

Passing the Torch – Corporate Succession Planning

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The successful passage of the leadership role is one of the most challenging of all corporate transitions. The recent attention to knowledge management has highlighted the impact of corporate amnesia, when skilled and experienced staff leave an organization without planning for succession. When the person leaving is one of senior management, the potential impact is even greater.

Those most affected by the departure are the successors left behind. Succession includes the passing on of the corporate vision, culture, knowledge, authority and responsibility.

When does succession work?

We only know it has worked long after the leader has left and the organization continues to make progress. We can however, work towards succession by:

- Communicating in an open and honest way
- Providing successors opportunities to take risks while the current leader is still around to support and help out
- Timing the transition with a overlap from one leader to another
- Ensuring the potential successor is willing and capable of being the leader
- Limiting the amount of change in vision and culture upon transition
- Ensuring the transition is seamless and transparent to customers.

How to make it fail

This is easy to do! Most of us can describe current situations where the transition is not working. Below are examples of reasons that succession fails:

- Current leaders can't (or won't) let go
- The successors are not prepared for leadership
- There is no plan for succession
- HR has been delegated the sole responsibility for succession
- The senior team only communicates with each other and not with the successors
- Organizations focus on replacing people instead of developing people
- Assumptions are made
- The current leader, alone, chooses the next leader.

Succession Planning Models

In our research we were able to identify five succession planning models: public sector, military, private sector, family business, and one we call Independent. It is easy to find information on the family business model. The other models were identified through research and interviews.

In the table below we focus on four main elements of succession models: leadership, ownership, transition, and methodology. Leadership is the transition of vision, values and culture. Ownership is the financial and legal aspects of succession (this paper does not delve into the legal and financial aspects of succession planning). Transition focuses on the timeline relative to each model. Methodology looks at the ways different types of organizations plan for and implement succession.

	Leadership	Ownership	Transition	Methodology
Public Sector	Yes	No	Short Term	Identify pools of leadership talent
Military	Yes	No	Immediate	Formal, blunt
Private Sector	Yes	Maybe	Short and long term	Knowledge transfer, mentoring
Family Business	Yes	Yes	Long term	Emotional and messy
Independent	Yes	Maybe	Long term	Mentoring

Public Sector Model – many public sector organizations are working at identifying pools of leadership talent that organizations can draw from. The benefit is that individuals are preselected for the leadership qualities. The downside is that the individuals may not have specific content knowledge or domain knowledge.

Military Model – the military has embraced succession and embedded it in their culture. They have a formal approach to succession – for example, they routinely train individuals for two levels above their current level. They manage ambition, assess leadership potential, and will be brutally honest with individuals. They are expected to make life and death decisions and the transition of leadership can be immediate.

Private Sector Model – the private sector model focuses on the long term health of the enterprise. Successors can be either internal or external candidates. Knowledge transfer through shadowing, training and mentoring are common approaches to succession planning in the private sector. Graduated retirement is gaining popularity.

Family Business Model – succession planning in family business not only deals with leadership, but also covers ownership and wealth management issues within family holdings. Family business can be 70-90% of private sector organizations and as such, there is much written on this model that we all can learn from. The challenge in family business succession is selecting the successor from within the next family generation, and recognizing that succession is never complete until the previous generation dies.

Independent Model – During our interviews it became clear that many organizations are not planning for succession and do not acknowledge the coming crisis in leadership transition. This has left individuals who are committed to their teams to develop their own succession plans. We have called this model the “Independent Model”. The most common approach to succession planning in this model is dedicated, attentive and caring mentoring. This commitment to mentoring new leaders enables the current one to move on to other personal endeavours, with integrity.

Regardless of the model you may identify with, we have determined that there are five stages in succession planning:

- Stage 1 – Recognizing that succession planning is necessary
- Stage 2 – Identifying possible successors
- Stage 3 – Determining who is best possible successor
- Stage 4 – Mentoring them to be ready
- Stage 5 – Handing over the reins

Stage 1 – Recognizing that it is necessary

Sometimes the most difficult of all the stages is to get individuals and organizations to recognize that succession is inevitable. Occasionally, leaders may have to ‘manufacture a crisis’ by announcing their retirement date. Usually understanding the current business situation is enough.

An overview of the current situation

Succession is more of an issue now than ever. Below are some factors that will help identify why succession planning is critical to the ongoing success of organizations.

