

### SUCCESSION PLANNING

#### What is succession planning and why is it necessary?

Succession planning is critical to ensure the future success of the business and careful planning is needed to ensure that the process of identifying and developing candidates to fill key future roles is effective. This involves identifying those positions which when left vacant or filled with an inappropriate candidate, would have a negative impact on the company, and identifying, selecting and managing people to be ready to move into key positions when necessary. Ideally this should consider all levels in the business but it is particularly important for roles at senior level where the departure of a key person (particularly the CEO or MD) can have a major impact on customer and employee confidence.

A rigorous performance management process will provide useful information on current skills of employees and help the organisation plan for changes in circumstances and new business challenges. (See section 14 for more detail on performance management.)

Although effective succession planning is key to the long term survival and performance of the business, it is an issue which is frequently neglected in the day to day pressures of managing the business. This can be due to the potential difficulties involved in identifying the right person to take over and also because of the leader's reluctance to relinquish control of a business they have spent significant time developing. Family businesses in particular involve additional emotional issues in relation to choosing between children or dealing with the fact that children may not want to join the business. Succession planning at this level can then seem to be an insurmountable task but if broken down into smaller, more manageable steps it can be achievable.

#### 1. Consider the future needs of the business

Consider the future direction of the business and potential changes both in the business and in the business climate. Think about what this means for the type of leadership that will be required. Is the business overly reliant on a few key individuals? Are there roles that are not adequately covered?

#### 2. Identify the skills and experience required

Take time to consider and discuss the current and future requirements of the role and seek new perspectives from others who have a stake in the business on how the current role contributes to the organisation. This will help to identify the most important skills and essential knowledge necessary for a successful transition. It is important not to simply seek a clone of the current incumbent but to consider the future needs of the business.

#### 3. Identify and evaluate potential candidates

Once the skills and knowledge required have been identified, the next stage is to seek potential candidates either from inside or outside the company. Procedures for promotion should follow normal fair recruitment procedures. This may involve internal and external advertisement, input from line managers, use of recruitment agencies and also discussions with line managers and consideration of performance reviews to encourage all internal employees who have the potential and the desire to progress. (See section 14 on performance management.)

When evaluating possible successors, focus objectively on the requirements of the role. Candidates from inside the company have already had the opportunity to demonstrate their skills on the job and will already be familiar with many of its products/services and customers. Candidates from outside the business can bring new skills and a fresh perspective. Try to ensure that all possible candidates, including those employees who are absent from work, have an equal opportunity to be considered for the role. The process should be objective, open and transparent so that all employees understand it.

It is important that decisions are taken for the good of the company, rather than to fulfil an individual's or business unit's needs. All line managers therefore need to be bought into the process.

It also makes sense to inform the rest of the employees so that everyone understands the reason for the decision and so that the successor will have the full support of the full team.

## SECTION 16

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### **4. Plan development of potential candidates**

Use all available information to create a successor's development plan. For internal successors this may include a sideways move into a different job in the short term, or involvement in particular projects. For both internal and external successors, coaching, job shadowing and off the job training may be included in the development plan.

### **5. Plan and manage the transition**

Create a plan to gradually introduce the successor to the job and to measure progress toward readiness to take over. For internal successors this can usually extend over a longer period – although there may also be a need to fill the role the successor is leaving, either through an internal move or external recruitment. In either case, the successor can begin to take on some tasks from the senior level and attend senior-level meetings to establish relationships with key people.

Review performance regularly, providing feedback, support and encouragement.