

Passing the Torch: Corporate Succession Planning

IFMA's World Workplace, October 2005
Presented by Meredith Thatcher, CFM, IFMA Fellow
and Carroll Thatcher, CFM, IFMA Fellow



Our discussion today.....

- Succession of senior leadership
 - Culture
 - Vision
 - Mission
 - Knowledge
 - Taking responsibility and wielding authority



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Succession – our definition

- Is not a single event
- Is an on-going process
- Requires active participation of
 - those leaving
 - those taking their place
 - those being promoted upwards

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Leadership and Ownership

- Leadership – approach, attitude, inspiration, decisiveness...
- Ownership – legal, financial

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Where are you on the succession time line?

- What is your role?
 - are you leaving?
 - are you taking over?
 - are you the king maker?
- Does your enterprise recognize the value of succession planning?



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Demographics

- **Traditionalists/Veterans** grew up in shadow of depression and WWII
- **Boomers** were very competitive and leadership positions were easy to fill
- **Xer's** are looking for more balanced lifestyle
- **Millenials/Echo/Y Gen's/Nexus**– few leaders for them, will require a different kind of leadership, integrity and making a difference

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Traditionalists

- Born 1945 or earlier
- Cautious
- Traditional
- Loyalty
- Build for better future
- Hard working
- Authoritarian
- Don't throw anything out!

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Boomers

- 1945-62 (Canada), 1945-65 (USA)
- The 'Atomic Age'/communism
- Large cohort
- Birth control pill
- Lunar landing
- Vietnam war
- Rock and roll
- 'Put in your time'
- Optimism
- Experimental
- Workaholic
- Acceptance of stress

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X'ers

- 1965/67-1980
- Economic recessions
- AIDS
- Environmental deterioration
- Downsizing, rightsizing
- Comfort with technology
- Pragmatism
- Acceptance of diversity
- Immediate gratification
- Desire for job security
- Sharing – team based
- Work-life balance

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Millenials / Echo / Y Gen's / Nexus

- 1980-2000
- Comfort with new technology
- Child focus
- Violence and terrorism
- Adaptive to change
- Diversity
- Globally connected
- Optimism
- Integrity/distrust of hierarchy and authority
- Make a difference
- Fun and Communal workplace

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Coping with the future

- Communication – Traditionalists and Boomers
- Independence – Gen X'ers
- Adaptability - Millenials

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When does succession work?

- Open and honest discussions
- Opportunities for successors to risk
- Overlap transition timing
- When the right one is selected – capable and willing
- No *jarring* change in vision and culture
- Seamless and transparent to customers

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How to make it fail



- Leaders can't let go
- Successors are not prepared for leadership
- Delegating succession responsibility to HR
- Communicating only with senior team
- Replacing people rather than developing them
- Trying to do succession planning through every level of the enterprise
- Making assumptions

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Various models

	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

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Public Sector

- Identify pools of leadership talent
- Content vs domain
 - interchangeable management
- Knowledge transfer
- Formal competition
- Can be external selection

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Military

- Train for two levels above current
- Streamed early – middle management
- Promotion boards – formal
 - Manage ambition, assess leadership potential, brutally honest
- Structured training at a comprehensive national and international level
- Expected to make life and death decisions


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Private Sector

- Focus on long term health of the enterprise
- Internal or external successors
- Leadership and/or ownership
- Mentoring
- Graduated retirement
- Shadowing

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Family Business



- Transition of leadership and ownership (financial)
- Selection of successor
- Emotional and messy
- Transition can take a long time, never really over until previous generation dies
- Fair vs equal

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Independent

- Where no formal or accepted succession planning exists
- Individual commitment to the enterprise and the team
- Transition of leadership
- Mentoring
- Enabling you to move on to other endeavors

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Getting it right - stages of succession

- Stage 1 - Recognizing that it 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

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Stage 1 - Recognizing that it is necessary

