

## Succession Planning

A key part of visionary leadership in any organization is the ability and willingness to plan ahead for contingencies. At some point in the future it is inevitable that leaders will change (death, promotion, recruitment both other organizations)

It is therefore vitally important to have processes in place to develop successors and to consider all the implications of such succession.

It is particularly relevant in family-owned and private firms where tax implications create there own special situations.

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Tips

### 1 External resources

Contingency planning in general and Succession Planning in particular, by their very nature, probably calls for skills and specialized knowledge that may not be immediately available within the organization.

Consider involving:

- Attorneys (especially those qualified in estate planning)
- Accountants (in particular those with practical experience in evaluating the worth of organizations)
- Bankers
- Risk management specialists
- Advisory Board
- Consultants

### 2 Asset protection

Long-term strategies to build and conserve wealth often mean trade-offs with current needs. Part of Succession planning is reaching agreement on such area as:

- Dividend policies
- Key-man insurance
- Buy-sell agreements
- Trusts
- Tax-efficient wealth transfer and transfer mechanisms

## Free Business Tips

### 3 Successor selection

In these constrained economic times, the really smart organizations are concentrating on retaining the talent they already have and recruiting talent for the future after careful evaluation of the skills needed to be successful (i.e. talent management)

- Long-term HR planning
- Job descriptions that are reviewed and updated to match the expected needs of the organization
- Recruitment of, and management of, a talent pool. This should include assessments and 360-type instruments as part of all individuals' self-management
- Deliberate cross-training to give talent a variety of experiences and widen their skill-sets
- Mentoring and Coaching (internally and by outside consultants)
- Creating multiple opportunities for team-building

### 4 Governance issues

Establishing fair, equitable and transparent reward systems is important if management talent is going to consider any organization as a valued, long-term employer. Consider these aspects:

- Ownership distribution (Including Employee stock ownership plans ESOPs)
- Reporting criteria (Regular and based on jointly determined targets and goals)
- Board interaction (Reporting on and controlling the executives)
- Compensation policies (Do these reward short-term decision-making and excessive risk-taking?)
- Separation policies. (Will these be robust under the scrutiny of internal and external shareholders?)
- Ethical standards. (Does the organization has a published set of values and does it live by them?)

### 5 Business and organizational issues

No organization can ignore the public's opinion of them; nor should they fail to establish policies and criteria that will affect the value of the organization

- Public Relations (including the organization's preparedness for dealing with the media)
- Ownership considerations (Including voting and non-voting stock, preference stock etc)
- Stock price and valuation
- Policies re Internal promotions vs. External recruitment