The Top 10 Challenges to Succession Planning & How to Overcome Them

Every successful business has to eventually ask itself, “what next?” In other words, what is the plan to continue the business when the existing leadership is no longer around. If the business is *not* successful, you don’t have to worry about this; the external world will take care of the remains.

So assuming you are running a successful business you will have to address this subject. The good news is there are a variety of options for successful succession. The bad news is many organizations don’t address this subject until forced to by circumstances and many times that either limits options or forces the organization into making a less than optimal decision.

To avoid the suboptimal choices you should begin planning today, or at least very soon. The earlier you begin to plan the better you can explore the options to determine the most appropriate for your organization.

As part of you due diligence process to decide on your best succession options you want to be aware of, and avoid, the 10 most common challenges to successful succession planning, including:

1. Using the past to plan for the future
2. Stopping at the CEO
3. Not getting the Board onboard
4. Not leveraging the human capital within the firm
5. Not making succession part of the culture
6. Not developing the leadership team
7. Not developing the remainder of the staff
8. Not cleaning up the “books”
9. Not documenting your processes
10. Not allowing enough time

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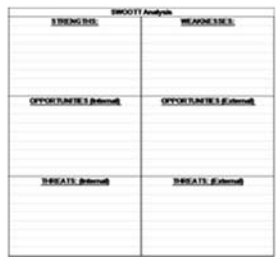
So let's take a deeper dive into each of these issues to see how we can overcome them.

1. Using the past to plan for the future

The reality is, most organizations simply don't formally plan. They are so busy putting out fires they don't take the time to prevent them (planning). That said, of the ones that do plan, most simply take the assumptions from the past & increase them by some arbitrary factor [say 5%].

No real thought is put into it, again, frequently because everyone is working *so hard* [as opposed to *smart*] they don't take the time to think things through. There are several relatively simple tools available that can help any organization review the world they are, and will, operate in to help make better planning decisions. These include*:

- SWOOTT (yes)
- PESTLE
- Ansoff's
- Effort vs. Impact
- Make vs. Buy
- Porter's 5 Forces



* (if you would like an Excel version of any of these email me at dsfeiman@Buil;dItBackwards.com)

By looking at your organization, the marketplace and what will change in the future, you can make more informed decisions. These decisions lead to better succession planning & better succession planning leads to better results.

2. Stopping at the CEO

Succession planning is about the future of the organization. Therefore, the leadership team must be included. Yes, the CEO is the ultimate decision maker, yet they need input from the other leaders in the organization. After all, some of them just might be part of the plan. Additionally, they may have some good ideas & can be used as a sounding board for brainstorming.

A delicate balance must be struck here between encouraging creative, thoughtful and forward looking input with that which is only self-serving. Challenge everyone to actively participate, but the contributions must be objective. What are the best options for the future?

A professional facilitator is frequently engaged here for several reasons beyond just being objective. An outside consultant can *encourage* participation when the CEO might be either struggling or intimidating. Also, the right facilitator has the experience to guide the team through the potholes that inevitably arise during the process.

3. Not getting the Board onboard

Whether we are talking about an Advisory Board (informal) or a Board of Directors (formal), these groups of independent, objectives givers of input need to be included in the succession planning. They will help you see & plan for the challenges involved with succession planning. They should also be able to guide you through the implementation process based on their own experience in other organizations.

Too often the CEO doesn't consider including the Board. This is usually either because they think the Board doesn't have anything to add to the process or they might disapprove of the direction the CEO wants to take. Both rationalizations are a mistake. *We are smarter than anyone of us is smart.*

4. Not leveraging the human capital within the firm.

Every organization has some talented people with good ideas & good intentions. Why not take advantage of them in the succession planning process? We are surprised at the number of firms we have interviewed and/or consulted to who didn't consider including anyone in the process outside of the executive level.

In fact, the number of CEOs who exclude the rest of the executive team in succession planning goes to this point also. Too frequently, a single leader who does not take advantage of the expertise & experience of their team find their plan short-sighted, incomplete or worse, unworkable.

5. Not making succession part of the culture.

Corporate culture is rooted in an organization's goals, strategies & structure. Culture refers to the shared values, attitudes, standards, & beliefs that characterize members of an organization and define its nature.

Succession planning is a natural step of successful companies. Remember that old expression, "those who fail to plan, plan to fail"? Since succession planning is the result of running a good firm & good firms have solid cultures, making succession planning a part of the culture should be logical.