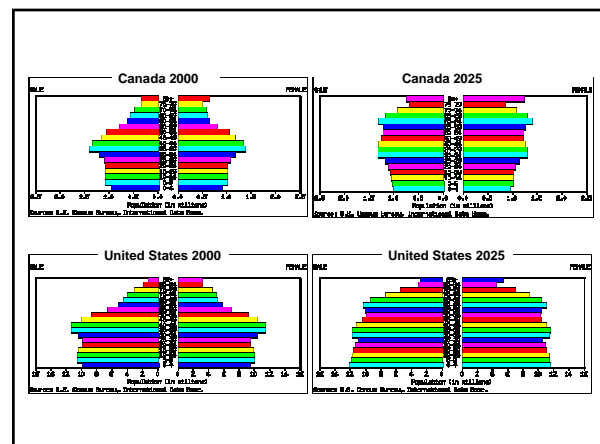
- Like death and taxes, it's inevitable
- Cannot be resolved by swallowing the mentorship pill

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Drivers - Why now?

- Flattened the organization
- Knowledge based economy
- Growing economy = growing business opportunities
- Accelerated change
- No obvious source of new employees
- Diversity, multiculturalism
- Demographics

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Statistics

- By 2010, more than 51% of the workforce is expected to be 40 or older, a 33% increase since 1980 *Shifting Workplace Demographics and Delayed Retirement, Microsoft*
- The workforce will experience a shortfall of 7.4 million baccalaureate degree holders by 2012 *Employment Policy Foundation*
- 60 million baby boomers poised to leave the workforce over the next 15 years *Accessibility is Good Business, Microsoft*
- Workforce turnover costs typically range from 25% to almost 200% of an employee's annual compensation – *American Management Association*
- Interest in science, technology, engineering and mathematics has been declining for past decade *National Science Foundation*

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Chart 3 Specific Actions to Replace Retirees Identified by Labour and Management: 2000

Percent of Respondents

Action	Public Labour	Private Labour	Public Mgmt	Private Mgmt
Recruitment	~28%	~25%	~22%	~20%
None/just talk	~15%	~12%	~10%	~8%
Other	~10%	~8%	~7%	~6%
Training	~45%	~35%	~30%	~25%
Retirement policy	~10%	~8%	~7%	~6%
Change job descriptions	~5%	~4%	~3%	~2%
Downsize/contract out	~3%	~2%	~1%	~1%
Wait	~1%	~1%	~1%	~1%


From: Canadian Labour and Business Centre article - Where Did All the Workers Go? The Challenges of the Aging Workforce (Analysis of the Viewpoints 2000 Leadership Survey)
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Chart 4 Percentage of Respondents who Anticipated Very Significant Problems in Replacing Retirees

Category	1999	2000
Private Mgmt	~8%	~15%
Private Labour	~25%	~35%
Public Mgmt	~5%	~22%
Public Labour	~25%	~38%

From: Canadian Labour and Business Centre article - Where Did All the Workers Go? The Challenges of the Aging Workforce (Analysis of the Viewpoints 2000 Leadership Survey)
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Triggers



- Retirement
- Transition
 - reorganization
 - mergers and acquisitions
- Trial and error
- Tragedy

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Stage 2 - Identifying possible successors



- Positions/roles
 - which need to be filled?
 - is it a 1:1 ratio?
 - who is retiring/leaving and when?
 - current and future competencies?
 - are these one-of-a-kind skills?

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Identifying possible successors

- People
 - internal or external?
 - do you have career development process?
 - are you retaining talented employees?
 - are you communicating with possible successors?

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Identifying possible successors

- Prospect
 - what does the future look like for your enterprise and your industry?
 - what are the challenges and complexities to which future leaders might be required to respond?

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Get help with planning

- Identifying people skills
- Identifying technical skills
- Involve others in interviews
- Relationship management with
 - customers
 - peers
 - superiors
 - juniors
 - partners

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Stage 3 - Determining who is best possible successor(s)

- Testing through opportunity
 - delegate authority
 - allow risk, expect mistakes
- Development and training – hard and soft skills
- Evaluate successor(s)

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Leadership evaluation criteria

- Visionary
- Planner
- Results oriented
- Committed
- Hands-on
- Focused
- Responsible
- Team builder
- Good communicator
- Decisive
- Responsive
- Contagious
- Respected
- Intelligent

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From: Construction Executive Online website

The Leader	The Manager
Does the right thing	Does things right
Creates a better system	Makes the system work better
Motivates to encourage commitment	Expects obedience
Looks for people getting things right	Looks for people getting things wrong
Focuses on achieving the vision	Focuses on the job at hand
Looks for long-term effectiveness	Looks for short term results

From: The Complete Guide to Ownership Transition, PSMJ
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Stage 4 – Mentoring them to be ready



- Motivate and inspire them – identify 'stretch' goals
- Prompt them to take action and develop their own leadership approach
- Deal with both excitement and trepidation

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It is the passing on of the ideas that...


