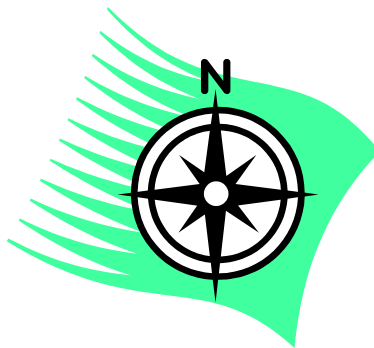


*Looking forward, looking back:  
succession planning for the next decade*  
**2003-2013**



Let's define 'succession planning'  
before leaving on a difficult and  
uncharted journey hoping to find a  
compass along the way.

FNBO Requisite Organization Users' Forum  
Sarasota, Florida November 9<sup>th</sup> to the 11<sup>th</sup> 2003

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## 1.0 Introduction

This paper begins with an overview of CRA/Comalco and the work of Jaques in that organisation complemented by a snapshot of CRA/Comalco in 1983, 1993 and 2003 to gauge the effect over time, of Jaques' involvement.

I have come to apply what I think of as the seven year test: That is to say, I have little confidence in the validity of any new development until it has been in force for seven years. I have seen – in various institutions – too many new methods tried, such as the introduction of piecework, or a job evaluation scheme, or of co-operative systems, or of group methods, for which claims are made on the basis of follow up studies carried out for months or perhaps a year or two. The consequential effects and difficulties associated with any one change or with any shortcomings in the change itself may not necessary begin to show for some years. They take time to work into the system.

(Jaques 1976: viii).

The paper then moves to a time span of 2003-2013 and converges on items '5.1 to 5.7' to debate their relevance to business over the coming decade. This section will not be prescriptive, but rather focus our awareness on a range of options and strategies for further discussion and distillation by workshop participants over the duration of our time together in Sarasota.

Questions to ponder in relation to this paper over the next two days include:

- a) Is the coming decade going to be different from the previous one in regards to how we manage our business? If so, in what way and why?
- b) Will the profile or core work of your business alter?
- c) Do you currently have a succession plan in place for staff from stratum IV up?
- d) Do you 'grow your own' or import senior staff?
- e) If a member of your 'executive team' left at the end of November could you replace that person by 'start of business' the following Monday?
- f) For those of you in Sarasota today I have two additional questions: Firstly, to your knowledge, are you part of a management succession plan in your organisation and secondly, have you had a potential performance appraisal in the last two years?

## 2.0 CRA/Comalco in 1983

### 2.1 The Beginning

Jaques had been working for a number of years alongside Carnegie and Brady at CRA/Comalco at the company's Head Office in Melbourne Victoria, Australia (Brady 1992; Carnegie 1992; Cason & Cang 1992; Jaques 1989). At this early stage in the company's life cycle, CRA/Comalco didn't have the business unit structure, employment systems, or leadership development embedded within the business. In the coming years this work would be undertaken based around Jaques' stratified systems theory model developed over many years of research at Glacier Metals in the United Kingdom. Preparatory work on structure in particular was required to enable implementation of the strategic direction that Carnegie committed CRA and its subsidiary companies to in an internal memo in 1980 (Butlin 1995:2).

CRA's competitiveness internationally and domestically will be assured if we organise and manage in a way that encourages and allows each person in the group to give of his or her best. For our organisation to do this, first, each of our jobs must be clearly defined and have adequate scope and authority to allow every one who works in the CRA group to make a real contribution to the group's performance, and second, everyone should feel and be held to be, individually responsible for carrying out their own jobs well.

An executive management team with a long term focus based on sound strategic thinking is consistent with the findings of Dunphy & Stace (1990:167). This belief, backed by extensive research, points out that 'not all key players in the process of managing change are in the top team, as a larger team is needed to manage the change process in the wider organisation'. Ten years on when the move to staff gained momentum in CRA/Comalco it was the managing directors and general managers who were at the forefront of this change within their business units. This group had been part of the CRA/Comalco organisational development teams that were put together in the early 80s (author's interview C1, CEO1).

