

# SUCCESSION PLANNING

## A Key To Business Growth And Survival

*Planning today for the unexpected that may arise tomorrow makes good business sense. But in an era of constant change, leaner company structures and lower employee tenure, searching within for leaders of the future has proven an increasingly challenging although critical part of overall business strategy.*

*By Tricia Reardon*

No matter how big or small a company, having a key position replacement strategy in place can have a dramatic impact on the continued growth and even survival of an organisation. Restructuring, downsizing, acquisitions, management turnover, even death or disaster are very real occurrences that can result in sudden loss of executive talent. This in turn can leave a company vulnerable if there is nobody that has been identified to step in quickly. While it is well known that successful companies view executive replacement as an integral part of their overall business strategy and leadership development program, in today's business environment, it is more the "how to" in developing and maintaining the systems and processes that lead to a successful succession plan.

In times gone by, structured career ladders, stable workforces and consistent company goals meant one only needed to look at the organisation chart for a list of potential replacements for a departing individual. Today, however, companies are running lean. Businesses are constantly changing in line with a fast-paced, technological world. Many companies do not even have a clear view of what type of business they will be in five to ten years. This creates difficulty when it comes to identifying the type of leaders required for the future, let alone predicting whether they will still be with the company when required.

outcomes are insidious and go to the very culture of the organisation, while others can be easily measured in a dollars and cents way, e.g.:

- reduced effectiveness/productivity
- lost competencies / skills / knowledge
- increased staff turnover because of unrest / non-recognition
- client dissatisfaction from reduced or dislocated service and performance
- \$ cost of increased external recruitment
- \$ cost of training for new staff
- \$ cost of having to buy staff from an applicant tight marketplace.

Succession planning has to be an ongoing process of identifying and developing a pool of potential leaders who can meet the company's current needs as well as future needs. Key objectives for succession planning are ensuring leadership continuity - especially at time-critical periods - identifying competency gaps, identifying future skill requirements, implementing a management development process, and maximising a diverse pool of candidates.

"However, prior to implementing a succession planning process, it is important to gather information and make organisational decisions based on real data and considered importance of issues," explains Rex. "Apart from the organisation structure, its size, locations, hierarchy, maturity etc, the demographics of the organisation also need to be reviewed including age, gender, length of service and key skills analysis." Equally important is an audit of the organisation's key personnel whose loss would have a major impact on organisation performance. "The loss of an organisation leader where there was no groomed successor might not only cause actual decrease in organisation effectiveness, but might also cause marketplace unrest - for listed companies, this may cause a major revaluation of company value," says Rex.

Other considerations include the current culture and the supportive structures that exist, e.g. performance management, development programs and internal promotion policy etc.

While succession plans vary from company to company, there are a number of principles that are common to all. It is also important to understand that succession plans are "living"



"The outcomes of not implementing succession planning are common knowledge, and yet few organisations actually measure these outcomes," says Rex Barrand, Psychologist and Human Resource Consultant with Business Directions. Rex believes that some of the



"building long - standing partnerships"

plans -they change, evolve and take into account the constantly changing needs of the business.

**Succession plans that work:**

- receive support from the top, are owned by line management and supported by all staff.
- are simple and tailored to the organisation's unique needs
- are flexible and, most importantly, linked to strategic business plans
- evolve from a thorough human resource review process (mentioned earlier in Rex's comments)
- should be based upon well-developed competencies and objective assessment of potential candidates, broader management development programs and include developmental projects/assignments
- should also be integrated with other human resource systems and have accountability and follow-through.



There is no doubt that one of the hallmarks of a well-run company is that it has developed executive bench strength from within. The unexpected does occur, but the company that is prepared with a sound succession plan will endure and rise above any loss of talent.

An important side effect of implementing a good succession plan is becoming an organisation of choice. Successful succession plans involve, among other criteria, sound training and development programs that enhance the skills, competencies and knowledge base within an organisation.

Investment in staff development is not only important for the growth of the company, but its individuals as well. This can have positive

results in loyalty and commitment from these people. When considering the cost of recruiting, inducting and training new staff, an ongoing commitment to retaining them is critical. A planned approach to career development will greatly impact on retention of staff and will also mean a pool of talent is available from which to draw when a vacancy occurs. While it may still be necessary to seek candidates externally from time-to-time, a policy of promoting from within will see current employees respond with enthusiasm, loyalty and improved work practices. Becoming known as an organisation that embraces creative career development programs and succession plans has numerous advantages, not the least of which is the ability to attract the best candidates who look for just such environments in which to excel. The result of being able to attract and retain the best staff impacts on every corner of a business, internally and externally, creating efficiencies and high customer service levels.

A further aspect of implementing a strong succession plan is performance management. As succession planning requires the identification of position and existing staff competencies, putting measures in place around these competencies forms the basis of sound performance management.

Succession planning takes a commitment of time. Identifying future leaders is an interesting process and one that requires ongoing review. All the management skills of delegation, empowerment, consultation and leadership come into play during this process and can prove a challenging exercise as one examines what the business requires today and in the future. However, the process is a very worthy one on which to embark, as it demands sound planning, objective setting and clear direction.