

Succession Planning—Where Does Your Organization Stand?

What if the Beer Truck...

What have you done at your organization to prepare for succession in key management positions? Have you answered the question, “What will we do if the beer truck runs over [Executive’s Name] tomorrow?” If you can’t answer that question quickly and decisively, you are in good company. In a recent article from *Compliance Week*, according to a recent survey by the executive recruiting firm, Korn/Ferry, the majority of executives polled agree that succession planning is important. However, only 35% of the 1,300 publicly traded companies covered in the survey *actually have* succession plans in place for their CEOs.

Succession Planning is about More Than Just the CEO

Our educated guess, based on our experience and the fact that the top positions are only addressed 35% of the time, is that the number of succession plans in place for other, non-CEO positions is far lower. Beyond the question of crisis succession management, what is your company doing about consciously developing people at all levels? At the end of the day, succession management really is about more than just the CEO’s position, and it’s about more than buy-sell agreements and insurance coverage. It’s really all about sustainable continuation by having systematic processes in place to make everyone faster, better and stronger, not just the owners or key executives.

What Are You Doing to Capture and Leverage Intellectual Capital?

In our work with contractors and related organizations, including some owner agencies, we see a mixed bag when it comes to succession management. Certainly, in some organizations, the next generation has taken over at least some key positions. But in those same organizations, there are from a few to many “old hands” who will be looking at retirement sometime soon. And in these people resides a huge amount of intellectual capital that has contributed to the competitive advantage of their employers over the years. Yet, in many cases, there is no systemic approach to capture that intellectual capital and leverage it throughout the organization. When one of them gets run over by the proverbial beer truck, either through planned retirement, or through some unexpected catastrophe, a good deal of their specialized knowledge will disappear with them.

Crisis Succession Management

In the event of an unplanned departure, what have you done to create at least some stopgap plans? Have you sat down with your key people and identified who can step in for them (and you) if they become incapacitated unexpectedly?

- Who are the likely candidates to step in for each key position?
- What does the most likely replacement (if only for a temporary duration) need to know to be effective in that position?
- How will he or she learn what they need to know?
- Who is responsible for helping them learn it?
- What is the timeframe for this development effort?
- What will you do to incentivize the process and hold people accountable to making sure it happens?
- What if the person you think is the best fit doesn’t want to assume that responsibility?

These same questions apply to the positions these people vacate. What is being done to identify someone to fill in for them while they are filling in for someone above them?

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What kinds of information do you need to have available for someone to be able to step in and replace a key person in a moment's notice?

- Who are this person's key contacts at customers/clients?
- Who are his or her key contacts at subs and suppliers?
- What is the current status of any projects or initiatives this person is overseeing?
- Where and how are files (either physical or electronic) stored and organized?
- What passwords are necessary to access this information?

I could go on here, but the foregoing list of questions illustrates some of the basic considerations every organization, large or small, should consider in creating a crisis succession plan. This plan should be updated at least annually. If a key potential successor leaves the organization, then the plan should be updated at that time. We know of some organizations that have gone through this process and kept it up over the years. Others may start it but then forget about it under the month-to-month operating pressures and challenges they face. It's not a difficult process to conduct, but it does take time to accelerate the development of people to be ready, and it requires senior management to drive the effort and hold everyone accountable.

Orderly Succession Management

Beyond preparing for unexpected crises, what is your organization doing to capture and leverage the intellectual capital of its key people, and in doing so, developing everyone within the organization? Everyone needs to be grooming his or her replacement(s). Many entrepreneurs and older executives and managers have grown up in environments that allowed the cream to rise to the top, pretty much on its own, without a lot of direction, coaching, development and mentoring. This normally gives rise to a culture characterized by the thinking that, "I figured it out on my own, and if they're worth a darn, they can, too." This is the "sink or swim" approach to employee development. In the past, with previous demographic and economic conditions, this worked, and in some cases, really well, for many organizations. But along the way, it probably has resulted in more turnover than is necessary, as well as hoarding of intellectual capital.

I've used this term, "intellectual capital" several times in this paper—what I'm referring to is all of the knowledge held by that person—knowledge of processes, means and methods, effective field expediency, the quirks of other people with whom they deal, etc.—of the ways to get things done successfully. A shortcoming of the "sink or swim" approach is that people who have figured out how to "swim" successfully spend most of their time improving their swimming skills and what they know, often at the expense of those who really need some direction and guidance along the way. The next level of people are left far too long in the "kiddy pool" section of the proverbial swimming pool, and are not developed as quickly and thoroughly as they could be.

Consider also the fact that life, and business in general, has become more complicated over the last couple of decades. Just think about the growing use of alternative delivery systems and the implications that these have, for not only roles and responsibilities, but for information management and project management. Or, how about the increasing use of new materials and increasingly sophisticated level of technology embedded in just about every job? And don't

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forget the ever-burgeoning piles and piles of regulations we all have to comply with, from employment to safety and environmental issues, to name a few. Over time, the knowledge component of the industry's work has increased radically. Successful "old hands" have found a way to keep up with it well enough to continue to add value to their employers over the years. But what, if anything, have they done about helping the next level of people get better, faster and stronger?

Developing the Next Level of People

If you want to really embrace solid succession planning at your organization, you need to have a systematic approach to people development, and it needs to be implemented, not just receive lip service. While the details of a thorough succession management system are beyond the scope of this paper, it should include the following, at a minimum:

- Creation and use of clear expectations for people:
 - Job competency profiles/job descriptions
 - Periodic (not just annual or semiannual) evaluations of performance, competencies and skills
 - Identification and implementation of formal training and education as required
 - Identification and implementation of informal, on-the-job training and development, including specially selected developmental assignments to help people grow and build their intellectual capital
- Periodic post-construction meetings, lessons learned workshops, and other means to close the loop on what people are learning from the work they do, day-in and day-out
- Standardization as much as possible of all routine procedures and processes to assure both quality work and the ability for people quickly to become successful in doing the work
- Developing your next generation of leaders' governance and decision-making skills before you turn the business over to them
- Holding everyone accountable for doing what the organization needs to be done, especially when it comes to developing people /successors
- Rewards and punishments to encourage the behaviors that support the succession management system and discourage unwanted behaviors

At the End of the Day

At the end of the day, it all rests on what you, as a leader in your organization, think is important, how much stomach you have for change, and how badly you want the organization to be prepared to continue beyond your tenure in the future. With a little thought and effort, including monitoring and follow-up to hold everyone, including you, accountable, it can easily be done!

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