## 2.2 Potential Leaders of the Future

Key staff who were identified as having leadership potential were seconded from their operational roles and business unit for periods up to two years (author's interview CEO1; GEHR). Their brief was to operate as part of an organisational development team placed on an operating site to implement the structural changes that were promulgated to the organisation during 1981 by Carnegie. On a small mine or processing facility the organisational development team might be in place for only a number of months, while on larger sites the duration of their stay could be measured in years. The process employed from 1980 onwards was in all cases a 'top down' process (author's interview COE1). That means, driven from the office of the CEO.

## 2.3 CRA/Comalco Business Unit Model

During the 1980s we constituted about twenty five business units as self managed operations in CRA. From more than twenty five pay bands in the organisation we introduced a mandatory flattened structure of four layers of strata, with one layer of Managing Director making up the fifth level for each business unit (Johnson 1996:3).

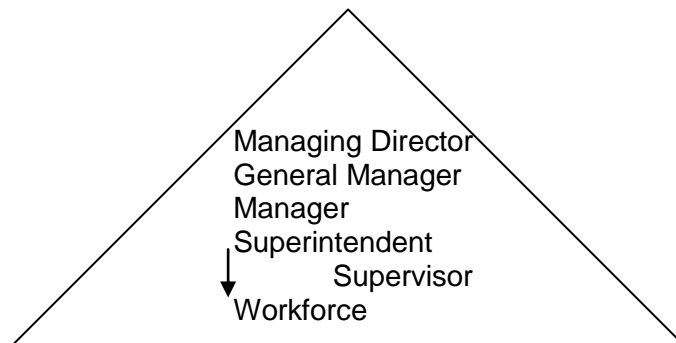


Fig 1.1 five stratum business unit structure model

## 2.4 Human Resource Manager

When Carnegie promulgated the vision of change to the organisation he had, by then, appointed to the executive group Jack Brady, previously managing director of Sulphide Corporation business unit (author's interview CEO1, GEHR1; Carnegie 1992). Carnegie had observed Brady

at work while the Woodlawn mine pilot project was evolving. One of the big advantages of the organisational development pilot being run with Jaques, Carnegie and McKinsey & Co at Woodlawn mine (fig 1.2) in New South Wales was ‘that the Divisional Vice President Jack Brady took a keen interest in the project’. Jack Brady was the Mine Manager’s boss (Carnegie 1992).

Working directly with Jack on a part time basis on this project for three years gave me confidence in his practical good judgement on matters of human beings working together in the organisation. Firstly in his interest in the project and ability to contribute to its application on a wider basis throughout the entire group. Secondly in our ability to work together, with him saying ‘no’ when either he did not agree or he did not understand or he did not see the practical benefits we would get from the making the change suggested (author’s interview CEO1; Carnegie 1992:13).

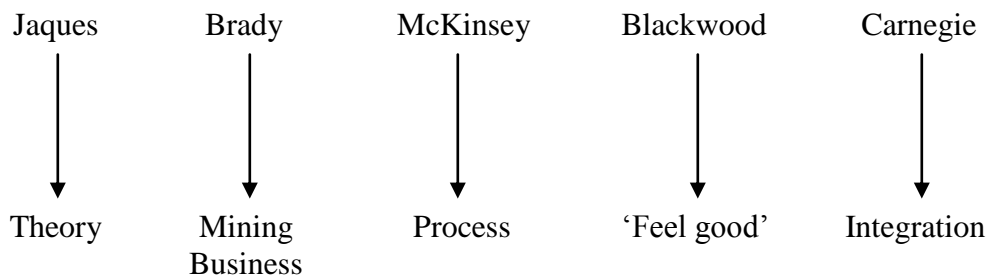


Fig 1.2 Project structure for Woodlawn pilot

Brady, as Group Executive Human Resources reporting directly to the CEO, was tasked with carriage of the vision throughout the company. The position Brady now occupied at stratum VI was effectively the vehicle through which Carnegie's vision and action plan was implemented through the establishment over the next decade. (author’s interview CEO1; GEHR1).

