

Succession Planning Avoids Surprises

A glance at the daily newspaper headlines makes one thing clear: The unexpected can occur at any time. "Private jet crash kills three oil company execs...", "Five bankers die in rafting accident." These tragedies cause untold personal anguish to family and friends, but they can be catastrophic in a business context as well.

Other unforeseen events also can rock a company's boat. Corporate "headhunters" can decimate a company's top ranks. Even the early retirement of an ailing executive can cause havoc when no replacement is at the ready.

Few companies are prepared to handle such adversity because few companies give much attention to succession management - the procedure of identifying people who can take over for a company's key executives, and then deciding what developmental programs are needed to prepare these "heirs" to move up.

Whatever the size or type of company, this process is an important part of organizational development. For any firm, the unexpected loss of one or more of the principal players can mean a real lack of continuity and even a loss of profitability while new people are recruited. Smaller companies are particularly vulnerable. Those that have \$1 million to \$10 million in revenues and 20 to 50 employees typically have a senior middle management. The sudden loss of the chief executive or other important managers can have a paralyzing effect, imperiling the enterprise's ability to survive.

Planning one's replacement, like writing a will, may seem a distasteful task. Yet the process need not be a negative one. Succession planning forces senior executives to think carefully about what they need to do to develop their staff. Indeed, the grooming of promising staff members for upper-level positions can have an immediate positive effect by improving employee morale.

No two companies tackle succession planning in the same way. Some firms merely pinpoint back-up personnel while others initiate development programs to prepare younger or middle managers to move up.

Perhaps the best way to plan for future leadership is to do both. At least four levels of the organization need to be included - the President or CEO, vice president, director and manager. Here are three important steps to an effective succession plan:

First, develop a "purpose statement" underscoring the organization's management succession objectives and its top-level commitment to finding candidates. Such a statement gives a clear signal to the entire company that the management is committed to the firm's continuity and the grooming of next-generation leadership to bring that about.

Second, prepare a succession planning chart listing a firm's key positions and identifying the prospective replacements for each. Make a summary of each job candidate, tabulating this information: education/training, positions held, performance levels, current salary, and a section for comments on personal traits and accomplishments.

Third, formulate and implement individual development or "potential" plans for each candidate.

Integrate this plan with the individual's performance reviews, career path goals, and future education and training.

This format may be helpful in structuring a development or potential plan. First, list three potential jobs this employee could fill:

An existing job that is most likely to be the employees next assignment;

A hypothetical job that might be created for this employee to fill;

The employee's "dream" job or position that he or she aspires to.

Next, outline the knowledge or skills needed for these three jobs. Finally, the planner and employer together can brainstorm how this preparation can be accomplished.

An "assignment shadowing" system can be adopted as part of the plan. Shadowing involves assigning an executive with potential to "shadow," or work firsthand with, a higher-level executive who has the knowledge the novice needs to acquire.

This method of focusing on and tracking the progress of several succession candidates helps the company avoid the perils of zeroing in on a single heir apparent. The harsh lesson that succession management teaches is that, if a company is to survive, no one person can be irreplaceable.

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