalent integration strategy focuses on the integration of the SFSF on-demand software with the on-premise solution SAP ERP HCM. A combination of both systems is called a hybrid model. The author does not go into detail in this section but would like to highlight the main arguments to see whether integrating Succession & Development with other modules works smoothly.

A number of SAP customers employ the SAP ERP HCM and would like to use talent management modules from the BizX Suite. It is essential to possess one central system of record: usually data is taken from SAP ERP HCM and integrated in the BizX Suite. (Grubb, Marson, & Sharma, 2013) SAP created more than 200 prepackaged iFlows, i.e. integration packages, whose interfaces allow smooth processes and low TCO. (SuccessFactors, 2013) After introducing iFlows for recruiting, compensation, analytics and employee data, SAP is going to introduce iFlows for succession in 2014. (Ludlow, 2013)

Integrations can be undertaken in the cloud or on-premise. Among others, SAP promotes the three following technologies to enable hybrid models of the SFSF BizX Suite and SAP ERP HCM:

- The SAP HANA Cloud offers the service to integrate cloud software, e.g. the BizX Suite, with on-premise systems; SAP ERP as well as external systems can be integrated in the so called Integration-as-a-Service (IaaS) platform which offers similar advantages as SaaS.
- Dell Boomi AtomSphere is a Platform-as-a-Service (PaaS) offering integration of employee central and employee central payroll.
- SAP NetWeaver Process Integration (SAP NetWeaver PI) is SAP's middleware product for transferring data between SAP systems and other internal and external systems. Data is stored on premise. (SuccessFactors, 2013) (Grubb, Marson, & Sharma, 2013)

SAP promotes its FAST integration strategy standing for "functionally rich, affordable, simple to implement, maintain and support as well as trusted". (Grubb, Marson, & Sharma, 2013, pp. 64-65)

To sum it up, SFSF Succession & Development is rather challenging to integrate with on-premise processes of SAP HCM because data has to be exchanged via CSV files. However, integration will take place according to SAP's FAST integration strategy with the new iFlow for succession in the future.

4.2.4 Long Term Planning and Metrics

As previously discussed, companies tend to apply short term succession decisions as a response to workforce challenges like for example the loss of a key player. In comparison to long term succession planning, corporations then rather hire externally because they lack the time to develop internal talent. This section will determine whether technology in form of the BizX Suite can offer added value when it comes to long term planning.

Chapter 3.3.2.5 showed that upper management and the board of directors often want to see quantitative data and KPIs that evaluate the effectiveness of succession processes. In case of non-satisfactory numbers, processes can be reviewed and adapted accordingly. The second part of this section will determine whether and in how far the BizX Suite is able to provide means to analyze the succession program.

4.2.4.1 Planning Activities

The modules Workforce Analytics and Workforce Planning in the BizX Suite work with data and present it comprehensively. Workforce Analytics supports organizations to take decisions based on analyses: it visualizes results, recommends actions and provides various tools that also comprise a standardized ratio catalogue to analyze. Metrics packs are available for each functional area of an organization including succession management. Additionally, a company can measure its results against benchmarks from the industry or from similar sized corporations. A very important function in the context of succession planning and others is the reporting tool that serves to provide decision makers with key information. (Grubb, Marson, & Sharma, 2013)

Workforce Planning is a business planning activity that is based on Workforce Analytics. With regards to succession planning, it helps companies to plan ahead in order to respond to future talent gaps and surpluses. The module enables both, operational and strategic workforce planning: In comparison to operational planning that looks at the whole organization in a timeframe of six to 24 months and aims at filling positions today, strategic planning ranges across three to five (up to ten) years, is based on scenarios and focuses on critical roles. Basically, the solution helps to put the “right people in the right place at the right time for the right cost”. (Grubb, Marson, & Sharma, 2013; p. 471)

In order to level off workforce supply and demand in the future, the module Strategic Workforce Planning uses a five step process: The first activity involves creating a new forecast, adding information like the time frame and defining which underlying business factors, e.g. vacancies or headcount, will be used from Workforce Analytics. Consequently, a meeting will be held to discuss business strategies and to name a combination of factors usually outside of the company’s control that are likely to affect the workforce in the future. During this second process step, scenarios are fueled with the data developed by corporate leaders. The third step is then to define dimensions such as critical positions in the form of job roles. The retirement age has to be filled in, e.g. 65 years, or calculated by the software according to historical data. Finally, an organizational level or unit can be chosen and the

forecast can be built. Subsequently, companies can foresee the demand and supply of talent and initiate a gap analysis taking two dimensions into account: capacity, i.e. the amount of personnel, and capabilities, i.e. certain competencies needed in the future. The Act Module of Workforce Planning is a risk mitigation tool that identifies risks in business areas such as corporate growth, resignations and retirements. Following, strategies are formulated that are consequently translated into an action plan. Responsibility to carry out actions can be assigned to individuals to ensure its execution. (Grubb, Marson, & Sharma, 2013)