- Really makes things work
- Defines the identity of the enterprise
- Explains why and when you do what you do

What we are really talking about is strategic and critical thinking - freedom to express your ideas

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Mentoring - interpretations

- Means different things to different people
 - hitch your wagon – they'll take you with them as they rise in the organization
 - people who care about the enterprise will mentor others who care about the enterprise – they will find each other
 - Personal Advisory Groups
 - developing personal network



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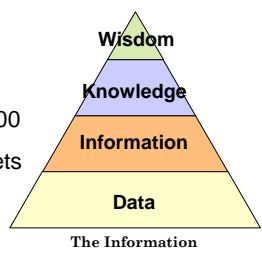
Mentoring vs. coaching

<p>Mentoring</p> <ul style="list-style-type: none"> • It's never too late • The way forward • Set you straight • Help you identify your dream • Act as your guide 	<p>Coaching</p> <ul style="list-style-type: none"> • Help people make best use of their resources • Goal and results oriented • Present and future focused
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Knowledge Management

- Explicit and tacit
- Knowledge is 'sticky'
- Tacit \rightarrow 1:1,000,000
- One who interprets and gains insight




The Information Hierarchy

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How are you transferring knowledge about...

- The enterprise?
- The corporate culture?
- The strategic vision?
- Intellectual property?
- Highly specialized or technical knowledge?



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Stage 5 - Handing over the reins

- Leader's perspective (getting out of the way)
 - confidence in successor – 80/20 rule
 - redirect stakeholders to successor
 - coach team on how to work with new leader
 - may have to break complacency
 - communicate with all affected

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Handing over the reins

- Leader's perspective (getting out of the way)
 - timing of opportunity is not always within your control
 - be prepared to be flexible and move aside...be ready to assist if called upon

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Handing over the reins

- Successor's perspective
 - understand yourself - overnight transition or longer?
 - deal with the change in relationship with team
 - be prepared for the 'seagull school of management'
 - implementing change

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Handing over the reins


- Team's perspective
 - the team will be more guarded with new leader during transition
 - coping with change in leadership approach
 - take less risk to start – potential reduction of creativity and innovation
 - test the new leader

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Impact of unplanned succession

- Chaos
- Loss of motivation
- Apathy
- Poor morale
- High turnover
- No direction
- Reduced creativity
- Loss of corporation knowledge and history
- Business failure
- While the cat's away, the mice will play



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Tips – preparing for the transition

- Start early and document your plan
- Do your gap analysis
- Communicate strategic vision
- Identify potential successors early and mentor them
- Provide development opportunities
- Reduce the scope of the challenge (1:1 ratio?)
- Look inside and outside

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Tips – preparing the successors

- Understand what motivates and inspires different generations
- Make sure successor understands leadership expectations
- Delegate authority – even if successor may not be ready
- Ask questions - prompt them to deal with issues they have avoided
- Be prepared - mistakes will and should happen

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Tips – planning a smooth transition

- Can take 6 months to many years - make sure you have enough time
- Give successors opportunities for experiences outside of given job description
- Give successors a timeline and time to consider
- Understand that your successors will make decisions differently from you (80/20 rule)

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In other words...

- When leaders care for the enterprise and care for their team, they will create the opportunity (or implied threat) to allow for their own freedom

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So...what's the impact?

- FM - be a leader in your enterprise
- Future FM issues to be resolved
 - Space planning
 - Training – soft skills vs. hard skills
 - Network of knowledgeable people
 - Cost implication – additional space, additional funding, duplication of effort
 - Prepare workplace to retain older workers
 - Contributing 'wisdom' or battling 'ageism'

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51



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Carroll Thatcher Planning Group

- Phone: (613) 729-2646
- Fax: (613) 761-1609
- solutions@thatcherplanning.com

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52