## 2.5 Successful Organisational Change

Dunphy & Stace (1990:145) reveal that change does not just occur and it can not be left to happen as the section on ‘leading the transition’ highlights:

Successful organisational change does not just happen; it is managed through to success. Great organisations do not just happen; they are managed through to greatness and managed through major transitions which represent crises of identity and often survival. Such transitions are **led**, and **led** by **people**.

Furthermore it is essential 'that the vision becomes embodied within the organisation ... vital to implementing change is an effective team below the CEO' (Dunphy & Stace 1990:166). The team established under Carnegie implemented the transformation process from the CEO down for almost a decade which included three changes of Chief Executive, internal promotions that were part of long term succession planning filled this role each time. (author's interview C2).

### 3.0 CRA/Comalco in 1993

A decade on from 1983 and CRA/Comalco had grown and expanded their business activities significantly. Jaques work was completed and both Carnegie and Jaques had moved on. Business unit and head office structures were in place and working well through to stratum VII. Staff employment was about to be offered in December of that year to the vast majority of employees across the metalliferous business units and as a result bring down the wrath of the Australian union movement on the group for the remainder of the decade (Gorman 1996; Ludke 1996).

#### 3.1 Staff owned by the business unit or CRA/Comalco?

A decision had been made as part of succession planning that all staff at stratum IV and above were 'owned' by the company, while staff at stratum III and below belonged to the individual business unit (Brady 1992). At this period in the life of the company there were approximately 250 staff at stratum IV and above who had their careers managed from head office. This allowed the business to 'nurture and develop' a talent pool of staff at stratum IV plus for the long term 'people and future leadership' development side of the organisation (Brady 1992). Throughout this phase the focus on succession planning was based around 'growing our own' rather than 'importing talent'. A case in point is the incumbent CEO of Rio Tinto (Rio Tinto and CRA amalgamated in 1996) Lee Clifford. Clifford was one of the original managers 'plucked out of a line role' to assist in the establishment of, and participate in, the original organisational development teams put together by Carnegie in 1981 ([www.riotinto.com](http://www.riotinto.com)).

In 1993 the life of a General Manager Operations in Weipa was four years while that of a manager at stratum III had decreased significantly and in 1993 was sitting at just 'over a year'. At any given time there were a number of staff available who could take over a role in any stratum - right through to CEO – from employees who left the Company for whatever reason.



### **3.2 Once a Year 'We Looked at the 250'**

CRA had a special room set up in head office containing details of all the staff - including a passport size photograph - at general manager, stratum IV level and above. This room was normally securely locked and only used on a formal basis once a year. This period was when the executive group of the company planned all the staff moves at stratum IV and above for the next three years - line, staff and support - as well as development roles undertaken by individuals external to the company. Such a process embedded in the organisation, ensured that at any 'given point in time' there was always a supply of suitable candidates to either fill roles that become vacant or to 'populate a new business unit venture' that had commenced operations (Brady 1992).

### **3.3 Manager Once Removed**

The concept of the MOR was in place and used as part of the 'potential performance appraisal' system for succession planning which was undertaken on a three year cycle as distinct from the 'annual performance appraisals'. On an operating site the superintendent would be assessed by the general manager while a manager would normally be assessed by the human resource manager at stratum IV within the business unit - usually domiciled off site in head office (author's interview MD2). As mentioned in 1.3.1, if a staff member was below stratum III then the process remained totally within the business unit. If the staff member was above stratum IV or had the potential capability to work at that level within the next three year period then the process ratcheted up to CRA/Comalco head office and that individual become 'part of the 250'.

## 4.0 CRA/Comalco in 2003

The company is extremely successful and now combined with Rio Tinto, as a 'dual listed company', has its head office in London. Rio Tinto and BHP Billiton are the two largest mining groups in the world at present but coming out of Australian beginnings. At Weipa the business unit structure to stratum V that was established by Carnegie and Jaques remains in place relatively unaltered twenty years on. Head office functions have been modified and stratum IV has, from all accounts, changed significantly. The name Jaques and Carnegie are not mentioned, however succession planning and ensuring a supply of suitable staff for the future remains a priority within the company.