The second tool of the SFSF BizX Suite that helps to plan for future workforce changes is the two organizational charts included in the Succession & Development module explained in chapter 4.1.2. Firstly, the position based Succession Org Chart visualizes information such as risk and impact of loss, loyalty to the company (expressed in years), bench strength, successors, the placement in the Performance-Potential Matrix and successor details. The "Current Nominations" box shows potential future positions and the talent pool of an employee. The important information for planning activities is the straightforward view of risk of loss, successor coverage and bench strength of a position. Additionally, the readiness of potential successors can be viewed. Secondly, the Lineage Chart demonstrates a line of successors, i.e. one's successor and the successor's successor. It helps to realize how deep the succession options are for each position.

Grubb, Marson and Sharma (2013) also point out that Workforce Planning is a powerful tool to predict future human capital challenges and movements. However, the quality of the organization's talent and the smooth preparation towards future obstacles depend on the overall company strategy and collaboration between company managers and employees.

According to the author's opinion, the Workforce Planning module seems to mitigate the risk of sole short term succession planning activities. The five step process can be an effective method to predict future talent supply and demand. Scenario forecasts and risks analysis result in action plans that can be allocated to individuals to ensure their implementation. As mentioned earlier with regards to other tools, Workforce Planning again seems to be a trigger that animates leaders to think about future developments both, in and outside of the organization's control. Nevertheless, it also appears cost intensive and time consuming to implement and to maintain it.

In comparison, the Succession Org and Lineage Charts provide a useful and straightforward means to view how well covered the current positions are. The author does not assume that these tools allow for as effective long term planning (of up to ten years) as the Workforce Planning module, but considers it as an option to plan ahead and to secure that there will not be any surprise staff changes without having an alternative plan. Whether a company analyzes succession data in Workforce Planning or in Succession & Development, the BizX Suite offers in any case metrics to detect a future imbalance of internal talent demand and supply.

4.2.4.2 Succession Key Performance Indicators

Generally speaking, SuccessFactors (2012a) indicates that the BizX Suite shows effectiveness gains in business processes of more than 500 companies that utilize the SFSF cloud solution. Referring to Figure 7, the BizX Suite is supposed to support the alignment of strategic and individual goals, the optimization of existing resources and overall productivity and collaboration. SuccessFactors (2012a) argues that adequate training is provided to an average of 17 percent more people and that the number of top performers has increased by five percent. Additionally, the company indicates that retention rates have risen and that metrics show a 13.7 percent increase in the internal job fill rate. These numbers demonstrate that the BizX Suite has positive effects on various business processes including succession planning. (SuccessFactors, 2012a)

Figure 7 – KPIs of the SuccessFactors Business Execution Suite

Alignment	Cost Savings	Productivity
5.5% increase in time spent on strategic goals	17% increase in people receiving correct training	140% increase in collaboration practices
14% increase in project completion	15.2% decrease in turnover	5.4% high-end increase in productivity
	13.7% increase in internal hiring	4.9% increase in high performers

Source: Adapted from SuccessFactors (2012a)

To find out about the effectiveness of a company's succession planning program, an SFSF client can either choose from a wide range of ratios from Workforce Planning or explore data and dashboards from the module Succession & Development.

Because the amount of succession analytics in the Workforce Planning module is overwhelming, an SFSF Analytics client chose a few ratios to generate an analysis of its succession health and bench strength. At first, the customer assessed the amount of management changes within a year. Subsequently, the readiness of successors was evaluated with metrics distinguishing among managers that were ready, partly ready and rather inexperienced. Finally, an algorithm was developed to show the correlation between manager turnover and manager bench strength. The client could then assess the health of succession planning, i.e. the combination of low turnover and high bench strength is evidence of an effective succession system. (Collins, 2014)

Besides reporting tools such as the Performance-Potential and How vs. What Matrices, some succession dashboards are for example included in the module Succession & Development. (Grubb, Marson, & Sharma, 2013)

Concluding from abovementioned information, the author assumes that SFSF Workforce Planning offers a variety of metrics, ratios and analytics to measure the impact of succession planning in an organization. Huge data amounts are processed and filtered according to ones questions. However, the drawback of Workforce Planning is that it requires vast amounts of data from several modules in order to function effectively. Companies that do not have data

available from various talent management areas might not invest financial resources in the module.

In comparison, the Succession module provides information in form of reporting tools and dashboards. Dashboards are a straightforward means to evaluate the program's effectiveness, to detect gaps, to involve high potentials and to examine the bench strength of each position. To sum it up, the BizX Suite offers a variety of succession KPIs that are ready for usage.

