

WHY SHOULD YOU LOOK AT SUCCESSION?





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Nigel Smith is the author of several books, white papers, and ebooks including 'Tax-free Sunshine' and 'The Multi-Million Dollar Dilemma'. Nigel works with private organisations and professional practices, helping them to build effective succession strategies.

 You can reach Nigel on [LinkedIn](#).

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WHAT WOULD HAPPEN...

IF YOUR CEO IS KILLED IN A CAR ACCIDENT OR YOUR TOP SALES TEAM IS WOODED AWAY TO ANOTHER FIRM?

Do you have a next generation of leaders to take their place?

Are they ready to fill the roles?

And are they still the best fit for the company's future goals?

In a worst-case scenario, you could have under-qualified people moving into leadership roles simply because there is no one else ready to take over.

The best way to mitigate the effect of losing leaders, whether the loss is expected or unexpected, is through a strong succession planning programme. Such a programme should not only identify the future leaders, but also develop them, using a mix of mentoring, training, and stretch assignments, so they will be ready to take the helm when the time comes.

PAST

Historically In years gone by, a company could expect their staff to remain with them for many years and - in some cases for their whole working life. The issue of Succession Planning was just not a problem. Nowadays, employees across all generational ages and at every level just do not have the same loyalty or connection to the company they work for. It's more about ***what's in for me*** rather than ***what's in it for the greater good***.

PRESENT

Companies now have the problem around retention of staff and external factors both in the global and local markets.

Today, succession planning and the execution of that plan is more important than ever before. Without a robust succession plan in place, a company's long term survival can go off course.

FUTURE

Organisations are facing greater demands than before, with the retirement of the baby boomers and the widening talent gap in the global market. **The home-grown and paper-based succession planning that companies relied on in the past are no longer meeting today's needs.** In order to achieve results, companies need to start with the basics, create an effective process, and then invest in the tools and technology to instil a talent development mindset in their organisation.

WHAT IS SUCCESSION PLANNING?

Succession planning is largely a predictive process of identification and development of potential successors for the key positions in an organisation, through a systematic evaluation process and a programme of training that will prepare candidates to take on a key leadership role at some point in the future.

Replacement planning, on the other hand, is based solely on a candidate's past performance.

AT COVISORY PARTNERS...

We often find companies coming to us expressing their concern about the lack of direction around succession planning. They tell us that they have very few candidates, whether ready now or waiting in the wings, to replace planned or unplanned losses of key leaders.

EVALUATE & REFINE

Many of them may have drawn up a succession plan in the past. Fantastic!! But they have struggled to take their succession planning beyond a static list of names noted against job roles, or a weighty document full of to do lists, timelines, forms, charts and checklists. This may look great, but it is essentially like a new year's resolution. For a succession plan to work, you need to work at the execution and be prepared to evaluate and actively refine the process.

PLAN EXECUTION

By paying little attention to executing their succession plan, companies find that when it comes time to respond to a succession event their list isn't operational. A plan that is out of date or a named successor who lacks the necessary skills to step up to a role just won't work.

Companies need to shift their focus from the planning of succession (a short term focus) to succession itself (a long-term focus).

HOW DO YOU...

GO ABOUT ENSURING YOU HAVE A ROAD
MAP FOR SUCCESSION THAT ALIGNS
YOUR CURRENT TALENT DEVELOPMENT
WITH YOUR COMPANY'S LONG TERM
GOALS AND PHILOSOPHY?

A SUCCESSION PLAN SHOULD DRAW ON:

A strategic plan that lays out the following:

- The company's values and philosophy
- Its long-term goals and objectives
- The internal dynamics
- Its leadership needs.
- An analysis of the employees' development needs.

There is no single right way to go about succession.

The size of the company will also affect how formal the process is. In smaller companies the process is likely to be simpler than with a larger one.

THE SUCCESSION CYCLE

ANALYSE SUCCESSION DEVELOPMENT

- Track progress of talent.
- **Call for and listen to feedback.**
- Refine and modify to respond to changing requirements and needs.