Within Australian companies generally, as is the case with Rio Tinto, the challenge of succession planning and having in place a pool of 'executive ready' staff to move into senior roles within their company is ongoing, refer 4.1. Of particular interest is the fact that in 2003 individuals are less likely to stay with a company if firstly, they are not exposed to interesting and varied work and secondly they do see a development or career path ahead for themselves. The fact is well documented that staff these days are highly mobile and will move to find more satisfying and career enhancing work. More and more, successful planning for the future HR needs of an organisation to taken into account the 'partners of staff members' as well.

### 4.1 Annual Human Resources Review

Rio Tinto has implemented a Group wide approach to talent assessment through a process known as the Annual Human Resources Review

([www.riotinto.com/community/employment.aspx](http://www.riotinto.com/community/employment.aspx) ) Accessed Oct 2003. All businesses have conducted at least one review using the new system and it has wide acceptance. At the level of the business its purpose is to:

- Identify key roles and facilitate succession planning;
- Identify particular development needs to realise capability;
- Plan development for professional staff, and
- Improve the ability to make fair assessments about individual opportunities.

Output from these reviews enables Rio Tinto to:

- Identify future leaders of businesses/product groups;
- Identify where development action needs to be delivered beyond the business;
- Identify potential staff for Rio Tinto roles in other businesses; and
- Broaden the scope for the development of high potential staff.

In the last three years Rio Tinto Human resources has conducted extensive research on practices associated with identifying and developing high potential people. Initiatives from this work include sending the first six young Rio Tinto employees on the ‘Young Professionals Programme’ at the London Business School and designing a framework for making judgements about potential at all levels.

To strengthen the capability of the current leadership, Rio Tinto designed and implemented a 360° feedback approach, which incorporated original thinking about what constitutes Rio Tinto behavioural competencies at the most senior levels in the organisation. This work has covered half of the top two levels of Rio Tinto with the rest to be completed by the end of March 2002. The outcomes of this work are built into individual development actions and are now being linked to business drivers and to the Annual Human resources Review process in order to develop stronger leadership ([www.riotinto.com/community/employment.aspx](http://www.riotinto.com/community/employment.aspx) ) Accessed Oct 2003.

## **5.0 2003 - 2013 Time Frame**

### **5.1 Potential Performance Appraisal: Pointy End of Succession Planning**

Continuation of a 'potential performance appraisal' system would on merit appear to be as relevant over the coming decade as has been the case during the previous ten years. This form of appraisal is, in actual fact, the 'starting point' of making a decision on the future career prospect, for an individual within the business. An interval around three years underpinned by the normal 'performance appraisal' conducted on a yearly basis would still seem to be a suitable interval. Obviously the format and content needs to be constantly updated to reflect the strategic direction of your business complemented by the accepted wisdom of HR specialists in this discipline. Conversely a case might be made for having a 'generic appraisal format' that is suitable across a range of businesses. The choice would seem to come down to a personal preference for the business at that time.

Jaques' concept of the MOR in activities of this type continues to be a solid foundation to build a potential appraisal format on – particularly, as in this case, the theme of our gathering is stratum IV and above. The concept of how a company operates its existing annual performance appraisal system can be supplemented into the three year potential appraisal concept. One word of caution would be to ensure that the scheduling of the appraisals are separated in time. That is, in year three do not have the annual appraisal, followed the next week by the potential appraisal. Training and development will continue to be obligatory in building confidence in the system selected.

### **5.2 Mentoring: An Often Neglected Aspect of Succession Planning**

Mentoring, or coaching, as the concept is sometimes described these days remains an option to deliver value in the development of future leaders of your business. Mentoring should be in place at a senior level – Group Executive and Board level and in some cases external to the company. Mentoring or coaching as a concept is too diverse to do justice to in the time available, however one should always include mentoring and/or coaching when debating options for succession planning and career development.

### **5.3 Succession Planning: Grow Your own or Import?**

'Grow your own or import' is continually debated with proponents from both points of view adamant that their position is the correct one. Within Australia CRA/Comalco for the most part developed their own people in house. In recent times in Australia, the replacement CEO and senior executives of some of the countries largest organisations have been 'executive searched' from around the globe. The argument being that Australia operates its markets in a 'global economy' therefore business should look for their senior people the same way. This logic obviously applies in other countries as well and numerous examples can be found where either approach has paid dividends for a particular business. Almost by definition the concept of succession planning denotes 'growing your own'.