4.2.5 Adaptability to Current Trends

As discussed in chapter 2.3, doing business in a globalized environment urges corporations to take fast decision and to adapt to external changes in a timely manner. Therefore, an up-to-date succession solution is crucial for a corporation's success. This is where the SFSF BizX Suite enters the game: Before Software-as-a-Service (SaaS) was on the market, companies had needed various hardware installations to support HCM software. Additionally, clients had employed IT experts that could operate the system. Nowadays, cloud computing is supposed to offer a new dimension, both in terms of feature rich applications that are adapted to best practices of succession planning models and in terms of the ease to operate. This chapter will determine whether characteristics of the SFSF software really offer fast adaptations to current trends.

4.2.5.1 Adaptability Through Software

SaaS is software that can be used in conventional web browsers because it is stored in a cloud. The reasons why customers are interested in SaaS are the following: firstly, clients usually do not face high initial investments because they pay a set subscription fee which includes maintenance, updates, support costs and the availability of the software. SaaS solutions provide very transparent cost structures in comparison to on-premise software. Companies can show the costs in operating expenses instead of the balance sheet which can be an advantage or disadvantage depending on the company. Secondly, customers do not need to install hard- and software because IT is managed by the provider. This advantage consequently leads to lower IT costs and more user-friendly components. Thirdly, SaaS uses latest technology and is very state-of-the-art, i.e. software applications often have modern and attractive designs leading to increased user experience. (Grubb, Marson, & Sharma, 2013) (Matt, 2009) (Marson, 2013)

Finally, the SFSF BizX Suite leverages a multi-tenancy architecture (and not a virtualization environment): The provider can run an application on a shared platform and thereby provide access to multiple tenants, i.e. customers, with adapted configurations of the software. This feature ensures that corporate data is kept confidential. Additionally, due to high standardization the provider can run updates on a frequent basis and reach all customers simultaneously without causing system problems by only updating one single database. (Aiken, 2011) Grubb, Marson and Sharma (2013) state that updates of the SFSF BizX Suite occur every quarter compared with yearly or even less prevalent cycles of on-premise

solutions. They argue further that regular updates create a culture of constant innovation and product development.

However, SaaS also has certain disadvantages; one of those is that it does not offer a high degree of customization which can either be seen positively, i.e. clients do not have complex customized applications that are challenging to maintain, or negatively, i.e. they cannot adapt the system very well to their corporate characteristics. (Marson, 2013) Additionally, the clients have to rely on the software vendor for system maintenance and professional services. (Grubb, Marson, & Sharma, 2013) Other by customers perceived drawbacks refer to involved security risks: Clients have to trust their software providers when it comes to the sensitive handling of information. However, the risk of data loss even in case of Acts of God or fire is according to SAP (2013) not applicable to SAP cloud solutions because the SAP data processing service centers in the German city of St. Leon-Rot fulfill the highest security standards and are ISO certified. When cancelling a contract, customers are afraid to face questions such as whether data would be returned and how it would be presented. (Marson, 2013)

The author concludes that cloud computing and SaaS offer a wide range of new opportunities, designs and tools without the necessity to have profound IT knowledge. Easy data storage, frequent updates, low initial investment as well as good customer service advocate using a cloud solution. These characteristics are especially important in a fast moving environment that urges companies to constantly adapt to HR trends to move forward and avoid standstills.

4.2.5.2 Social Networking as an Example of Adaptability

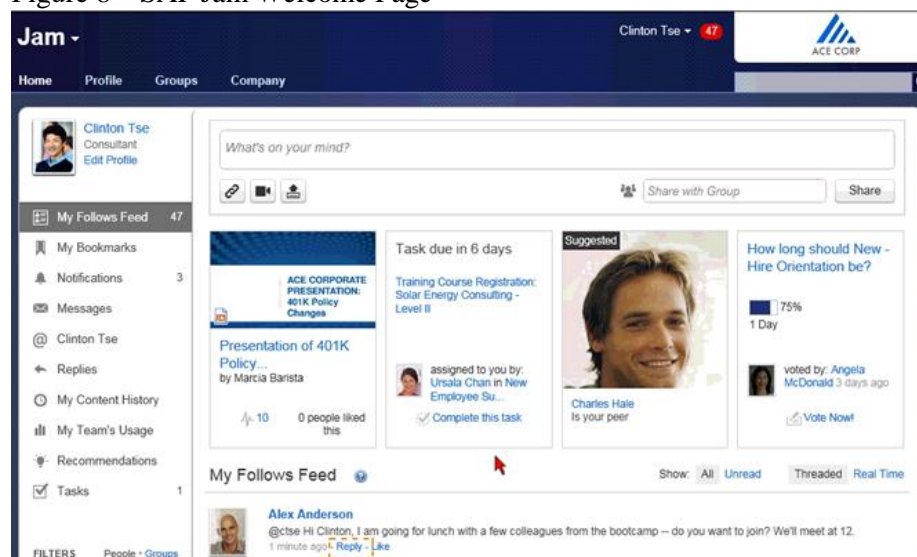
One specific gadget of the SFSF BizX Suite is the internal social network and collaboration tool called SAP Jam. According to the author's opinion, SAP Jam is worth mentioning in this context because it is adapted to current labor market characteristics and to the rise of social networking in corporations. Because the skills shortage is deepening and demographics are shifting, it is essential for corporations to attract and retain employees. The author assumes that SAP Jam is an attractive way that achieves to engage representatives of various generations.

