



The Cambridge Perspective

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Succession Roulette



One of the few things you can depend on in business today is employee turnover, yet almost 50%¹ of Canadian organizations are playing Russian Roulette, or more aptly 'Succession Roulette', by allowing critical roles to remain without succession plans at a time when knowledge and experience are in short supply.

Senior management is responsible for not just the success of the organization, but its survival in the long-term. Assessing organizational and market risks and preparing for the foreseeable and unforeseeable are critical aspects of corporate governance in today's uncertain world. Ensuring the continuity of leadership could be considered the most critical requirement in addressing the organization's long-term security.

People move, get recruited, fall ill, die, retire, and even win lotteries. Organizations should be prepared for these unanticipated changes or risk being derailed by the loss of time, money and strategic focus caused

by the necessity of searching for a talented replacement. And those costs can be 50-200%² of the employee's compensation in direct and indirect costs. For smaller organizations, the loss of a critical leader can be even more disruptive, as there are



fewer options for successors within the organization, and fewer peers to shoulder the added responsibility.

Time is Running Out

The massively hyped exodus of baby boomers is finally happening. Thanks to the generational decrease in the population following the "baby boom" and countless changes to traditional business models, such as the corporate restructurings of the 90s, the general flattening of management structures, corporate downsizings, M&As, technology and productivity improvements, etc., many organizations are simply unsure what the future holds, and therefore, not quite sure how to address the issue of succession.

There are an infinite number of understandable reasons for putting it off... deadlines, time pressures, lack of resources or funds, etc., but there is one powerful reason for NOT putting it off – probability.

According to a 2010 survey only 13%³ of North American workers intended to stay put in their current jobs. This means that a significant percentage of employees are either actively pursuing a move or would consider a move for a better offer. If that happens, are you prepared?

Your risk can be minimized with a solid succession plan that covers key team members that is flexible and responsive enough to change with new circumstances. And it's important to share the plans with key management and staff because succession is as much about identifying and retaining key talent as it is about replacing those lost. In the case of large or public companies, it is also important to publicize succession plans, in order to sustain market confidence and address investor concerns.

Succession Considerations

Establishing a succession plan doesn't have to be an onerous and disruptive task. A bare-bones outline of just the most critical roles that demand continuity is a good way to begin, and you can expand upon it in time. The key is to make the commitment to move it forward on a regular basis by pairing it with tasks you're already disciplined in executing.

We recommend that you be sure your basic succession plan addresses these questions:

- What are the critical roles that require succession?
- What are the skills and personality traits that drive success in those roles?
- Are there potential successors within the organization who can be groomed?
- What is required to prepare them for the next level? (Actions/Costs)

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1976

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- What holes will be left to fill as a result?
- What are the next steps necessary to move forward?

Organizations that don't plan for succession risk losing their most promising talent at a time they will likely need it the most, if those individuals do not see a path upward or lose faith in the future of the organization due to the loss of a key leader or mentor.

Avoid Common Pitfalls

Some of the lesser-known potential pitfalls to avoid when planning for succession are:

- Failing to marry the succession plan to your long-term strategic plan. Keep in mind the kind of people you will need for the goals your organization will be facing in the future, not right now.
- Failing to train the chosen successor. Creating the succession plan is only the first step – training and development of successors must occur to reap the benefits of a succession strategy.
- Failing to develop contingency plans should the original players change. This is very likely to happen, so there must be alternative succession plans that can be seamlessly enacted.
- Underestimating internal talent or overlooking 'soft' skills in place of 'hard' skills. Great leaders have great soft skills, so seek those who display great interpersonal, listening and coaching skills, rather than the execution skills that make them a great employee.
- Failing to consider lateral succession, in favor of upward succession. This gives you more room to maneuver and can

bring candidates to light that might have been otherwise overlooked.

Fill the Niche

Finding someone with the right skills is enough of a challenge, but finding someone to fill a specific niche on your team is even tougher. Every role has a general set of responsibilities, but the mechanical tasks are only a part of the actual role.



Depending on the team composition and dynamics, each member plays a different role, such as 'peacemaker' or 'devil's advocate', which often requires a certain personality type to successfully fulfill their role, especially where there are a number of strong personalities within the group. Like-mindedness tends to stifle new ideas and disagreement, as groups naturally seek consensus on shared goals and decisions. It is important to have a minimum level of diversity on your team, in order to encourage new ideas, stimulate discussion and consider all sides of an argument before making group decisions.

Obtain Expert Advice

An executive search partner can help you define the requirements of the role, the type of individual that will work best in that role, and then identify a selection of individuals who can hit the ground running and be successful within the organization.

An effective search partner can help mitigate the risk of hiring the wrong candidate due to internal politics, cronyism, lack of resources, poor diligence, and other issues that most organizations are not positioned to handle effectively. Our search partners have been exposed to hundreds of different organizations and tackled a diverse range of situations and challenges, so we can speak with authority about best practices, and provide proven, tested expertise to your organization.

Cambridge can provide expert advice on how to approach the succession planning process, conduct team and individual assessments to determine strengths and areas for development, review internal succession potential, help map out an industry scouting strategy, and provide support and assistance in developing a realistic, flexible succession plan.

References:

- 1) *Canadian Institute of Chartered Business Evaluators, Uncertain Value – The Price of Change, Survey, May 2011;*
- 2) *About.com, Small Business Information, Article: Fighting Employee Turnover Costs, Zahorsky, Darrell, <http://sbinformation.about.com/od/hiringfiring/a/reduceturnover.htm>*
- 3) *Survey, Employee Discontent Expected to Reach Crisis Level Next Year, Right Management, 2009.*

“Plans are only good intentions unless they immediately degenerate into hard work.”

-- Peter F. Drucker

Cambridge Management Planning Inc. has been providing executive search and human resources consulting across Canada and internationally since 1976. Working in partnership with our clients, we add value, achieve performance improvement objectives and improve profitability. Cambridge offers a full suite of services including Executive Search, Director Search, Interim Management, Career Transition and Training & Development services.

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