IDENTIFY COMPANY'S STRATEGIC PLANNING DECISIONS

- What are the companies values, long-term goals and direction?
- **Predict what future products and services the company may offer.**
- Link the succession plan to the companies values and goals.
- **Ensure the succession plan has the full support and commitment of the company's senior leaders.**

IDENTIFY KEY ROLES & ANALYSE THE GAPS

- Identify core competencies, motivational profiles and technical competencies.
- **Confirm current supply and future anticipated demands.**
- Confirm what talent is needed in the long term.
- **Link the business plan to the succession plan to ensure long-terms are considered not just the position replacement.**

IDENTIFY TALENT TO FILL & PERFORM AT LEVEL OF KEY ROLE

- Identify talent based on listed competencies from multiple levels - early in career to senior.
- **Assess competency and skill levels of current workforce.**
- Incorporate mentoring and 360 feedback to develop talent.
- **Monitor external sources of talent.**

DEVELOP SUCCESSION STRATEGIES

- Identify future recruitment strategies.
- **Identify retention strategies.**
- Identify development and learning strategies to develop talent by education, mentoring, and managing by experience.

IMPLEMENT SUCCESSION STRATEGIES

- Implementation of the recruitment, retention & development / learning strategies.
- **Ensure there is accurate and regular communication around the succession strategies throughout the company.**
- Ensure there is an accurate measurement for the data to measure success of the plan.
- **Ensure the succession plan and the measurement data is linked to the performance management, compensation, recognition, recruitment, and future workforce planning.**

SUCCESSION...

IN ITS OWN NATURE IS A PROGRESSIVE
PROCESS. BY HAVING A ROBUST
SUCCESSION PLAN IN PLACE, HELPS
A COMPANY TAKE CONTROL OF ITS
FUTURE USING ITS OWN DESIGN.

BEHIND EVERY GREAT SUCCESSION PLAN ARE THE FOLLOWING:

1. Clear programme goals/objectives;
- 2. Leadership commitment;**
3. Employee commitment to self-development;
- 4. The succession plan is linked to the company's planning and investments in the future;**
5. The company monitors and analyses the process using workforce data;
- 6. Key leadership competencies are identified and used for selection and development;**
7. A pool of talent is identified and developed early for long-term needs;
- 8. Challenging and varied job experiences are provided for development;**
9. The company's succession plan embraces diversity, recruitment, and retention.

WHAT DO YOU NEED TO CONSIDER WITH SUCCESSION?



OWNERSHIP VERSUS MANAGEMENT

Companies need to consider whether to bring in a person or team of people who will purchase the shares either through a share buy-in scheme or similar, or maintain the current ownership of the company but bring in a new leadership team that is nurtured to run the company in the future.



2

HIGH POTENTIAL EMPLOYEES VERSUS ALL EMPLOYEES

A company has to decide whether they will focus solely on identified 'high potential' individuals, mentoring and channelling more resources towards these employees. The risk with this approach is that you can overlook people who could be a great fit and you can alienate and

frustrate the rest of your employees, resulting in low morale and high turnover.

The best practice now is for companies to work on succession plans for all their employees from the moment they join.



HIRING FROM WITHIN VERSUS BRINGING IN SOMEONE NEW

The development of leaders internally takes time and effort, but these internal candidates have been found to be more likely to be successful than external candidates.

In a 2010 Survey of CEOs by consulting firm Booz Allen Hamilton revealed that 'Over their entire tenures, CEOs appointed from the inside tend to outperform outsiders' and 'Outsider CEOs were more pressured and found to stay in their office for less time on average than their insider counterparts.'

In a 2012 study by Matthew Bidwell, an assistant professor at the University of Pennsylvania's Wharton School of Business, outsiders are 61% more likely to be laid off or fired, and 21% more likely than internal hires to leave a job of their own accord.