As demonstrated in chapter 2.2.4, employees increasingly use social networks and companies try to leverage those to engage employees. SAP and SFSF have introduced the tool SAP Jam that answers both sides' needs: on the one hand, it enables social networking, communication and collaboration among employees; on the other hand, SAP Jam leverages technology to increase content creation and knowledge sharing as well as employee engagement to ultimately benefit corporate performance. (Grubb, Marson, & Sharma, 2013)

This section will present the module SAP Jam of the SFSF BizX Suite and determine its effects with regards to social networking, employee collaboration and knowledge sharing. There are four different cloud business pillars, i.e. customers, money, suppliers and people, whereupon this thesis will focus on the latter one.

Because SAP Jam uses features from other social networks such as Twitter, Facebook and Google Plus (see Figure 8) employees can usually apply the module very well. Once users enter the application, they are confronted with the home screen that includes feed updates, bookmarks, notifications, messages and recommendations.

Figure 8 – SAP Jam Welcome Page



Source: Adapted from Elliott (2012)

There are several HR business scenarios displayed in Figure 9 where SAP Jam can offer added value. One case for example concerns employees that would like to discuss a certain area of business or get more information about one or more topics of a learning activity. With SAP Jam, they can create an informal learning group and share documents, experiences, videos and “Question and Answer” sessions. (Grubb, Marson, & Sharma, 2013)

Figure 9 – Case Scenarios of SAP Jam Applications in an HR Context

SAP Jam Functionalities	
Creation of groups for informal learning	Collaborative goals management
Social onboarding	Expert finding
Recruiting support	Finding a mentor to support career growth

Source: Adapted from Grubb, Marson & Sharma (2013); graph made by the author

To sum it up, the technology leveraged in the SFSF BizX Suite definitely comprises attributes that add value to succession planning. SAP Jam must be very attractive to employees and organizational leaders because it enables social collaboration and knowledge sharing at work and fully integrates into the BizX Suite and BizX mobile. This module clearly responds to the importance of social networking and employee engagement at work. Informal learning helps the company to grow their employees so that they can succeed in their careers. Further, SFSF SaaS adapts to current trends and its updates offer cutting edge improvements to its clients. The software adaptations are based on HR developments and their customers' wishes.

5 Discussion

The author realized during the process of research and writing that succession planning in the BizX Suite follows the best practices that were formulated in chapter 3.3.2. Nevertheless, the author thinks that corporations also benefit from the BizX Suite because they are inspired to rethink their succession planning. Because cutting edge processes are available for usage in the software solution, companies are animated to consider what to base their succession planning on. The BizX Suite can initiate a lot of discussions among different members of the organization and animate leaders to (re)define their HR business processes systematically and transparently.

Based on previous research, the author assumes that the success of IT supported succession planning depends on various factors in addition to the quality of the solution itself. An enabling corporate culture and top management support, data integrity and well-defined processes also play pivotal roles.

5.1 Contribution of the Business Execution Suite from SuccessFactors

All integral parts of state-of-the-art succession planning are to be found in the BizX Suite, be it for example the Performance-Potential Matrix or be it the identification of competency gaps. As can be derived from previous chapters, the BizX Suite does add value in response to the majority of labor market trends and succession planning risks. This section will provide a summary of the BizX Suite's added value in the context of succession planning. The research questions will be answered in the process of writing.

5.1.1 Response to Changing Labor Market Characteristics

The thesis determined current labor market trends that are responsible for the increased relevance of succession planning. The rise of the service sector and activity in a global environment urges companies to look for knowledge workers and global elites to be able to compete internationally. Further, corporations face fast paced business changes and a volatile labor market meaning that employees are more flexible and therefore likely to switch jobs. Changing demographics challenge companies because they have to be attractive to numerous generations leading to high cross-generational diversity at work. All of these labor market trends reinforce the need for succession planning. But in how far does the SFSF BizX Suite respond to these challenges?

Globalization

In order to be able to keep up with the pace of international business processes and to take fast decisions, companies have to be able to adapt quickly to trend changes. In this regard, SuccessFactors regularly updates the BizX Suite modules and therefore allows a high degree of adaptability to the external environment. It also offers SAP Jam which responds to the rise of social networking outside of work and the urge to introduce internal corporate collaboration tools. SAP Jam offers a well-developed collaboration and informal learning

module that satisfies the need for social networking. Additionally, companies can benefit from the tool by encouraging employees to make use of work groups and informal forums discussing job related issues or innovations.

