

# Succession Planning Basics

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## Attracting, Developing, & Retaining Talent

Leadership continuity is one the most critical factors to family businesses succeeding generational transitions.

Succession planning is the process whereby an organization ensures that employees are recruited and developed to fill each key role within the company. An effective succession planning process that is integrated into the performance management system of a company helps companies recruit superior employees, develop their knowledge, skills, and abilities, and prepare them for advancement into more challenging roles.

Effective succession planning is a competitive advantage. It helps ensure a talent pool is prepared to take advantage of market opportunities and provides a bench for key positions. It also helps the owner identify his or her successor and begin the process of mentoring and transition.

It seems like a relatively simple concept, yet few businesses actually have a competent or effective succession plan or model in place. This is especially true in family businesses. Filling key positions is often reactive instead of strategic. According to Talent Management magazine, about 70 percent of companies say they participate in some form of succession planning. However, 62 percent also report having too few candidates for organizational needs, and a third of organizations report no succession plan at all.

These numbers are low compared to just how important succession planning is to an organization's success. The economy is constantly changing and unpredictable. You never know when employees may leave or retire, and you're faced with vacant job positions that are critical to your organization's function and future. So, you need to be prepared! As former president John F. Kennedy is quoted, "The time to repair the roof is when the sun is shining."

To build a succession plan, there are several steps in the process. They include:

1. The first step is to have a clear understanding of your business strategy. At the end of the day, your workforce is there to implement the strategy and achieve expected business results. You need to understand the type of talent that will be required to achieve your strategy.
2. Obtain leadership support, both at the ownership level, executive level, and board level.
3. Assemble a succession planning team.

4. Identify all key positions and key people to be included in the process.
5. Establish a baseline of the current situation.
6. Identify and evaluate through assessments and interviews your leadership talent, high performers, and high potentials throughout the organization.
7. Create a plan and process to develop the indentified internal candidates.
8. Recruit outside talent to fill the gaps.
9. Integrate the succession planning process into the organization's performance management process to ensure ongoing implementation.

Succession planning ensures a readily available pool of talent, giving companies and owners options. Key employees stay longer because they can see a career path, and recruitment of A-players is improved because A-players want to continue to grow and get better. Succession planning is an iterative process and should become a part of your business practices, not a reaction to an employee departure or change in the market.

**Compass Point** is a business consulting firm specializing in family-owned companies. We work primarily in the manufacturing, construction & professional service industries. We provide hands-on consulting & coaching to help businesses close performance gaps; give owners practical, actionable tools that drive growth; develop leaders and position the business for successful ownership transition – all on their terms.

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