



Succession Planning – A Critical Issue for ALL Businesses

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Succession planning establishes a process where high-potential employees are identified as prospective successors for key positions in a company and given appropriate training, preparing them to fill future management and leadership needs. Because the stability and continued success of a business rely on retaining quality people in key positions, most companies recognize that planning ahead for the inevitable turnovers in staffing is a worthwhile investment of time and resources.

In large companies, succession planning is often integrated with the company's annual performance management process. The human resources staff collaborates with the business line managers to identify high potential candidates, define the exact skills they need to acquire, and provide development experiences and mentoring to ensure the candidates have what it takes to succeed in their next position.

Small businesses are less likely to have an established succession plan. While these companies may be well prepared to respond to changing market conditions, they often cannot navigate unexpected internal staffing changes because of over-reliance on specific individuals. Yet the need for stability and planning may be even greater in a small business, where the loss of one key person can have wide impact. One consequence of the lack of succession planning may be the employee in a key role, who is retained because he is perceived as being irreplaceable, even though he may be souring the work environment. A succession plan that builds in some degree of skill redundancy could protect a company from being held hostage by the "myth of the irreplaceable employee," providing management with a greater sense of options.

In a family-owned business, succession often takes the form of the "changing of the guard" – a major event in both the family and the business life cycles. Whether the succession occurs in an orderly fashion following the owner's retirement, or unexpectedly as a result of catastrophe, planning early and adequately for transfer of leadership is critical. Senior family members often move hesitantly towards the day when they hand the baton to the next generation, while junior members may feel that they are spending half of their lives waiting, sometimes impatiently, for their turn at the helm. A lifetime of effort and pride in achievement can be undone in the final years if an owner can't accomplish a smooth hand-off. A succession plan can provide ample opportunities for the succeeding generation to demonstrate their preparedness and to allay the doubts of the first generation well before the final transfer date.

Regardless of the size or ownership structure of the business, all companies depend on a smooth transfer of leadership with minimum disruption to business processes and employee productivity. The ultimate effectiveness of a succession plan depends on the ability of managers to implement it, which – in part – is based on how well they can recognize and take into account individual employees’ career expectations, security needs, and reactions to change. Some employees look ahead for new opportunities to refresh their enthusiasm about their work, and for jobs that better reflect their growing capabilities. The company that provides new positions internally and rewards continued growth has a greater chance to retain these employees after having invested in their development.

Managers involved in succession planning should recognize that succession implies a period of transition rather than a single moment in time. Implementing the plan requires an understanding of the many reactions an individual may have when entering a new position or letting go of an old position. The two key people involved in the leadership transfer – the exiting and entering employees – can score a win-win for themselves and for the company by working together during the transfer period to accomplish their shared objectives, and by addressing any issues that might impede their collaboration. And to allay the uncertainties of others impacted by the transition, such as the subordinate employees, management should communicate frequently and adequately, allocating time to holding staff discussions and encouraging input.

In the broadest sense, succession planning maintains a vibrant motivated workforce; it informs business processes such as hiring and retention, training and development, and performance management; and it supports the future strategic direction of the company.

Successfully managing the planning and implementation of succession plans is a critical component of a strong healthy organization, one that can continue to meet the challenges of the marketplace even while undergoing internal change and development.