Another consequence of globalization is the need of bottom-up decision processes. According to the author's opinion, the BizX Suite can also add value in this regard because the cloud software allows for succession processes that take place in all organizational levels. It also provides a platform to systematically and clearly define them in order to function smoothly. However, process definitions as well as the structure of corporate decision making are mirrored in the BizX Suite. Therefore, the author assumes that although the software offers many options for bottom-up processes, it is still upon the company to define them and assign authorizations to the respective decision takers within the BizX Suite.

A common threat of globalization is the "one-size-fits-all" risk, i.e. processes without customization. Corporations might standardize HCM in all locations without taking local practices into account. The author assumes that the BizX Suite does not fully mitigate this risk: the multi-tenancy infrastructure of the cloud solution offers frequent updates and adaptability to current trends on the expense of customization. Clients can customize authorizations and some minor characteristics but are not able to adapt the solution to local habits. However, many SAP customers employ the BizX Suite additionally to the SAP ERP HCM Suite. The combination of on-premise and on-demand solutions then provides a high degree of flexibility.

Many companies increasingly focus on the service industry. To mitigate the risk of insufficiently skilled employees, corporate and job specific competency models support corporations in finding and developing the right talent for successions. They can for example include competencies like customer orientation or communication. The BizX Suite offers help in form of a competency library and various performance measurements against competency models.

Demographic Shifts and Skills Shortage

The demographic change not only reinforces the existing scarcity of talent but can also evoke cross-generational clashes in a company. However, if leaders focus on systematic career steps and transparent decision criteria for advancement they can limit conflicts over internal promotions and transfers. Corporations should therefore communicate the reasons for promotions. The BizX Suite definitely offers possibilities to companies to introduce a systematic succession planning program but the extent to which corporations apply it depends on corporate culture and process definitions.

Talent scarcity cannot be fully predicted for the future and corporations are well advised to introduce planning activities. Because the BizX Suite offers metrics for long-term planning and evaluations of the succession program, corporations can be well prepared for future gaps between talent supply and demand. Software can help to increase the bench strength of positions and to deepen talent pools.

Changing Nature of Work

One characteristic of today's work environment is low employee retention. Employers and employees demand higher flexibility on the expense of internal career steps. Employees are more likely to change jobs or to be in a contingent work placement. They typically are interested in opportunities abroad and are less loyal to current employers than in the "old economy". Scholars researched that employees nowadays appreciate opportunities for training and career development; consequently, companies that can offer development opportunities to their workforce typically have a better employer brand and lower employee turnover than those without career advancement possibilities. Concerning succession planning, the BizX Suite supports companies in their processes. Competency gap analysis, IDPs and assigned learning activities enable employees to accomplish their career goals. They can make use of training activities and develop themselves further in the prospect of career advancement. Additionally, employees can be more involved in succession planning activities through the Career Worksheet and the employee profile. Ultimately, increased employee involvement and development opportunities improve employee satisfaction and retention.

5.1.2 Response to Succession Planning Risks

After an analysis of labor market trends, the thesis looked at conventional succession planning and its alternatives. Scholars generally recommend companies to employ a balance of external and internal hires. External recruiting seems at first sight a beneficial option because corporations can spare training and development investments and simultaneously leverage knowledge transfer. On the other hand, external hires tend to earn higher salaries but initially perform lower. Not accurately assessing organization and job fit results in increased turnover of external hires. These characteristics are the main reasons for internal promotions and transfers.

Besides external hiring, corporations also have to identify and advance their internal talent in order to be well prepared and to possess a competitive advantage for the future. Corporations now tend towards an integrated succession planning approach. Referring to Figure 10, risk mitigation of the BizX Suite is demonstrated in response to possible situations taking place in succession planning.

Figure 10 – Risk Mitigation of the Business Execution Suite

Possible Risks of Succession Planning	Mitigation Tools of the BizX Suite
Too often, employees are hardly involved in the succession planning process. Therefore, it is important to engage employees by taking their future aspirations into account and offering them development options.	Career Worksheets encourage employees to state their career aspirations. IDPs engage them to think together with their managers about ways to minimize the gap between current performance and future requirements.
Development needs are sometimes assessed inaccurately and corporations would need a variety of performance reviews to build a comprehensive picture of the actual performance of an employee.	The BizX Suite offers a variety of performance review tools. Depending on the company's performance review process definitions, leaders can apply several means to evaluate direct reports.

