



# Succession Planning

How to take your organization  
to the next level

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In the last ten years, from 2006 to 2012, the number of people between the ages of 55 and 64 in the US increased by 64%. A national leadership study completed by the Annie E. Casey Foundation in 2006 confirmed that Baby Boomers account for nearly 73% of the key leaders, managers and supervisors in US companies. These Baby Boomers are going to leave the sector in two waves: the first by 2012 and the second by 2020. A little over half of the Boomers (57%) in leadership positions are planning on leaving by 2012. Nearly 85% plan to leave during the next 7 years.

There are many different definitions for succession planning. For our purposes we are limiting this topic to leadership transition.

### Keys to Success

Many of today's business failures are due to lack of thoughtful succession planning. As your company begins to think about the leadership transition process, the following key points will help you stay on track:

1. Select a person who has the personality and style to have a positive influence on the morale of the staff.
2. Choose a person with a great passion for the work, staff and clients.
3. Make certain that the person has a good working knowledge of the company and industry.
4. Seek a person with a high level of loyalty to the organization.
5. The organization should be prepared to invest substantial resources in professional development.
6. Select a person who understands the vision and culture of the firm and is committed to both.

Leadership transition can work without these guidelines, but you will have a much higher level of success with these criteria included in the process.

### Challenges to Succession Planning

As you work through the succession planning process you will encounter some of the following issues:

1. Finding the most qualified person who also aligns with your vision and who can get along with staff.
2. Finding the time it takes to develop a successor.

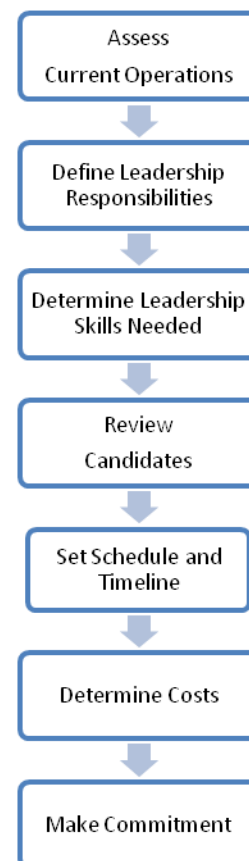


3. Wanting to move too quickly. Don't make decisions hastily just to get done.
4. Having just one person make all the decisions.

### Succession Planning Process

The process does not have to be overly complicated. However it is always best to follow some form or process to ensure that the succession plan is successful. This would be true for family owned and non family owned businesses as well. All too often family owned businesses merely pass the succession on to the "next" family member, only to discover that the person lacks the skills, interest or passion to continue the business.

*Typical Succession Planning Process*



## Assess Current Circumstances

The first step is to spend some time analyzing the current state of the firm. If there are major changes to be made, it may be better to do this before any succession takes place. In most cases you want to have a structure and governance in place. The exception to this is if you are “distressed” and need someone short term to clean house. In these cases leadership will be short term.

## Define Leadership Roles & Responsibilities

Spend time determining what kind of leadership your company needs in order to thrive. What specific responsibilities will this person have? Are you going to modify management structure? If so, will this change the management roles?

## Confirm Leadership Skills Needed

You will need to identify the skills necessary to accomplish the leadership function. Some basic traits that all leaders need have been identified here, but you may have others that relate to your industry or firm. You might also want to write out a specific job description and method of evaluation. Always consider personal attributes and people skills. It is also a good idea to undertake a personality assessment of the candidate. These are inexpensive and can give you valuable information.

## Review Candidates

Now you are able to review internal and external candidates. There are pros and cons to consider with either one. Often a more family oriented business does better in the long term with internal candidates. As the firm gets larger it is easier to bring in external people and still have an effective succession.



## Set Schedule & Timeline

The timing of your succession plan depends on your firm’s decision making requirements. The longer time you need to make decisions the longer you will need to work through the process. To effectively manage this process, most firms need 12-18 months. This is especially true if you hire from the outside.

## Determine Costs

There may be little cost associated with your succession plan, however firms have invested in some of the following:

- Travel for outside candidate
- Search and selection process
- Training
- Outside consultants to help you
- Candidate personality evaluations
- Life insurance
- Non compete agreements
- Introduction event for selected individual

## Make Commitment

The last thing you need to do is to carry out your plan. Don’t be surprised if you have to modify the plan as you go. This is a fluid process. It is never too soon to begin succession planning, even if it is only a blue print for the future, as you never know when your business will require it.

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