

9 Steps of Succession Planning for BSCs



9 STEPS OF SUCCESSION PLANNING FOR BSCS

If you died tomorrow, would your company survive or would the doors close forever? For most BSCs, the latter is true. More than half of privately owned businesses do not have a succession plan and are unprepared for a shift in ownership, whether through death or retirement.

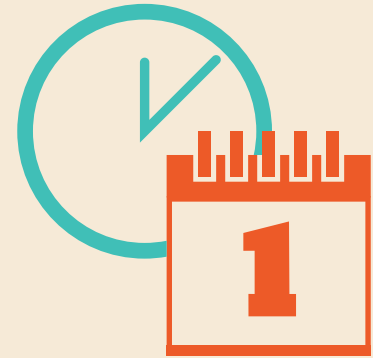
Succession planning is the process of recruiting superior employees or identifying internal talent, then developing their skills so they can grow in a leadership capacity.

Its never too early to start creating a formal succession plan that will ensure smooth and continuous operations. The following guide contains nine critical steps for succession planning.



1. START EARLY

There's an old Chinese proverb that says, "the best time to plant a tree was 20 years ago. The second best time is now." Similarly, there is never a better time to create a succession plan than today.



In the long run, a succession plan will allow you to retire without closing your company's doors forever. Done well, however, the plan also creates a pool of talented employees ready to move up the ranks if you or a key employee dies or becomes incapacitated.

While you might be able to take a wait-and-see approach to planning for retirement, failing to act today could leave your company vulnerable if the unthinkable were to happen tomorrow.

2. IDENTIFY CRITICAL POSITIONS

Smart succession planning goes well beyond finding one suitable replacement for the CEO or owner. It should consider the future of all critical positions in the company. These include top-level management and those jobs that are essential to day-to-day operations.

Write down each of these positions, the value each brings to the company, and the skills each requires. If these job descriptions don't already exist, now is the time to create them.

3. IDENTIFY LEADERSHIP POTENTIAL

Look for future leaders within your current staff. Review resumes and ask managers for input about their employees' skills and work performance. Administering skills- or personality-assessment tests to all employees may also help in this process, too.

For positions with no obvious replacements, figure out where the gap lies. Could an existing employee eventually fit the bill with targeted training? If not, make a note of the type of talent needed, and seek it out as you hire for open positions.

The goal is to develop a deep roster of high-potential employees who could grow into a variety of leadership roles, including those not yet imagined, rather than one perfect replacement for each of your current positions.

4. TURN TO A PRO

Those who can afford it may wish to hire a consultant to guide this process. A third party can more objectively evaluate key employees, which is especially important in a family business, and perhaps identify a dark horse that might otherwise go unnoticed.

These professionals can also provide guidance on communicating the plan to employees in a way that reduces gossip and destructive competitiveness.



5. PUT IT IN WRITING

Create an organizational chart with a list of potential successors for each position, broken down by readiness (immediate, one to three years, five or more years).

It's important to note that the same name could be assigned to multiple jobs. There may also be an unassigned list of people who exhibit the hallmarks of a good leader, but don't fit a particular job title. These employees could later prove to be the perfect fit for jobs that don't yet exist.

Creating a formal plan is particularly useful in family businesses. It illustrates to family members that they aren't entitled to a job, but must earn their place on the org chart.



6. INVEST IN TRAINING

A formal training program is necessary to fuel the talent pipeline. Leadership workshops, on-the-job training, conferences, and the like can help fill the gaps between where employees are and where they need to be.

Consider assigning a mentor (or manager) to each employee identified on the org chart. This person can help map out a career path and develop a training plan. The more you can individualize the training, the better. This makes it easier to help employees improve their personal strengths and shore up their specific deficiencies.

Training isn't cheap, but remember that promoting from within is more cost-effective than hiring from the outside. New employees start at the bottom of the learning curve, which results in a loss of productivity while they get up to speed. One study found that external hires were 61 percent more likely to be fired, were paid more, and got lower marks in performance reviews than internal hires.

7. SPREAD THE VISION

Share the succession plan, the reason for its implementation, and your vision for the company's future with as many stakeholders as you feel comfortable. Don't make promises about promotions, but let employees know you're committed to the company's future and are eager to help them be part of its ongoing success.

Telling employees they are part of the plan can deepen their commitment to the company and reduce the likelihood of them looking elsewhere for advancement opportunities. It may also reveal employees who aren't interested in your company's long-term success.

8. VISIT A LAWYER

The bulk of a succession plan can be implemented quickly. What may take time, however, is dealing with the future exit of the owner.

Preparing for the transition following retirement or death is best handled by a lawyer. They can help draft legal documents, such as a buy-sell agreement and stock redemption agreements, based on your corporate structure. Getting this paperwork formalized may take a considerable amount of time, so don't delay this step.

9. REVIEW THE PLAN

Like the U.S. Constitution, a succession plan is a living document. Don't create it only to let it collect dust on a shelf. Look at the plan at least once a year and review where you stand on the development of your talent.

Edit the plan at this time to reflect any personnel or position changes. Also, determine whether your company is shifting direction or growing in ways that require further adjustments to the plan.