Job focused succession planning that does not make use of competency models ultimately leads to a backwards looking strategic approach. It is often difficult for corporations to introduce future oriented competency models that help to identify the right talent.	Future oriented competency models can be created with the help of the competency library. The BizX Suite offers more than 80 best practice competency examples that leaders are free to adopt.
Subjective decision taking based on personal feelings, chance observations and homosocial reproduction eventually discourages employees. They would rather appreciate transparent and systematic decision steps.	The Performance-Potential Matrix, calibration meetings and systematic competency models can support a more transparent decision making process. Additionally, companies can create forms with assessment criteria for decision takers.
Corporations often lack data integration among various talent management areas leading to little data integrity.	Clear data or process integration links increase transparency in the BizX Suite.
Emergency succession planning, i.e. short term impulsive decisions might disrupt business and be counterproductive to the organization's success. Workforce planning activities, e.g. the creation of scenarios or the visualization of critical positions, can mitigate this risk.	Workforce planning in the BizX Suite includes scenarios and forecasts and allows for long term planning. Additionally, the Succession Org and Lineage Charts help corporations to visualize key positions and the forces of talent demand and supply.
Some organizations do not have comprehensive succession metrics in place in order to evaluate and adapt the system.	The BizX Suite offers a variety of KPIs in the Workforce Planning and Succession modules. Because the data's origin is clear, sources can be trusted.

As can be seen in Figure 10, all mentioned risks of succession planning can be mitigated with tools of the BizX Suite. However, to visualize the added value of the BizX Suite in the whole process through employing all integral parts of cutting edge succession planning, the reader will now be involved in a story in the subsequent section.

5.1.3 Inclusion of Best Practices

Let us assume that a huge real estate agency with several office locations thrives to introduce a succession planning program. Before actually putting succession management into action, company and job related competency models have to be defined. For this type of company, core competencies might for example be customer service focus and communication skills. This could mean that all employees of the company should try to exceed customer expectations, should be able to deal with complaints and engage easily in conversation with colleagues and customers. A job related competency model for a management position could for example include leadership skills. The BizX Suite supports this process with an extensive competency library derived from best practices of other companies.

After having clarified processes, managers, peers and external contacts can evaluate the performance of an individual against applicable competencies and goals. Smooth data integration of the Goal Management and Performance modules in the BizX Suite allows for transparent processes in this regard. With or without calibration meetings of executives of the

real estate agency, employees are plotted according to potential and performance ratings in one of the nine boxes of the Performance-Potential Matrix of the Succession module.

Based on that, direct links are available to allocate high potentials to talent pools or nominate them directly as successors. Comprehensive data integration and means to employ more objective decision taking also contribute here to the added value of IT supported succession planning compared to conventional processes.

Easy-to-use gap analysis in the BizX Suite constructs the foundation for IDPs in order to decrease the difference between current performance and competencies and current or future job requirements. In the Career Development Planning module, learning activities can be directly assigned to each development goal.

Finally, the stakeholders and management of the company will want to know how powerful the succession program actually is. A wide range of KPIs in the Workforce Planning module and various metrics in the Succession module help to evaluate the effectiveness of the succession planning program. Additionally, these KPIs and scenarios as well as Succession Org and Lineage Charts serve as a means for long term planning by identifying future human capital changes.

As could be seen, succession planning in the BizX Suite includes all best practice integral parts of chapter 3.3.2 and employs them with comprehensive process links. Competency models and assessments, talent gaps, individual development plans and KPIs are all extensively provided in the cloud software solution.

5.2 Recommendations on Implementing Succession Software

As stated earlier, Succession & Development as well as other integrated modules discussed in the course of the thesis do provide added value as they serve their customers with a wide variety of best practice applications and tools that might not be used otherwise. Additionally, technology might be the trigger for animated discussions about the future of a corporations' talent inventory, i.e. how to maintain and develop employees. Smooth software implementation and regular process adaptations provide the foundation for a successful and effective succession program. Nevertheless, cultural and technical challenges might accompany the implementation of any succession software. This chapter serves to give advice on what to pay attention to during the introductory phase.

Systematic Process Definitions

Insufficient process definitions limit the effectiveness of the BizX Suite. Along with other factors, the effectiveness of a succession program also depends on its adaptation to the readiness and maturity of an organization. Small and medium-sized enterprises (SMEs) usually have limited resources available and different program priorities than multinational corporations. The larger an organization is the higher is the need for an integrated talent

management system that organizes and links tremendous amounts of talent data. Therefore, corporations should carefully think about their processes and adapt them to the company size.

Consistency is the base for treating employees fairly which means that the same systematic steps should be applied in each succession event. Responsibilities for each role in the process should be clear, e.g. that the manager of an employee is also responsible for putting the IDP of the employee in action. The author thinks that the following questions should be addressed before actually starting to configure process links, authorizations and the succession planning methods.

Sample Questions on the Design of Succession Planning

- How does the company rank the main priorities of the program as not all succession issues can be addressed at once? Examples would be development of deep talent pools, decreasing high potentials turnover or identification of talent for key positions.
- Which positions will be involved in succession planning (e.g. top management, critical roles, key roles or all positions)?
- What will be the succession planning process steps?
- Which consistent KPIs will be used from the extensive offer of the BizX Suite to measure the effectiveness of succession planning?
- In how far will succession planning be integrated with other talent management areas? Which data and process links of the BizX Suite will be used?
- How will the BizX Suite be technologically integrated with existing HCM systems?