This also means that the culture must be taken into consideration in the planning process. Who, what, when, & how are questions that can be, in part, answered via the culture.

6. Not developing the leadership team

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We spoke earlier that the CEO sometimes does not include their executive team in the planning process. This is a mistake. A bigger mistake is the firm not developing its leadership team. In many cases these are the folks who will succeed you!

Every organization must develop its leadership team to lead it today & tomorrow. Duh! Even if you haven't gotten around to succession planning yet you must develop your leadership team to run the company into the future.

Through the process of developing the team, you will learn who wants it, who is willing to work for it & who isn't up to the task. All critical pieces of information for the succession plan.

7. Not developing the remainder of the staff.

While the leaders & managers may set the direction, a lot of the *heavy* lifting, the doing, goes to the remainder of the staff. Employees frequently are working *hard* but not necessarily *smart.*

One way to insure the staff works smarter is to teach them new tools, techniques & tricks of the trade. Whether the education is formal (class room) or informal (on-the-job demonstration), developing the remainder of the staff pays dividends.

What are these *dividends*? When you invest in your employees they are more engaged & happier. Happier employees are both more productive & turnover less frequently. Lower turnover reduces costs (both direct & indirect) & results in achieving the firm's goals more easily.

8. Not cleaning up the "books"

Assuming you file your taxes properly & have appropriate financial statements ("books"), you should go 1 step further; have the books reflect you *real* results.

Tax avoidance (using the tax laws to your advantage) is perfectly legitimate & what every business should do. Tax evasion (not paying what you actually owe) is a crime with very severe penalties when you get caught (and you always get caught, at some point).

Most businesses structure their tax returns using cash accounting & aggressive noncash deductions to minimalize taxes. This is ok. Their financial statements use accrual accounting & straight line noncash deductions to maximize profits. Also ok & perfectly legitimate as long as they reconcile.

The challenge is the *grey areas* of deductions on the income statement that an independent leadership team would not choose. Eliminate them moving forward to

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make the firm more appealing to those who will succeed you. All legitimate, yet this looks better to your successors.

9. Not documenting your processes

An extremely common problem with firms is not having how they do what they do written down. You don't have to be Toyota to want/need to be consistent in what you produce; product or service.

The way to create the same value for your customer/client each time they buy from you is to have *standard work*, in the good way. Variation in your process, while wanting to produce the same result each time, leads to waste. Waste costs you money.

The solution is to document your processes. Write down how you do something; [a process map is the easiest way to do this]. Tweak it to be the best it can be today & then train everyone on that process; measure the results over time. Improve it anytime someone can find a way to do so, but be consistent in following the steps above. Follow the *Plan, Do, Check, Act* model. It is amazing how it can improve any business.

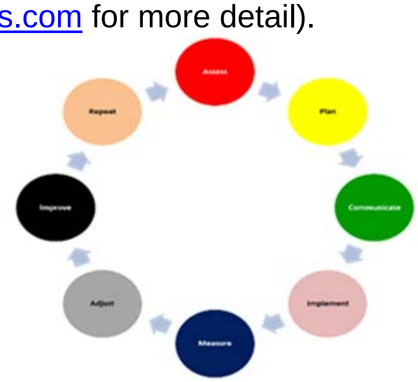
10. Not allowing enough time

Don't start planning your succession the day, week or month before you want/need to be out. Remember the 5 P's

- Proper
- Planning
- Prevents
- Poor
- Performance

Anything worth doing is worth doing right [Hunter S. Thompson]. Doing succession planning right is taking the time to go through the process. It is following the APCIMAIR(SM) model. (see www.BuildItBackwards.com for more detail).

- Assess
- Plan
- Communicate
- Implement
- Measure
- Adjust
- Improve
- Repeat



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Following this proven process, set a timeframe that is comfortable, then add 50% to absorb the surprises that always pop up. Write down your plan as it develops, being aware of the points above. Leverage the positive, mitigate the negative, evolve and implement.

Experience tells us every succession plan takes longer to create than originally thought; so add time. It also shows us it takes longer to implement than anticipated; so allow more time. Put these together & Build It Backwards ☺.

For a free initial assessment or to discuss a more detailed analysis of these and other issues involved in developing and executing your succession plan, please call Daniel Feiman at 310.540.6717 or email him at DanielFeiman@BuildItBackwards.com. For testimonials, case studies, a client list or upcoming events, please visit our website at www.BuildItBackwards.com.