

Building Your Long Term People Strategy: Succession Planning that Works



On Purpose
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Building Your Long-Term People Strategy:

Succession Planning that Works

A successful business owner once told me, “My assets go home at 5:00.” That still rings true today, when many businesses work 24/7. Your people are your most important asset.

As a business owner or executive, you’ve been successful because you’ve done a lot of things right. As you consider selling your business or passing it on to the next generation of leadership, however, you face a different set of challenges.

The hallmark of a great leader is one who sets his or her successors up for success, rather than failure. In many companies this is not the case.

Jim Collins, author of *Good to Great*, 1991, found that in over three quarters of the comparison companies in his study, executives set their successors up for failure or chose weak successors or both. Collins indicated that because of ego or what he calls the “Big Dog Syndrome”, these executives did not leave behind companies that would be great without them.

Succession planning has been defined as the process that organizations use to identify and prepare candidates for high-level management positions that become vacant due to retirement, resignation, death or new business opportunities. Recognizing that changes in management are inevitable, organizations can establish a succession plan that will provide continuity in leadership and avoid extended and costly vacancies in key positions.

Don’t Let The ‘Smarts’ Leave When The Leaders Do

Every organization, whether large or small depends upon certain key people to ensure its success. When a key employee leaves a company, they take with them customer relationships; product and process knowledge; and intellectual property, much of which can be irreplaceable - without a succession plan.

Don’t let your company fall victim to the memory drain when top performers leave or retire. To ensure your company’s long term success, your company’s workforce performance management system should include career development plans for your employees that will match them with duties and responsibilities that will maximize performance, employee morale, and company success.

Why Think About This Now?

Instead of lying awake at night worrying, (or worse yet, ignoring the inevitable) answer these very important questions honestly, right now, to determine if your organization should consider succession planning:

- Which people in your organization are truly critical to your business?
- Which of your key employees (the top executive, your 'star salesperson', your IT manager, or the 'loyal employee who will never leave') would you most miss if they left today?
- What mission-critical roles or activities would be hampered or completely halted by their loss?
- Which people will be the next to leave due to retirement, turnover, illness, accident, death, personal issues, competitor offers or other causes?
- What market opportunities or growth plans would be negatively impacted by the loss of a key employee?
- Which employees have specialized skills and experience; customer, process and product knowledge; or intellectual assets that would be difficult or impossible to replace?
- What would it cost and how long would it take to replace those employees in the case of an unplanned loss?
- What key positions must always be staffed with competent well-trained employees, in order to maintain or grow your business and ensure your customer's, employee's, business partner's and stockholder's continued loyalty?
- Which people in your organization have been identified, qualified and prepared to fill these positions when your current key employees leave?
- Who is qualified and experienced enough to replace YOU?

An effective succession plan identifies critical executive and management positions, forecasts future vacancies in those positions and identifies the potential managers who would fill vacancies. Vacancies will be filled from within or, in the event that no viable candidate is available, on an "acting" basis while an external recruitment effort is conducted.

The Inevitable and Predictable

The reasons for succession planning are entirely predictable and inevitable, as follows:

- Change in ownership, leadership or executive management of organization
- Family-owned business issues (concerns related to maintaining corporate, personal and spiritual values of family/founders; orderly transfer of ownership, control and wealth to the next generation; objective decision-making when selecting the next generation of key leadership)
- The need to maximize the human assets and stabilize the operations of the organization during transition (purchase, employee buy-out, owner earn-out, mergers, acquisitions, etc.).
- Attrition of key personnel due to retirement, illness, accident or death
- Preparation for anticipated or unanticipated changes in market conditions, customer segments or competitive pressures
- Loss of key personnel to turnover, competitors or other causes
- Need for additional key personnel due to planned growth, change or diversification of the organization
- Any change in company strategy, mission or vision that may significantly impact current key personnel

Avoiding Common Pitfalls in Your People Strategy

Organizations routinely fail to implement a succession plan successfully. In a Society for Human Resource Management White Paper (*Who Are Your 'Next Generation' Leaders?* www.shrm.org, July 2000) author Lin Gensing-Pophal identifies some common succession planning mistakes:

"There are a number of mistakes that organizations may make as they embark on a succession planning program. Following are some key areas that can create problems and hamper succession planning efforts:

- Keeping the plan a secret. How many promising employees do you think you've lost to competitors because they had no idea you had them in your sights as "promising"? The more you can involve the entire organization in your efforts, the more successful you will be.*
- Underestimating the talent within. Why is it that we frequently overlook the talent that we have within our organization in favor of recruiting from a vast pool of unknowns? An old management credo says, "An expert is someone who lives 50 miles away and carries a briefcase." Consider how many of your employees may be considered expert by the competition in the next town (or on the next block). Do you really want to risk losing them?*
- Narrow-minded thinking. Overlooking employees who are thought to be too old, too young, too rough around the edges or too different.*
- Focusing exclusively on hard skills. Organizations are finding that soft skills (popularly referred to as emotional intelligence) are often more important in determining an employee's success than the more traditional hard skills or technical abilities that we tend to value. Consider organizational culture and teamwork needs in addition to technical requirements when building your plan.*
- Not offering appropriate training and developmental opportunities. Don't leave employees and their managers to fend for themselves in building their skills. Make sure that training is part of your program and that the appropriate resources are available.*
- Expecting employees to self-identify. Identification of employees with potential to fill future needs is a joint responsibility between the organization and its employees.*
- Not holding managers accountable for succession planning. Don't let managers thwart organizational succession-planning efforts because of their own insecurities and biases.*
- Considering only upward succession. Lateral succession may be a need in your organization as well. In fact, many companies have dual career paths. The hierarchy gets decidedly smaller at the top. But that shouldn't hinder the ability of employees to grow and develop—or your organization's ability to attract and retain employees with growth opportunities.*
- Developing a one-size-fits-all program. Offering generic leadership development programs is an ineffective way to deal with succession planning. Individual succession plans should be developed based on specific organizational needs—and specific individual skill and training gaps."*

Ten Steps to Effective Succession Planning

Building your people strategy is neither easy nor fast. But it is important for any organization that desires to succeed in a competitive and fast-changing marketplace. Here are 10 critical steps in an effective succession plan.

1. Make the commitment to create a succession plan that will set your successors up for success
2. Clarify your organization's mission, vision, strategy and goals
3. Identify the key operational areas, processes and positions necessary to accomplish the above
4. Define the specific skills, knowledge, background, qualifications or other factors necessary for each key position and create position descriptions for every key position (current and future)
5. Assess and benchmark your current key employees and best performers to establish best practice or standards for any current positions that must be staffed
6. Assess your current employees to identify potential suitable candidates for these key positions
7. Identify any other key positions that will be needed in the future
8. Present the above information to Owners or executive/leadership for discussion, buy-in and approval.
9. Develop a succession plan that identifies key positions, timetables, budgets and specific individualized training, coaching and development programs to prepare candidates for every key position defined in the plan.
10. Assign champions to administer, monitor and periodically report to your organization's leadership on the status, implementation and required changes of the plan.

With your people strategy in place, you're in a better position to succeed and take charge when opportunities occur. When your competitors are struggling with challenges in the marketplace, effective succession planning can make the difference between success and failure, profit and loss.

Is it time for your organization to begin creating your people strategy? On Purpose can help you do a better job of putting the right people, in the right positions, at the right time.

For more information about Succession Planning or our other People Solutions, contact us at:

On Purpose Enterprises
Russ Minary, President
Louisville, CO 80027
303-664-1635
rinary@onpurpose-ent.com
www.onpurpose-ent.com

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