Sample Questions on the Evaluation of Performance and Potential

- What are essential competencies for the present and the future? What are core and job related competencies respectively?
- Which methods will be used to evaluate high potentials? In how far will employees be evaluated according to hard skills, soft criteria or organizational commitment?
- Which methods of the Performance module will be used to evaluate performance? Examples would be multi rater, calibration, single manager evaluation or a combination of various methods.

Sample Questions on Training and Development

- How will the nominated person for succession or a talent pool be developed? In how far will generic or corporate culture specific strategies be applied? In how far will on the job or off the job training be offered?
- Will the company connect a learning activity to a competency to be developed?
- How will IDPs be developed (e.g. in collaboration of the manager and the direct report)? Who reviews their timely and consistent completion?

Sample Questions on Authorizations

- Who will have the authorization to nominate a candidate for a talent pool or succession?
- Who will be able to define the readiness of a candidate?

- Who will be responsible for reviewing and improving succession processes? How often should the succession program be evaluated?

Concluding, a successful succession planning program brings about systematic steps, transparent evaluation criteria, clear roles and evaluation metrics. Basically all succession topics such as for example transparent decision taking and systematic competency models depend on process definitions. The BizX Suite provides an excellent platform for a state-of-the-art succession program but the company ultimately decides in how far to make use of its components. If a corporation for example does not clearly define a job competency model, managers will only have a flimsy base against which to compare the development of their direct reports. Consequently, succession planning will rather be ineffective as the right candidates cannot be filtered out.

In order to help companies to define their succession processes, a SuccessFactors consultant could show examples on how to use and link the modules. Best practices of other companies can be presented to demonstrate the added value of the BizX Suite and integrated processes.

Software as a Supplement

Having talked about systematic processes and clear role definitions, another issue emerges between the lines: Because people want to be valued, IT applications for receiving feedback or calculating own career chances might not necessarily satisfy or motivate employees. Efficient and well-defined procedures in a computer system do help to increase transparency but might lack the component of resilience. Consequently, some space should still be available to try out new methods, to allow for mistakes and to react to for example cross-generational or cultural diversity. Companies that implement the BizX Suite should find a balance between efficient and systematic operations and diversity.

This issue arises from the danger that a company overly relies on the BizX Suite to solve succession challenges and to fill the talent pipeline. The author assumes that a corporation might be tempted to hand over the responsibility for a functioning succession program to technology although the outcome depends on correct process definitions and various activities outside of the scope of succession software. For example, a leader should not only fill performance ratings into the Performance module but should still have face-to-face performance appraisal sessions. Instead of a substitute, technology should be considered a supplement to existing processes.

Corporations that want to implement the BizX Suite should at first understand the theory behind the technological functions. Therefore, it is surely beneficial for SuccessFactors consultants to explain the theoretical background of the software and to highlight the supplemental function of technology.

Corporate Culture and Change Management

Implementing succession planning can pose a challenge to a corporation in terms of both role responsibilities and managing change. That means that top management has to put emphasis on succession planning and embed its values into corporate culture; open communication and prioritizing the issue ultimately encourage the target employees and their managers to apply succession planning. In comparison to corporate leaders that create the environment for succession planning, HR should assume administrative responsibility and coordinate efforts; without a clearly responsible person for the initiative, the program will most probably be inefficient. Employees as well as managers have the responsibility to apply succession planning processes in a consistent manner.

In any case, introducing or amending succession planning brings about tremendous challenges for change management. All program participants – leaders, HR departments and direct reports – need to receive IT training on how to use the software. Further, its main goals, benefits, rules and procedures have to be communicated throughout the organization during the introductory phase of the program. As soon as parts of the BizX Suite are in place, frequent updates urge corporations to constantly apply change management measures in order to keep pace with HR trends. Regarding role responsibilities and change management, companies will have to clarify the following questions:

- How will program participants be taught about cloud software applications and their underlying processes?
- Who informs the company about software updates and their implications?
- Who takes responsibility for change management concerning succession planning?
- How are program adaptations communicated to every individual in the organization?

Once the company has a clear idea about process definitions, role responsibilities and the function of technology, a good foundation is laid out for the succession software. Subsequently, processes can be introduced, continuously evaluated and improved to achieve a highly effective state-of-the-art program.

6 Conclusion

One can easily visualize the metaphor from the introduction to succession planning: the global arena was introduced as a playground where companies compete for the best team members. The thesis determined whether the succession software on the example of the Business Execution Suite from SuccessFactors can equip companies with a competitive advantage over the other teams.

During the research, the author at first derived the key reasons for the increased relevance of succession planning. Corporations today are squeezed between the forces of labor supply and demand while trying to cope with talent scarcity, low employee retention rates and high workforce mobility. Cross-generational diversity and a retiring Baby Boom generation urge them to decide objectively and wisely on succession. Fast pace and numerous changes demand a high degree of adaptability and cutting edge processes from companies. The increased focus on the service sector animates leaders to think about a company's core competencies so that outstanding customer service can be provided.

