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# Succession Planning

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# FUTURE GROWTH AND CONTINUITY

**Many businesses today view Succession Planning as a crucial strategy for future growth and sustainability. What factors should be taken into account during this process?**

We suggest considering succession planning in two different ways. First, you want to have a process in place to prepare a potential successor for a specific role. Let's say you have a Director of Finance who you are getting ready to replace a CFO who is retiring in a couple years.

**Here are five key steps for preparing a successor:**

1. Evaluate the current state of the potential successor with a keen eye on the gaps that exist between their current abilities and what is needed for them to move into the next position.
2. Communicate clearly on the performance expectations necessary for them to be strongly considered. i.e. successful performance in current role while demonstrating additional capability through added responsibilities. It's important to make it clear that the transition is based on performance with a final decision made at the time of a potential promotion.
3. Clearly lay out specific goals, milestones and learning objectives. Conduct periodic reviews to assess progress and communicate feedback.
4. Design a leadership development program that includes internal and potential external coaching. Provide opportunities for the successor to take on additional responsibilities from the incumbent.
5. The incumbent should start knowledge transfer once it is clear the successor's performance and fit is on track.

While preparing a successor can be an effective approach for a C-level role, this approach is less effective for broader organizational succession planning. Instead, many companies have adopted a more inclusive approach of identifying high potential employees across functions and providing tailored coaching and leadership development strategies to prepare them for promotion. Initiatives such as job rotations, project assignments, cross-functional training, and other activities aim to holistically develop talented leaders. This is also a great way to improve the likelihood of these "A players" sticking around.

**Some might worry that developing a strong bench without available positions could lead to losing talent to other organizations.**

While that's a possibility, it's not a valid reason to avoid investing in staff development and career opportunities. Without such investments, high-potential individuals may leave anyway because they don't see a commitment to their growth. The organization needs to ensure that positions are developed or even created to challenge their top talent. These practices also attract other high potential employees.

**Do these principles apply to family-owned organizations?**

Yes, with additional considerations. The same needs exist for family-owned enterprises, but preparing family members will take extra care and consideration. Why? Because they are being promoted for who they are and not what they have accomplished. Companies who don't survive generational transitions often fail because a succeeding family member is not prepared or qualified for the challenge of leading a company. If they are being promoted, making sure they are qualified is the best way to ensure continued success.

**Here are some nuanced differences in key leadership succession planning with family owned businesses:**

- **Governance Charter** Effective succession planning begins with agreed upon guidelines on how critical decisions will be made on who ascends to top roles. These plans typically state what is required of family members as well as which family members are eligible to participate. This process is critical to manage family member expectations. Hard feelings can erupt with family members unless guidelines have been established.
- **Develop "Fit" Profile** Hire candidates that fit the organization with regard to leadership/work style, values, team orientation, communication skills, EQ and motivation factors are more important in a family business. Create a blueprint based on successful previous hires.
- **Establishing Plan** Define goals, objectives and responsibilities that are aligned with the family's vision and values.
- **Leadership Development** Outside coaches can be very helpful to assist in developing family members on their path to succession. Creatively find roles, projects and accountabilities to help prepare family members to expand skills and provide incremental increases in responsibility.

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- **Transparent Communication** This is important for any leader but even more important for highly invested family members who are often also owners. These individuals may need more development than their non-family counterparts who are more solely relying on their capabilities for a promotion.
- **Transition Planning** Developing a detailed transition plan outlining timelines, responsibilities, and milestones. Continue to provide leadership development strategies and they begin new role. Regular feedback sessions and reviews are necessary.
- **Monitoring and Evaluation** Review progress towards succession goals and adjusting as needed. Addressing legal and financial considerations related to ownership and management succession.

This outline provides a structured framework for organizations including family businesses to follow as they navigate the complex process of succession planning. Each phase addresses key aspects of succession planning, from assessment and preparation to implementation and ongoing monitoring, ensuring a comprehensive approach to leadership transition within the family business.



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