- Demographics
 - Boomers were very competitive and sought opportunities to excel; positions created by retirement were easy to fill
 - Now, Boomers are retiring en masse
 - More are taking earlier retirement than in previous generations
 - The next generation, Xer’s, are looking for a more balanced lifestyle, and many are not willing to take on high level positions of responsibility and authority
 - Xer’s don’t necessarily feel ready to take on responsibility as many don’t have mentors
- Our growing economy means growing business opportunities
- Change is happening at an accelerated pace, making succession more difficult
- Downsizing, rightsizing, levelling and outsourcing have
 - reduced the number of knowledgeable employees
 - eliminated a source of talented employees and future mentors, i.e. middle management

- There is no obvious source of new employees in the near future – women are already in the workforce, immigration has stabilized

Stage 2 – Identifying possible successors

There are three areas to resolve: positions, people and prospect.

- Positions:
 - Which need to be filled?
 - Who is retiring/leaving and when?
- People
 - Internal or external successors?
 - Do you have career development process in place?
 - Do they know that they are being considered as successors?
- Prospect
 - What does the future look like for your enterprise and your industry?

Stage 3 – Determining who is the best possible successor

This is probably the most difficult and time-consuming stage. During this stage there needs to be rigorous testing and evaluating. Don't assume that if someone is exceptionally good at their job, they will be a strong or willing leader. Provide successors opportunity to take on responsibility and authority. Allow them to risk, and expect mistakes. There is often much training, on-the-job and formal, required to hone both hard (technical) and soft (behavioural) skills.

Stage 4 – Mentoring them to be ready

Mentoring is about motivating and inspiring people. It is the passing on of the ideas that you have learned about how to make things work, that defines the identify of the enterprise, and helps explain why and when you do what you do. There are many interpretations about and words used to describe mentoring. Let's have a look at the difference between mentoring and coaching – two words often used interchangeably.

Mentoring is informal and consensual. Coaching can be that as well, but it can also be formal, structured and imposed.

Stage 5 – Giving up the reins

In any succession transition there are three perspectives: those of the current leader, the successor, and the affected team.

- Leader's perspective
 - They need to have confidence in the successor
 - They will need to redirect stakeholders to the successor

- They may have to break complacency and force the issue that they are departing
- They need to be prepared to be flexible and move aside....and be ready to assist if called upon
- Successor's perspective
 - They need to understand themselves – can they cope with an overnight transition or are they looking for something longer?
 - They need to be able to deal with the change in relationship with people who used to be their peers
 - They need to be able to implement change, but be careful not to make it too jarring in the beginning
- Team's perspective
 - The team will likely be more guarded with the new leader during transition
 - The team will need to learn to cope with a change in leadership style
 - The team will likely take less risk to start, with a potential reduction of creativity and innovation
 - The team will almost certainly 'test' the new leader!

Unplanned succession

The impact of unplanned or poorly executed succession can be minimal or quite dramatic. Some of the symptoms to watch for:

- Chaos
- Loss of motivation
- Poor morale
- High turnover
- No direction
- Reduced creativity
- Loss of corporate knowledge and history, or even
- Business failure

Getting ready to pass the torch

As you start thinking about succession planning, begin by asking yourself some questions:

- Which positions need to be filled?
- Do you know who is retiring/leaving and when?
- Do you know the current and future competencies necessary for the specific jobs? Are these one-of-a-kind skills?
- Do you have a career development process for current staff?
- Do you know the leadership values important to your organization and how to evaluate them?
- Do you know what the future might look like for the organization and your industry? What are the challenges and complexities to which future leaders may be required to respond?

- Is your current hiring approach successful (i.e. do the new hires stay longer than 18 months)?
- Are you retaining talented employees?
- Do you have a mentoring/coaching program?
- Does your organization have a succession planning model that is followed?
- Does your organization recognize the value of succession planning?
- How are you transferring knowledge about
 - the organization
 - the corporate culture
 - the strategic vision
 - intellectual property
 - highly specialized or technical knowledge?

Succession is not a single event, it is an on-going process. This process requires the active participation and engagement of those leaving, those taking their place, and those being promoted upwards.

When leaders care for the enterprise and care for their team, they will create the opportunity to allow for their own freedom. What kind of leader are you?