These and other trends discussed in the course of the thesis encourage corporations to develop strategies for finding suitable successors. Some of them take a chance on external recruiting because they highly value learning-by-hiring, innovative ideas from the outside and low internal training and development costs. This method of short term succession planning is also primarily employed when a company is in need of an emergency solution. Nevertheless, comparably lower initial performance and higher salaries tempt corporations to either focus completely on internal hires or to employ a balance of both. If internal recruiting is used as a means to reward excellent performance, employee commitment and motivation might be increased. Usually, internal hires possess company specific skills and show higher retention rates as a consequence of an organization and job fit. Additionally, companies like to use this approach because of higher initial employee performance and lower recruiting costs than when recruiting externally.

As previously discussed, 23 percent of US companies have introduced an integrated succession approach as an option for identifying and nominating successors. (AICPA, 2012) Best practice succession planning doubtlessly involves more functions than internal recruiting because it integrates with other talent management areas such as performance management, planning, career development and training. Competency models, performance and potential assessments and gap analyses are integral parts that contribute to an effective succession program. IDPs strengthen employees by decreasing the gap between current performance and current or future role requirements. Talent pools also support organizations in increasing or maintaining deep bench strength for key positions. The process is supported by matrices, KPIs, scenarios and forecasts that should evaluate the program's effectiveness and decrease the company's vulnerability on the labor market.

Although a succession program constitutes the most effective option to identify, develop and nominate successors, companies might still face several challenges in the execution of this

approach. On the one hand, homosocial reproduction, chance observations and personal feelings might blur the objectivity of decision takers and lead to disorganized processes. Arising from that, employees might feel unfairly treated and insignificant to the corporation's performance. This dissatisfaction is reinforced by ignoring the employees' career aspirations. Additionally, a lack of talent data integration represents another challenge for companies. Although process links between succession planning and other talent management areas might exist, the risk of data incompleteness persists in paper based succession planning or disintegrated IT systems. Further, planning activities and evaluation metrics might fail due to insufficiently defined processes or incomplete tools to plan ahead for the future.

After having derived the relevance, approaches and risks of succession planning, the practical part of the thesis determined the added value of technology in this regard. Concerning changes in the labor market, the Software-as-a-Service solution from SuccessFactors adapts fast to the external environment and constantly introduces advanced versions. As updates happen on the expense of customized programs, the one-size-fits-all challenge is the only labor market risk that cannot be fully mitigated by the BizX Suite. Apart from that, it does provide means to accelerate bottom-up HR decisions and to increase employee loyalty through internal development programs and increased transparency. Employees usually appreciate opportunities for career planning, training and development. The BizX Suite also supports companies in defining competency models to compete on a global scale. Additionally, the corporate social network SAP Jam goes in line with the strong emergence and popularity of Facebook or LinkedIn.

All state-of-the-art succession planning steps can be seamlessly undertaken supported by technology. Competency models, matrices, talent search and gap analysis are just a few tools that serve companies to make succession planning more effective. The integration of all modules in the BizX Suite enables corporations to assess their talent inventory and to objectively identify high potential employees for future roles. A succession or talent pool nomination is a straightforward and easy-to-handle process in the Succession module. There should be no need for emergency succession planning as the bench strength of each position can be constantly supervised and – if needed – increased. Employees' aspirations can be taken into account for succession planning and data integration and linked processes help to increase integrity and transparency. Eventually, systematic and transparent succession planning will increase employee loyalty and consequently motivation. The BizX Suite responds to risks of succession planning in a comprehensive manner as SuccessFactors also regularly reviews modules and reacts to known shortcomings.

The author considers that corporate leaders might be animated to thoroughly think about succession planning as the amount of options in the BizX Suite seems countless:

“There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. There are things we don't know we don't know.”

(Rumsfeld, n.d.)

This means for succession planning that the BizX Suite already adds value if it includes one aspect of whose existence corporate leaders have never heard of or at least do not know in detail. The software can inspire them to think about new ways and solutions to HR challenges.

As for implementing software, corporations have to define succession processes as well as integration points of succession planning with other talent management areas. An enabling corporate culture and upper management support are critical pillars for success. Additionally, assigning responsibilities for certain roles in succession planning and outlining change management form the base of an effective program. Companies have to decide on whether and how to use competency models and corporate career plans. Finally, they are well advised to acknowledge the supplemental function of technology and to also design processes outside of the software's scope.

After having resolved all process questions and implemented technology, corporations are well prepared for future demographic changes and a fast paced business environment through the means of a software solution that is constantly reviewed and adapted. Recalling the playground metaphor, the author concludes that succession software does equip businesses with a competitive advantage to succeed in a volatile labor market that is shaped by skills shortage, globalization and contingent forms of employment. Software also mitigates risks of succession planning and adds value in terms of a seamless best practice succession process.

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