

FUTURE GROWTH AND CONTINUITY

Many companies consider Succession Planning a key strategy for future growth and continuity. What considerations are necessary to this process?

Many organizations consider succession planning to merely be an activity identifying replacements for incumbent positions. I find this to be self-limiting, and indeed, increasingly ineffective because of the fast rate of change, turnover and organizational fluidity.

Instead, many organizations have developed a broader process by which a bench can be built without specifically targeting future positions. Job rotation immersions, talent utility pools, cross functional training and other activities can build the skills of future leaders without committing them to a specific function. This gives the organization flexibility for the future while giving high potential staff recognition and a challenge to develop a broader skill set.

Are you saying that there shouldn't be specific target replacements for positions?

Of course, this often makes sense. Say for instance that the Finance area has a CFO who is about to retire and the Controller, just below this position, is performing well and has the capacity to succeed the incumbent. This would seem natural and a given career opportunity for the Controller.

However, in many other cases, especially regarding top management positions, it is generally unwise to predict how the future will unfold and lock in a specific transition. Unless the change is imminent, things can change very quickly and alternatives are important. Even in this example, while the Controller might be a logical successor, it might also make sense to ask, given this vacancy - is this the model we need going forward and can the Controller rise to that - if it is significantly different. Succession planning is about developing options for filling positions and development of staff which gives multiple opportunities - not locking in a particular map.

Some might be concerned that if we develop a good bench, but don't have positions available, we may lose our good work and talent to someone else.

That's always a possibility, but not a good reason not to invest in development and career opportunities for staff. Without it, your high potential people will leave anyway because they don't see a future or commitment to their growth. They are always marketable. So, the burden is on the organization to see to it that positions are developed, or indeed invented, to challenge their best talent.

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Do these same principles apply to private or family held organizations?

Yes and no. To the overall staff, the principles apply the same. For the owner(s) and next generation succession, roles of family in the organization are very different.

Research shows that only around 30% of all family owned businesses survive into the second generation, only 12% will survive into the third, and only 3% make it to the 4th generation and beyond, according to JSA Advising, a family business consulting firm. While there are many reasons for this, in my experience the most prevalent are:

- Failure to accurately assess the skills, potential and interest of next generation family members.
- Failure to develop and deploy a transition plan from current generation to the next: roles, responsibilities, governance, etc.
- The mistaken assumption that the criterion for succession is being a family member. A good, but often painful exercise is to ask, "If the next generation were not related to the family, would I hire these people?"
- Failure to candidly deal with wealth and control succession, along with management succession.

Sounds like a pretty precarious environment!

It can be, but doesn't need to be. In my practice, the companies that have most successfully moved control to the next generation have done so because there was deliberate hard work and thinking on the front end, new management was qualified, committed and well trained, departing management/owners were actively willing to release the reins, and the organization was healthy enough to handle these changes.

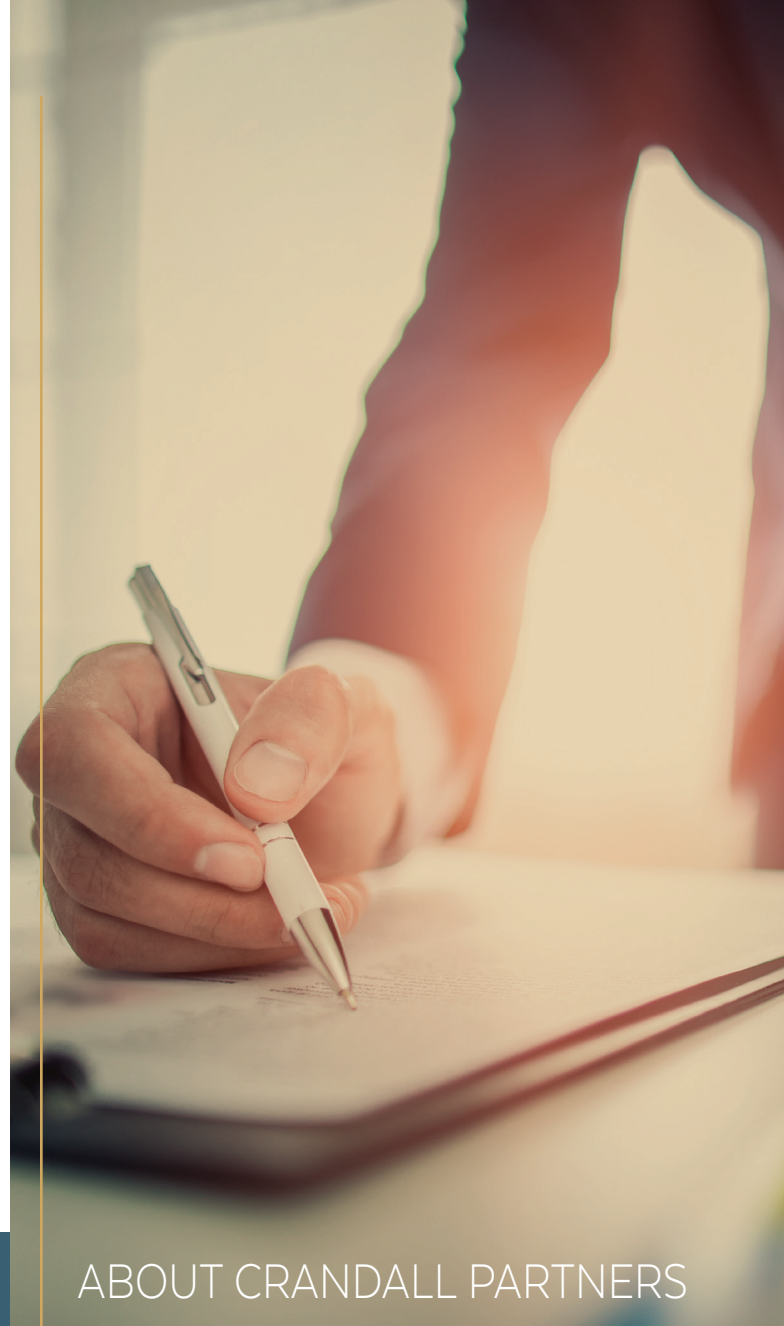
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ABOUT CRANDALL PARTNERS

Steve Crandall is President of Crandall Partners, a consulting firm specializing in Organizational Development. Steve has over 30 years' experience in various areas of Human Resources leadership and consulting and has served as the top HR officer in both manufacturing and service organizations.