It is important to note that promotion internally is not always an option or the best choice. By having a dynamic succession plan, a company can respond to new situations and changes to future goals to allow them to move in a dramatically different direction. If its current leaders leave before the next generation is ready, companies need to be open to bringing in someone from the outside.



4

FACTORING DIVERSITY INTO DECISION-MAKING

We tend to seek out people who think and act the same; in short, people who are just like us. The business world is no different: as a manager, you are most likely to interact with or give responsibility to people similar to you both in personality and in generational group, which often leads to a plethora of clones leading organisations and can result in generational conflict.

If companies want diversity in their leadership they must ensure that the leadership team is supportive of diversity and supports succession planning initiatives that actively promote women and minorities for leadership roles. The company's managers must be encouraged and trained how to encourage diversity in their teams.



5

MAKING SURE YOU HAVE SUPPORT FROM THE TOP

A company can have a great employee development plan in place but for it to be successful and to have the impact it was set up for, the Board must be seen to be fully committed to the development of their staff. It is the Board's job to ensure that their senior management

team understand the importance of developing and implementing the Succession Plans. The Board needs to ensure that their management team have the training to make the plan successful.

WE KNOW THAT SUCCESSION CAN GO WRONG

Companies do make mistakes when it comes to succession.

We have listed some of the more common ones we have found and suggest how you might avoid them.



BASING YOUR PLANNING SOLELY ON THE PAST AND IGNORING THE FUTURE OBJECTIVES OF THE COMPANY

A company needs to select leaders whose skill sets align with its future goals. To achieve this, the company has to have its long-term strategic vision of its business at heart when considering succession.



2

FOCUSING ON JUST ONE PERSON OR ONE ROLE

Succession planning is a multi-person event. You must engage the entire leadership team as well as senior management to ensure the plan's success. The impact of change and the movement of staff into more senior roles can have a flow-on effect rippling through the company.



3

FAILING TO GET THE BOARD ON BOARD

As discussed previously, 'succession is a multi-person event'. Many a CEO thinks they have a viable succession plan in place without vetting this with the Board and finding out that they fervently disagree with the choice.

Best practice is where the CEO includes the Board of Directors in planning and keeps them informed on development efforts to ensure everyone is on the same page.



4

NO FUTURE LEADERSHIP OPPORTUNITIES FOR YOUNGER GENERATION

Many companies have problems with not having sufficient opportunities for the next generation as the current recipients have no place to move on to within the company causing a road block. To avoid this, companies need to look at creating new positions, collaboration opportunities, and stretch assignments so their future leaders do have room to grow and do not choose to leave.



5

SUCCESSION IS NOT PART OF THE COMPANY'S CULTURE

You will find any concept fails if you do not have all employees from the Board down to the most junior member fully engaged and working for the success of that concept. Employees need to see that their efforts have a long term impact on the success of the company. Executives and middle management need to be encouraged to identify and develop potential young leaders.



6

WRONG PEOPLE MAKING DECISIONS

Often it's the present incumbent who gets to choose their successor. The problem with this is that these people naturally are more focussed on their legacy and not on the best long-term interests and goals of the company. It is also natural to see the incumbent seek out people who are like them for mentoring and promotion, resulting in a lack of diversity at the top of an organisation.

Best practice is to get the Board to provide a balance to the process. If the company is too small, use external HR or business consultants to help.



7

TO MUCH EMPHASIS IS PLACED ON THE PLANNING PROCESS TO THE DETRIMENT OF THE DEVELOPMENT PROCESS

Plans do not develop employees.

A company needs to provide development experiences for their employees. The focus needs to be on the execution of the plan.

IN SUMMARY

Succession planning is critical to a company's long term survival. It ensures there is an effective process for recognising, developing, and retaining leadership talent.



If you would like to know more on this subject read my White Paper, 'The Multi-Million Dollar Dilemma', or request a call back

Covisory

PARTNERS

PHONE +64 9 307 177

EMAIL nigel@covisory.com

WEB www.covisory.com

sally@covisory.com