### **7.1 The Role of HR in the Process**

It is a 'given these days' that the senior HR person in your organisation reports to the CEO and is viewed as a valued member of the executive team contributing towards the ongoing success of the business. This is no different to the preceding decade other than any debate about 'where HR sits in the structure' should be long gone. In fact, the incumbent might not be 'career HR' and in all probability could be line management rotating through the role as a normal part of executive development. Having said that, HR commands a pivotal role in succession planning and potential performance appraisals as they are the custodian or gatekeeper of this process within the organisation. In Australia this is known as 'taking ownership or carriage' of the process.

Human Resources will be 'lean and mean' providing a 'quality service and support role' to the business. As much as possible of the functions of HR will be on-line via HRIS and available to all employees at their workstation. The use of specialists and consultants will continue to value add to the role of HR in your organisation when and where it is required. Even though we are talking about the period 2003 through to 2013 one can do a lot worse than go back to the early 80s and scrutinise the HR model put in place by Carnegie, Jaques and Brady for CRA/Comalco (Brady 1992). In this author's opinion the model has stood the test of time and been found to have a solid foundation from which to build succession planning for the next decade - 2003 to

2013. As has been mentioned before, CRA/Comalco has gone from strength to strength using the talents of their own people who have been developed and nurtured over two decades.

### **5.5 The Role of Line Management in the Process**

In one word 'Crucial'. Without the active support of stratum IV and above - that is the people who actually run the 'profit centres or business units' of your company, the process will go nowhere. Remember these people are part of the process that is occurring as well as an outcome of the process. Staff at stratum IV will want to know their options for moving to stratum V to run a business unit and they will want to know when this will come to pass. In this regard most of the staff, with the exception of the CEO, have dual roles in the process in that they are contributing to succession planning in regards to their subordinates whilst having the process applied to them via their MOR.

### **5.6 The Role of the CEO in the Process**

The CEO is the owner of the process in conjunction with a sub committee of the Board that deals with HR issues of a strategic nature. The CEO will be accountable and responsible to the Board for the implementation and ongoing operation of succession planning within the business. Obviously the majority of the day to day activity in this sphere remains the responsibility of the Group Executive HR, however, overall accountability should reside in the office of the CEO.

### **5.7 The Role of the Board in the Process**

Taking as an example a seven stratum business, one could argue the point that the Board should assume the role of MOR and be directly involved with all appointments at stratum VI and above. The reasoning being that stratum VI personnel are potential 'CEOs in waiting' and therefore the Board - or a subcommittee of it - should be actively involved in the recruitment and selection of staff at this stratum. Such a role for the Board would be applicable, regardless of whether employees come into a stratum VI role via internal promotion or by external recruitment.

## 6.0 Summation

This paper began with an overview of CRA/Comalco and the work of Jaques in that organisation complemented by a snapshot of CRA/Comalco in 1983, 1993 and 2003 to gauge the effect over time, of Jaques' involvement. The paper then moves to a time span of 2003-2013 and converges on items '5.1 to 5.7' to discuss their relevance to business over the coming decade:

- Potential Performance Appraisal
- Mentoring: An Often Neglected Aspect
- Grow Your Own or Import?
- The Role of HR in the Process
- The Role of Line Management in the Process
- The Role of the CEO in the Process
- The Role of the Board in the Process

The work presently being carried out in the HR discipline within Rio Tinto is covered as is a range of questions and suggestion for managing succession planning over the coming decade.

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**Note 1:** The first half of the title '*Looking Forward, Looking Back*' is taken from the title of the 100<sup>th</sup> album produced by Slim Dusty - Australia's greatest country and western singer.

**Note 2:** The phrase: 'Let's define succession planning ...' is modified from an article in the New York Times, October 5, 1998: *judiciary committee votes for impeachment inquiry*. The article concerned the impending impeachment hearing of President Clinton. The actual quote was:

Lowell (Democrat) urged the panel to define what an 'impeachable offence is' before leaving on a 'difficult and uncharted voyage' hoping to find 'a compass' somewhere along the way