Managing Succession

Among companies with annual revenue between $50 million and $500 million, just under half actually develop plans to manage succession (InterSearch, 2013). ***Succession management*** is a process to identify, assess, develop, and retain future leadership. Succession can happen as a managed, deliberate process, or it can happen as a chaotic event. But, in all organizations, it will happen. Whether the organization is public or private, succession is about having the right talent at the right times for all critical positions…a literal supply chain of talent.

When considering the success of CEO succession, a recent HBR report shares a formidable statistic: One-third to one-half of new chief executives fail within their first 18 months, regardless of internal promotion or external hiring (Ciampa, 2016). Fortunately, analysis of successful and unsuccessful efforts to manage succession have resulted in patterns that firms can proactively address in the succession planning process, as reported by HBR:

Regardless of an external hire who moves directly into the CEO role or enters as second-in-command with plans to move up, the most common mistakes include:

- Ignoring or undervaluing the interpersonal and political dynamics necessary to build effective relationships and coalitions.
- Lack of attention to and achievement of the cultural changes their strategic and operational agendas require.
- Overestimating the willingness or the capacity of staff to abandon old habits and behaviors.

The role Boards and Key Executives often play in failed succession plans:

- Neglecting to grasp the complexity of succession and applying the same process to chief level transitions as lower levels.
- Inattention to carefully consider the organization's cultural and political particulars that impact a leader's early success.
- Setting one-dimensional goals for the new leader that ignore equally important metrics for success (e.g., emphasizing only financial goals; ignoring cultural, political, or personal goals).

For Family Businesses, additional considerations are merited:

- Succession planning is essential for maintaining the value of the business and stability of the family.
- An heir may have the right to inherit the business, but the right to lead should be earned.
- Potential family successors should also gain experience working outside the family's business.
- Have a stakeholder-developed vision and mission statement for both the family and the business.
- Transition should be a two-track process: transition leadership and management, then ownership.
- Most owners expect business leadership to stay in the family. Professional third party assessment provides objective data about risks and how to support the change in leadership.
- The next generation should be unified in their commitment to the business, how it fits into the family, and in their endorsement of the new leader. This unity often needs to be developed.

References & Suggestions for Further Reading

- Ciampa, D. (2016). After the Handshake. *Harvard Business Review*, *94*(12), 60-68.
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- Harrell, E. (2016). Succession Planning: What the Research Says. *Harvard Business Review*, *94*(12), 70-74.